

**PORTLAND COMMUNITY
COLLEGE FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2009**



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

Susan J. Marks, CPA

The Board of Directors
Portland Community College Foundation

Dennis C. Johnson, CPA

Portland, Oregon

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*James R. McDonald, CPA
of counsel*

We have audited the accompanying statement of financial position of Portland Community College Foundation (a nonprofit corporation) as of June 30, 2009, 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 2008 financial statements of Portland Community College Foundation which were audited by us, and in our report dated September 9, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009, 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.

September 2, 2009

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With comparative totals for 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,286,066	\$ 2,228,932
Restricted cash - Gateway to College National Network	-	2,563,799
Contributions receivable	393,828	98,500
Prepaid expenses	23,865	-
Investments	2,944,358	2,617,280
Assets held in trust	4,538	7,225
Equipment, net	26,390	26,390
 TOTAL ASSETS	 \$ 5,679,045	 \$ 7,542,126
LIABILITIES AND NET ASSETS		
Liabilities:		
Scholarships, grants and accounts payable	\$ 290,137	\$ 308,126
Deferred revenue	75,625	53,751
Agency fund - Gateway to College National Network	-	2,563,799
Obligations under split-interest agreements	14,200	16,880
Total liabilities	379,962	2,942,556
Net assets:		
Unrestricted:		
Available for programs and operations	97,068	283,548
Board designated	65,077	72,441
Total unrestricted	162,145	355,989
Temporarily restricted	2,244,055	2,115,783
Permanently restricted	2,892,883	2,127,798
Total net assets	5,299,083	4,599,570
 TOTAL LIABILITIES AND NET ASSETS	 \$ 5,679,045	 \$ 7,542,126

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009
(With comparative totals for 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Grants and contributions	\$ 99,358	\$ 1,597,721	\$ 766,213	\$ 2,463,292	\$ 1,644,959
College in-kind support	579,528	-	-	579,528	485,435
Other in-kind contributions	-	39,082	-	39,082	55,608
Special events revenue, net of direct costs of \$56,794 for 2009 and \$51,341 for 2008	72,076	-	-	72,076	51,754
Investment income	32,195	82,679	258	115,132	135,270
Realized/unrealized loss on investments	(10,765)	(357,772)	(2,318)	(370,855)	(195,360)
Net change in fair value of split interest agreements	(4,777)	-	-	(4,777)	(3,408)
	<u>767,615</u>	<u>1,361,710</u>	<u>764,153</u>	<u>2,893,478</u>	<u>2,174,258</u>
Net assets released from restrictions and other transfers	<u>1,232,506</u>	<u>(1,233,438)</u>	<u>932</u>	-	-
Total support and revenue	<u>2,000,121</u>	<u>128,272</u>	<u>765,085</u>	<u>2,893,478</u>	<u>2,174,258</u>
Expenses:					
Scholarships, grants and other distributions	1,342,165	-	-	1,342,165	947,920
Program expenses - depreciation	-	-	-	-	154,389
Supporting services:					
College in-kind supporting services	579,528	-	-	579,528	485,435
Administration	237,424	-	-	237,424	114,338
Fundraising	11,524	-	-	11,524	52,089
Investment fees	23,324	-	-	23,324	25,361
Total expenses	<u>2,193,965</u>	<u>-</u>	<u>-</u>	<u>2,193,965</u>	<u>1,779,532</u>
Change in net assets	(193,844)	128,272	765,085	699,513	394,726
Net assets:					
Beginning of year	<u>355,989</u>	<u>2,115,783</u>	<u>2,127,798</u>	<u>4,599,570</u>	<u>4,204,844</u>
End of year	<u>\$ 162,145</u>	<u>\$ 2,244,055</u>	<u>\$ 2,892,883</u>	<u>\$ 5,299,083</u>	<u>\$ 4,599,570</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009
(With comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 1,852,495	\$ 1,424,060
Cash received from interest and dividends	114,874	135,000
Cash paid for scholarships, grants and other disbursements	(1,321,072)	(629,695)
Cash paid for administrative and other costs	<u>(352,931)</u>	<u>(243,129)</u>
Net cash provided by operating activities	<u>293,366</u>	<u>686,236</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	997,760	1,263,721
Purchase of investments and reinvested income	<u>(1,698,017)</u>	<u>(1,428,220)</u>
Net cash used in investing activities	<u>(700,257)</u>	<u>(164,499)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	466,213	249,353
Investment income restricted for long-term investment	258	270
Payments to beneficiaries under split-interest agreements	<u>(2,446)</u>	<u>(2,277)</u>
Net cash provided by financing activities	<u>464,025</u>	<u>247,346</u>
 Net increase in cash and cash equivalents	 57,134	 769,083
 Cash and cash equivalents - beginning of year	 <u>2,228,932</u>	 <u>1,459,849</u>
 Cash and cash equivalents - end of year	 <u><u>\$ 2,286,066</u></u>	 <u><u>\$ 2,228,932</u></u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the statement 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.
- Effective for the year ended June 30, 2009, in accordance with the Uniform Prudent Management of Institutional Funds Act and generally accepted accounting principles applicable as of December 15, 2008, unrestricted endowment earnings are reported as temporarily restricted until appropriated for expenditure.

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, 2009

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, 2009

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 2008

The financial information as of June 30, 2008 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, 2009

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable are unsecured and consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Bequest receivable	\$ 300,000	\$ 90,000
Contributions receivable	<u>93,828</u>	<u>8,500</u>
Total contributions receivable	<u>\$ 393,828</u>	<u>\$ 98,500</u>

Contributions receivable are expected to be received as follows:

Within one year	\$ 368,828
In two to five years	<u>25,000</u>
Total contributions receivable	<u>\$ 393,828</u>

During 2008, the Foundation was awarded a conditional grant totaling \$525,000 that is contingent on meeting certain program performance requirements. During 2009, \$300,000 was recognized as contribution revenue when certain conditions were met. The remaining grant of \$225,000 is not recorded as revenue in the financial statements and will be recorded as revenue when the Foundation has met the requirements.

3. INVESTMENTS

Investments at June 30, 2009 and 2008 are carried at fair value and consist of the following:

	<u>2009</u>	<u>2008</u>
Equity securities	\$ 1,848,714	\$ 1,616,392
Fixed income securities	1,095,219	1,000,863
Cash equivalents	<u>425</u>	<u>25</u>
Total investments	<u>\$ 2,944,358</u>	<u>\$ 2,617,280</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

4. EQUIPMENT

Equipment consists of the following at June 30, 2009 and 2008:

	2009	2008
Classroom equipment	\$ 771,947	\$ 771,947
Less accumulated depreciation	745,557	745,557
Equipment, net	\$ 26,390	\$ 26,390

Classroom equipment has been fully depreciated to the estimated salvage value at June 30, 2009 and 2008.

5. AGENCY FUND - GATEWAY TO COLLEGE NATIONAL NETWORK

The Foundation entered into an agreement to administer funds of Gateway to College National Network (GTCNN) until the approval of GTCNN's tax exemption, at which time the funds were transferred to GTCNN. In accordance with the agency fund agreement, the cash funds were to be held in a separate account. The Foundation recognized the funds held as a liability on the statement of financial position. During the year ended June 30, 2009, GTCNN's tax exemption was approved and the funds were transferred to GTCNN.

6. 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 \$11,900 and \$12,330 at June 30, 2009 and 2008, 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, 2009 and 2008, the assets associated with the annuity totaled \$8,162 and \$12,932, respectively, and are included with investments.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

6. OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS, Continued

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 \$2,300 and \$4,550 at June 30, 2009 and 2008, 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, 2009 and 2008, the assets held associated with the unitrust agreement totaled \$4,538 and \$7,225, respectively.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$65,077 and \$72,441 at June 30, 2009 and 2008, respectively, consist of unrestricted net assets designated by the Board as a quasi-endowment for scholarships.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 1,061,897	\$ 417,947
Programs	1,070,334	1,203,483
Restricted earnings on permanent endowments	85,434	467,963
Net investment in equipment	<u>26,390</u>	<u>26,390</u>
Total temporarily restricted net assets	<u>\$ 2,244,055</u>	<u>\$ 2,115,783</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2009 and 2008 consist of restricted endowment funds totaling \$2,892,883 and \$2,127,798, respectively. The principal portion of the endowment is permanently restricted and income on the principal is either unrestricted or restricted to scholarships and programs.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

10. ENDOWMENTS

Portland Community College Foundation's endowment consists of 96 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the by Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

10. ENDOWMENTS, Continued

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 85,434	\$ 2,892,883	\$ 2,978,317
Board-designated endowment funds	65,077	-	-	65,077
Total funds	<u>\$ 65,077</u>	<u>\$ 85,434</u>	<u>\$ 2,892,883</u>	<u>\$ 3,043,394</u>

Changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 72,441	\$ 467,963	\$ 2,127,798	\$ 2,668,202
Contributions	-	300	766,213	766,513
Investment income	1,545	60,047	258	61,850
Net realized and realized appreciation (depreciation)	(10,765)	(357,772)	(2,318)	(370,855)
Appropriation of endowment assets for expenditure	(1,800)	(58,089)	-	(59,889)
Other changes	3,656	(27,015)	932	(22,427)
Endowment net assets - end of year	<u>\$ 65,077</u>	<u>\$ 85,434</u>	<u>\$ 2,892,883</u>	<u>\$ 3,043,394</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$118,310 and \$5,043 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

10. ENDOWMENTS, Continued

Return Objectives and Risk Parameters

Portland Community College Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed a blended benchmark comprised of the Barclays Aggregate Bond Index and the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, The Foundation relies on an investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Portland Community College Foundation has a policy of appropriating for distribution each year approximately 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. If a fund has a deficiency due to unfavorable market conditions, no distributions are granted. In establishing this policy, the Foundation considered the historical return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

11. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2009 and 2008, 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 net assets to unrestricted net assets in the statement of activities as follows:

	2009	2008
Temporarily restricted net assets:		
Satisfaction of purpose and/or time restrictions	\$ 1,306,899	\$ 1,085,272
Endowment management fee	27,672	24,535
Gift administrative fee	12,134	14,152
Cumulative endowment adjustment	(113,267)	(5,043)
Total temporarily restricted net assets released	\$ 1,233,438	\$ 1,118,916

12. 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 restricted gifts of cash.

13. FOUNDATION EXPENSES

Details of Foundation expenses are as follows:

Program expenses – Classroom equipment owned by the Foundation and made available to the College is fully depreciated to the estimated salvage value; therefore, no depreciation expense is reflected for 2009. Depreciation expense totaled \$154,389 for 2008.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

13. FOUNDATION EXPENSES, Continued

Financial development and administrative expenses provided in-kind by Portland Community College for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Payroll and related costs	\$ 434,884	\$ 368,141
Contracted services	40,913	70,966
Travel	20,012	15,150
Printing and postage	33,235	20,138
Other	<u>50,484</u>	<u>11,040</u>
Total College in-kind supporting services	<u>\$ 579,528</u>	<u>\$ 485,435</u>

Administrative expenses incurred by the Foundation for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Professional services	\$ 128,129	\$ 73,034
Insurance	4,995	4,330
Other	<u>104,300</u>	<u>36,974</u>
Total administration	<u>\$ 237,424</u>	<u>\$ 114,338</u>

14. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in three financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 (\$250,000 effective October 3, 2008 through December 31, 2013. In addition, effective October 14, 2008 through December 31, 2009, amounts held in noninterest-bearing checking accounts and NOW accounts earning 0.5% or less have unlimited FDIC insurance coverage). Uninsured balances at June 30, 2009 and 2008 approximated \$1,875,000 and \$4,600,000, respectively.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2009

15. 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>2009</u>	<u>2008</u>
Change in net assets	\$ 699,513	\$ 394,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	154,389
Net realized and unrealized loss on investments	370,855	195,360
Contributions restricted for long-term investment	(466,213)	(249,353)
Investment income restricted for long-term investment	(258)	(270)
Net change in fair value of split-interest agreements	4,777	3,408
(Increase) decrease in:		
Contributions receivable	(295,328)	(82,532)
Prepaid expenses	(23,865)	-
Increase (decrease) in:		
Scholarships, grants and accounts payable	(17,989)	262,617
Deferred revenue	<u>21,874</u>	<u>7,891</u>
Net cash provided by operating activities	<u>\$ 293,366</u>	<u>\$ 686,236</u>

16. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

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16. FAIR VALUE MEASUREMENTS, Continued

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2009 and 2008 are as follows:

2009:	<u>Fair value</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Investments	\$ 2,944,358	\$ 2,944,358	\$ -
Assets held in trust	4,538	4,538	-
Contributions receivable after one year	25,000	-	25,000
Liabilities:			
Obligations under split interest agreements	(14,200)	-	(14,200)
 2008:			
Assets:			
Investments	2,617,280	2,617,280	-
Assets held in trust	7,225	7,225	-
Liabilities:			
Obligations under split interest agreements	(16,880)	-	(16,880)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Assets held in trust include investments in which fair values are determined by quoted market prices. Contributions receivable after one year are reflected at the gross amount expected to be received without discounting to present value. Obligations under split interest agreements are determined by calculating the present value of the future distributions to be made using published life expectancy tables and applicable discount rates.

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16. FAIR VALUE MEASUREMENTS, Continued

Liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Obligation under split interest agreements:		
Balance at beginning of year	\$	16,880
Change in value in split interest agreement		(234)
Payments to beneficiaries		<u>(2,446)</u>
Balance at end of year	\$	<u>14,200</u>