

# PORTLAND COMMUNITY COLLEGE FOUNDATION

Audited Financial Statements

For the Year Ended June 30, 2019



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Portland Community College Foundation

We have audited the accompanying financial statements of Portland Community College Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities 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.

### *Auditor's 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 organization'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 organization'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 Portland Community College Foundation as of June 30, 2019, and 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.

*Report on Summarized Comparative Information*

We have previously audited Portland Community College Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobz, P.C.*

Portland, Oregon  
August 28, 2019

PORTLAND COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2019  
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 97,197	\$ 140,562
Certificates of deposit	6,308,977	6,239,626
Contributions and grants receivable, net	1,570,188	1,525,953
Investments	10,255,024	8,524,196
Other assets	98,420	117,413
Equipment, net	<u>30,087</u>	<u>38,587</u>
 TOTAL ASSETS	 <u>\$ 18,359,893</u>	 <u>\$ 16,586,337</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Scholarships, grants and accounts payable	\$ 528,974	\$ 663,984
Obligations under split-interest agreements	<u>37,458</u>	<u>40,911</u>
Total liabilities	<u>566,432</u>	<u>704,895</u>
 Net assets:		
Without donor restrictions:		
Available for programs and operations	1,415,678	1,850,832
Board designated	<u>1,143,257</u>	<u>454,432</u>
Total without donor restrictions	2,558,935	2,305,264
With donor restrictions	<u>15,234,526</u>	<u>13,576,178</u>
Total net assets	<u>17,793,461</u>	<u>15,881,442</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 18,359,893</u>	 <u>\$ 16,586,337</u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019  
(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and revenue:</b>				
Grants and contributions	\$ 233,646	\$ 4,663,189	\$ 4,896,835	\$ 4,015,182
College in-kind support	1,161,180	-	1,161,180	1,145,093
Donated assets and materials	-	313,945	313,945	377,141
Special events revenue, net of direct costs of \$162,810 in 2019 and \$138,396 in 2018	290,481	-	290,481	245,629
Investment income, net	138,437	190,315	328,752	243,510
Change in value of investments	119,279	320,187	439,466	321,998
Net change in fair value of split interest agreements	3,947	-	3,947	666
	1,946,970	5,487,636	7,434,606	6,349,219
Net assets released from restrictions and other transfers	3,829,288	(3,829,288)	-	-
Total support and revenue	5,776,258	1,658,348	7,434,606	6,349,219
<b>Expenses:</b>				
Scholarships	1,445,972	-	1,445,972	1,490,994
Future connect	1,501,643	-	1,501,643	1,089,451
Other program expenses	1,033,110	-	1,033,110	1,441,390
Advocacy	-	-	-	50,000
Total program expenses	3,980,725		3,980,725	4,071,835
Supporting services:				
Administration	561,394	-	561,394	566,672
Fundraising	980,468	-	980,468	673,347
Total expenses	5,522,587	9,503,312	5,522,587	5,311,854
Change in net assets	253,671	1,658,348	1,912,019	1,037,365
<b>Net assets:</b>				
Beginning of year	2,305,264	13,576,178	15,881,442	14,844,077
End of year	\$ 2,558,935	\$ 15,234,526	\$ 17,793,461	\$ 15,881,442

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2019  
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Cash received from grantors and contributors	\$ 4,711,761	\$ 3,881,961
Cash received from interest and dividends	331,605	247,194
Cash paid for scholarships, grants and other disbursements	(3,666,780)	(3,439,093)
Cash paid for administrative and other costs	<u>(668,655)</u>	<u>(293,407)</u>
Net cash flows from operating activities	<u>707,931</u>	<u>396,655</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	2,184,907	1,867,130
Purchase of certificates of deposit	(69,351)	(2,036,307)
Purchase of investments and reinvested income	<u>(3,473,613)</u>	<u>(2,596,099)</u>
Net cash flows from investing activities	<u>(1,358,057)</u>	<u>(2,765,276)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term investment	611,848	457,132
Payments to beneficiaries under split-interest agreements	<u>(5,087)</u>	<u>(5,087)</u>
Net cash flows from financing activities	<u>606,761</u>	<u>452,045</u>
 Net change in cash and cash equivalents	 (43,365)	 (1,916,576)
 Cash and cash equivalents - beginning of year	 <u>140,562</u>	 <u>2,057,138</u>
 Cash and cash equivalents - end of year	 <u><u>\$ 97,197</u></u>	 <u><u>\$ 140,562</u></u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

I. 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.

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

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.

Contributions and Accounts Receivable

Contributions and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end.

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 net assets with perpetual donor restrictions if the terms of the gift require that they be added to principal of a permanent endowment.
- As increases in net assets with expiring donor restrictions 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 net assets with expiring donor restrictions 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, 2019

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued

Income Tax Status

Portland Community College Foundation is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. Based on tax law changes, the Foundation may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Foundation has no other activities subject to unrelated business income tax. The Foundation is not a private foundation.

The Foundation follows the provisions of *FASB ASC Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

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.

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.

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 support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Continued

Donated Assets and Services, Continued

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.

Donated materials provided were primarily for use in programs and are included as expenses.

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. The expenses that are allocated include personnel related expenses and in-kind expenses from the college which are allocated on the basis of estimates of time and effort.

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 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Change in Accounting Principle

The Foundation has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Foundation has evaluated all subsequent events through August 28, 2019, the date the financial statements were available to be issued.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

2. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, contributions receivable and marketable debt and equity securities.

Financial assets of the Foundation consist of the following at June 30, 2019:

	Available for General <u>Expenditure</u>	Board Designated	<u>With Donor Restrictions</u>		Total Financial <u>Assets</u>
			<u>Expiring</u>	<u>Perpetual</u>	
Cash and cash equivalents	\$ -	\$ -	\$ 97,197	\$ -	\$ 97,197
Certificates of deposit	984,731	672,578	4,651,668	-	6,308,977
Contributions receivable					
within one year	15,135	-	835,471	141,833	992,439
Accounts receivable	27,352	-	-	-	27,352
Investments and annuity assets	888,215	470,679	2,118,564	6,781,956	10,259,414
Total financial assets	<u>\$ 1,915,433</u>	<u>\$ 1,143,257</u>	<u>\$7,702,900</u>	<u>\$6,923,789</u>	<u>\$ 17,685,379</u>

See Note 10 for the Foundation's endowment policies which describe the spending rate for both donor-restricted endowments and funds designated by the board as endowments. While the Foundation does not intend to use funds from the board-designated endowment (other than amounts appropriated for general expenditure as a part of the annual budget approval and appropriation by the Board), board-designated funds could be made available, if necessary, with a majority vote of the Board.

3. CERTIFICATES OF DEPOSIT

The certificates of deposit at June 30, 2019 earn interest at rates between 1.75% and 2.45% and have maturity dates between July 2019 and July 2020. At June 30, 2018, certificates of deposit earn interest at rates between 1.05% and 2.35% and have maturity dates between August 2018 and January 2020.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are unsecured and consist of the following at June 30, 2019 and 2018:

	2019	2018
Receivable within one year:		
City of Beaverton	\$ 125,000	\$ 125,000
City of Hillsboro	125,000	125,000
The Renaissance Foundation	100,000	-
Individual donor	100,000	100,000
Various	542,439	552,540
	992,439	902,540
Receivable in two to five years	632,216	670,780
	1,624,655	1,573,320
Less discount on noncurrent grants	54,467	47,367
	1,570,188	1,525,953
Contributions and grants receivable, net	<u>\$ 1,570,188</u>	<u>\$ 1,525,953</u>

Grants receivable after one year are discounted to present value using a discount rate of 5.50% in 2019 (4.25% 2018). No allowance has been established as management believes all amounts will be fully collected.

5. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2019 and 2018:

	2019	2018
Equity securities	\$ 6,152,797	\$ 5,448,273
Fixed income securities	3,353,232	3,075,784
Cash equivalents	748,995	139
Total investments	<u>\$ 10,255,024</u>	<u>\$ 8,524,196</u>
Investments held for endowment	\$ 9,371,199	\$ 8,387,700
Without donor restrictions	883,825	136,496
Total investments	<u>\$ 10,255,024</u>	<u>\$ 8,524,196</u>

**PORTLAND COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2019**

**6. EQUIPMENT**

Equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Classroom equipment	\$ 1,175,465	\$ 1,175,465
Less accumulated depreciation	<u>1,145,378</u>	<u>1,136,878</u>
Equipment, net	<u>\$ 30,087</u>	<u>\$ 38,587</u>

Classroom equipment owned by the Foundation and made available to the College is depreciated over the estimated useful lives of the assets.

**7. OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS**

The Foundation holds three charitable gift annuities, 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 these agreements represents the actuarially determined present value of the estimated future payments to be made to the current beneficiaries using a discount rate. Upon death of the current beneficiaries, the Foundation will receive the balance of the remaining assets. At June 30, 2019, the assets associated with the annuities totaled \$83,044 (\$82,622 at June 30, 2018) 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 represents the future payments to be made to current beneficiaries, using a discount rate of 7.7% and is estimated to be insignificant at June 30, 2019 and 2018. Upon death of the beneficiaries, the remaining assets will revert to the Foundation. At June 30, 2019, the assets held associated with the unitrust agreement totaled \$4,391 (\$4,319 at June 30, 2018) and are included with other assets.

The total liability under these agreements is \$37,458 at June 30, 2019 (\$40,911 at June 30, 2018).

**8. BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of the following at June 30, 2019 and 2018:

	2019	2018
Endowment for scholarships (Note 10)	\$ 292,104	\$ 296,432
Operating reserve	500,000	-
Program reserves	<u>351,153</u>	<u>158,000</u>
Total board designated net assets	<u>\$ 1,143,257</u>	<u>\$ 454,432</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	2019	2018
Net assets with expiring donor restrictions:		
Scholarships	\$ 2,197,694	\$ 2,148,843
Programs	3,811,806	3,006,221
Restricted earnings on permanent endowments (Note 10)	2,031,129	1,803,495
Equipment restricted to college programs	30,087	38,587
Total net assets with expiring restrictions	<u>8,070,716</u>	<u>6,997,146</u>
Net assets with perpetual donor restrictions:		
Endowment (Note 10)	<u>7,163,810</u>	<u>6,579,032</u>
Total net assets with donor restrictions	<u>\$ 15,234,526</u>	<u>\$ 13,576,178</u>

Net assets with perpetual donor restrictions at June 30, 2019 and 2018 consist of restricted endowment funds. The principal portion of the endowment is restricted by donors and income on the principal is either without donor restrictions or restricted by donors to scholarships and programs. Also see Note 10, Endowments.

10. ENDOWMENTS

The Foundation's endowment consists 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 net assets with perpetual donor restrictions, (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.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

10. ENDOWMENTS, Continued

Interpretation of Relevant Law, Continued

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with expiring donor restrictions 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, 2019 and 2018 are as follows:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Expiring</u>	<u>Perpetual</u>	
<b>June 30, 2019</b>				
Donor-restricted	\$ -	\$ 2,031,129	\$ 7,163,810	\$ 9,194,939
Board-designated	292,104	-	-	292,104
Total Funds	<u>\$ 292,104</u>	<u>\$ 2,031,129</u>	<u>\$ 7,163,810</u>	<u>\$9,487,043</u>
<b>June 30, 2018</b>				
Donor-restricted	\$ -	\$1,803,495	\$ 6,579,032	\$ 8,382,527
Board-designated	296,432	-	-	296,432
Total Funds	<u>\$ 296,432</u>	<u>\$1,803,495</u>	<u>\$ 6,579,032</u>	<u>\$ 8,678,959</u>



PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

10. ENDOWMENTS, Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Expiring	Perpetual	
Endowment net assets -				
June 30, 2017	\$ 445,146	\$ 1,678,491	\$ 6,057,276	\$ 8,180,913
Contributions	542	-	457,132	457,674
Investment income, net of fees	14,750	212,169	1,296	228,215
Change in value of investments	22,906	264,398	3,684	290,988
Appropriation of endowment assets for expenditure	(3,200)	(205,745)	-	(208,945)
Other changes	<u>(183,712)</u>	<u>(145,818)</u>	<u>59,644</u>	<u>(269,886)</u>
Endowment net assets -				
June 30, 2018	296,432	1,803,495	6,579,032	8,678,959
Contributions	492	-	611,848	612,340
Investment income, net of fees	652	195,169	-	195,821
Change in value of investments	12,237	328,781	-	341,018
Appropriation of endowment assets for expenditure	(4,974)	(148,774)	-	(153,748)
Other changes	<u>(12,735)</u>	<u>(147,542)</u>	<u>(27,070)</u>	<u>(187,347)</u>
Endowment net assets -				
June 30, 2019	<u>\$ 292,104</u>	<u>\$ 2,031,129</u>	<u>\$ 7,163,810</u>	<u>\$9,487,043</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 net assets without donor restrictions. At June 30, 2019 and 2018, funds with deficiencies were insignificant.

Return Objectives and Risk Parameters

The 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.



PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

10. ENDOWMENTS, Continued

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

The 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. 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.

II. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2019 and 2018, 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 net assets with donor restrictions to net assets without donor restrictions in the statement of activities as follows:

	2019	2018
Net assets with expiring restrictions:		
Satisfaction of purpose and/or time restrictions	\$ 3,501,905	\$ 3,619,614
Endowment administrative fee	188,544	173,972
Gift administrative fee	111,769	41,220
	<u>3,802,218</u>	<u>3,834,806</u>
Net assets with perpetual restrictions:		
Other transfers	<u>27,070</u>	<u>(59,644)</u>
Total net assets released	<u>\$ 3,829,288</u>	<u>\$ 3,775,162</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

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 2.0% annually of the fair value of endowments.
- Gifts - A one-time assessment of 2.0% on restricted gifts of cash.

13. FOUNDATION EXPENSES RECEIVED FROM COLLEGE

Financial development and administrative expenses provided in-kind by Portland Community College for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Payroll and related costs	\$ 1,144,726	\$ 1,061,461
Contracted services	11,308	40,564
Travel	5,146	17,511
Printing and postage	-	23,876
Other	-	1,681
	<u>          </u>	<u>          </u>
Total College in-kind supporting services	<u>\$ 1,161,180</u>	<u>\$ 1,145,093</u>

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, 2019 and 2018 approximated \$120,000 and \$23,900, 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, 2019

15. 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, 2019 and 2018 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>June 30, 2019</b>				
Assets:				
Investments:				
Common stock	\$ 4,818,952	\$ 4,818,952	\$ -	\$ -
Mutual and index funds	1,333,845	1,333,845	-	-
Fixed income - Government	1,957,466	-	1,957,466	-
Fixed income - Non-government	1,395,766	-	1,395,766	-
Assets held in trust	4,390	4,390	-	-
Liabilities:				
Obligations under split interest agreements	(37,458)	-	-	(37,458)
<b>June 30, 2018</b>				
Assets:				
Investments:				
Common stock	4,253,842	4,253,842	-	-
Mutual and index funds	1,194,431	1,194,431	-	-
Fixed income - Government	1,256,337	-	1,256,337	-
Fixed income - Non-government	1,819,447	-	1,819,447	-
Assets held in trust	4,319	4,319	-	-
Liabilities:				
Obligations under split interest agreements	(40,911)	-	-	(40,911)

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

15. 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. 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 charitable gift annuities as follows:

	2019	2018
Balance at beginning of year	\$ (40,911)	\$ (45,046)
Investment earnings (loss)	2,313	(286)
Change in value of split-interest agreements	(3,947)	(666)
Payments to beneficiaries	5,087	5,087
Balance at end of year	<u>\$ (37,458)</u>	<u>\$ (40,911)</u>

The change in valuation of split-interest agreements is included in net assets without donor restrictions in the statement of activities.

PORTLAND COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2019

16. EXPENSES BY NATURAL CATEGORIES

Expenses by natural category as well as function for the year ended June 30, 2019 are as follows, along with summarized totals by natural category for 2018:

	Program	Administration	Fundraising	2019 Total	2018 Total
Future connect	\$ 1,501,643	\$ -	\$ -	\$ 1,501,643	\$ 1,089,451
Scholarships	1,445,972	2,777	-	1,448,749	1,490,994
Other direct program costs	585,462	-	-	585,462	717,047
Personnel related	16,011	81,292	149,049	246,352	81,920
Professional services	-	16,665	102,122	118,787	90,054
Fundraising	-	-	106,494	106,494	93,906
Campaign expenses	-	-	48,686	48,686	26,573
Special event expenses	-	-	162,810	162,810	138,396
Conferences and meetings	-	15,069	8,481	23,550	13,944
Advertising	-	-	5,000	5,000	50,000
Office	-	20,458	-	20,458	16,099
Dues, licenses and fees	-	67,427	-	67,427	19,065
Other operating expenses	172,445	16,354	-	188,799	477,708
In-kind college expenses - See note 13	<u>259,192</u>	<u>341,352</u>	<u>560,636</u>	<u>1,161,180</u>	<u>1,145,093</u>
	3,980,725	561,394	1,143,278	5,685,397	5,450,250
Less special event expenses netted with revenue	<u>-</u>	<u>-</u>	<u>162,810</u>	<u>162,810</u>	<u>138,396</u>
Total expenses	<u>\$ 3,980,725</u>	<u>\$ 561,394</u>	<u>\$ 980,468</u>	<u>\$ 5,522,587</u>	<u>\$ 5,311,854</u>