

**HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
BURIEN, WASHINGTON
(A Non-Profit Organization)**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

Hawthorne & Co.
Certified Public Accountants



**17820 1st Ave S.
Seattle, Washington 98148**



HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highline Schools Foundation for Excellence
Burien, Washington

We have audited the accompanying financial statements of Highline Schools Foundation for Excellence (a Non-Profit Organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highline Schools Foundation for Excellence as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nathans & Company, CPAs

Seattle, Washington
April 23, 2020

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

	<u>2018</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 787,010
Marketable securities	1,934,411
Contributions receivable	65,737
Prepaid expenses	<u>22,399</u>
TOTAL CURRENT ASSETS	2,809,557
 PROPERTY AND EQUIPMENT	
Furnishings and equipment	6,921
Less: Accumulated depreciation	<u>(3,418)</u>
PROPERTY AND EQUIPMENT, NET	3,503
 OTHER ASSETS	
Funds under management - held in trust	<u>1,106</u>
TOTAL ASSETS	<u>\$ 2,814,166</u>

LIABILITIES AND NET ASSETS

	<u>2018</u>
CURRENT LIABILITIES	
Accounts payable	\$ 583,035
Accrued expenses	5,015
Deferred revenue	<u>21,056</u>
TOTAL CURRENT LIABILITIES	609,106
 LONG TERM LIABILITIES	
Funds under management	<u>1,106</u>
 TOTAL LIABILITIES	610,212
 NET ASSETS	
Without donor restrictions	463,340
With donor restrictions	
McMicken endowment fund	142,343
Other donor restricted funds	<u>1,598,271</u>
	<u>1,740,614</u>
 TOTAL NET ASSETS	<u>2,203,954</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,814,166</u></u>

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants	\$ 141,374	\$ 0	\$ 141,374
Contributions	115,610	418,455	534,065
In-kind contributions	198,279	0	198,279
Investment returns, net	(25,490)	(90,371)	(115,861)
Special event revenue	226,218	135,096	361,314
 NET ASSETS RELEASED FROM RESTRICTION	 705,307	 (705,307)	 0
 TOTAL SUPPORT AND REVENUE	 1,361,298	 (242,127)	 1,119,171
 FUNCTIONAL EXPENSES			
Program Services	1,009,419	0	1,009,419
General and administrative	97,103	0	97,103
Fundraising	224,264	0	224,264
 TOTAL FUNCTIONAL EXPENSES	 1,330,786	 0	 1,330,786
 OTHER LOSS			
Loss on disposition of fixed asset	(1,275)	0	(1,275)
 CHANGE IN NET ASSETS	 29,237	 (242,127)	 (212,890)
 NET ASSETS, beginning of year	 434,103	 1,982,741	 2,416,844
 NET ASSETS, end of year	 \$ 463,340	 \$ 1,740,614	 \$ 2,203,954

The accompanying notes are an integral part of these financial statements

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018			
	Program Services	Management & General	Fundraising	Total
Advertising	\$ 0	\$ 1,514	\$ 0	\$ 1,514
Bank charges	0	60	0	60
Computer and website	0	7,627	0	7,627
Continuing education	0	1,806	0	1,806
Depreciation and amortization	0	919	0	919
Donor recognition	0	147	0	147
Dues and subscriptions	0	1,744	0	1,744
Fundraisers	0	0	104,606	104,606
In-kind	161,192	4,720	32,367	198,279
Insurance	0	3,021	0	3,021
Legal and professional fees	0	4,016	0	4,016
Licenses and permits	0	86	0	86
Merchant services	0	2,294	0	2,294
Miscellaneous	0	1,078	0	1,078
Office expenses	0	3,042	0	3,042
Postage and delivery	0	760	0	760
Rental expense	0	164	0	164
Scholarships, grants, and other programs	786,757	0	0	786,757
Telephone and utilities	0	1,200	0	1,200
Travel	0	1,215	0	1,215
Wages and related expenses	61,470	61,690	87,291	210,451
Total functional expenses	<u>\$ 1,009,419</u>	<u>\$ 97,103</u>	<u>\$ 224,264</u>	<u>\$ 1,330,786</u>

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (212,890)
Adjustments to reconcile change in net assets to net cash provided (used) from operating activities:	
Loss on disposition of fixed asset	1,275
Unrealized (gain) loss on investments	186,258
Realized (gain) loss on investments	(24,999)
Contribution of marketable securities	(14,999)
Depreciation and amortization	919
In-kind contributions	(198,279)
Use of in-kind contributions	198,279
Changes in assets and liabilities	
Contributions receivable	29,249
Prepaid expenses	(17,535)
Accounts payable	195,022
Accrued Expenses	5,015
Deferred Revenue	<u>18,056</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	165,371
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,062)
Purchase of marketable securities	(568,301)
Sale of marketable securities	<u>527,058</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(42,304)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	123,067
CASH AND CASH EQUIVALENTS, beginning of year	<u>663,943</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 787,010</u></u>

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Highline Schools Foundation for Excellence (the Foundation) is a Washington Non-Profit Corporation formed in December of 1999. The mission of the Foundation is to provide community resources to help Highline Public Schools succeed.

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets with donor restrictions totaled \$1,740,614 for the year ended December 31, 2018.

Contributions and certain grants that are received are recorded as support with donor restrictions or support without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Estimates

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

Functional Allocation of Expenses

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

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less.

Contributions Receivable

Unconditional contributions receivable (pledges) are recognized as revenues in the period the pledge is received. At December 31, 2018, management believes all receivables will be collected, therefore an allowance for doubtful accounts has not been established. Management writes off uncollectible accounts directly when they become uncollectible.

Contributions receivable are expected to be collected on the following schedule:

Within one year	\$	65,737
One to five years		0
Thereafter		<u>0</u>
Total	\$	<u>65,737</u>

Property and Equipment

Property and equipment are recorded at cost when purchased and fair market value when donated. Property replacements and betterments that appreciably extend asset lives are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2018 is \$919.

Accrued Compensation

The Foundation has not accrued compensated absences because the amount cannot be reasonably estimated.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fundraising

The Foundation expenses fundraising costs as incurred. Fundraising costs from on-going fundraising activities of the Foundation are presented in the expense section of the Foundation's statement of activities. Total fundraising costs incurred during 2018 were as follows:

Direct expenses for special events	\$ 103,886
Ongoing fundraising expenses	<u>120,378</u>
Total fundraising expenses	<u>\$ 224,264</u>

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation reported no taxable unrelated business income from the year ended December 31, 2018. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private Foundation within the meaning of Section 509(a) of the code.

The Foundation files U.S. information returns. All returns for tax years after 2014 remain subject to examination by the Internal Revenue Service.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the year ended December 31, 2018 totaled \$1,514.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – IN-KIND CONTRIBUTIONS

The Foundation receives contributions of services from unpaid volunteers who assist with fundraising events and programs. The value of such contributed services is not reflected in these financial statements as either revenue or expense because the criteria for recognition under FASB ASC 958 have not been satisfied.

Donated Utilities, and Use of Facilities

Highline School District provides office space for the Foundation's use as an administrative office. There is no rental charge except the leasehold excise tax on the fair market value of the leased property under the lease agreement. The lease agreement was amended on August 27, 2018 to extend the lease term through December 31, 2019. The current leasehold excise tax on the fair market value of the leased property is \$13.61 per month. Rent paid for 2018 was \$163.

In November 2019, the Foundation and the Highline Schools District signed a one year contract beginning January 1, 2020. Under the agreement, the Foundation has agreed to pay \$191 per quarter for utilities and leasehold excise tax.

The Foundation also received donations of use of facilities for its program and fundraising events from businesses in the Highline area. The total in-kind contributions of utilities and use of facilities received during 2018 had an estimated fair market value of \$5,370.

In-kind Contributions of Food, Clothing, and Other Items

The Foundation also received in-kind donations of clothing and other items (such as gift cards, bus passes, etc.) for use in its programs and food for use at its fundraising events from businesses in the Highline area. During 2018, the Foundation received in-kind donations of food, clothing, and other items having an estimated value of \$192,909.

Auction Goods

The value of contributed auction items is not reflected in the accompanying financial statements except as revenue for the cash received from the purchaser. Auction items are not used in the operation of the Foundation and therefore the criteria for recognition has not been satisfied. Contributed auction items had an estimated total value of \$43,508 for 2018.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs— Unadjusted quoted prices for identical instruments in active markets that the Company has the ability to access.
- Level 2 Inputs— Inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 inputs— Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Fair values for the Foundation's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The Foundation's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Company from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Investments are recorded at fair value which totaled \$1,978,722 at December 31, 2018. The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2018:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Bonds	\$ 581,118	\$ 0	\$ 581,118	\$ 0
Equities	506,295	506,295	0	0
Bond funds	14,528	0	14,528	0
Equity funds	327,884	327,884	0	0
Exchange traded funds	498,124	498,124	0	0
Other assets	<u>6,462</u>	<u>6,462</u>	<u>0</u>	<u>0</u>
Total Investments	<u>\$ 1,934,411</u>	<u>\$ 1,338,765</u>	<u>\$ 595,646</u>	<u>\$ 0</u>

As of December 31, 2018, investment income consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 13,457	\$ 47,712	\$ 61,169
Realized gain on sale of securities	5,500	19,499	24,999
Unrealized loss	(40,977)	(145,281)	(186,258)
Investment fees	<u>(3,470)</u>	<u>(12,301)</u>	<u>(15,771)</u>
TOTAL	<u>\$ (25,490)</u>	<u>\$ (90,371)</u>	<u>\$ (115,861)</u>

The individual securities that have unrealized losses have been deemed to not require an adjustment for other than temporary impairment as the unrealized losses have resulted due to changes in interest rates or other factors rather than the credit worthiness of the issuer of the securities or other decreases in fair value that are not significant enough to warrant investigation under the Company's policies for other than temporary impairment.

NOTE 4 – FUNDRAISERS

During 2018, the Foundation held several fundraising events. Since these events are held annually and result in material revenues and expenses, gross revenues and expenses from these events are reflected in the statement of activities.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at various financial institutions located in Washington. Accounts balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. The cash balances exceeded the insured limits several times during 2018. As of December 31, 2018, the Foundation's uninsured cash balance was \$493,806.

The Foundation also maintains investment balances in various investment institutions located in Washington State. Account balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. As of December 31, 2018, the Foundation's uninsured investment balance was \$1,478,722.

NOTE 6 – CASH FLOW SUPPLEMENTAL DISCLOSURES

Cash paid in 2018 for interest and income tax was \$0 and \$0, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018 the Foundation had net assets with donor imposed usage or time restrictions as follows:

Community Support Programs	\$ 23,227
Discovery Education Initiative	448,562
Excel Grants	10,100
Friends of Evergreen	28,278
Friends of Tyee	5,397
Graduate Highline	7,062
Integrated Learning Center (ILC) Prom	1,705
McKinney-Vento Programs	626
McMicken Endowment Fund (Note 8)	142,343
Scholarships – Athletics and other	191,522
STIA Educational Scholarship Fund	<u>881,792</u>
	<u>\$ 1,740,614</u>

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 – ENDOWMENT FUNDS

During 2007, the McMicken Heights Community Club gave the Foundation an education endowment fund to provide income, in perpetuity, to support McMicken Elementary School and provide scholarships to students graduating from public high schools within the SeaTac city limits. The first two percent of annual net earnings must be reinvested in the fund. The fund balance as of December 31, 2018 was \$150,685.

The Foundation determines the net asset classification based on the terms of the endowment agreement as described above. Earnings include unrealized gains and losses. Distributions are made following the close of the fiscal year. No distributions are made from the fund in loss years. In 2018, the fund was underwater due to unrealized losses.

The funds are to be invested for the long term in a diversified portfolio of stocks, bonds, mutual funds, cash, or any other investments deemed appropriate by the finance committee of the board of directors. A portion of the funds should be invested in low risk investment vehicles to fund the required distributions.

Activity in the endowment fund for the year ended December 31, 2018 is as follows:

Endowment net assets, beginning of year	\$ 167,311
Interest and dividends	4,404
Realized and unrealized losses	(11,611)
Investment fees	(1,135)
Amounts appropriated for expenditure	<u>(16,626)</u>
Endowment net assets, end of year	<u>\$ 142,343</u>

Endowment net assets are reported at their fair value. As of December 31, 2018 the fund's net assets consist of:

Endowment fund balance	\$ 150,685
Accumulated losses	<u>(8,342)</u>
Endowment net assets	<u>\$ 142,343</u>

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 – LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Foundation receives support without donor restrictions. Such support represented approximately 65% of annual program funding needs in 2018, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation reviews its financial position, including liquidity, at each Board of Directors meeting. An investment policy is in place that requires a diversified mix of stocks, bonds, and cash with an acceptable range specified for each type of investment. The Foundation's target allocation is 50% stocks, 45% bonds, 2% cash, and 3% other investments.

Grants are reviewed and approved annually. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for management, general, and fundraising expenses, plus an amount that represents the next expected payment for grant commitments approved by the Board of Directors.

The Foundation has \$2,787,158 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This amount consists of cash in the amount of \$787,010, marketable securities of \$1,934,411, and contributions receivable of \$65,737. \$1,789,782 of the financial assets are subject to donor-imposed, internal, or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

NOTE 10 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. In-kind contributions are allocated based on the actual use of the in-kind contribution. Salaries and related expenses are estimated based on the amount of time spent on each function.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Foundation adopted ASU 2016-14, which provides for changes in the presentation of net assets and requires certain disclosures related to liquidity of nonprofit organizations. This change was applied retrospectively, but did not result in any changes to net assets, either in total or by class. No prior year financial statements were required to be restated as a result of this change.

NOTE 12 – CONCENTRATION OF PUBLIC SUPPORT AND REVENUE

The Foundation receives support from a variety of sources including grants, fundraising events, corporate partnerships and individual contributions. Revenue from fundraisers includes the funds raised from the Foundation's annual awards breakfast and auction. Ordinary income is derived largely from organizational and individual donors in the Highline area. Adverse economic conditions in the Highline Community could affect the ordinary support and revenue of the Foundation.

In 2018, the Foundation received 31.79% of its support from three donors. One of these donors provided a one-time grant that the Foundation does not expect to be renewed. If one of the other donors were to be lost, the Foundation would have to reduce programs and services offered.

NOTE 13 – GRANTS

United Way of King County

In October 2018, the Foundation entered into an agreement with the United Way of King County for the period beginning July 1, 2018, and ending June 30, 2019. Under the terms of this agreement, the Foundation received \$20,000 for the year ending December 31, 2018, to improve the quality of the programs offered at the Highline Learning Center.

Biller Family Foundation

In October 2018, the Foundation received a grant of \$125,000 from the Biller Family Foundation. The grant is not covered by a contract. However, the grant proposal submitted by the Foundation states that the funds will be used to develop a data system designed to help teachers better understand how to meet the needs of their students and provide the necessary training for teachers and students to get the maximum benefit from the data system.

In 2019, the Foundation received an additional \$75,000 to support this project.

HIGHLINE SCHOOLS FOUNDATION FOR EXCELLENCE
Burien, Washington
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 – FUNDS HELD IN TRUST

The purpose of Funds Held in Trust is to support the mission of the Foundation by serving as Fiscal Agent for the Highline School District. The Foundation will only accept private, non-government monies to be held in trust and will charge an arranged service fee for administration. The Foundation's minimum opening deposit for an account to be considered a fund held in trust is \$100.

The Foundation holds funds in trust for Big Picture High School and Cascade Middle School. Amounts held in trust as of December 31, 2018 were \$146 and \$960, respectively. The activities and financial statements of these entities are not subject to this or any other audit.

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated subsequent events (events subsequent to December 31, 2018) through the date these financial statements were available to be issued, which is the same date as the independent auditors' report, and found that no subsequent events occurred that would require adjustment to or disclosure in the financial statements.