

ISSAQUAH SCHOOLS FOUNDATION

2020
FINANCIAL STATEMENTS



Bader Martin, PS Certified Public Accountants + Business Advisors

ISSAQUAH SCHOOLS FOUNDATION

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Independent Accountants' Review Report

Board of Trustees
Issaquah Schools Foundation
Seattle, Washington

We have reviewed the accompanying financial statements of Issaquah Schools Foundation (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BADER MARTIN, P.S.

January 28, 2021

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ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF FINANCIAL POSITION

(See Independent Accountants' Review Report)

	<u>August 31,</u> <u>2020</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 342,693
Current portion of pledges receivable, net	75,407
Prepaid expenses	1,198
Other current assets	<u>8,513</u>
Total current assets	427,811
Noncurrent pledges receivable	26,028
Equipment, net	372
Board-designated endowment investments	<u>1,293,364</u>
Total assets	<u><u>\$ 1,747,575</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	\$ 17,754
Current portion of note payable	<u>26,598</u>
Total current liabilities	44,352
Noncurrent note payable	<u>68,161</u>
Total liabilities	<u>112,513</u>
Net assets:	
Without donor restrictions	1,515,117
With donor restrictions	<u>119,945</u>
Total net assets	<u>1,635,062</u>
Total liabilities and net assets	<u><u>\$ 1,747,575</u></u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2020

(See Independent Accountants' Review Report)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:			
Individual contributions	\$ 594,219	\$ 15,204	\$ 609,423
Corporate and foundation contributions	22,473	88,075	110,548
In-kind contributions	63,823		63,823
Government and business grants		21,450	21,450
Special events, net of expenses of \$28,036	331,983		331,983
Other income	9,155		9,155
Net investment return	136,368		136,368
Net assets released from restriction	154,077	(154,077)	
Total support and revenue	<u>1,312,098</u>	<u>(29,348)</u>	<u>1,282,750</u>
Expenses:			
Program services	745,285		745,285
Management and general	259,496		259,496
Fundraising	219,908		219,908
Total expenses	<u>1,224,689</u>		<u>1,224,689</u>
Change in net assets	87,409	(29,348)	58,061
Net assets, beginning of year	<u>1,427,708</u>	<u>149,293</u>	<u>1,577,001</u>
Net assets, end of year	<u>\$ 1,515,117</u>	<u>\$ 119,945</u>	<u>\$ 1,635,062</u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2020

(See Independent Accountants' Review Report)

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants to school district	\$ 374,825			\$ 374,825
Salaries and wages	175,137	\$ 100,205	\$ 138,100	413,442
Employee benefits	7,252	16,313	8,931	32,496
Payroll taxes	14,423	9,020	12,355	35,798
Other program costs	161,496			161,496
In-kind donations	5,051	56,601	2,171	63,823
Office expenses	3,327	34,506	30,973	68,806
Advertising and promotion	2,298	33	35,223	37,554
Contract services	1,150	26,562	7,735	35,447
Uncollectible pledges			12,242	12,242
Facilities and equipment		3,484		3,484
Insurance		4,225		4,225
Depreciation		2,228		2,228
Conference and meetings		3,696		3,696
Information technology	243	2,310	243	2,796
Travel	83	49		132
Interest expense for PPP loan		264		264
Total expenses	<u>745,285</u>	<u>259,496</u>	<u>247,973</u>	<u>1,252,754</u>
Less: special event expenses included in support and revenue			28,065	28,065
Total expenses included in statement of activities	<u>\$ 745,285</u>	<u>\$ 259,496</u>	<u>\$ 219,908</u>	<u>\$ 1,224,689</u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF CASH FLOWS

(See Independent Accountants' Review Report)

	Year ended August 31, 2020
Cash flows from operating activities:	
Change in net assets	\$ 58,061
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized gains on investments	(108,941)
Donated securities	(17,887)
Depreciation	2,228
Uncollectible pledges	12,242
Changes in assets and liabilities:	
Pledges receivable	19,268
Prepaid expenses	(7,064)
Other current assets	3,908
Accounts payable and accrued expenses	(13,880)
Grants payable	(132,118)
Net cash used in operating activities	<u>(184,183)</u>
Cash flows from investing activities:	
Purchases of investments	(27,426)
Proceeds from sale of investments	17,947
Net cash used in investing activities	<u>(9,479)</u>
Cash flows from financing activities:	
Proceeds from note payable	<u>94,522</u>
Net cash provided by financing activities	94,522
Net change in cash and cash equivalents	(99,140)
Cash and cash equivalents, beginning of year	<u>441,833</u>
Cash and cash equivalents, end of year	<u><u>\$ 342,693</u></u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(See Independent Accountants' Review Report)

1. Organization:

The Issaquah Schools Foundation (the Foundation) is a Washington nonprofit corporation organized in 1987 to drive resources to help all students achieve the promise of their academic potential.

The Foundation strives to be the unifying organization that enables the Issaquah School District (the District) to provide access to exceptional opportunities district-wide that ignite learning, improve educational outcomes, and prepare all students to be confident, competent, and engaged citizens. The Foundation is funded through individuals, parents, and other organizations in the Issaquah community.

The Foundation's primary program services include:

Cultural Bridges is a family engagement program that serves as a bridge of communication between the Issaquah School District and parents who are culturally and/or linguistically diverse.

The Artistic Support program funds art education programs throughout the Issaquah School District. Each year, the program works with Parents Teacher Student Associations to provide instruction for volunteer art docents in each elementary school.

The Dedicated Fine Arts Fund supports vocal, drama, band, orchestra, and visual arts programs at the secondary level that plays an essential role in a well-rounded education.

Classroom Enrichment and Kateri Brow grants provide teachers with funding for projects that enrich education, fill unmet needs, and serve as incubators for innovation.

After-School Homework helps provide one-to-one assistance from teachers at After-School Homework Labs.

Feeding Student Success offers free breakfasts, snacks, and lunches to elementary and middle school students to help them be ready to learn.

Basic Student Needs gives families that need financial support free backpacks filled with school supplies to help kids go back to school with confidence.

STEM provides high school students the opportunity to purchase equipment and attend competitions as part of their math, biology, rocketry, and engineering clubs.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

2. Summary of significant accounting policies:

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets and revenue recognition:

Net assets, revenues, expenses, 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The Foundation has two categories: undesignated and board-designated. Undesignated consists of assets, liabilities, revenues, and expenses available for current programs and administration. Board-designated consists of net assets set aside by the Board of Trustees (the Board) for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation had no donor restrictions that were perpetual in nature at August 31, 2020.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of net assets with donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

2. Summary of significant accounting policies (continued):

Net assets and revenue recognition (continued):

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Revenue is recognized when the grant requirements are met and collectability is reasonably assured. Contributions are recorded at fair value as cash or receivables and as support and revenue in the period received, in accordance with donor-imposed restrictions.

Donated goods and services:

Donated materials are reported as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Members of the Foundation's Board and numerous other individuals provide substantial amount of volunteer time and some materials of indeterminable value in support of the Foundation's events and programs. These donations do not meet the accounting rules for recognition in the financial statements.

Cash and cash equivalents:

Cash and cash equivalents consist principally of cash held in checking accounts and the Foundation's money market accounts. Cash included with investment accounts are grouped with investments. Cash balances may exceed federally insured limits.

Receivables:

Pledges receivable that are expected to be collected within one year are recorded as current assets at net realizable value. Pledges receivable that are expected to be collected over a period longer than one year are recorded as non-current assets at fair value, and fair value is measured as the present value of their future cash flows. No present value discount on long-term pledges receivable has been recorded as management believes the discount is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until the conditions are substantially met.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

2. Summary of significant accounting policies (continued):

Receivables (continued):

Management reviews the collectability of receivables on a periodic basis, determines the amount estimated to be uncollectible, and establishes an allowance. The Foundation charges off receivables against the allowance when management determines that a receivable is not collectible.

Investments and fair value measurements:

Investments consist of various mutual funds. Investments are reported at their fair value using Level 1 inputs (based on quoted prices in active markets for identical assets) in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There have been no changes in valuation techniques used during the year ended August 31, 2020.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded as the change in the fair value of investments. Investment income, which includes interest, dividends, and realized and unrealized gains and losses is recognized in the statement of activities.

Equipment:

Equipment is stated at cost for purchased assets or estimated fair value at the date of receipt for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of 5 years. The Foundation capitalizes purchases of equipment that cost over \$5,000.

Grants to the District:

Grants made to the District are reported as expenses in the year the grant commitments are made. Amounts awarded but not yet paid are reported as grants payable on the statement of financial position.

Functional expenses:

The accompanying statement of functional expenses include all direct costs of each program or supporting service. Costs that benefit more than one activity are allocated based on an analysis of personnel time and space utilized for the related activities.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

2. Summary of significant accounting policies (continued):

Income taxes:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. The Foundation evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred by the Foundation and the amount can be reasonably estimated.

Advertising and promotion:

The Foundation expenses the costs of advertising and promotion as incurred. Advertising and promotion expense was \$37,554 for the year ended August 31, 2020.

Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

Subsequent events:

The Foundation has evaluated subsequent events through January 28, 2021, the date which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States (US). The immediate impact on the US and international economies has been significant. There is significant uncertainty regarding the breadth and duration of the business disruptions related to COVID-19, as well as the impact on the US and global economies. The potential impact on the Foundation will depend on future developments that are highly uncertain and cannot be reasonably estimated at this time. While uncertain, the Foundation expects these matters to negatively affect the Foundation and its results for the year ended August 31, 2021.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

3. Liquidity and availability:

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market funds. In addition, the Foundation Board of Trustees will contribute between 2-10% of total revenue annually to an endowment fund providing there is an excess of revenue over expenses. The purpose of the Issaquah Schools Foundation Endowment is to create a financial resource in perpetuity that will support the mission of the Foundation and provide the Foundation with a funding source to protect against economic fluctuations to provide funds for both ongoing and new programs.

The following table reflects the Foundation's financial assets as of August 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of statement of financial position date because of contractual restrictions. The Foundation has board-designated funds in reserve, which totaled \$1,293,364 for the year ended August 31, 2020. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

Financial assets:

Cash and cash equivalents	\$ 342,693
Current portion of pledges receivable, net	<u>75,407</u>
Total financial assets	418,100
Donor restricted funds	<u>(119,945)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 298,155</u></u>

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

4. Pledges receivable:

Pledges receivable are summarized in the statement of financial position as follows as of August 31, 2020:

Receivable in less than one year	\$ 77,224
Receivable in one to five years	15,028
Receivable thereafter	<u>11,000</u>
	103,252
Less allowance for doubtful accounts	<u>(1,817)</u>
	<u>\$ 101,435</u>

These amounts are recorded in the statement of financial position as follows as of August 31, 2020:

Current portion of pledges receivable	\$ 75,407
Long-term portion of pledges receivable	<u>26,028</u>
	<u>\$ 101,435</u>

5. Notes payable:

In April 2020, the Foundation received loan proceeds in the amount of \$94,522 through the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). The loan bears interest at an annual rate of 1%. Loan payments are deferred to either (1) the date that the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. If the application for forgiveness is not approved, the Foundation expects to make the first payment in April 2021. The payments will continue to be made over the eighteen-month term of the loan.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

6. In-kind contributions:

The District, a related party, provides certain goods and services to the Foundation for continued support of educational programs under an agreement that may be terminated by either party upon a 60-day written notice. For the year ended August 31, 2020, such items included rent-free office space and meeting rooms. The Foundation estimated that the value of this support was \$52,956. The rent and salary are included in in-kind contributions on the statement of activities. Donated salary is included with salaries and wages on the statement of functional expenses, while other in-kinds are included with in-kind donations. For the year ended August 31, 2020, other in-kind donations totaled \$10,867.

7. Net assets without donor restrictions:

Net assets without donor restrictions are available for the following purposes for the year ended August 31, 2020:

Undesignated	\$ 221,753
Board-designated operating reserves	<u>1,293,364</u>
	<u>\$ 1,515,117</u>

Board-designated funds have been set aside by the Foundation's governing body and are available for specific purposes.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

8. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes for the year ended August 31, 2020:

Subject to expenditure for specified purpose:

Feeding Student Success	\$ 29,906
Nguyen Legacy Gift	18,891
Dedicated Fine Arts	16,000
Satterberg Foundation	15,928
After School Assistance Program	10,000
Social Emotional Support	10,000
Family Engagement	6,500
Parentwiser	5,000
Impact Scholarships	4,000
Academic Support	2,020
Support for the Future	1,500
Gibson	200
	<hr/>
	\$ 119,945

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

9. Endowment investments:

The Foundation's endowment consists of one fund designated by the Board to function as an endowment (quasi-endowment) established for the purpose of providing funding support in perpetuity for the operational costs of the Foundation or as determined by the Board. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Foundation operates in accordance with the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's Board has reviewed UPMIFA and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve the quasi-endowment funds on a long-term basis. The endowment is managed by the Foundation's Finance Committee. The Finance Committee's primary responsibility with regard to the endowment is to monitor the allocation and execute the rebalancing of the investment funds in accordance with the Foundation's investment policy.

Changes to board-designated net assets for the year ended August 31, 2020 are as follows:

Board-designated net assets, beginning of year	\$ 1,157,057
Interest and dividends	27,365
Realized and unrealized gains	<u>108,942</u>
Board-designated net assets, end of year	<u>\$ 1,293,364</u>

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the first priority is to preserve the endowment's asset size to provide, at a minimum, the same level of support in real dollars to future generations.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

9. Endowment investments (continued):

Return objectives and risk parameters (continued):

The secondary long-term goal is to modestly grow the asset size of the investment portfolio by realizing a real rate of return after any administrative and management expenses.

Strategies employed for achieving objectives:

The Foundation's investment philosophy is based on a total return concept, which includes the sum of dividend and interest income, along with any realized or unrealized capital appreciation or loss after all transaction costs. The Finance Committee will periodically review the appropriate investment goal for the annual total return of assets.

The endowment generally will have sufficient marketability to be readily liquidated in the open market. The endowment will hold well-diversified mutual funds or exchange traded funds. Individual securities will not be purchased and any individual securities donated will be liquidated and invested according to the investment policy. The funds shall be invested at the discretion of the Finance Committee subject to the following:

- The Foundation's investment objective is to realize capital appreciation consistent with safety of principal. Philosophically, the Board believes long-term results will be determined largely by asset mix.
- Investments in fixed income may consist of investment grade securities and may include preferred stock funds. A minimum of 80% of the fixed income portfolio will be rated "A" or better by Moody's and/or Standard and Poor's. A maximum of 5% of endowment fund assets may include less than investment grade bond funds.

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year market value based on the average of the last three fiscal year-end market values of the endowment fund assets preceding each year's distributions. It is recommended that at such time distributions are made, no more than 5% of this three-year average value is ever distributed in any given year as to help ensure the long-term viability of the entire fund.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(See Independent Accountants' Review Report)

9. Endowment investments (continued):

Spending policy and how the investment objectives relate to spending policy (continued):

The investment policy will apply and accommodate short-term market volatility and market cycles that are inherent in long-term investing. The long-term time horizon will enable the Finance Committee to focus on long-term historical total returns of various asset categories and place nominal value on cash and other short-term investments. While the aforementioned spending policy is in place, the Foundation has not spent any of the Foundation proceeds.