TWO THOUSAND FIFTEEN

FINANCIAL REPORT

Community Colleges of Spokane

Spokane Community College

Spokane Falls Community College

2015 Financial Report

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Trustees and Administrative Officers

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Community Colleges of Spokane

July 1, 2014 through June 30, 015

Board of Trustees
Community Colleges of Spokane
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Community Colleges of Spokane, Spokane County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the District 17 Community Colleges Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 College'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 College'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 opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Community Colleges of Spokane, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Community Colleges of Spokane, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability and schedule of college pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements as a whole. The Trustees and Administrative Officers is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy State Auditor

Olympia, WA

January 9, 2017

Management's Discussion and Analysis

Community Colleges of Spokane

The following discussion and analysis provides an overview of the financial position and activities of Community Colleges of Spokane (CCS or the College) for the fiscal year ended June 30, 2015 (FY 2015), with comparative FY 2014 financial information.

This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Community Colleges of Spokane is one of thirty public community and technical college districts in the state of Washington. CCS serves six counties and approximately 30,000 students in Eastern Washington at two main campuses, as well as at six centers located throughout the district. The College confers associates degrees, limited bachelor's degrees, certificates and high school diplomas. The College was established in 1970 and its mission is "To develop human potential through quality, relevant and affordable learning opportunities that result in improved social and economic well-being for our students and our state".

CCS's main campuses are located in Spokane, Washington, a community of about 210,000 residents and part of a metropolitan area of over 500,000. Spokane Community College and its five rural centers focuses on career-technical programs, adult basic education and work force training, as well as college transfer opportunities. Spokane Falls Community College and its one center offers an extensive array of college transfer associate's degrees as well as professional technical programs. A bachelor's degree program will launch in the fall of 2016. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and it's component unit, the Community Colleges of Spokane Foundation. The College's financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College at a moment in time, at year-end. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over a period of time. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the College's financial health as a whole.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

During 2015, the College adopted GASB Statement No. 68, as amended by GASB Statement No. 71. These statements require the College to record its proportionate share of net pension liabilities, deferred outflows and inflows by restating its 2014 net position, pension liabilities and deferral of resources as a change in accounting principle. For the purposes of this analysis, the restatement of the 2014 net position was made to conform to the 2015 presentation. The change in accounting principle resulted in a reduction to unrestricted net position in the amount of $22,463,617. This decrease resulted in the restatement of net position to a balance of $208,072,897 for the year ending June 30, 2014. See Notes 1 and 14 for more information.

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents the College's assets, liabilities, and net assets at year-end and includes all assets and liabilities of the College. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	**2015**	**2014**	**Change**
Assets			
Current Assets	$ 67,222,254	$ 69,464,763	$ (2,242,509)
Capital Assets, net	160,011,598	164,456,390	(4,444,792)
Other Assets, non-current	26,828,967	18,632,665	8,196,302
Total Assets	**$ 254,062,819**	**$ 252,553,818**	**$ 1,509,001**
Deferred Outflows	**$ 2,333,757**	**$ -**	**$ 2,333,757**
Liabilities			
Current Liabilities	11,715,893	12,933,129	(1,217,236)
Other Liabilities, non-current	26,042,471	9,084,175	16,958,296
Total Liabilities	**$ 37,758,364**	**$ 22,017,304**	**$ 15,741,060**
Deferred Inflows	**$ 7,112,013**	**$ -**	**$ 7,112,013**
Net Position	**$ 211,526,199**	**$ 230,536,514**	**$ (19,010,315)**

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The decrease of current assets of $2,242,509 in FY 2015 is primarily attributable to a shift of investments to non-current.

Net capital assets decreased by $4,444,792 from FY 2014 to FY 2015, as depreciation expense exceeded the investment in new plant and equipment.

Non-current assets consist of the long-term portion of certain investments. The College has shifted new investments, primarily CD's and government securities, to longer terms in order to secure higher rates of return, thus the sizable increase in this category.

Deferred outflows (and the related deferred inflow liability) as of June 30, 2015 represent the asset and liability required by the implementation of GASB 68. See footnotes 1 and 14 for discussion of these items and the pension liability referred to below.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, the current portion of Certificate of Participation (COP) debt, deposits held for others and unearned revenue. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

Non-current liabilities primarily consist of the value of vacation and sick leave earned but not yet used by employees and the long-term portion of Certificates of Participation debt. For FY 2015, this category also includes the GASB 68 required pension liability of $16,896,062.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in four categories:

***Net Investments in Capital Assets* –** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and outstanding debt obligations related to those capital assets. Changes in these balances are discussed above.

***Unrestricted* –** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management.

As stated earlier in this section, the College's beginning net position as of July 1, 2014 was adjusted downward by $22,463,617 to reflect the implementation of GASB Statement No. 68 to report the net pension liability and the offsetting adjustment to net position.

Condensed Net Position As of June 30th	**2015**	**2014**	**Change**
Net Investment in Capital Assets	$158,106,598	$162,481,390	($4,374,792)
Unrestricted	53,419,601	68,055,124	(14,635,523)
Total Net Position	**$211,526,199**	**$230,536,514**	**($19,010,315)**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2015. The objective of the statement is to present the revenues received, both operating and non-operating, and the expenses paid by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition and grants and contracts are included in this category. In contrast, non-operating revenues include monies the college receives from another government without directly giving equal value to that government in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as non-operating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

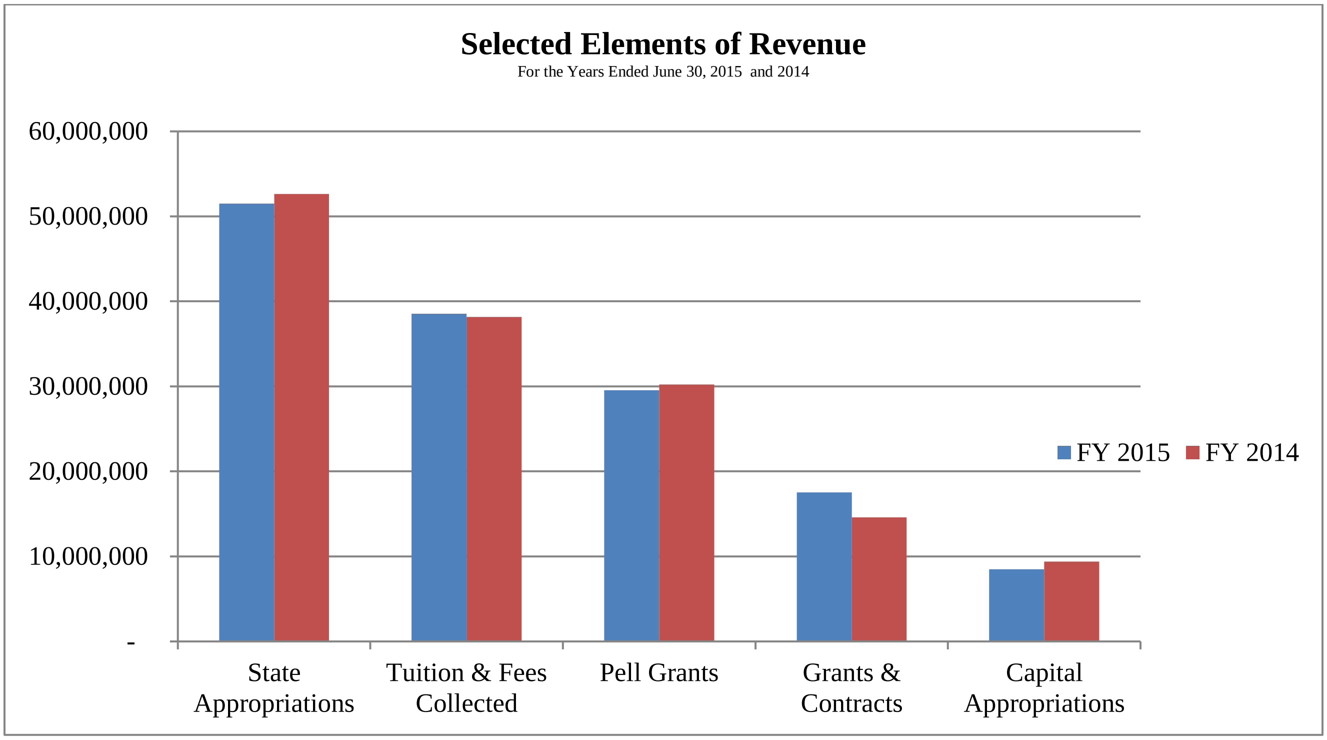
A condensed comparison of the College's revenues, expense and changes in net position for the years ended June 30, 2015 and 2014 is presented below.

Condensed Statement of Revenue, Expenses and Changes in Net Position for the year ended June 30	**2015**	**2014**	**Change**
Operating Revenues	$ 91,061,654	$ 92,514,946	$ (1,453,292)
Operating Expenses	172,478,871	170,711,786	1,767,085
Net Operating Loss	(81,417,217)	(78,196,840)	(3,220,377)
Non-Operating Revenues	81,448,367	83,303,243	(1,854,876)
Non-Operating Expenses	5,064,307	5,116,453	(52,146)
Loss Before Other Revenues and Expenses	(5,033,157)	(10,050)	(5,023,107)
Capital Appropriations	8,486,459	9,408,520	(922,061)
Increase (Decrease) in Net Position	3,453,302	9,398,470	(5,945,168)
Net Position, Beginning of the Year	230,536,514	221,138,044	9,398,470
Cumulative effect of change in accounting principle	(22,463,617)	-	(22,463,617)
Net Position, End of the Year	$ 211,526,199	$ 230,536,514	$ (19,010,315)

Revenues

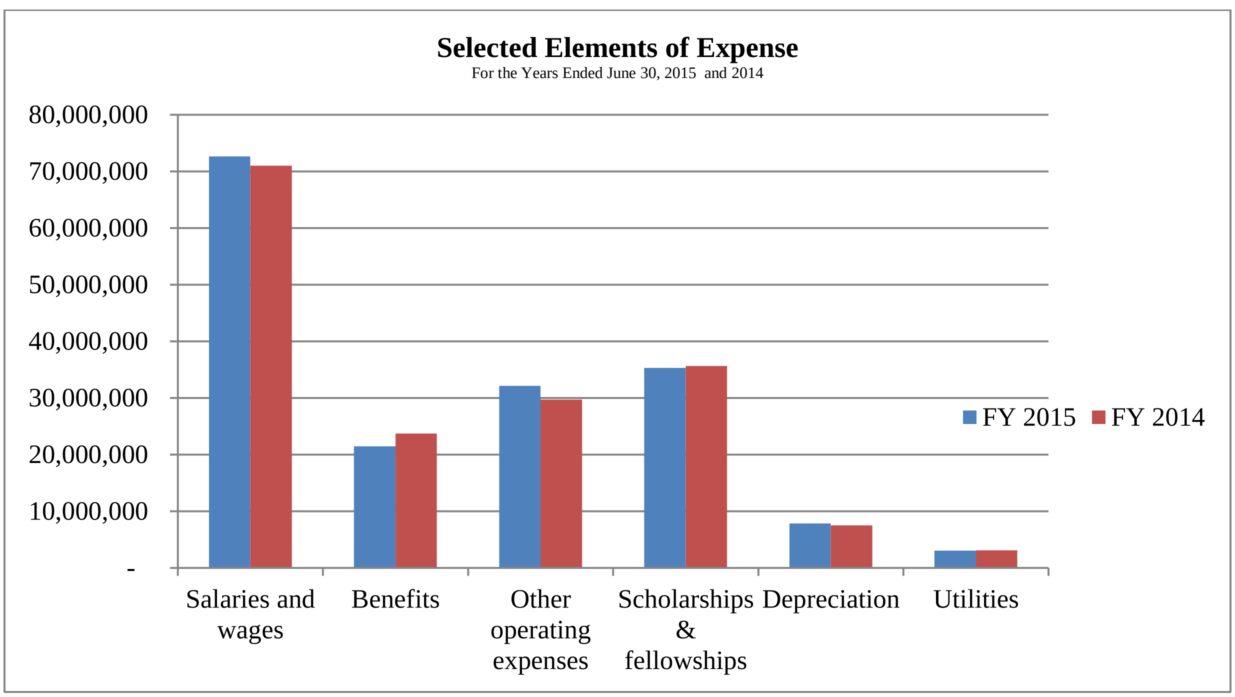
Operating revenues were consistent between fiscal years, with modest increases in grant and contract revenues offsetting declines in other revenues. Auxiliary enterprise sales declined related to costs associated with the transfer of the bookstore operations to an outside vendor in mid-FY 2015.

Non-operating revenues declined $1,854,876 in FY 2015, led by a $1.1 million decline in state appropriations, continuing a slowing trend that began in fiscal 2009. Capital appropriations also experienced a decline of nearly 10% from FY 2014.



Expenses

Operating expenses were up $1,767,085 in FY 2015, led by a significant increase in repair and maintenance expenses. Salary expenses were up modestly, but were offset by a decline in benefit expenses. This decline is attributable to a reduction in per-employee health insurance costs for FY 2015, and to a $789,000 lump-sum reduction in pension expense due to a GASB 68 actuarial adjustment.



Capital Assets and Long-Term Debt Activities
The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2015, the College had invested $160,011,598 in capital assets, net of accumulated depreciation. This represents a decrease of $4,444,792 from FY 2014, as shown in the table below. Also see Note 4 in the accompanying Notes to the Financial Statements.

Asset Type as of June 30	**2015**	**2014**	**Change**
Land	$ 3,792,411	$ 3,792,411	$ -
Construction in Progress	204,479	110,616	93,863
Buildings, net	150,434,333	154,399,017	(3,964,684)
Other Improvements and Infrastructure, net	112,007	151,766	(39,759)
Equipment, net	5,205,334	5,835,931	(630,597)
Library Resources, net	263,034	166,649	96,385
Total Capital Assets, Net	**$160,011,598**	**$ 164,456,390**	**$ (4,444,792)**

At June 30, 2015, the College had $1,905,000 in outstanding debt. The College entered into a Certificate of Participation (COP) for the Spokane Community College Student Union Building remodel during FY 2014. Also see Notes 11 and 13.
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Long Term Debt as of June 30	**2015**	**2014**	**Change**
Certificates of Participation	$ 1,905,000	$ 1,975,000	$ (70,000)

Economic Factors That Will Affect the Future
Following a trend that began in FY 2009, the College's state operating appropriations continued to decrease through FY 2015. More recently, when creating the 2013 - 2015 biennial budget, the state Legislature re-invested in community and technical colleges. They continued this trend with a supplemental budget that included community colleges as a key partner in an investment in aerospace training. These investments in community colleges allowed the Legislature to keep FY 2015 tuition flat for resident, non-resident and baccalaureate students.

Beginning in FY 2016, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This will further reduce the amount of tuition collected by the College. The Legislature did backfill the loss at the level of target FTEs. However, the College had above target FTE for which no tuition backfill was received.

In FY 2017, the State Board for Community and Technical Colleges has elected to move to a new allocation model, changing how the state allocated funds are distributed to each college. The new model will be based on student completion, student achievement and enrollments. This new allocation model will significantly change the College's state funding levels. Additionally, the requirement that international students be counted as 'contract' as opposed to 'state' FTE will impact the College's ability to meet its state enrollment targets, which in turn will negatively impact the College's state allocation. The College is working with the State Board of Community and Technical Colleges to mitigate these projected financial challenges.

Community Colleges of Spokane
Statement of Net Position
As of June 30, 2015

Assets			
Current Assets			
Cash and cash equivalents		$	51,635,245
Short-term investments			4,062,705
Accounts receivable, net of allowance for doubtful accounts			11,489,468
Interest receivable			34,836
	Total Current Assets	**$**	**67,222,254**
Non-Current Assets			
Long-term investments		$	26,828,967
Capital assets, net of depreciation			160,011,598
	Total Non-current Assets	$	186,840,565
	Total Assets	**$**	**254,062,819**
Deferred Outflows of Resources related to pensions		**$**	**2,333,757**
Total Assets and Deferred Outflows		**$**	**256,396,576**
Liabilities			
Current Liabilities			
Accounts payable		$	3,125,086
Accrued liabilities			5,076,752
Unearned revenue			3,444,055
Certificates of Participation payable			70,000
	Total Current Liabilities	**$**	**11,715,893**
Noncurrent Liabilities			
Compensated absences			7,311,409
Net pension liability			16,896,062
Long-term liabilities			1,835,000
	Total Non-current Liabilities	$	26,042,471
	Total Liabilities	**$**	**37,758,364**
Deferred Inflows of Resources related to pensions		**$**	**7,112,013**
Net Position			
Net Investment in capital assets			158,106,598
Unrestricted			53,419,601
Total Net Position		**$**	**211,526,199**
Total Liabilities, Deferred Inflows and Net Position		**$**	**256,396,576**

(Please refer to the accompanying notes which are an integral part of these financial statements)

Community Colleges of Spokane
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues		
Student tuition and fees, net of scholarship allowances and discounts	$	38,548,494
Auxiliary enterprise sales		4,278,357
State and local grants and contracts		33,488,901
Federal grants and contracts		13,604,968
Other operating revenues		1,097,739
Interest on loans to students		43,195
Total operating revenues	**$**	**91,061,654**
Operating Expenses		
Operating Expenses	$	16,265,213
Salaries and wages		72,642,419
Benefits		21,478,859
Scholarships and fellowships		35,291,650
Supplies and materials		6,510,299
Depreciation		7,827,258
Purchased services		9,395,595
Utilities		3,067,578
Total operating expenses	**$**	**172,478,871**
Operating income (loss)	**$**	**(81,417,217)**
Non-Operating Revenues		
State appropriations	$	51,519,547
Federal Pell grant revenue		29,561,980
Investment income, gains and losses		366,840
Net non-operating revenues	**$**	**81,448,367**
Non-Operating Expenses		
Building & innovation fees	$	4,975,726
Interest on indebtedness		88,581
Net non-operating expenses	**$**	**5,064,307**
Income or (loss) before other revenues, expenses, gains, or losses	**$**	**(5,033,157)**
Capital appropriations	$	8,486,459
Increase (Decrease) in net position	**$**	**3,453,302**
Net Position		
Net position, beginning of year	$	230,536,514
Cumulative effect of change in accounting principle (Note 1)		(22,463,617)
Net position, beginning of year, as restated	**$**	**208,072,897**
Net position, end of year	**$**	**211,526,199**

(Please refer to the accompanying notes which are an integral part of these financial statements)

Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flow from operating activities	
Student tuition and fees	$37,179,785
Grants and contracts	47,317,460
Payments to vendors	(15,517,827)
Payments for utilities	(3,241,166)
Payments to employees	(72,205,715)
Payments for benefits	(22,175,236)
Auxiliary enterprise sales	4,111,971
Payments for scholarships and fellowships	(35,291,650)
Loans issued to students and employees	43,195
Other receipts (payments)	(15,748,488)
Net cash used by operating activities	**$(75,527,671)**
Cash flow from noncapital financing activities	
State appropriations	$53,375,493
Pell grants	29,561,980
Building and Innovation fees	(4,984,273)
Net cash provided by noncapital financing activities	**$77,953,200**
Cash flow from capital and related financing activities	
Capital appropriations	$6,571,481
Purchases of capital assets	(3,314,889)
Principal paid on capital debt	(70,000)
Interest paid	(88,581)
Net cash provided by capital and related financing activities	**$3,098,011**
Cash flow from investing activities	
Purchase of investments	$(11,581,670)
Proceeds from sales and maturities of investments	11,449,874
Income of investments	366,840
Net cash provided by investing activities	**$235,044**
Increase in cash and cash equivalents	5,758,584
Cash and cash equivalents at the beginning of the year	45,876,661
Cash and cash equivalents at the end of the year	**$51,635,245**
Reconciliation of Operating Loss to Net Cash used by Operating Activities	
Operating Loss	**$(81,417,217)**
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	7,827,258
Changes in assets and liabilities	
Receivables , net	(1,487,499)
Inventories	1,274,414
Other assets	149,672
Accounts payable	883,503
Accrued liabilities	(1,546,013)
Deferred revenue	(554,725)
Compensated absences	132,235
Pension liability adjustment expense	(789,299)
Net cash used by operating activities	**$(75,527,671)**

(Please refer to the accompanying notes which are an integral part of these financial statements)

Notes to the Financial Statements

June 30, 2015
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity
Community Colleges of Spokane (the College) is a comprehensive, two campus community college district offering open-door academic programs, workforce education, basic skills, and community services. The College confers associates degrees, limited bachelor's degrees, certificates and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The College is an agency of the State of Washington. The financial activity of the college is included in the State's Comprehensive Annual Financial Report.

The Community Colleges of Spokane Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1972 and recognized as a tax exempt 501(c)(3) charity. The Foundation's primary charitable purpose is to solicit and receive contributions to provide enhancements at the Community Colleges of Spokane and scholarship assistance to its students. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. A component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report. The Foundation's statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2015, the Foundation distributed $1,110,251 to the College for restricted and unrestricted purposes, such as program support and student scholarships.

Basis of Presentation
For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). In accordance with BTA reporting, the College presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The format provides a comprehensive, entity-wide perspective of the college's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

New Accounting Pronouncements
In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as GASB Statement No. 50, Pension Disclosures. GASB 68 is effective for fiscal years beginning after June 15, 2014. The College has implemented this pronouncement during the 2015 fiscal year. Implementation of this pronouncement has required a restatement of the prior year net position to reflect the net pension liability and the impact to net position.

The Governmental Accounting Standards Board (GASB) issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the year ended June 30, 2015. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The effect of Statement No. 71 to the College is to require the deferral (Deferred Outflows) of pension contributions made subsequent to the measurement date and is addressed in Note 5 to the financial statements.

Cumulative effect of change in accounting principle
The college recorded a reduction to the beginning net position balance as a result of implementing GASB Statement No. 68. The net position has been restated as follows:

Net Position as previously reported at June 30, 2014	$230,536,514
Prior period adjustment:	
Net Pension Liability	(24,636,086)
Deferred Outflows	2,172,469
Total cumulative effect of change in accounting principle	(22,463,617)
Net Position, as restated, July 1, 2014	$208,072,897

Basis of Accounting
The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

During the course of operations, numerous transactions occur between funds for goods provided and services rendered. For the financial statements, interfund receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash, cash equivalents, and investments at amortized cost, which approximates fair value OR at fair value.

The College combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Capital Assets
In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading to the reader.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy all land, intangible assets and software with a unit cost of $1,000,000 or more, buildings and improvements with a unit cost of $100,000 or more, library collections with a total cost of $5,000 or more and all other assets with a unit cost of $5,000 or more are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management. Useful lives range from 15 to 50 years for buildings and improvements, 3 to 50 years for improvements other than buildings, 7 years for library resources and 2 to 10 years for most equipment and 11 to 40 years for heavy duty equipment, aircraft, locomotives and vessels.

In accordance with GASB Statement 42, the college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2015, no assets had been written down.

Unearned Revenues
Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded 2015 summer quarter tuition and fees and advanced grant proceeds as unearned revenues.

Tax Exemption
The College is a tax-exempt organization under the provisions of Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Net Pension Liability
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Washington Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by PERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources and Deferred Inflows of Resources
Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net Position
The College's net position is classified as follows.
Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
Unrestricted. These represent resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues
The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts that primarily support the operational/educational activities of the colleges.

Operating Expenses. Operating expenses include salaries, wages, fringe benefits, utilities, supplies and materials, purchased services, and depreciation.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and Pell Grants received from the federal government. Pell grants are reported as non-operating revenue based on guidance from the Office of the Financial Management in collaboration with the State Auditor's Office.

Non-operating Expenses. Non-operating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the Certificate of Participation Loans.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2015 are $14,831,279.

State Appropriations

The state of Washington appropriates funds to the College on both an annual and biennial basis. These revenues are reported as non-operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position, and recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance

Tuition collected includes amounts remitted to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter. The Innovation Fee was established in order to fund the State Board of Community and Technical College's Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the statement of revenues, expenses and changes in net position.

2. Cash and Investments

Cash and cash equivalents include bank demand deposits, petty cash held at the College and unit shares in the Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17 CFR 270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both the market and credit risk. The LGIP is an unrated investment pool.

As of June 30, 2015, the carrying amount of the College's cash and equivalents was $51,635,234 as represented in the table below.

Cash and Cash Equivalents	**June 30, 2015**
Petty Cash and Change Funds	$ 110,548
Bank Demand and Time Deposits	42,203,075
Local Government Investment Pool	9,321,622
Total Cash and Cash Equivalents	**$ 51,635,245**

Investments consist of time certificates of deposit, U.S. Treasury and Agency securities and bond funds. Time certificates of deposit have repurchase agreements with the respective financial institutions.

Investment Maturities	**Fair Value**	**One Year or Less**	**1 - 5 Years**
Time Certificate of Deposits	$ 11,379,922	$ 4,062,705	$ 7,317,217
U.S. Government Treasury	3,977,305		3,977,305
U.S. Agency Obligations	15,534,445		15,534,445
Total Investments	**$ 30,891,672**	**$ 4,062,705**	**$ 26,828,967**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with the Bank of America. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

Interest Rate Risk—Investments

The College manages its exposure to fair value losses resulting from changes in interest rates by structuring the entire portfolio time horizon. Unless matched to a specific cash flow, the college generally will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of Credit Risk—Investments

State law limits College operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. College policy does not limit the amount the College may invest in any one issuer.

Custodial Credit Risk—Investments
Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2015, none of the College's operating fund investments, held by US Bank, were held in the bank's name as agent for the College, therefore none of the investments are exposed to custodial credit risk.

Investment Expenses
Under implementation of GASB 35, investment income for the College is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2015 were $0.

3. Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenditures made according to sponsored agreements. At June 30, 2015, accounts receivable were as follows.

Accounts Receivable	**Amount**
Student Tuition and Fees	$ 4,104,953
Due from the Federal Government	1,150,064
Pell Grant Proceeds	1,706,762
Related Parties	1,528,868
Due from Other State Agencies	963,222
Auxiliary Enterprises	234,871
Other	2,563,798
Subtotal	$ 12,252,538
Less Allowance for Uncollectible Accounts	(763,070)
Accounts Receivable, net	**$ 11,489,468**

4. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2015 is presented as follows. The current year depreciation expense was $7,827,258.

Capital Assets	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Nondepreciable capital assets				
Land	$ 3,792,411			$ 3,792,411
Construction in progress	110,616	93,863		204,479
Total nondepreciable capital assets	3,903,027	93,863	0	3,996,890
Depreciable capital assets				
Buildings	241,029,089	2,308,988		243,338,077
Other improvements and infrastructure	2,048,404		(36,356)	2,012,048
Equipment	19,066,036	958,480	(2,185,877)	17,838,639
Library resources	8,515,668	112,991		8,628,659
Subtotal depreciable capital assets	270,659,197	3,380,459	(2,222,233)	271,817,423
Less accumulated depreciation				
Buildings	86,630,072	6,273,672		92,903,744
Other improvements and infrastructure	1,896,638	3,403		1,900,041
Equipment	13,230,105	1,533,577	(2,130,377)	12,633,305
Library resources	8,349,019	16,606		8,365,625
Total accumulated depreciation	110,105,834	7,827,258	(2,130,377)	115,802,715
Total depreciable capital assets	160,553,363	(4,446,799)	(91,856)	156,014,708
Capital assets, net of accum. depreciation	**$ 164,456,390**	**$ (4,352,936)**	**$ (91,856)**	**$ 160,011,598**

5. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in statement of net position relates to pensions.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the College relate to pensions.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

The following represent the components of the College's deferred outflows and inflows of resources as reflected on the Statement of Net Position:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual earnings of pension plan investments		$ 7,112,013
Changes in College's proportionate share of pension liabilities	$ 88,623	
Contributions to pension plans after measurement date	$ 2,245,134	
	$ 2,333,757	**$ 7,112,013**

The $ 2,245,134 reported as deferred outflows of resources represent contributions the College made subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**
2016	$ 337,404	$ 1,332,879	$ 39,676	$ 42,933
2017	337,404	1,332,879	39,676	42,933
2018	337,404	1,332,879	39,676	42,933
2019	337,404	1,345,100	39,676	42,933
2020	-	-		(400)
Totals	**$ 1,349,616**	**$ 5,343,737**	**$ 158,704**	**$ 171,332**

6. Accounts Payable and Accrued Liabilities
At June 30, 2015, accrued liabilities are the following:

Accounts Payable and Accrued Liabilities	Amount	
Amounts Owed to Employees	$	3,685,037
Accounts Payable		3,125,086
Amounts Held for Others and Retainage		1,391,715
Total	**$**	**8,201,838**

7. Unearned Revenue
Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Unearned Revenue	Amount	
Summer Quarter Tuition & Fees	$	3,426,945
Other Deposits		17,110
Total Unearned Revenue	$	3,444,055

8. Risk Management
The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2014 through June 30, 2015, were $127,070. Cash reserves for unemployment compensation for all employees at June 30, 2015, were $600,178.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The college has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The college has had no claims in excess of the coverage amount within the past three years.

9. Compensated Absences
At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time. Employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. The amounts of

unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth of the total balance on the payroll records. The accrued vacation leave totaled $2,693,952 and accrued sick leave totaled $4,617,457 at June 30, 2015.

Accrued annual and sick leave are categorized as non-current liabilities. Compensatory time is categorized as a current liability since it must be used before other leave.

10. Leases Payable

The College has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2015, the minimum lease payments under these operating leases consist of the following.

Leases Payable **Fiscal year**	**Operating Leases**
2016	$ 1,567,815
2017	1,513,705
2018	1,375,270
2019	976,457
2020	651,747
Total minimum lease payments	$ 6,084,994

11. Notes Payable

In December 2012, the College obtained financing in order to build the Student Services Building (#15) on the Spokane Community College campus through certificates of participation (COP), issued by the Washington Office of State Treasurer (OST) in the amount of $2,040,000. The interest rate charged is 4.18%. The principal and interest obligations related to this payable are being paid out of Community Colleges of Spokane local funds.

The College's debt service requirements for this note agreement for the next five years and thereafter are detailed in footnotes #12 and #13 below.

12. Annual Debt Service Requirements

Future debt service requirements at June 30, 2015 are as follows.

Certificates of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2016	$ 70,000	$ 86,481	$ 156,481
2017	70,000	84,381	154,381
2018	75,000	81,581	156,581
2019	80,000	77,831	157,831
2020	85,000	73,831	158,831
2021-2025	480,000	301,906	781,906
2026-2030	610,000	176,750	786,750
2031-2035	$ 435,000.00	$ 39,988.00	$ 474,988.00

13. Schedule of Long Term Liabilities

Description	Balance outstanding at 6/30/14	Additions	Reductions	Balance outstanding at 6/30/15	Current portion
Compensated Absences	$ 7,179,175	$ 3,398,988	$ 3,266,754	$ 7,311,409	$ -
Certificates of Participation	$ 1,975,000	$ -	$ 70,000	$ 1,905,000	$ 70,000
Net pension obligation	$ 24,636,086	$ 1,544,458	$ 9,284,482	$ 16,896,062	$ -
Total	**$ 33,790,261**	**$ 4,943,446**	**$ 12,621,236**	**$ 26,112,471**	**$ 70,000**

14. Pension Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a multiple employer defined contribution plan for the faculty and exempt administrative and professional staff of the state's public community and technical colleges. The plan includes supplemental payment, when required. The plan is administered by the State Board for Community and Technical Colleges (SBCTC).

For FY2015, the payroll for the College's employees was $23,136,964 for PERS, $1,477,789 for TRS, and $40,227,630 for SBRP. Total covered payroll was $64,842,383.

The College implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. The College's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities to align with the State CAFR.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the College, for fiscal year 2015:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 16,896,062
Deferred outflows of resources related to pensions	$ 2,333,757
Deferred inflows of resources related to pensions	$ 7,112,013
Pension expense/expenditures	$ 1,455,833

PERS and TRS

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS Plan 3 provides retirement benefits to certain eligible faculty hired on or after October 1, 1977. The plan includes both a defined benefit portion and a defined contribution portion. The defined benefit portion is funded by employer contributions only. Benefits are vested after an employee completes five or ten years of eligible service, depending on the employee's age and service credit, and include an annual cost-of living adjustment. The defined contribution component is fully funded by employee contributions and investment performance.

The college also has 8 faculty members with pre-existing eligibility who continue to participate in TRS 1 or 2.

The authority to establish and amend benefit provisions resides with the legislature. PERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for PERS and TRS Plans 1 are established by statute. By statute, PERS 3 employees may select among six contribution rate options, ranging from 5 to 15 percent.

The required contribution rates expressed as a percentage of current year covered payroll are shown in the table below. The College and the employees made 100% of required contributions.

Contribution Rates and Required Contributions. The College's contribution rates and required contributions for the above retirement plans for the years ending June 30, 2015, 2014, and 2013 are as follows.

Contribution Rates at June 30

	FY 2013		FY 2014		FY 2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	6.00%	7.21%	6.00%	9.21%	6.00%	9.21%
Plan 2	4.64%	7.21%	4.92%	9.21%	4.92%	9.21%
Plan 3	5 - 15%	7.21%	5 - 15%	9.21%	5 - 15%	9.21%
TRS						
Plan 1	6.00%	8.05%	6.00%	10.39%	6.00%	10.39%
Plan 2	4.69%	8.05%	4.96%	10.39%	4.96%	10.39%
Plan 3	5-15%	8.05%	5-15%	10.39%	5-15%	10.39%

Required Contributions

	FY 2013		FY 2014		FY 2015	
	Employee	College	Employee	College	Employee	College
PERS						
Plan 1	$ 54,181	$ 65,133	$ 51,678	$ 79,295	$ 44,886	$ 68,899
Plan 2	$ 776,417	$ 1,206,311	$ 858,395	$ 1,605,937	$ 874,015	$ 1,635,809
Plan 3	$ 276,308	$ 289,058	$ 291,621	$ 413,424	$ 314,468	$ 426,206
TRS						
Plan 1	$ 12,596	$ 16,899	$ 10,462	$ 18,012	$ 10,636	$ 18,418
Plan 2	$ 12,100	$ 20,767	$ 13,250	$ 27,497	$ 17,363	$ 36,373
Plan 3	$ 48,755	$ 58,006	$ 51,398	$ 54,319	$ 67,211	$ 98,752

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB adopted investment policies for the various asset classes in which the WSIB invests.

For the year ended June 30, 2014, the annual money-weighted rate of return on the pension investments, net of pension plan expenses are as follows:

Pension Plan	Rate of Return
PERS Plan 1	16.98%
PERS Plan 2/3	17.06%
TRS Plan 1	16.97%
TRS Plan 2/3	17.07%

These money-weighted rates of return express investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

The PERS and TRS target asset allocation and long-term expected real rate of return as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	**100%**	

The inflation component used to create the above table is 2.70 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Pension Expense

Pension expense is included as part of "Employee Benefits" expense in the statement of revenues, expenses and changes in net position. The table below shows the components of each pension plans' expense as it affected employee benefits:

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	Total
Actuarially determined pension expense	$585,136	$821,877	$41,452	$51,033	$1,499,498
Amortization of change in proportionate liability	$71,171	$24,443	($139,947)	$668	($43,665)
Total Pension Expense	**$656,307**	**$846,320**	**($98,495)**	**$ 51,701**	**$1,455,833**

Changes in Proportionate Shares of Pension Liabilities

The changes to the College's proportionate share of pension liabilities from 2014 to 2015 for each retirement plan are listed below:

	2014	2015
PERS 1	.214253%	.209895%
PER 2/3	.253390%	.252172%
TRS 1	.030685%	.034158%
TRS 2/3	.023530%	.027609%

The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating state agencies, actuarially determined.

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.00%
- Salary Increases 3.75%
- Investment rate of return 7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

Discount Rate
The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the College calculated using the discount rate of 7.50 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

Pension Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS Plan 1	$13,303,547	$10,793,095	$ 8,638,120
PERS Plan 2/3	$21,364,654	$ 5,121,928	$ (7,284,493)
TRS Plan 1	$ 1,164,665	$ 905,040	$ 682,186
TRS Plan 2/3	$ 660,589	$ 75,999	$ (358,526)

State Board Retirement Plan
Plan Description. Faculty and exempt administrative and professional staff are eligible to participate in SBRP. The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

The Plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The SBCTC makes direct payments on behalf of the College to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The State Board for Community and Technical Colleges is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

Contributions. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2015 were $3,581,128 and $3,580,731, respectively.

The SBRP supplemental pension benefits are unfunded. For the year ended June 30, 2015, supplemental benefits were paid by the SBCTC on behalf of the College in the amount of $108,193. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a

Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During FY 2015, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $201,138. As of June 30, 2015, the Community and Technical College system accounted for $5,008,355 of the fund balance.

Washington State Deferred Compensation Program

The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds.

Other Post-Employment Benefits

Health care and life insurance programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employee.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or College plan that underlies the subsidy of retiree health and life insurance.

The actuary allocated the statewide disclosure information to the community and technical college system level. The SBCTC further allocated these amounts among the colleges. The College's share of the GASB 45 actuarially accrued liability (AAL) is $50,411,822, with an annual required contribution (ARC) of $4,925,899. The ARC represents the amortization of the liability for FY 2015 plus the current expense for active employees, which is reduced by the current contributions of approximately $619,299. The College's net OPEB obligation at June 30, 2015 was approximately $7,298,859. This amount is not included in the College's financial statements.

The College paid $10,313,530 for healthcare expenses in 2015, which included its pay-as-you-go portion of the OPEB liability.

15. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2015.

Expenses by Functional Classification		
Instruction	$	52,688,424
Academic Support Services		13,685,183
Student Services		29,089,687
Institutional Support		11,807,767
Operations and Maintenance of Plant		16,537,794
Scholarships and Other Student Financial Aid		33,960,328
Auxiliary enterprises		6,882,430
Depreciation		7,827,258
Total operating expenses	**$**	**172,478,871**

16. Commitments and Contingencies

The College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

17. Subsequent Events

On March 29th 2016, the legislature passed a supplemental budget which included an appropriation to partially fund the settlement for the Moore v. HCA lawsuit. The remaining settlement to be funded proportionally by state agencies. The State Board of Community and Technical College's portion of this obligation is $34 million, of which $21 million is funded by the legislature and the remaining $13 million has been allocated among the 34 colleges in the system. The College's share of this liability is $1,735,460.

On April 12, 2016 the College entered into an Option to Purchase and Agreement Regarding Financial Operations of Riverpoint One Property with the CCS Foundation. This document was subsequently amended on September 21, 2016. The agreement outlines CCS's right to an option to purchase the Riverpoint One property, and acknowledges the $1,528.867.43 contribution the College has paid towards refinancing the property, with rights to recover upon subsequent sale of the property.

18. Segment Information

For financial statement purposes, balances not specifically identified with a Campus were allocated to the Campuses using the same allocation method employed in the preparation of the College's Integrated Postsecondary Education Data System (IPEDS) report. Allocated amounts were allocated based upon the Campus's share of the operating budget, excluding District activity. Where allocations were applied the following percentages were used: SCC 66% and SFCC 34%.

Community Colleges of Spokane
Statement of Net Position
As of June 30, 2015

Assets		
Current Assets		
Cash and cash equivalents		$51,635,245
Short-term investments		4,062,705
Accounts receivable, net of allowance for doubtful accounts		11,489,468
Interest receivable		34,836
	Total Current Assets	**$67,222,254**
Non-Current Assets		
Long-term investments		$26,828,967
Capital assets, net of depreciation		160,011,598
	Total Non-current Assets	$186,840,565
	Total Assets	**$254,062,819**
Deferred Outflows of Resources related to pensions		**$2,333,757**
Total Assets and Deferred Outflows		**$256,396,576**
Liabilities		
Current Liabilities		
Accounts payable		$3,125,086
Accrued liabilities		5,076,752
Unearned revenue		3,444,055
Certificates of Participation payable		70,000
	Total Current Liabilities	**$11,715,893**
Noncurrent Liabilities		
Compensated absences		7,311,409
Net pension liability		16,896,062
Long-term liabilities		1,835,000
	Total Non-current Liabilities	$26,042,471
	Total Liabilities	**$37,758,364**
Deferred Inflows of Resources related to pensions		**$7,112,013**
Net Position		
Net Investment in capital assets		158,106,598
Unrestricted		53,419,601
Total Net Position		**$211,526,199**
Total Liabilities, Deferred Inflows and Net Position		**$256,396,576**

(Please refer to the accompanying notes which are an integral part of these financial statements)

Community Colleges of Spokane
Segment Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Spokane Community College	Spokane Falls Community College	Total
Operating Revenues			
Student tuition and fees, net	$25,442,006	$13,106,488	$38,548,494
Auxiliary enterprise sales	2,342,471	1,935,886	4,278,357
State and local grants and contracts	22,414,295	11,074,606	3,488,901
Federal grants and contracts	9,258,190	4,346,778	13,604,968
Other operating revenues	859,135	238,604	1,097,739
Interest on loans to students	21,577	21,618	43,195
Total operating revenue	**$60,337,674**	**$30,723,980**	**$91,061,654**
Operating Expenses			
Operating Expenses	$10,735,041	$5,530,172	$16,265,213
Salaries and wages	47,943,997	24,698,422	72,642,419
Benefits	14,176,047	7,302,812	21,478,859
Scholarships and fellowships	23,292,489	11,999,161	35,291,650
Supplies and materials	4,296,797	2,213,502	6,510,299
Depreciation	3,680,460	4,146,798	7,827,258
Purchased services	6,201,093	3,194,502	9,395,595
Utilities	2,024,601	1,042,977	3,067,578
Total operating expenses	**$112,350,525**	**$60,128,346**	**$ 172,478,871**
Operating income (loss)	**$(52,012,851)**	**$ (29,404,366)**	**$ (81,417,217)**
Non-Operating Revenues			
State appropriations	$34,002,901	$17,516,646	$51,519,547
Federal Pell grant revenue	17,505,666	12,056,314	29,561,980
Investment income, gains and losses	242,114	124,726	366,840
Net non-operating revenues	**$51,750,681**	**$29,697,686**	**$81,448,367**
Non-Operating Expenses			
Building & Innovation fees	$3,283,979	$1,691,747	$4,975,726
Interest on indebtedness	88,581	-	88,581
Net non-operating expenses	**$3,372,560**	**$1,691,747**	**$5,064,307**
Income or (loss) before other revenues, expenses, gains, or losses	**$(3,634,730)**	**$(1,398,427)**	**$(5,033,157)**
Capital appropriations	4,980,697	3,505,762	8,486,459
Increase (Decrease) in net position	**$1,345,967**	**$2,107,335**	**$3,453,302**
Net Position			
Net position, beginning of year	$ 120,599,373	$109,937,141	$230,536,514
Cumulative effect of change in accounting principle (Note 1)	(14,376,715)	(8,086,902)	(22,463,617)
Net position, beginning of year, as restated	106,222,658	101,850,239	208,072,897
Net position, end of year	**$ 107,568,625**	**$ 103,957,574**	**$ 211,526,199**

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability*

At June 30, 2014	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
College's proportion of net pension liability (asset)	0.214253%	0.253390%	0.030685%	0.023530%
College’s proportionate share of the net pension liability	$10,793,095	$5,121,928	$905,040	$75,999
College covered-employee payroll	$861,308	$21,937,205	$174,366	$809,132
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1253.11%	23.35%	519.05%	9.39%
Plan's fiduciary net position as a percentage of the total pension liability	61.19%	93.29%	68.77%	96.81%

Schedule of College Pension Contributions*

At June 30, 2014	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Contractually required contributions	$79,295	$2,019,361	$18,012	$81,816
Contributions in relation to the contractually required contributions	79,295	2,019,361	18,012	81,816
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College-covered employee payroll	$861,308	$21,937,205	$174,366	$809,132
Contributions as a percentage of covered-employee payroll	9.21%	9.21%	10.33%	10.11%

At June 30, 2015	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Contractually required contributions	$68,899	$2,062,015	$18,418	$135,125
Contributions in relation to the contractually required contributions	68,899	2,062,015	18,418	135,125
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College-covered employee payroll	$748,091	$22,388,873	$177,265	$1,300,524
Contributions as a percentage of covered-employee payroll	9.21%	9.21%	10.39%	10.39%

* These schedules are to be built prospectively until they contain 10 years of data

DISTRICT 17
COMMUNITY COLLEGES
FOUNDATION
(A Washington Non-Profit Organization)
Spokane, Washington
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
June 30, 2015 and 2014

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
(A Non - **Profit** Corporation)
Spokane, Washington

FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITOR'S REPORT

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
District 17 Community Colleges Foundation
Spokane, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of District 17 Community Colleges Foundation (the Foundation) (a non-profit corporation) as of June 30, 2015 and 2014, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and 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 of 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 statement, 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 estimated 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 District 17 Community Colleges Foundation as of June 30, 2015 and 2014, and the results of its activities and changes **in** its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Spokane, WA
September **14,** 2015

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
Spokane, Washington

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2015 and 2014

ASSETS

	2015	2014
Assets:		
Cash and cash equivalents	$ 1,490,811	$ 4,566,797
Promises to give, less allowance for uncollectible promises	80,944	8,905
Prepaid expenses	23,150	24,942
Property and equipment, net	10,055,339	9,815,462
Future interests receivable from trusts	129,858	145,778
Other assets, loan costs, net	-	141,524
Investments, at fair value	15,864,199	14,709,367
Total assets	$ 29,412,775	27,644,301

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities:		
Accounts payable	$ 136,668	$ 127,700
Deposits held for others	1,636,954	1,542,254
Notes and bonds payable	5,421,000	7,200,000
Total liabilities	7,194,622	8,869,954
Net assets:		
Unrestricted	8,159,755	7,830,697
Temporarily restricted	2,543,095	2,268,611
Permanently restricted	9,746,829	10,443,513
Total net assets	20,449,679	20,542,821
Total liabilities and net assets	$ 27,644,301	$ 29,412,775

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
Spokane, Washington

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
As of June 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT:				
Cash contributions	$ 13,575	$ 794,039	$ 69,655	$ 877,269
Noncash contributions	133,065	152,499	-	285,564
Investment income, including gains and losses on investments	(139,375)	344,366	(645,622)	(440,631)
Grant income	-	117,500	-	11 7,500
Administration fees	118,599	-	-	118 ,599
Rental income	2,320,724	-	25,264	2,345,988
Net assets released from restrictions	l ,275 ,847	(1,126,866)	(148,981)	
Total revenues, gains, and support	3,722,435	281,538	(699,684)	3,304,289
EXPENSES:				
Program services:				
Program support	321,880	-	-	321,880
Noncash program support	285,564	-	-	285,564
Scholarships	502,807	-	-	502,807
Rental	1,590,760	-	-	1,590,760
Total program services	2,701,011	-	-	2,701,011
General and administrative	582,713	-	-	582,713
Fundraising	113,707	-	-	113,707
Total supporting services	696,420	-	-	696,420
Total expenses	3,397,431	-	-	3,397 ,431
CHANGE IN NET ASSETS BEFORE TRANSFERS	325,004	281,538	(699,684)	(93,142)
TRANSFERS: Reclassify net assets	4,054	7,054)	3,000	
CHANGE IN NET ASSETS	329,058	274,484	(696,684)	(93,142)
NET ASSETS, BEGINNING OF YEAR	7,830,697	2,268,611	10,443,513	20,542,821
NET ASSETS, END OF YEAR	$8,159,755	$ 2,543,05}5	9,746,829	$ 20,449,679

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
Spokane, Washington

STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT:				
Cash contributions	$ 2,209	$ 558,757	$ 114,594	$ 675,560
Noncash contributions	197,884	175,589	-	373,473
Investment income, including gains and losses on investments	660,846	323,194	976,363	1,960,403
Gain on sale of property	2,094,183	78,662	-	2,172,845
Grant income	5,000	62,250	-	67,250
Administration fees	123,426	-	-	123,426
Rental income	2,339,041	-	25,264	2,364,305
Net assets released from restrictions	1,071,677	(926,162)	(145,515)	
Total revenues, gains, and support	6,494,266	272,290	970,706	7,737,262
EXPENSES:				
Program services:				
Program support	239,008	-	-	239,008
Noncash program support	373,473	-	-	373,473
Scholarships	440,990	-	-	440,990
Rental	1,505,260	-	-	1,505,260
Total program services	2,558,731	-	-	2,558,731
General and administrative	481,037	-	-	481,037
Fundraising	55,355	-	-	55,355
Total supporting services	536,392	-	-	536,392
Total expenses	3,095,123	-	-	3,095,123
CHANGE IN NET ASSETS BEFORE TRANSFERS	3,399,143	272,290	970,706	4,642,139
TRANSFERS: Reclassify net assets	74,983	(97,460)	22,477	-
CHANGE IN NET ASSETS	3,474,126	174,830	993,183	4,642,139
NET ASSETS, BEGINNING OF YEAR	4,356,571	2,093,781	9,450,330	15,900,682
NET ASSETS, END OF YEAR	$ 7,830,697	$ 2,268,611	$10,443,513	$ 20,542,821

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
Spokane, Washington

STATEMENTS OF CASH FLOW
For the years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (93,142)	$ 4,642,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	338,949	378,637
Amortization	141,524	60,387
(Gain) loss on sale of properties	-	(2,172,845)
(Gain) loss on investments - unrealized	1,148,657	(1,404 ,107)
(Gain) loss on investments - realized	(57,304)	63,207
(Gain) loss on future interests - unrealized	15,920	(8,401)
Contributions restricted for endowments	(69 ,656)	(114,594)
Net (increase) decrease in:		
Promises to give	(72,039)	65,376
Prepaid expenses	1,792	2,2] 5
Non-cash construction in process Net	-	67,922
increase (decrease) in:		
Accounts payable	8,968	(42,729)
Deposits held for others-interest reinvest	1,278	102
Deposits held for others-income and capital expenditures	(406,578)	(304,334)
Deferred revenue	-	(78,467}
Net cash from operating activities	958,369	1,154,508
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for buildings, improvements, and equipment	(578,826)	(765,504)
Proceeds (net) from sale of constructed property	-	272,102
Proceeds from sale of property	-	3,113,193
Purchase of investments	(3,336,254)	(15,742,176)
Sale of investments	1,090,069	14,966,750
Net cash from (used by) investing activities	(2,825,011)	1,844,365
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowments	69,656	114,594
Refinance of long-term debt	5,421,000	
Contributions by CCS for refinance of long-term debt	500,000	
Payment on long-term debt upon refinance	(7,200,000)	(2,186,339)
Net cash from (used by) financing activities	(1,209,344)	(2,071,745)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,075,986)	927,128
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,566,797	3,639,669
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,490,811	$ 4,566,797

Supplemental Disclosure of Cash Flow Information:

Interest paid in cash	$284,655	$374,177

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS:

District 17 Community Colleges Foundation (the Foundation) is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized to provide benefits to Washington State Community College District 17 (Community Colleges of Spokane) and to the students of Spokane Community College and Spokane Falls Community College. The Foundation is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of the aforementioned institutions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of District 17 Community Colleges Foundation (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of accounting - The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors or by management for the use for those resources.

Financial Statement Presentation - The financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted, or unrestricted, as follows:

Fund Group	Net Asset Class
Board designated funds	Unrestricted net assets
Unrestricted operating funds	Unrestricted net assets
Property and Equipment funds	Unrestricted net assets
Scholarship funds	Temporarily restricted net assets
Program support funds	Temporarily restricted net assets
Restricted endowment funds	Permanently restricted net assets
Charitable Remainder Trusts	Permanently restricted net assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows on the next page:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

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 the reported amounts of assets and liabilities at the statement-of-financial-position date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of reporting cash flows, the Foundation considers highly liquid debt instrun1ents, if any, purchased with maturity of three months or less, to be cash equivalents.

Concentration of credit risk - The Foundation has contribution receivables at June 30, 2015 and 2014, respectively of $80,944 and $8,905. The pledges are from a variety of businesses and individuals operating and residing in Spokane, Washington, and the surrounding Inland Northwest.

At June 30, 2015, the carrying amount of the Foundation's cash and equivalents amounted to $1,490,811, of which $928,432 was insured by Federal Deposit Insurance Corporation (FDIC) , $560,020 was insured by National Credit Union Administration (NCUA), and $2,359 was uninsured.

Fair Valuation of Financial Instruments - The carrying amount of financial instruments, including prepaid expenses, loan costs, accounts payable, deposits held for others and deferred revenue approximates fair value, due to the short maturity of these instruments. Promises to give (pledges receivable) are discounted (See Note 3). Fair value measurements are applied to future interests receivable and marketable investment securities (See Note 6) and to interest rate swaps on long-term debt (See Note 9).

Property and Equipment and Depreciation - Assets purchased for general purposes are capitalized at cost and depreciated on the straight-line method over five to ten years. Buildings are depreciated over 31 to 40 years. Assets with a value over $5,000 are capitalized (See note 4).

Revenues - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets resulting from the fulfillment of donor- stipulated purpose or by passage of the stipulated time period are reported as net assets released from restrictions between the applicable classes of net assets.

Contributions - Contributions, including unconditional promises to give, are recognized as support in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible promises is provided based upon management's judgment or potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions with restrictions met in the same year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported in the unrestricted net asset class.

Donated equipment and materials - The Foundation received significant amounts of donated equipment and materials, which pass through the Foundation to its charitable beneficiaries. Donated equipment and materials are recorded at their estimated fair market value. During the years ended June 30, 2015 and 2014, the Foundation recorded non-cash contributed equipment and materials totaling $152,499 and $175,589, respectively.

Donated services and support - The District provides personnel, office space, and other administrative support to the Foundation at no cost, in accordance with a cooperative agreement. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended June 30, 2015 and 2014, the Foundation recorded non-cash contributed services and support totaling $133,065 and $197,884, respectively.

Net Asset Classifications - In August 2008, the Financial Accounting Standards Board issued Staff position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FAS 117-1 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Washington has adopted UPMIFA and the Foundation has adopted FAS 117-1. A majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA (see also Note 10, Funds Held for Endowment).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Spending Rule - The Foundation has adopted a spending rule for permanently restricted endowment funds. The annual spending rule transfer is calculated by applying 4% to the three-year moving average fair market value of the permanently restricted net assets. In addition, the Foundation assesses a 1% administration fee. The spending policy was in effect for the years ended June 30, 2015 and 2014 (see also note 10).

Income Tax Status - The Foundation is exempt from income taxes as a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions - The Foundation has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes.* The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation's evaluation on June 30, 2015 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2012 through 2014 tax years remain subject to examination by the IRS. The Corporation does not believe that any reasonably possible changes will occur within the next twelve months that ,will have a material impact on the financial statements.

Derivative financial instruments - The Organization made limited use of derivative instruments for the purpose of managing interest rate risks, which were terminated during 2015 (see also note 9).

Date of Management's Review - Management has evaluated subsequent events through September 14, 2015, (the date the financial statements were available to be issued) and has identified no events that, if disclosed, would influence the readers' opinion concerning these financial statements.

NOTE 3 - PROMISES TO GIVE / PLEDGES RECEIVABLE:

The Foundation conducts various fund-raising campaigns. A provision for estimated uncollectible promises and discount of future year promises has been recorded, which was calculated as a combined rate of 15% of outstanding promises to give at June 30, 2014 and 2013. Maturities of long-term promises to give are as follows for the years ended June 30:

Amounts due in:	20l5	2014
Less than one year	$	$
One to two years	50,228	7,143
Two to three years	15,000	3,334
Three to four years	15,000	
Four to five years	15.000	
Total	95,228	10,477
Allowable for uncollectibles and discount	(14,284)	(1,572)
Net	80,944	8,905

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment, recorded at cost or fair market value at date of gift, consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Equipment	$ 44,793	$ 44,793
Land	3,459,042	3,459,042
Buildings	9,753,931	9,753,931
Building improvements	2,372,886	1,794,060
Total property and equipment	15,630,652	15,051,826
Less: Accumulated depreciation	(5,575,313)	(5,236,364)
Net property and equipment	$ 10,055,339	$ 9,815,462

At June 30, 2015, the Foundation has refinanced the Riverpoint One building, and there is a pending Memorandum of Understanding change transaction with the Community Colleges of Spokane. See also Notes 9, 15, 16 and 17.

Depreciation is recorded using the straight-line method over estimated lives of 31 to 40 years (buildings) and 5 to IO years (equipment). Equipment over $5,000 is capitalized. Depreciation expense was $338,949 and $378,637 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 - CHARITABLE REMAINDER TRUSTS:

The Foundation, through its deferred giving program, is the beneficiary of four charitable remainder unitrusts. The trusts, formulated through written legal trust documents, are separate legal entities for reporting to the Internal Revenue Service. In accordance with trust documents, trust property and all receipts of every kind shall be managed and invested by the independent trustee as a single fund from which the trustee shall pay an annuity amount in each taxable year of the trust. Future interests receivable from trusts are computed and represented based on actuarial assumptions of the trusts' life beneficiaries' estimated life expectancies and current interest rates.

NOTE 6- FAIR VALUE HIERARCHY:

FASB ASC 820 defines fair value as 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 (an exit price). ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels for disclosure purposes. The level in the fair value hierarchy is based on the priority of the inputs to the respective valuation technique.

The fair value hierarchy gives the highest priority (Level **1)** to quoted prices in active markets for identical assets or liabilities and gives the lowest priority (Level 3) to unobservable inputs. An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The levels of the fair value hierarchy are as follows:

> Level 1 - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Prices are obtained from readily available sources for market transactions involving identical assets or liabilities.
>
> Level 2 - Fair values are based on inputs other than quoted prices within Level **1** that are observable for the asset or liability, either directly or indirectly. Observable inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.
>
> Level 3 - Fair values are based on at least one significant unobservable input for the asset or liability and as a result considerable judgment may be used in determining the fair values. These fair values are generally obtained through the use of valuation models or methodologies using a significant unobservable input or broker quote.

Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 requires the use of observable market data if such data is available without undue cost and effort. Investment assets have been valued using a market approach, and future interests are valued at market and discounted (see Note 5). There were no changes in the valuation techniques during the current year.

As of June 30, 2015 and 2014, the following financial assets of the Foundation were measured at fair value on a recurring basis consistent with the fair value hierarchy provisions. Fair value of interest rate swap agreements is discussed in Note 9.

NOTE 6 - FAIR VALUE HIERARCHY (continued):

Investments:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2015				
Multi-Strategy equity fund	$10,577,419	-		$10,577,419
Other assets	2,405,595	-		2,405,595
Bond fund	2,881,185	-		2,881,185
Totals	$15,864,199	-		$15,864,199
		-		
Future interests		-	129,858	129,858

Investments:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2014				
Multi-Strategy equity fund	9,837,065	-		$ 9,837,065
Other assets	1,580,096	-		1,580,096
Bond fund	3,292,206	-		3,292,206
Totals	$15,864,199	-		$ 14,709,367
		-		
Future interests		-	145,778	145,778

Summary of Level 3 activity for the years ended June 30, 2015 and 2014:

Future interests	
July 1, 2013	$ 137,377
Transfers in/out of Level 3	
Adjustment for present value	8,401
June 30, 2014	145,778
Transfers in/out of Level 3	
Adjustment for present value	(15,920)
June 30, 2015	$129,858

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 - INVESTMENTS:

The following schedule summarizes the investment return and its classification in the statements of activities:

Year ended June 30, 2015:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 242,120	$ 1,114	$ 423,408	$ 666,642
Transfer income per spending rule	30,888	343,252	(374,140)	
Change in trust value	-	-	(15,920)	(15,920)
Gains and losses, net	(412-383)	-	(678,970)	(L09L353)
Total investment return	$ (139,375)	$ 344,366	$ (645,622)	$ (440.631)

Year ended June 30, 2014:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$191,865	$1,036	$419,542	$612,443
Transfer income per spending rule	28,449	322,158	(350,607)	
Change in trust value	-	-	8,401	8,401
Gains and losses, net	440,532	-	899,027	1,339,559
Total investment return	$ 660.846	$ 323.194	976.363	$ 1,960,403

NOTE 8 - NOTES AND BONDS PAYABLE:

Notes and bonds payable consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Note payable to Banner Bank, payable in monthly installments of $35,000 including interest at 4.77%, due June 1, 2025; secured by real property (Riverpoint One building). There is a prepayment penalty of 1% of the original principal balance if paid within the first three year period by refinance. The current loan requires the Organization maintain a debt service ratio equal to or in excess of 1.25 to 1.00. At June 30, 2015, the debt service coverage ratio is 4.70 to 1.	$5,421,000	
Washington State Housing Finance Commission Tax Exempt Bonds, Series A, variable interest until 9/1/2030; however, 3.89% interest rate through 9/15/2015 via a rate swap agreement (note 9); secured by a letter of credit with Bank of America. The Foundation pays line of credit fees, trustee/admin. fees, remarketing fees, and WSHFC fees equal to 1.145% of the outstanding balance of the bonds (Riverpoint One).		4,520,000

NOTE 8 - NOTES AND BONDS PAYABLE (continued):

	2015	2014
Washington State Housing Finance commission Taxable Bonds, Series B, variable interest until 9/1/2030; however, 4.75% interest rate through 9/15/2015 via a rate swap agreement (note 9); secured by a letter of credit with Bank of America. The Foundation pays line of credit fees, trustee/admin. fees, remarketing fees, and WSHFC fees equal to 1.145% of the outstanding balance of the bonds (Riverpoint One).		2,680,000
Totals	$ 5,421,000	$ .200,000

Interest expense amounted to $284,655 and $374,177for the years ending June 30, 2015 and 2014, respectively. Principal payments on the above debt are as follows for the years ended June 30:

2016	142,843
2017	170,874
2018	179,323
2019	188,191
2020	196,878
Thereafter	4,542,891
	$ 5,421,000

NOTE 9 - DERIVATIVE TRANSACTIONS:

With the Riverpoint One refinance, the Organization closed its interest rate swap agreements (which had been utilized to reduce the impact of changes in interest rates on its floating rate long-term debt). Those agreements had effectively changed the Organization's interest rate exposure on its $4,520,000 floating rate note to a fixed 3.89% and its $2,680,000 floating rate note to a fixed 4.75%.

NOTE 10 - FUNDS HELD FOR ENDOWMENT:

Net asset classifications:

The State of Washington has adopted UPMIFA and the Foundation has adopted FAS 117-1. A majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA.

The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are received subject to the terms of the Governing Documents.

NOTE 10 - FUNDS HELD FOR ENDOWMENT (continued):

Under the terms of the Governing Documents, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. The Foundation considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or pern1anently restricted are classified as unrestricted net assets for financial statement purposes. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement (i.e. future interests and supporting organization).

Endowment Investment and Spending Policies:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predicable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return a reasonable rate of return, net of investment fees. Actual returns in any year may vary.

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 parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The annual spending rule transfer is calculated by applying 4% distribution calculation to the three-year moving average fair market value of the permanently restricted net assets. In addition the Foundation assesses a 1% administration fee. The spending policy was in effect for the years ended June 30, 2015 and 2014, along with the administrative fee charged against endowment funds. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 10 - FUNDS HELD FOR ENDOWMENT (continued):

Endowment Net Asset Composition by type of fund for the year ended June 30, 2015 and 2014:

	2015	2014
Scholarships	$ 5,256,780	$ 5,620,289
Program support	909,082	981,035
Emerging Needs	797,002	845,877
Faculty/Staff Development	2,654,107	2,850,534
Charitable Remainder Trusts	129,858	145 778
Endowment net assets, end of year	$ 9,746,829	$ 10,443,513

Change in Endowment Net Assets for the year ended June 30, 2015 and 2014:

	2015	2014
Endowment net assets, beginning of year	$ 10,443,513	$ 9,450,330
Contributions	69,655	114,594
Investment income, including gains and losses, realized and unrealized	(271,481)	1,326,970
Endowment income transfer	(374,140)	(350,607)
Rental income	25,264	25,264
Uncollectible pledges	(2)	7,410
Investment management fees	(47,179)	(48,457)
Administrative fees	(93,841)	(100,759)
Support services	(7,960)	(3,709)
Transfers	3 000	22 477
Endowment net assets, end of year	$ 2,746.822	$10,443.513

NOTE 11 - RECLASSIFICATION OF NET ASSETS:

The Foundation reclassified and transferred net assets as follows for the year ended June 30, 2015:

Transfer:	Unrestricted	Temporarily Restricted	Permanently Restricted
Annual Mini-Grant Award **PS**	$ (22,000)	$ 22,000	$
Alumni Association program support	(500)	500	
Spokane Central Lions Club Scholarship	(2,000)	2,000	
Billboard rent to Program Support	(4,000)	4,000	
Wine Gala proceeds to unrestricted	72,404	(72,404)	
Exceptional Faculty contributions	5,000	-	(5,000)
IEL matching funds	(5,000)	5,000	
Unrestricted to Placement Testing	(10,000)	10,000	
Planetarium Pledge payments to unrestricted	2,000	(2,000)	
Golf proceeds	9,965	(9,965)	

NOTE 11 - RECLASSIFICATION OF NET ASSETS:

Transfer:	Unrestricted	Temporarily Restricted	Permanently Restricted
Unrestricted to Exceptional Faculty	(12,000)	12,000	
Unrestricted to Klaue fund	(10,000)	10,000	
Unrestricted to Chancellor's fund	(10,000)	10,000	
SVFD scholarship to Sly Endowment	-	(10,000)	10,000
Auto Show Proceeds	3,538	(3,538)	
Unrestricted to STCU sponsor match	(5,000)	5,000	
Unrestricted to Johnson/Griffin sponsor match	(10,000)	10,000	
Unrestricted to Basic Skills (fundraising match)	(353)	353	
Kendall building to property reserve	2,000		(2,000)
Totals	$ 4 054	$(1,054)	$3,000

The Foundation reclassified and transferred net assets as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Annual Mini-Grant Award PS	$ (12,250)	$ 12,250	$
Alumni Association program support	(500)	500	
Spokane Central Lions Club Scholarship	(2,000)	2,000	
Billboard rent to Program Support	(4,000)	4,000	
Wine Gala proceeds to unrestricted	68,573	(68,573)	
Exceptional Faculty contributions	5,000	-	(5,000)
IEL matching funds	(5,000)	5,000	
Magnuson pledge to Esmeralda	30,000	(30,000)	
Unrestricted to Placement Testing	(7,000)	7,000	
Planetarium Pledge payments to unrestricted	2,000	(2,000)	
Golf proceeds	7,378	(7,378)	
Unrestricted to Exceptional Faculty	(1,071)	1,071	
Unrestricted to misc. overspent funds	(647)	647	
Unrestricted to Chancellor's fund	(7,500)	7,500	
Higley scholarship to create Endowment	-	(10,000)	10,000
Shields Scholarship to Shields Endowment	-	(13,000)	13,000
Painted Hills Scholarship to Endowment	-	(977)	977
SVFD scholarship to Sly Endowment	-	(5,500)	5,500
Kendall building to property reserve	2 000	-	(2,000)
Totals	$ 74,283	$ (27.460	$ 22,477

NOTE 12-RESTRJCTIONS AND LIMITATIONS ON NET ASSET BALANCES:

Temporarily restricted net assets consisted of the following for the years ended June 30:

	2015	2014
Gifts and other unexpended revenues, gains, and support restricted to:		
Scholarships	$ 1,103,277	$ 1,083,213
Program support	1,439,818	1,185,398
	$ 2.543.095	$ 2,268.611

Permanently restricted net assets consisted of the following for the years ended June 30:

	2015	2014
Endowment Funds with investment income restricted to:		
Scholarships	$ 5,256,780	$ 5,620,289
Program support	909,082	981,035
Emerging Needs	797,002	845,877
Faculty/Staff Development	2,654,107	2,850,534
Charitable Remainder Trusts	129,858	145 778
	9.746,829	$ 10,443,513

NOTE 13 - OPERATING LEASE COMMITMENTS RECEIVABLE:

The Foundation leases building space to tenants under non-cancelable operating leases with terms of one to ten years. The Foundation leases all properties to the Community Colleges of Spokane, with the exception of Riverpoint One, a portion of which is leased to other tenants. The Foundation has entered into an option agreement with the Community Colleges of Spokane, which grants CCS an option to purchase the Riverpoint One property (see also Note 16). The following is a schedule by years of future minimum rentals receivable under the leases at June 30, 2015.

Years ending June 30,	2016	$ 1,833,372
	2017	1,848,046
	2018	1,872,796
	2019	1,551,995
	2020	1,316,825

NOTE 14- FUNCTIONAL EXPENSES:

Expenses by major functional category were as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Program services	$ 2,701,011	$ 2,558,731
Supporting services	*696A20*	536 392
Totals	$ 3,397,431	$ 3,095,123

NOTE 15 - RELATED PARTY:

The Foundation is organized to provide benefits to Washington State Community College District 17 (Community Colleges of Spokane) and the students of Spokane Community College and Spokane Falls Community College. As such, the Foundation is a related party to Washington State Community College District 17. Operating leases with CCS are described in Note 13 "Operating lease commitments." An option for CCS to purchase the Riverpoint One building is described in Note 16 "Option to purchase Riverpoint One building." Services and support donated by CCS are described in Note 2 "Donated services and support".

NOTE 16 - OPTION TO PURCHASE RJVERPOlNT ONE BUILDING:

With the refinance of the debt at June 30, 2015, the Community Colleges Foundation and the Community Colleges of Spokane are in the process of rewriting the Memo of Understanding to incorporate the changes that have occurred (Also see Notes 4, 8, and 17). In the meantime, the following is still in effect :

Existing Agreements:

The "Agreement - Option to Purchase Riverpoint One Property", dated July 28, 2000, grants Community Colleges of Spokane (CCS) an option to purchase the Riverpoint One property. The option period extends for as long as the Foundation owns the Riverpoint One Property. A subsequent Memo of Understanding between the Foundation and CCS limits the price to the "unpaid bond debt at the time of the sale plus any sales expenses and fees."

Also, an "Agreement - Financial Obligations - Riverpoint One Property", dated August 1, 2000, addresses the reserves to be maintained for the property, including the Foundation' s reserve into which the net cash flow from Riverpoint One is deposited. This agreement documents " that in the event CCS is able to acquire the property, the Foundation is to retain in its separate sub-account $50,000 for each year, partial years prorated, that Foundation owned and operated the property. Any funds in the sub-account in excess of this amount will be remitted to CCS." The existing reserves are:

> Excess Income Reserve: Management believes that CCS possesses the intent and the ability to exercise the option. Further, management believes that such exercise is, and has been, probable and estimable since the initiation of the CCS lease. As such, management has determined that an "excess income reserve" liability should be accrued to CCS for the reserve funds in excess of $50,000 per year, as calculated per the criteria above.
>
> Contingency Reserve: ln addition, a "contingency reserve" is held by the Foundation as a property reserve for Riverpoint One contingencies. This reserve is funded by CCS at $50,000 per year plus earned interest income until a balance of $500,000 has been reached (which occurred as of June 30, 2009). This reserve is refundable to CCS when the underlying Riverpoint One bonds are fully paid.

NOTE 16 - OPTION TO PURCHASE RIVERPOINT ONE BUILDING (continued):

Transaction in process:

At June 30, 2015, the Foundation has refinanced the Riverpoint One building, and there is a pending change to the Memorandum of Understanding (MOU) with the Community Colleges of Spokane to reflect the new arrangement (See also Notes 4, 8, and 17). The transaction in process is made up of:

Funds provided through deposits held for others	$1,028,867
Funds provided by the Community Colleges of Spokane	500,000
Total funds affecting the building refinance	1.528.867

Deposits held for others as of June 30, 2015 and 2014, are as follows:

	CCS paid To close	Contingency Reserve	Excess Income Reserve	Total Deposits
Liability as of June 30, 2013	$	$ 511,495	$ 1,334,991	$ 1,846,486
Increase (decrease) for the year ended 6/30/2014, net RPI		10_2	(304,334)	(304,232)
Liability as of June 30, 2014		511,597	1,030,657	1,542,254
Increase (decrease) for the year ended 6/30/2015, interest		99	1,179	1,278
Increase (decrease) for the year ended 6/30/2015, net RP1			(177,985)	(177,985)
Reserve used for capital expenditures 6/30/2015			(228,593)	(228,593)
Contributed by CCS	500.000			500,000
Liability as of June 30, 2015	$ 500,000	$ 511,696	$ 625.258	$I.636,954

NOTE 17 - CONTINGENCIES/ SUBSEQUENT EVENTS:

At June 30, 2015, the Organization refinanced the long term debt. The Foundation is negotiating with CCS to modify the existing agreements related to the Riverpoint One building. The parties are collaborating on a new Memorandum of Understanding as of the date of the audit report.

NOTE 18 - RECLASSIFICATIONS:

Certain items in the 2014 :financial statements have been reclassified to conform to the current year presentation. Such reclassification had no effect on the financial position or the change in net assets.