

SMITH BUNDAY BERMAN BRITTON, P.S.

BELLEVUE COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

January 16, 2017

To the Board of Directors
Bellevue College Foundation

Independent Auditor's Report

We have audited the accompanying financial statements of Bellevue College Foundation (a non-profit organization) ("the Foundation"), which comprise the statements of financial position as of June 30, 2016, and 2015 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bellevue College Foundation as of June 30, 2016, and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Smith Bunday Berman Britton, P.S.

**BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$285,092	\$530,880
Marketable securities - Notes 3 and 5	7,100,110	6,494,016
Contributions held in trust by others - Note 4	2,529,608	2,702,346
Donations and other receivables	4,980	10,768
Pledges receivable, net - Note 2	144,135	274,756
Prepaid expenses	25,173	13,297
	<hr/>	<hr/>
Total assets	<u>\$10,089,098</u>	<u>\$10,026,063</u>
LIABILITIES		
Accounts payable	\$4,749	\$12,680
Grants payable	44,518	43,463
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Total liabilities	<u>49,267</u>	<u>56,143</u>
NET ASSETS		
Unrestricted	897,526	818,266
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Temporarily restricted:		
Student scholarships	1,290,657	1,495,324
Faculty and staff awards	191,406	198,521
Bellevue College programs and activities	2,231,226	2,097,455
	<hr/>	<hr/>
Total temporarily restricted	<u>3,713,289</u>	<u>3,791,300</u>
Permanently restricted endowments:		
Scholarship	4,065,085	4,001,473
Faculty excellence	403,543	403,543
College program	759,288	756,738
Where needed most	201,100	198,600
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Total permanently restricted	<u>5,429,016</u>	<u>5,360,354</u>
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Total net assets	<u>10,039,831</u>	<u>9,969,920</u>
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Total liabilities and net assets	<u>\$10,089,098</u>	<u>\$10,026,063</u>

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions:				
Current gifts	\$439,694	\$953,859		\$1,393,553
Endowments			\$68,662	68,662
Contribution - bequests				-
In-kind contributions - Note 6	214,441	41,759		256,200
Earned income:				
Investment earnings - Note 3	4,314	(2,327)		1,987
External trust earnings (loss) - Notes 4 and 5		(68,857)		(68,857)
Joint College activities	2,817	125,026		127,843
Management fee	40,220			40,220
Total support and revenue	701,486	1,049,460	68,662	1,819,608
Net assets released from restrictions - Note 7	1,127,471	(1,127,471)		
Total	1,828,957	(78,011)	68,662	1,819,608
Expenses:				
Program:				
Bellevue College programs and activities	702,555			702,555
Student scholarships	276,904			276,904
Total program	979,459	-	-	979,459
General and administrative:				
Payroll, taxes and benefits	225,509			225,509
Professional fees	29,819			29,819
Office supplies	992			992
Bank and investment fees	46,802			46,802
Insurance	2,355			2,355
Professional development	2,543			2,543
In-kind facilities	8,997			8,997
Custodial fees	40,220			40,220
Board operations, registrations and other	13,077			13,077
Total general and administrative	370,314	-	-	370,314
Fundraising:				
Payroll, taxes and benefits	227,192			227,192
Donor solicitations	118,490			118,490
Donor cultivation & recognition	40,180			40,180
Pledge write-offs - Note 1	6,647			6,647
Professional fees	-			-
In-kind facilities	7,415			7,415
Total fundraising	399,924	-	-	399,924
Total expenses	1,749,697	-	-	1,749,697
Increase (decrease) in net assets	79,260	(78,011)	68,662	69,911
Net assets at beginning of year	818,266	3,791,300	5,360,354	9,969,920
Net assets at end of year	\$897,526	\$3,713,289	\$5,429,016	\$9,969,920

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
(With comparative totals for the year ended June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions:					
Current gifts	\$320,712	\$851,355		\$1,172,067	\$904,169
Endowments			\$75,544	75,544	244,754
Contribution - bequests		1,000		1,000	-
In-kind contributions - Note 6	262,096	47,240		309,336	181,126
Earned income:					
Investment earnings - Note 3	35,045	46,771		81,816	871,586
External trust earnings - Notes 4 and 5		2,426		2,426	28,712
Joint College activities		96,835		96,835	57,680
Management fee	40,132			40,132	37,986
Miscellaneous revenue				-	60
Total support and revenue	657,985	1,045,627	75,544	1,779,156	2,326,073
Net assets released from restrictions - Note 7	1,175,709	(1,175,709)			
Total	1,833,694	(130,082)	75,544	1,779,156	2,326,073
Expenses:					
Program:					
Bellevue College programs and activities	813,015			813,015	366,433
Student scholarships	200,187			200,187	191,026
Total program	1,013,202	-	-	1,013,202	557,459
General and administrative:					
Payroll, taxes and benefits	179,145			179,145	167,539
Professional fees	44,625			44,625	28,643
Office supplies	1,453			1,453	1,982
Bank and investment fees	43,102			43,102	25,768
Insurance	2,446			2,446	1,512
Professional development	5,752			5,752	583
In-kind facilities	6,039			6,039	6,100
Custodial fees	40,132			40,132	37,986
Board operations, registrations and other	12,376			12,376	8,688
Total general and administrative	335,070	-	-	335,070	278,801
Fundraising:					
Payroll, taxes and benefits	328,864			328,864	115,720
Donor solicitations	96,389			96,389	94,325
Donor cultivation & recognition	46,242			46,242	8,748
Pledge write-offs - Note 1	5,222			5,222	109,592
Professional fees	5,000			5,000	-
In-kind facilities	6,767			6,767	4,396
Total fundraising	488,484	-	-	488,484	332,781
Total expenses	1,836,756	-	-	1,836,756	1,169,041
Increase (decrease) in net assets	(3,062)	(130,082)	75,544	(57,600)	1,157,032
Net assets at beginning of year	821,328	3,921,382	5,284,810	10,027,520	8,870,488
Net assets at end of year	\$818,266	\$3,791,300	\$5,360,354	\$9,969,920	\$10,027,520

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$69,911	(\$57,600)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease in allowance on pledges receivable	(10,943)	(5,269)
Increase (decrease) in discount on pledges receivable	454	(2,953)
Gain on sale of marketable securities, net	(51,527)	(498)
Unrealized loss on marketable securities	309,417	106,728
Permanently restricted contributions	(68,662)	-
Changes in operating assets and liabilities		
Contributions held in trust by others	172,738	90,001
Donations receivable	5,788	(10,768)
Pledges receivable	141,110	49,992
Prepaid expenses	(11,876)	(2,129)
Payables	(6,876)	(26,668)
Net cash provided by operating activities	<u>549,534</u>	<u>140,836</u>
Cash flows from investing activities:		
Proceeds from sale or maturity of marketable securities	989,183	52,439
Purchases of marketable securities	<u>(1,853,167)</u>	<u>(202,761)</u>
Net cash used in investing activities	<u>(863,984)</u>	<u>(150,322)</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>68,662</u>	<u>75,544</u>
Net cash provided by financing activities	<u>68,662</u>	<u>75,544</u>
Net increase (decrease) in cash and cash equivalents	(245,788)	66,058
Cash and cash equivalents		
Beginning of period	<u>530,880</u>	<u>464,822</u>
End of period	<u><u>\$285,092</u></u>	<u><u>\$530,880</u></u>

The accompanying notes are an integral part of these financial statements

BELLEVUE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Activities -

Bellevue College Foundation (the "Foundation") is a nonprofit organization incorporated in 1978 to assist, strengthen and further the purposes, work and services of Bellevue College (BC) primarily by supporting quality education and learning opportunities for all Bellevue College students.

Financial Statement Presentation -

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities*. Under the provisions of this statement, net assets and revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets are net assets that are not subject to donor imposed restrictions and include expendable funds available for support of Foundation operations.
- Temporarily restricted net assets include expendable funds available for support of specific Foundation operations as directed by donors. Temporarily restricted net assets are transferred to unrestricted when they are expended for their restricted purpose and/or the passage of time restrictions are met.
- Permanently restricted net assets include endowment funds that are subject to restrictions by gift instruments requiring, in perpetuity, that the principal be invested and that only the earnings be expended.

Contributions held in trust by others -

The Foundation receives donations which are held in trust by third parties. Under the terms of the various donations, the Foundation has the irrevocable right to receive the income earned on the trusts in perpetuity. The Foundation initially recognizes such contributions using the fair value of the assets contributed to the trust when reliable and verifiable information becomes available. The Foundation periodically remeasures its contributions held in trust by others using the same valuation technique that was used to measure the initial contribution. Subsequent remeasurement adjustments and annual distributions are recognized as external trust earnings in the statement of activities.

Pledges receivable -

Unconditional pledges to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate. Amortization of the discounts is included in contribution revenue. Conditional pledges are recognized only when the conditions on which they depend are substantially met.

NOTE 1 - continued:

The allowance for uncollectible promises to give is determined by management's periodic evaluation of the Foundation's past experience, evaluation of the donor's ability to pay and other current economic conditions.

The allowance is initially established by a reduction of contribution revenue in the period that collection of the promise to give is called into question. Any subsequent write-off of an uncollectible promise to give is recognized as a fundraising write-off expense and restoration of the previously decreased contribution revenue. Recoveries of previously written off promises to give are recognized as contribution revenue in the period received.

The allowance for uncollectible promises to give was \$10,332 and \$21,275 as of June 30, 2016 and 2015, respectively.

Contributions -

Contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Contributions solicited by the Foundation but paid directly to BC are not included in the accompanying financial statements.

Effective July 1, 2015, all donations for BC college athletics and the KBCS campus radio station were solicited and administered by the Foundation. Prior to this date, the Foundation previously solicited and administered some, but not all, contributions to these programs.

Marketable securities received as support are recorded at their estimated market values and are held as investments until sold. The Foundation's policy is to liquidate all contributed marketable securities upon receipt. Changes in the fair value of contributed marketable securities are recorded as adjustments to investment earnings.

U.S. generally accepted accounting principles require that in-kind contributions of services be recognized in financial statements if the services received create or enhance nonfinancial assets, or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions of services and the use of facilities, materials, and supplies are recorded at their estimated fair value. See Note 6.

Marketable securities and investment earnings -

The Foundation reports investments in equity securities and in debt securities at fair value and includes realized and unrealized gains and losses in the statement of activities.

NOTE 1 - continued:**Scholarships and grants -**

The Foundation records grants to the College and scholarship awards to students during the fiscal year in which the Board makes its authorization. In most instances, Board approval and payments occur in the same fiscal year. In certain circumstances, such as a College project begun in spring and concluding in fall, the award is recorded in the year the Board authorizes it; and any authorized but not yet paid amount as of June 30th is shown on the Statements of Financial Position as a grant payable liability.

Functional allocation of expenses -

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Federal income taxes -

The IRS has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that it is not a private foundation.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2013, 2014 and 2015 are open for examination by the IRS, generally for three years after they were filed.

Cash and cash equivalents -

The Foundation maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PLEDGES RECEIVABLE

The Foundation has received unconditional pledges from individuals, businesses and other organizations throughout the Puget Sound area. These pledges are recorded after discounting (using a rate appropriate during the year received) to the present value of the future cash flows. Pledges received during the years ended June 30, 2016 and 2015 were discounted using a 2.35% rate.

NOTE 2 - continued

Pledges outstanding at June 30, 2016 and 2015 are expected to be realized in the following periods:

	2016	2015
In one year or less	\$140,755	\$291,365
Between one year and ten years	14,500	5,000
Total	155,255	296,365
Less:		
Discount	(788)	(334)
Allowance for uncollectible pledges	(10,332)	(21,275)
	<u>\$144,135</u>	<u>\$274,756</u>

Support and pledges from board members represent a significant amount of the Foundation's fundraising. Board members contributed approximately \$69,810 and \$80,038 during the years ended June 30, 2016 and 2015, respectively. Pledges receivable from board members were \$15,844 and \$27,500 at June 30, 2016 and 2015, respectively.

At June 30, 2016, pledges from four donors represent 84% of the balance of the pledges receivable. At June 30, 2015, a pledge from one donor represented 57% of the balance of the pledges receivable.

NOTE 3 - MARKETABLE SECURITIES

Market values and cost of marketable securities at June 30, 2016 and 2015 are summarized as follows:

	2016		2015	
	Market	Cost	Market	Cost
Equity mutual funds	\$4,328,257	\$3,508,335	\$4,037,973	\$2,478,110
Bond mutual funds	2,771,853	2,801,647	2,456,043	2,916,362
	<u>\$7,100,110</u>	<u>\$6,309,982</u>	<u>\$6,494,016</u>	<u>\$5,394,472</u>

The following presents investments that represent ten percent or more of the investment fair value at June 30, 2016 and 2015:

	2016	2015
DFA US Core Equity 1	\$854,365	\$724,712

NOTE 3 - continued:

Investment earnings for the years ended June 30, 2016 and 2015 were allocated as follows:

	2016		
	Unrestricted Funds	Temporarily Restricted Funds	Total
Interest and dividends	\$113,286	\$146,591	\$259,877
Realized gain	22,199	29,328	51,527
Unrealized loss	(131,171)	(178,246)	(309,417)
	<u>\$4,314</u>	<u>(\$2,327)</u>	<u>\$1,987</u>
	2015		
	Unrestricted Funds	Temporarily Restricted Funds	Total
Interest and dividends	\$80,996	\$107,050	\$188,046
Realized gains (losses)	7,488	(6,990)	498
Unrealized loss	(53,439)	(53,289)	(106,728)
	<u>\$35,045</u>	<u>\$46,771</u>	<u>\$81,816</u>

NOTE 4 - CONTRIBUTIONS HELD IN TRUST BY OTHERS

The Foundation holds beneficial interests in certain investments managed by the Seattle Foundation ("TSF"). Earnings from those investments fund the Bellevue College Foundation's Walter Baz Scholarships in Interior Design and additional fund enhancements to the Interior Design program to enable innovation and excellence. The fair value of the investments was \$2,478,908 and \$2,625,700 as of June 30, 2016 and 2015, respectively. The Foundation recognized in 2016 and 2015 external trust earnings (loss) of (\$68,857) and \$2,426, respectively, per information supplied by TSF.

Investment decisions and distribution amounts are set by TSF. Distributions are calculated on a trailing average basis following a formula reviewed and approved annually by the TSF Board. External trust earnings for the fiscal years 2016 and 2015, include distributions of \$77,935 and \$68,876, respectively.

NOTE 4 - continued:

Separately, the Foundation is the named beneficiary of an annuity. Initially valued at \$209,000 based on the combined value of lifetime payments and a residual balance, as of June 30, 2016 and 2015, the recorded balance of this annuity (appraised initial value less payments received) was \$49,958 and \$76,465, respectively.

In addition, as of June 30, 2016 and 2015, the Foundation recognized other contribution receivables totaling \$742 and \$182, respectively, held by other parties.

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. Under generally accepted accounting principles, there are three levels of inputs, which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The inputs or methodology used for valuing investments is not necessarily an indication of the risk associated with investing in those securities.

As of June 30, 2016 and 2015, the fair value of equity mutual funds and bond mutual funds described in Note 3 are valued based on unadjusted quoted market prices within active markets which are Level 1 inputs.

Following is a summary of disaggregated investments measured at fair value as of June 30, 2016 and 2015:

	2016	2015
Mutual funds – U.S. large co.	\$1,849,509	\$1,717,850
Mutual funds – international	831,561	742,855
Mutual funds – U.S. small co.	755,927	772,837
Mutual funds – emerging markets	451,724	394,332
Mutual funds – real estate	439,536	410,098
Bond funds – intermediate term	1,395,341	1,047,207
Bond funds – government	442,792	663,222
Bond funds – global	342,751	434,352
Bond funds – short-term	251,500	311,263
Bond funds - diversifiers	339,469	-
	<u>\$7,100,110</u>	<u>\$6,494,016</u>

NOTE 5 - continued:

The contributions held in trust by others are measured on a recurring basis using a combination of Level 2 inputs (TSF) and Level 3 inputs for the years ended June 30, 2016 and 2015. The Level 3 inputs are calculated based on, the present value of the estimated future distributions the Foundation expects to receive over the expected term of the instrument.

The Foundation remeasures the fair value of its contributions held in trust by others annually and adjusts the measurement inputs (distribution rate, expense rate, trailing twelve quarters average investment value), if necessary, based on market conditions and other relevant data.

The reconciliation of the changes in the contributions held in trust by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

June 30, 2014	\$2,792,347
Payments received	(92,427)
External trust earnings	2,426
June 30, 2015	2,702,346
Payments received	(103,881)
External trust earnings	(68,857)
June 30, 2016	<u>\$2,529,608</u>

NOTE 6 - RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

The Foundation received staffing, office space, utilities, payroll services and certain other services from BC. The Foundation paid BC \$262,115 and \$294,989 for staffing, office space, utilities, payroll services and certain other services for the years ended June 30, 2016 and 2015, respectively. The value of staffing, office space, utilities, payroll services and certain other services received in excess of the amount paid is recorded as in-kind contributions of \$206,998 and \$225,826 for the years ended June 30, 2016 and 2015, respectively.

The Foundation directly paid BC \$1,145,976 and \$1,202,357 for scholarships, equipment, programs, and other operating expenses for the years ended June 30, 2016 and 2015, respectively.

Since July 1, 2008, the Foundation has participated with BC to provide educational services to international students on a shared funding basis and for BC to act as the Foundation's agent for the collection of tuition and fees. The Shared Funding Agreement for International Student Educational Services runs through June 30, 2020. As a result of the Foundation's participation, up to 1,100 students per quarter are able to attend BC. Tuition and fees collected and reported by BC for international students under this agreement were \$8,869,986 (unaudited) and \$8,001,318 (unaudited) for the fiscal years ended June 30, 2016 and 2015, respectively. The unaudited numbers were obtained from BC's finance department. The agreement does not hold the Foundation responsible for any tuition or fees owed to BC by enrolled international students.

NOTE 6 - continued:

Under this agreement BC and the Foundation establish a budget per enrolled student for the purpose of supporting BC's International Student Program in the areas of marketing and recruitment, campus events and other supporting activities. The budget was \$20 (2016) and \$20 (2015) per enrolled student per quarter totaling \$65,840 and \$60,220 for the years ended June 30, 2016 and 2015, respectively.

During fiscal year 2016 and 2015, the Foundation received in-kind donations of resalable vehicles, contracting with a firm specializing in vehicle donations to receive, receipt, process and prepare vehicles for sale at auction. In-kind donations of vehicles are recorded with values equal to the amount of the corresponding auction proceeds. During 2016 and 2015, the Foundation recognized \$27,270 and \$43,255, respectively, in in-kind vehicle donations. The value of vehicles donated for sale, but not yet sold as of June 30, 2016 and 2015 is included in donations receivable in the statement of financial position.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

The net assets released from temporary restrictions during the years ended June 30, 2016 and 2015 were expended primarily for supporting quality education and learning opportunities for all Bellevue College students.

NOTE 8 - ENDOWMENT FUNDS

The Foundation's endowment funds consist of numerous individually named funds. The primary purpose of the endowment funds is to provide current income for scholarships, operations, facilities or as directed by the donors or the Board.

As required by generally accepted accounting principles (GAAP), the endowment funds comprise permanently restricted net assets related to the corpus of endowment funds that have been contributed with donor-specified restrictions that the principal be invested in perpetuity and temporarily restricted net assets that are earnings. These are available for scholarships, operations, facilities or as directed by the donors or the Board.

Interpretation of Relevant Law - The Foundation Board adopted a policy requiring the preservation and growth of the fair value of the original gift (absent explicit donor stipulations to the contrary) which is consistent with the Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result of this policy, the Foundation classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets.

NOTE 8 – continued:

As of June 30, 2016, endowment and similar fund net assets consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	-	\$1,379,387	\$5,429,016	\$6,808,403

As of June 30, 2015, endowment and similar fund net assets consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	-	\$1,632,358	\$5,360,354	\$6,992,712

Changes to endowment funds net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds, June 30, 2015	\$-	\$1,632,358	\$5,360,354	\$6,992,712
Contributions			68,662	68,662
Interest and dividends		146,591		146,591
Realized and unrealized losses		(217,774)		(217,774)
Appropriation for expenditures		(181,788)		(181,788)
Donor restricted endowment funds, June 30, 2016	-	\$1,379,387	\$5,429,016	\$6,808,403

Changes to endowment funds net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds, June 30, 2014	\$-	\$1,726,073	\$5,284,810	\$7,010,883
Contributions			75,544	75,544
Interest and dividends		107,050		107,050
Realized and unrealized losses		(60,279)		(60,279)
Appropriation for expenditures		(140,486)		(140,486)
Donor restricted endowment funds, June 30, 2015	-	\$1,632,358	\$5,360,354	\$6,992,712

NOTE 8 – Continued:

Return Objectives and Risk Parameters - The Foundation adopted investment and spending policies for endowment fund assets that attempt to provide a predictable stream of funding for scholarships and programs of the Foundation and the College while seeking to achieve growth of principal and income over time in order to preserve or increase the purchasing power of the Foundation's assets. Endowments include those assets of donor-restricted funds the Foundation must hold in perpetuity. Under this policy, as approved by the Foundation Board, the Foundation assets are invested in a manner that is intended to achieve investment returns above the broad market indices over a typical market cycle of five to ten years. The endowment assets portfolio is managed by investment managers with the approval of the Finance Committee and the Board of Directors to achieve the above return objectives.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Equity and bond mutual fund investments are diversified in terms of industry, market capitalization and domestic/foreign origin.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has a policy of appropriating for distribution annually as directed by the Foundation Board. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment fund assets to grow. This is consistent with the Foundation's objective to sustain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 - PLEDGE

In June 2011, the Foundation received a \$500,000 multi-year pledge in support of Bellevue College Athletics. As of June 30, 2016, payments received against the pledge totaled \$415,000. The remaining balance of \$85,000 was paid in July 2016.

NOTE 10 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 16, 2017, the date these financial statements were available to be issued.

In November 2016, the Foundation has undertaken to accept and receive a gift of a single family residence. Net proceeds from the sale of this residence will be designated to support scholarships at Bellevue College. The prospective donor has initialed the memorandum attesting intent to gift the residence. It is presumed that the Foundation will receive this intended gift and will complete a sale of the residence during its fiscal year ending June 30, 2017. Gross proceeds from the sale of the residence are anticipated to exceed \$500,000 and to be less than \$1,000,000.