

**PORTLAND COMMUNITY
COLLEGE FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2007**



MCDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Portland Community College Foundation
Portland, Oregon

We have audited the accompanying statement of financial position of Portland Community College Foundation (a nonprofit corporation) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2006 financial statements of Portland Community College Foundation which were audited by us, and in our report dated August 3, 2006, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Community College Foundation as of June 30, 2007, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

August 29, 2007

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

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PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(With comparative totals for 2006)

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,459,849	\$ 1,613,771
Contributions and accounts receivable	15,968	27,000
Investments	2,648,534	1,552,430
Assets held in trust	8,448	7,937
Equipment, net	180,779	335,168
 TOTAL ASSETS	 \$ 4,313,578	 \$ 3,536,306
LIABILITIES AND NET ASSETS		
Liabilities:		
Scholarships, grants and accounts payable	\$ 45,509	\$ 51,926
Deferred revenue	45,860	24,559
Obligations under split-interest agreements	17,365	17,281
Total liabilities	108,734	93,766
Net assets:		
Unrestricted:		
Available for programs and operations	278,850	225,294
Board designated	72,844	61,156
Cumulative endowment adjustment	-	(2,243)
Total unrestricted	351,694	284,207
Temporarily restricted	2,063,927	1,678,652
Permanently restricted	1,789,223	1,479,681
Total net assets	4,204,844	3,442,540
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,313,578	 \$ 3,536,306

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007
(With comparative totals for 2006)

	2007			Total	2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenues:					
Grants and contributions	\$ 46,645	\$ 935,752	\$ 307,767	\$ 1,290,164	\$ 976,542
College in-kind support	455,435	-	-	455,435	349,781
Other in-kind contributions	-	11,245	-	11,245	60,502
Special events revenue, net of direct costs of \$47,497 for 2007 and \$28,634 for 2006	63,417	-	-	63,417	49,741
Investment income	53,502	62,529	156	116,187	77,960
Net appreciation in fair value of investments	7,960	267,141	1,619	276,720	156,962
Net change in fair value of split interest agreements	631	-	-	631	345
	<u>627,590</u>	<u>1,276,667</u>	<u>309,542</u>	<u>2,213,799</u>	<u>1,671,833</u>
Net assets released from restrictions and other transfers	891,392	(891,392)	-	-	-
Total support and revenues	<u>1,518,982</u>	<u>385,275</u>	<u>309,542</u>	<u>2,213,799</u>	<u>1,671,833</u>
Expenses:					
Scholarships, grants and other distributions	746,579	-	-	746,579	642,815
Program expenses - depreciation	154,389	-	-	154,389	154,392
Supporting services:					
College in-kind supporting services	455,435	-	-	455,435	349,781
Administration	51,060	-	-	51,060	51,675
Fundraising	33,815	-	-	33,815	46,543
Investment fees	10,217	-	-	10,217	12,084
Total expenses	<u>1,451,495</u>	<u>-</u>	<u>-</u>	<u>1,451,495</u>	<u>1,257,290</u>
Change in net assets	67,487	385,275	309,542	762,304	414,543
Net assets:					
Beginning of year	<u>284,207</u>	<u>1,678,652</u>	<u>1,479,681</u>	<u>3,442,540</u>	<u>3,027,997</u>
End of year	<u>\$ 351,694</u>	<u>\$ 2,063,927</u>	<u>\$ 1,789,223</u>	<u>\$ 4,204,844</u>	<u>\$ 3,442,540</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2007
(With comparative totals for 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 1,125,644	\$ 900,600
Cash received from interest and dividends	116,031	77,808
Cash paid for scholarships, grants and other disbursements	(741,751)	(545,387)
Cash paid for administrative and other costs	<u>(142,589)</u>	<u>(138,936)</u>
Net cash provided by operating activities	<u>357,335</u>	<u>294,085</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	1,741,962	1,119,796
Purchase of investments and reinvested income	<u>(2,558,569)</u>	<u>(868,643)</u>
Net cash provided by (used in) investing activities	<u>(816,607)</u>	<u>251,153</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for		
long-term investment	307,767	171,876
Investment income restricted for long-term investment	156	152
Payments to beneficiaries under split-interest agreements	<u>(2,573)</u>	<u>(2,748)</u>
Net cash provided by financing activities	<u>305,350</u>	<u>169,280</u>
Net increase (decrease) in cash and cash equivalents	(153,922)	714,518
Cash and cash equivalents - beginning of year	<u>1,613,771</u>	<u>899,253</u>
Cash and cash equivalents - end of year	<u>\$ 1,459,849</u>	<u>\$ 1,613,771</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Portland Community College Foundation (the Foundation) was established in 1982 to provide support for the private fundraising efforts of Portland Community College (the College). The Foundation aids and promotes excellence at the College by providing scholarships, equipment for teaching and training, special academic opportunities for students and support for outstanding faculty.

The goals of the Foundation are to:

- Increase private funding to support students' scholarships and special needs of the College;
- Increase the public's awareness of the College's and students' financial needs;
- Communicate the strong relationships between the College and the business community;
- Work to finance educational areas that enhance the growth of the Portland metro area economy;
- Establish the College as the premier training and education center of the area; and
- Increase the self-sufficiency of the Foundation.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered investments.

Investments

Investments are carried at fair value. Net assets of all funds are pooled to maximize the return on investments. Investment income is allocated monthly in proportion to the balance in each fund at the end of the prior month.

Income, realized net gains, and unrealized net gains on the investment of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to principal of a permanent endowment.
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of income.
- As increases in unrestricted net assets in all other cases.

Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of equipment is calculated using the straight-line method over the estimated useful lives of the assets, which is generally 5 years.

Scholarships and Grants Payable

Scholarships and grants are accrued when awarded by the Foundation and are unconditional. Scholarships and grants are made from available income and principal in accordance with restrictions imposed by donors.

Deferred Revenue

Proceeds received for events are recognized as revenue in the period the event occurs. Amounts received in advance for events occurring in the subsequent year are reflected as deferred revenue on the statement of financial position.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

Portland Community College Foundation is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Foundation has no activities subject to unrelated business income tax. The Foundation is not a private foundation.

Obligations under Split-Interest Agreements

Obligations under split-interest agreements, including charitable remainder trusts and gift annuities, are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates established by the Internal Revenue Service and actuarially determined expected lives. Obligations under split-interest agreements are revalued annually to reflect actual experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest agreements.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Foundation recognizes donated services that create or enhance nonfinancial 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Foundation has an established right to the bequest and the proceeds are measurable.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2006

The financial information as of June 30, 2006 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

2. INVESTMENTS

Investments at June 30, 2007 and 2006 are carried at fair value and consist of the following:

	2007	2006
Common stock	\$ 1,864,915	\$ 1,128,989
Bonds	783,470	420,084
Cash equivalents	149	3,357
Total investments	\$ 2,648,534	1,552,430

3. EQUIPMENT

Equipment consists of the following at June 30, 2007 and 2006:

	2007	2006
Classroom equipment	\$ 771,947	\$ 771,947
Less accumulated depreciation	591,168	436,779
Equipment, net	\$ 180,779	\$ 335,168

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

4. OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation holds a charitable gift annuity, whereby the Foundation has agreed, in return for the gifted assets, to make payments to gift beneficiaries for the balance of their lives. The liability under this agreement totaling \$12,752 and \$12,754 at June 30, 2007 and 2006, respectively, represents the actuarially determined present value of the estimated future payments to be made to the current beneficiaries using a discount rate of 9.6%. Upon death of the current beneficiaries, the Foundation will receive the balance of the remaining assets. At June 30, 2007 and 2006, the assets associated with the annuity totaled \$15,603 and \$15,397, respectively, and are included with investments.

The Foundation is also trustee and the remainder beneficiary of a charitable remainder unitrust. The terms of the agreement require that a payment from the trust's assets be made annually to the trust's current beneficiaries in the amount of 8.5% of the fair value of the trust. The liability under this agreement totaling \$4,613 and \$4,527 at June 30, 2007 and 2006, respectively, represents the future payments to be made to current beneficiaries, using a discount rate of 7.7%. Upon death of the beneficiaries, the remaining assets will revert to the Foundation. At June 30, 2007 and 2006, the assets held associated with the unitrust agreement totaled \$8,448 and \$7,937, respectively.

5. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$72,844 and \$61,156, respectively, consist of unrestricted net assets designated by the Board for scholarships.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2007 and 2006:

	2007	2006
Scholarships	\$ 1,074,869	\$ 713,716
Programs	808,279	629,768
Net investment in equipment	180,779	335,168
Total temporarily restricted net assets	\$ 2,063,927	\$ 1,678,652

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2007 and 2006 consist of restricted endowment funds totaling \$1,789,223 and \$1,479,681, respectively. The principal portion of the endowment is permanently restricted and income on the principal is either unrestricted or restricted to scholarships and programs.

At June 30, 2006, the Foundation had incurred cumulative investment losses on its endowments totaling \$2,243 in excess of available temporarily restricted net asset balances. Accordingly, in order to maintain the historical cost basis of the Foundation's endowment funds in accordance with state law and to report losses as required by SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the losses have been reported as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

The incremental gain reported for the year ended June 30, 2007 totaled \$2,243.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

8. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2007 and 2006, the Foundation incurred expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, a corresponding amount has been reported as a reclassification from temporarily restricted and permanently restricted net assets to unrestricted net assets in the statement of activities as follows:

	2007	2006
Temporarily restricted net assets:		
Satisfaction of program and/or time restrictions	\$ 853,982	\$ 759,192
Endowment management fee	25,766	19,599
Gift administrative fee	9,401	7,117
Transfer	-	(10,000)
Cumulative endowment adjustment	2,243	21,745
Total temporarily restricted net assets released	891,392	797,653
 Permanently restricted net assets:		
Transfer to correct temporarily restricted net assets treated as permanently restricted	-	31,384
Total net assets released from restrictions and other transfers	\$ 891,392	\$ 829,037

9. ADMINISTRATIVE ASSESSMENTS

The Foundation makes administrative assessments on income-producing assets held for the benefit of Portland Community College as follows:

- Endowment assets - an assessment of 1.0% annually of the fair value of endowments.
- Gifts - A one-time assessment of 1.0% on all restricted gifts of cash.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

10. FOUNDATION EXPENSES

Details of Foundation expenses are as follows:

Program expenses - depreciation totaling \$154,389 for 2007 and \$154,392 for 2006 represents depreciation of classroom equipment owned by the Foundation and made available to the College.

Financial development and administrative expenses provided in-kind by Portland Community College for the years ended June 30, 2007 and 2006 are as follows:

	2007	2006
Payroll and related costs	\$ 310,819	\$ 280,867
Contracted services	98,906	38,484
Travel	12,302	9,455
Printing and postage	20,358	16,367
Other	13,050	4,608
Total College in-kind supporting services	\$ 455,435	\$ 349,781

Administrative expenses incurred by the Foundation for the years ended June 30, 2007 and 2006 are as follows:

	2007	2006
Professional services	\$ 37,872	\$ 29,534
Insurance	4,330	4,368
Other	8,858	17,773
Total administration	\$ 51,060	\$ 51,675

11. CONCENTRATIONS OF CREDIT RISK

The Foundation's investments consist primarily of financial instruments including cash equivalents, equity securities and fixed income investments. These financial instruments may subject the Foundation to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation; the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to change in market values.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

12. STATEMENT OF CASH FLOWS RECONCILIATION

The following presents a reconciliation of the change in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 762,304	\$ 414,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,389	154,392
Net realized and unrealized gains on investments	(276,720)	(156,962)
Contributions restricted for long-term investment	(307,767)	(171,876)
Investment income restricted for long-term investment	(156)	(152)
Net change in fair value of split-interest agreements	(631)	(345)
(Increase) decrease in:		
Contributions and grants receivable	11,032	(7,000)
Increase (decrease) in:		
Scholarships, grants and accounts payable	(6,417)	36,926
Deferred revenue	21,301	24,559
	<u>357,335</u>	<u>294,085</u>
Net cash provided by operating activities	\$ <u>357,335</u>	\$ <u>294,085</u>