

**PORTLAND COMMUNITY
COLLEGE FOUNDATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2010**



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, 2010, 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 2009 financial statements of Portland Community College Foundation which were audited by us, and in our report dated September 2, 2009, 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, 2010, 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 31, 2010

Strength in Numbers

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PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,502,943	\$ 2,286,066
Contributions receivable	250,811	393,828
Prepaid expenses	10,614	23,865
Investments	3,942,899	2,944,358
Assets held in trust	4,453	4,538
Property held for sale	65,472	-
Equipment, net	<u>149,723</u>	<u>26,390</u>
 TOTAL ASSETS	 <u>\$ 6,926,915</u>	 <u>\$ 5,679,045</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Scholarships, grants and accounts payable	\$ 583,491	\$ 290,137
Deferred revenue	80,400	75,625
Obligations under split-interest agreements	<u>13,049</u>	<u>14,200</u>
Total liabilities	<u>676,940</u>	<u>379,962</u>
Net assets:		
Unrestricted:		
Available for programs and operations	312,217	97,068
Board designated	<u>76,421</u>	<u>65,077</u>
Total unrestricted	388,638	162,145
Temporarily restricted	2,492,739	2,244,055
Permanently restricted	<u>3,368,598</u>	<u>2,892,883</u>
Total net assets	<u>6,249,975</u>	<u>5,299,083</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,926,915</u>	 <u>\$ 5,679,045</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010
(With comparative totals for 2009)

	2010				2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Grants and contributions	\$ 202,232	\$ 1,617,399	\$ 382,826	\$ 2,202,457	\$ 2,463,292
College in-kind support	663,555	-	-	663,555	579,528
Donated assets and materials	-	138,345	65,472	203,817	39,082
Special events revenue, net of direct costs of \$62,279 for 2010 and \$56,794 for 2009	85,271	-	-	85,271	72,076
Investment income	3,823	103,293	-	107,116	115,132
Realized/unrealized gain (loss) on investments	5,944	268,990	-	274,934	(370,855)
Net change in fair value of split interest agreements	(536)	-	-	(536)	(4,777)
	960,289	2,128,027	448,298	3,536,614	2,893,478
Net assets released from restrictions and other transfers	1,851,926	(1,879,343)	27,417	-	-
Total support and revenue	2,812,215	248,684	475,715	3,536,614	2,893,478
Expenses:					
Scholarships, grants and other distributions	1,634,502	-	-	1,634,502	1,342,165
Program expenses - depreciation	1,667	-	-	1,667	-
Supporting services:					
College in-kind supporting services	663,555	-	-	663,555	579,528
Administration	220,218	-	-	220,218	237,424
Fundraising	37,440	-	-	37,440	11,524
Investment fees	28,340	-	-	28,340	23,324
Total expenses	2,585,722	-	-	2,585,722	2,193,965
Change in net assets	226,493	248,684	475,715	950,892	699,513
Net assets:					
Beginning of year	162,145	2,244,055	2,892,883	5,299,083	4,599,570
End of year	\$ 388,638	\$ 2,492,739	\$ 3,368,598	\$ 6,249,975	\$ 5,299,083

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 2,114,973	\$ 1,852,495
Cash received from interest and dividends	107,116	114,874
Cash paid for scholarships, grants and other disbursements	(1,341,148)	(1,321,072)
Cash paid for administrative and other costs	<u>(321,681)</u>	<u>(352,931)</u>
Net cash provided by operating activities	<u>559,260</u>	<u>293,366</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	1,465,187	997,760
Purchase of investments and reinvested income	<u>(2,188,478)</u>	<u>(1,698,017)</u>
Net cash used in investing activities	<u>(723,291)</u>	<u>(700,257)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	382,826	466,213
Investment income restricted for long-term investment	-	258
Payments to beneficiaries under split-interest agreements	<u>(1,918)</u>	<u>(2,446)</u>
Net cash provided by financing activities	<u>380,908</u>	<u>464,025</u>
 Net increase in cash and cash equivalents	 216,877	 57,134
 Cash and cash equivalents - beginning of year	 <u>2,286,066</u>	 <u>2,228,932</u>
 Cash and cash equivalents - end of year	 <u>\$ 2,502,943</u>	 <u>\$ 2,286,066</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010

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.
- If the terms of the gift impose no restrictions on income, 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, 2010

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, 2010

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2009

The financial information as of June 30, 2009 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Foundation has evaluated all subsequent events through August 31, 2010, the date the financial statements were available to be issued.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are unsecured and consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Bequest receivable	\$ -	\$ 300,000
Worksystems, Inc. grant receivable	204,726	-
Contributions receivable	<u>46,085</u>	<u>93,828</u>
 Total contributions receivable	 <u>\$ 250,811</u>	 <u>\$ 393,828</u>

Contributions and grant receivable at June 30, 2010 are expected to be received within one year.

3. INVESTMENTS

Investments at June 30, 2010 and 2009 are carried at fair value and consist of the following:

	<u>2010</u>	<u>2009</u>
Equity securities	\$ 2,433,160	\$ 1,848,714
Fixed income securities	1,509,667	1,095,219
Cash equivalents	<u>72</u>	<u>425</u>
 Total investments	 <u>\$ 3,942,899</u>	 <u>\$ 2,944,358</u>

4. EQUIPMENT

Equipment consists of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Classroom equipment	\$ 896,947	\$ 771,947
Less accumulated depreciation	<u>747,224</u>	<u>745,557</u>
 Equipment, net	 <u>\$ 149,723</u>	 <u>\$ 26,390</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

5. PROPERTY HELD FOR SALE

During the year ended June 30, 2010, the Foundation received an endowment gift consisting of a one-third interest in property located in Sunriver, Oregon. The property is valued at \$65,472, based on the original appraised value, discounted to reflect current market values of similar properties in the same community. The property is held for sale and proceeds from the sale will remain in the permanent endowment.

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 \$10,944 and \$11,900 at June 30, 2010 and 2009, 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, 2010 and 2009, the assets associated with the annuity totaled \$6,560 and \$8,162, 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 \$2,105 and \$2,300 at June 30, 2010 and 2009, 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, 2010 and 2009, the assets held associated with the unitrust agreement totaled \$4,453 and \$4,538, respectively.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$76,421 and \$65,077 at June 30, 2010 and 2009, respectively, consist of unrestricted net assets designated by the Board as a quasi-endowment for scholarships.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2010 and 2009:

	2010	2009
Scholarships	\$ 1,032,705	\$ 1,061,897
Programs	955,989	1,070,334
Restricted earnings on permanent endowments	354,322	85,434
Net investment in equipment	149,723	26,390
Total temporarily restricted net assets	\$ 2,492,739	\$ 2,244,055

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2010 and 2009 consist of restricted endowment funds totaling \$3,368,598 and \$2,892,883, respectively. The principal portion of the endowment is permanently restricted and income on the principal is either unrestricted or restricted to scholarships and programs.

10. ENDOWMENTS

Portland Community College Foundation's endowment consists of 110 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. 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

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

10. ENDOWMENTS, Continued

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, and
- (7) The investment policies of the Foundation.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2010				
Donor-restricted endowment funds	\$ -	\$ 354,322	\$ 3,368,598	\$ 3,722,920
Board-designated endowment funds	<u>76,421</u>	<u>-</u>	<u>-</u>	<u>76,421</u>
Total funds	<u>\$ 76,421</u>	<u>\$ 354,322</u>	<u>\$ 3,368,598</u>	<u>\$ 3,799,341</u>
2009				
Donor-restricted endowment funds	\$ -	\$ 85,434	\$ 2,892,883	\$ 2,978,317
Board-designated endowment funds	<u>65,077</u>	<u>-</u>	<u>-</u>	<u>65,077</u>
Total funds	<u>\$ 65,077</u>	<u>\$ 85,434</u>	<u>\$ 2,892,883</u>	<u>\$ 3,043,394</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

10. ENDOWMENTS, Continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2010				
Endowment net assets -				
beginning of year	\$ 65,077	\$ 85,434	\$ 2,892,883	\$ 3,043,394
Contributions	20	300	448,298	448,618
Investment income	2,199	103,293	-	105,492
Net realized and realized appreciation	5,944	268,990	-	274,934
Appropriation of endowment assets for expenditure	(655)	(46,994)	-	(47,649)
Other changes	3,836	(56,701)	27,417	(25,448)
Endowment net assets - end of year	<u>\$ 76,421</u>	<u>\$ 354,322</u>	<u>\$ 3,368,598</u>	<u>\$ 3,799,341</u>
2009				
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 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 \$34,121 and \$118,310 as of June 30, 2010 and 2009, 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, 2010

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 periods, 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, 2010

11. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2010 and 2009, 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:

	2010	2009
Temporarily restricted net assets:		
Satisfaction of purpose and/or time restrictions	\$ 1,691,054	\$ 1,306,899
Transfer to permanently restricted	21,000	-
Endowment administrative fee	57,865	27,672
Gift administrative fee	25,235	12,134
Cumulative endowment adjustment	84,189	(113,267)
	1,879,343	1,233,438
Permanently restricted net assets:		
Transfer from temporarily restricted	(21,000)	-
Other	(6,417)	(932)
Total net assets released	\$ 1,851,926	\$ 1,232,506

12. ADMINISTRATIVE ASSESSMENTS

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

- Endowment assets - For 2010, an assessment of 1.5% annually of the fair value of endowments. For 2009, an assessment of 1.0% annually of the fair value of endowments.
- Gifts - A one-time assessment of 1.5 % (effective October 1, 2009; 1.0% through September 30, 2009) on restricted gifts of cash.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

13. FOUNDATION EXPENSES

Details of Foundation expenses are as follows:

Program expenses - depreciation: Classroom equipment owned by the Foundation and made available to the College is depreciated over the estimated useful lives of the assets. Equipment at June 30, 2009 was fully depreciated to the estimated salvage value; therefore, no depreciation expense is reflected for 2009.

Financial development and administrative expenses provided in-kind by Portland Community College for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Payroll and related costs	\$ 566,295	\$ 434,884
Contracted services	28,927	40,913
Travel	20,411	20,012
Printing and postage	15,498	33,235
Other	<u>32,424</u>	<u>50,484</u>
Total College in-kind supporting services	<u>\$ 663,555</u>	<u>\$ 579,528</u>

Administrative expenses incurred by the Foundation for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Professional services	\$ 117,615	\$ 128,129
Insurance	6,275	4,995
Other	<u>96,328</u>	<u>104,300</u>
Total administration	<u>\$ 220,218</u>	<u>\$ 237,424</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

14. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured balances at June 30, 2010 and 2009 approximated \$1,922,000 and \$1,875,000, 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.

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):

	2010	2009
Change in net assets	\$ 950,892	\$ 699,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,667	-
Net realized and unrealized (gain) loss on investments	(274,934)	370,855
Contributions and investment income restricted for long-term investment	(382,826)	(466,471)
Contributed property	(190,472)	-
Net change in fair value of split-interest agreements	536	4,777
(Increase) decrease in:		
Contributions receivable	143,017	(295,328)
Prepaid expenses	13,251	(23,865)
Increase (decrease) in:		
Scholarships, grants and accounts payable	293,354	(17,989)
Deferred revenue	4,775	21,874
	\$ 559,260	\$ 293,366

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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.

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, 2010 and 2009 are as follows:

2010:	<u>Fair value</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Equity and fixed income securities	\$ 3,942,827	\$ 3,942,827	\$ -
Assets held in trust	4,453	4,453	-
Property held for sale	-	-	65,472
Liabilities:			
Obligations under split interest agreements	(13,049)	-	(13,049)
 2009:			
Assets:			
Equity and fixed income securities	2,943,933	2,943,933	-
Assets held in trust	4,538	4,538	-
Liabilities:			
Obligations under split interest agreements	(14,200)	-	(14,200)

PORTLAND COMMUNITY COLLEGE FOUNDATION
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16. FAIR VALUE MEASUREMENTS, Continued

Fair values for equity and fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Assets held in trust include equity and fixed income securities in which fair values are determined by quoted market prices. Property held for sale is valued based on the original appraised value, discounted by management to reflect current market values of similar properties in the same community. 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.

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	\$	14,200
Change in value of split interest agreements		(536)
Investment earnings		1,303
Payments to beneficiaries		<u>(1,918)</u>
Balance at end of year	\$	<u><u>13,049</u></u>