

PORTLAND COMMUNITY
COLLEGE FOUNDATION

Audited Financial Statements

For the Year Ended June 30, 2021



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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
September 8, 2021

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

| | <u>2021</u> | <u>2020</u> |
|---|---------------------------------|---------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 274,027 | \$ 676,416 |
| Short-term investments | 7,265,406 | 7,191,853 |
| Contributions and grants receivable, net | 2,312,952 | 1,845,864 |
| Other assets | 58,787 | 103,957 |
| Investments | 18,269,767 | 10,038,497 |
| Equipment, net | <u>7,000</u> | <u>14,000</u> |
| TOTAL ASSETS | <u><u>\$ 28,187,939</u></u> | <u><u>\$ 19,870,587</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Scholarships, grants and accounts payable | \$ 716,197 | \$ 985,046 |
| Obligations under split-interest agreements | <u>39,264</u> | <u>41,895</u> |
| Total liabilities | <u><u>755,461</u></u> | <u><u>1,026,941</u></u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for programs and operations | 464,637 | 619,899 |
| Board designated | <u>1,668,050</u> | <u>1,659,849</u> |
| Total without donor restrictions | 2,132,687 | 2,279,748 |
| With donor restrictions | <u>25,299,791</u> | <u>16,563,898</u> |
| Total net assets | <u><u>27,432,478</u></u> | <u><u>18,843,646</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 28,187,939</u></u> | <u><u>\$ 19,870,587</u></u> |

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

| | 2021 | | | 2020 |
|---|----------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Support and revenue: | | | | |
| Grants and contributions | \$ 178,146 | \$ 10,105,509 | \$ 10,283,655 | \$ 5,276,405 |
| College in-kind support | 1,207,600 | - | 1,207,600 | 1,208,042 |
| Donated assets and materials | - | 2,731,741 | 2,731,741 | 160,006 |
| Special events revenue, net of direct costs of \$63,288 in 2021 and \$33,107 in 2020 | 214,057 | - | 214,057 | 182,893 |
| Investment income, net | 32,573 | 190,595 | 223,168 | 326,646 |
| Change in value of investments | 86,454 | 2,778,474 | 2,864,928 | 427,799 |
| Net change in fair value of split interest agreements | 17,499 | - | 17,499 | (4,756) |
| | 1,736,329 | 15,806,319 | 17,542,648 | 7,577,035 |
| Net assets released from restrictions and other transfers | 7,070,426 | (7,070,426) | - | - |
| Total support and revenue | 8,806,755 | 8,735,893 | 17,542,648 | 7,577,035 |
| Expenses: | | | | |
| Program: | | | | |
| Scholarships | 1,700,172 | - | 1,700,172 | 1,559,488 |
| Future connect | 1,416,312 | - | 1,416,312 | 1,381,135 |
| Other program expenses | 4,253,832 | - | 4,253,832 | 1,975,180 |
| Total program | 7,370,316 | - | 7,370,316 | 4,915,803 |
| Supporting services: | | | | |
| Administration | 608,501 | - | 608,501 | 592,119 |
| Fundraising | 974,999 | - | 974,999 | 1,018,928 |
| Total expenses | 8,953,816 | 16,324,132 | 8,953,816 | 6,526,850 |
| Change in net assets | (147,061) | 8,735,893 | 8,588,832 | 1,050,185 |
| Net assets: | | | | |
| Beginning of year | 2,279,748 | 16,563,898 | 18,843,646 | 17,793,461 |
| End of year | \$ 2,132,687 | \$ 25,299,791 | \$ 27,432,478 | \$ 18,843,646 |

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(With comparative totals for 2020)

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from grantors and contributors | \$ 7,232,034 | \$ 4,125,746 |
| Cash received from interest and dividends | 223,168 | 326,646 |
| Cash paid for scholarships, grants and other disbursements | (4,993,201) | (4,410,126) |
| Cash paid for administrative and other costs | <u>(295,826)</u> | <u>(308,716)</u> |
| Net cash flows from operating activities | <u>2,166,175</u> | <u>(266,450)</u> |
| Cash flows from investing activities: | | |
| Proceeds from the sale of investments | 39,094,725 | 3,380,393 |
| Net proceeds (purchase) of short term investments | 4,460,266 | (134,616) |
| Purchase of investments and reinvested income | <u>(48,970,541)</u> | <u>(3,478,503)</u> |
| Net cash flows from investing activities | <u>(5,415,550)</u> | <u>(232,726)</u> |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for long-term investment | 2,852,057 | 1,084,553 |
| Payments to beneficiaries under split-interest agreements | <u>(5,071)</u> | <u>(6,158)</u> |
| Net cash flows from financing activities | <u>2,846,986</u> | <u>1,078,395</u> |
| Net change in cash and cash equivalents | (402,389) | 579,219 |
| Cash and cash equivalents - beginning of year | <u>676,416</u> | <u>97,197</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 274,027</u></u> | <u><u>\$ 676,416</u></u> |

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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.

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 30 days or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered investments. Cash and cash equivalents include cash held for endowment of \$38,664 and \$508,011 at June 30 2021 and 2020, respectively.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Contributions and Accounts Receivable

Contributions (unconditional promises to give) and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

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 perpetual 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. Beginning in 2021, the Foundation grants equipment received for College programs to the College upon receipt.

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, 2021

1. 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. 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.

The Foundation follows the provisions of FASB ASC Topic 740 *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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been 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.

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, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Donated Assets and Services, Continued

Donated materials and services provided and are included as expenses as follows.

| | 2021 | 2020 |
|------------------------------------|---------------------|-------------------|
| Amounts reported in special events | \$ 9,000 | \$ 5,326 |
| Other: | | |
| Program services | 166,600 | 154,680 |
| Program equipment | 46,141 | - |
| Donated property ** | 2,510,000 | - |
| | <u>2,722,741</u> | <u>154,680</u> |
| Total donated assets and materials | <u>\$ 2,731,741</u> | <u>\$ 160,006</u> |

** The Foundation received a gift from an estate of real property which was immediately granted to the College for use in a writing program. The estate also contributed \$3 million restricted to maintaining the property and supporting the program for 20 years. The funds have been invested by the Foundation to provide for the long-term needs of the program.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the schedule of expenses by natural categories in Note 16. 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 estimated 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 2020

The financial information as of June 30, 2020 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 September 8, 2021, the date the financial statements were available to be issued.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

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.

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

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 274,027 | \$ 676,416 |
| Short-term investments | 7,265,406 | 7,191,853 |
| Contributions receivable | 2,312,952 | 1,845,864 |
| Accounts receivable | 43,603 | 33,782 |
| Investments and annuity assets | 18,269,767 | 10,042,903 |
| | <u>28,165,755</u> | <u>19,790,818</u> |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | 25,262,791 | 16,549,898 |
| Board designations | 1,668,050 | 1,659,849 |
| Financial assets available for general expenditure | <u>\$ 1,234,914</u> | <u>\$ 1,581,071</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. SHORT-TERM INVESTMENTS

Short-term investment consist of the following at June 30:

| | 2021 | 2020 |
|-------------------------------|---------------------|---------------------|
| Money market fund | \$ 251,729 | \$ 3,016 |
| Certificates of deposit | 1,230,045 | 5,939,024 |
| U.S. treasury bill | 5,783,632 | 1,249,813 |
| Total short-term investments' | <u>\$ 7,265,406</u> | <u>\$ 7,191,853</u> |

The certificates of deposit at June 30, 2021 earn interest at rates between 1.15% and 1.60% and have maturity dates between August 2021 and April 2022. At June 30, 2020, certificates of deposit earn interest at rates between 1.00% and 1.95% and have maturity dates between July 2020 and April 2022.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Receivable within one year: | | |
| City of Hillsboro | \$ 150,000 | \$ 125,000 |
| Bequests | 1,073,891 | - |
| Higher Education Coordinating Commission | - | 184,667 |
| The Renaissance Foundation | - | 75,000 |
| Rippey Foundation | - | 150,000 |
| Other | 681,676 | 869,407 |
| Total receivable within one year | <u>1,905,567</u> | <u>1,404,074</u> |
| Receivable in two to five years: | | |
| The Renaissance Foundation | - | 125,000 |
| Other | 432,129 | 337,062 |
| Total receivable in two to five years | <u>432,129</u> | <u>462,062</u> |
| Total contributions and grants receivable | 2,337,696 | 1,866,136 |
| Less discount on noncurrent grants | <u>24,744</u> | <u>20,272</u> |
| Contributions and grants receivable, net | <u>\$ 2,312,952</u> | <u>\$ 1,845,864</u> |

Contributions and grants receivable after one year are discounted to present value using a discount rate of 3.25% in 2021 and 2020. 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:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|----------------------|----------------------|
| Equity securities | \$ 15,623,911 | \$ 6,787,331 |
| Fixed income securities | 2,645,342 | 3,242,119 |
| Cash equivalents | 514 | 9,047 |
| Total investments | <u>\$ 18,269,767</u> | <u>\$ 10,038,497</u> |

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

6. EQUIPMENT

Equipment consists of the following at June 30:

| | 2021 | 2020 |
|-------------------------------|------------------|------------------|
| Classroom equipment | \$ 1,175,465 | \$ 1,175,465 |
| Less accumulated depreciation | <u>1,168,465</u> | <u>1,161,465</u> |
| Equipment, net | <u>\$ 7,000</u> | <u>\$ 14,000</u> |

Classroom equipment owned by the Foundation is used by the College in various programs.

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, 2021, the assets associated with the annuities totaled \$119,199 (\$92,709 at June 30, 2020) and are included with investments.

The total liability under these agreements is \$39,264 at June 30, 2021 (\$41,895 at June 30, 2020).

The Foundation was 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, 2020. During the year ended June 30, 2021, the beneficiary died at which time the remaining assets reverted to the Foundation. June 30, 2020, the assets held associated with \$4,406 and are included with other assets.

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30:

| | 2021 | 2020 |
|--------------------------------------|---------------------|---------------------|
| Endowment for scholarships (Note 10) | \$ 578,293 | \$ 480,085 |
| Operating reserve | 930,000 | 650,000 |
| Program reserves | <u>159,757</u> | <u>529,764</u> |
| Total board designated net assets | <u>\$ 1,668,050</u> | <u>\$ 1,659,849</u> |

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Net assets with expiring donor restrictions: | | |
| Scholarships | \$ 2,739,203 | \$ 2,368,968 |
| Programs | 6,803,239 | 3,773,790 |
| Restricted earnings on perpetual endowments (Note 10) | 4,543,951 | 2,137,660 |
| Equipment restricted to college programs | 37,000 | 14,000 |
| Total net assets with expiring restrictions | <u>14,123,393</u> | <u>8,294,418</u> |
| Net assets with perpetual donor restrictions: | | |
| Endowment (Note 10) | <u>11,176,398</u> | <u>8,269,480</u> |
| Total net assets with donor restrictions | <u>\$ 25,299,791</u> | <u>\$ 16,563,898</u> |

Net assets with perpetual donor restrictions at June 30, 2021 and 2020 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 perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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, 2021

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, 2021 and 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|----------------------|----------------------------------|-------------------------|----------------------|----------------------|
| | | Expiring | Perpetual | |
| June 30, 2021 | | | | |
| Donor-restricted | \$ - | \$ 4,543,951 | \$ 11,176,398 | \$ 15,720,349 |
| Board-designated | 578,293 | - | - | 578,293 |
| Total endowment | <u>\$ 578,293</u> | <u>\$ 4,543,951</u> | <u>\$ 11,176,398</u> | <u>\$ 16,298,642</u> |
| June 30, 2020 | | | | |
| Donor-restricted | \$ - | \$ 2,137,660 | \$ 8,269,480 | \$ 10,407,140 |
| Board-designated | 480,085 | - | - | 480,085 |
| Total endowment | <u>\$ 480,085</u> | <u>\$ 2,137,660</u> | <u>\$ 8,269,480</u> | <u>\$ 10,887,225</u> |

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

10. ENDOWMENTS, Continued

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|--|----------------------------------|-------------------------|----------------------|----------------------|
| | | Expiring | Perpetual | |
| Endowment net assets - | | | | |
| June 30, 2019 | \$ 470,679 | \$ 2,031,129 | \$ 7,163,810 | \$ 9,665,618 |
| Contributions | 492 | - | 1,084,553 | 1,085,045 |
| Investment income, net of fees | (1,832) | 218,854 | - | 217,022 |
| Change in value of investments | 20,185 | 326,346 | - | 346,531 |
| Appropriation of endowment assets for expenditure | (9,439) | (242,630) | - | (252,069) |
| Other changes | - | (196,039) | 21,117 | (174,922) |
| Endowment net assets - | | | | |
| June 30, 2020 | 480,085 | 2,137,660 | 8,269,480 | 10,887,225 |
| Contributions | 1,492 | - | 2,852,057 | 2,853,549 |
| Investment income, net of fees | (4,675) | 190,595 | - | 185,920 |
| Change in value of investments | 105,846 | 2,778,474 | - | 2,884,320 |
| Appropriation of endowment assets for expenditure | (4,455) | (211,597) | - | (216,052) |
| Other changes | - | (351,181) | 54,861 | (296,320) |
| Endowment net assets - | | | | |
| June 30, 2021 | <u>\$ 578,293</u> | <u>\$ 4,543,951</u> | <u>\$ 11,176,398</u> | <u>\$ 16,298,642</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, 2021 and 2020, funds with deficiencies were insignificant.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

10. ENDOWMENTS, Continued

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 meet or exceed a blended benchmark comprised of the Russell 3000, MSCI ACWI ex USA IMI, S&P Global REIT Net, Marketable Alts Custom Index, Bloomberg US Agg, Bloomberg Long US Treasury, Bloomberg US TIPS 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

The Foundation has a policy of appropriating for distribution each year approximately 5 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

II. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2021 and 2020, 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:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Net assets with expiring restrictions: | | |
| Satisfaction of purpose and/or time restrictions | \$ 6,661,117 | \$ 4,187,837 |
| Endowment administrative fee | 363,796 | 207,942 |
| Gift administrative fee | <u>100,374</u> | <u>96,140</u> |
| | 7,125,287 | 4,491,919 |
| Net assets with perpetual restrictions: | | |
| Other transfers | <u>(54,861)</u> | <u>(21,117)</u> |
| Total net assets released | <u>\$ 7,070,426</u> | <u>\$ 4,470,802</u> |

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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

13. FOUNDATION SUPPORT PROVIDED BY COLLEGE

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Payroll and related costs | \$ 1,203,504 | \$ 1,201,560 |
| Travel | 466 | 3,470 |
| Printing and postage | 474 | 2,732 |
| Other | 3,156 | 280 |
| | <u>3,156</u> | <u>280</u> |
| Total College in-kind supporting services | <u>\$ 1,207,600</u> | <u>\$ 1,208,042</u> |

14. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in several financial institutions. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limited.

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. 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

15. FAIR VALUE MEASUREMENTS. Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 and 2020 are as follows:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|--------------|----------------|----------------|----------------|
| June 30, 2021 | | | | |
| Assets: | | | | |
| Included in short-term investments: | | | | |
| Money market fund | \$ 250,016 | \$ 250,016 | \$ - | \$ - |
| Government bonds | 5,783,632 | - | 5,783,632 | - |
| Investments: | | | | |
| Common stock | 10,266 | 10,266 | - | - |
| Mutual and index funds: | | | | |
| Equity | 15,613,645 | 15,613,645 | - | - |
| Fixed income | 1,650,497 | 1,650,497 | - | - |
| Corporate bonds | 994,845 | - | 994,845 | - |
| Liabilities: | | | | |
| Obligations under split interest agreements | (39,264) | - | - | (39,264) |
| June 30, 2020 | | | | |
| Assets: | | | | |
| Investments: | | | | |
| Common stock | \$ 5,298,952 | \$ 5,298,952 | \$ - | \$ - |
| Mutual and index funds - equity | 1,488,379 | 1,488,379 | - | - |
| Government bonds | 1,607,728 | - | 1,607,728 | - |
| Corporate bonds | 1,634,391 | 27,188 | 1,607,203 | - |
| Assets held in trust | 4,406 | 4,406 | - | - |
| Liabilities: | | | | |
| Obligations under split interest agreements | (41,895) | - | - | (41,895) |

Fair values for equity and fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in government and corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information. 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

15. FAIR VALUE MEASUREMENTS, Continued

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

Obligation under charitable gift annuities as follows:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| Balance at beginning of year | \$ (41,895) | \$ (37,458) |
| Investment earnings (loss) | 15,059 | (15,351) |
| Change in value of split-interest agreements | (17,499) | 4,756 |
| Payments to beneficiaries | 5,071 | 6,158 |
| Balance at end of year | <u>\$ (39,264)</u> | <u>\$ (41,895)</u> |

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

16. EXPENSES BY NATURAL CATEGORIES

Expenses by natural category as well as function for the year ended June 30, 2021 are as follows, along with summarized totals by natural category for 2020:

| | Program | Administration | Fundraising | 2021 Total | 2020 Total |
|--|--------------------|-------------------|-------------------|---------------------|---------------------|
| Scholarships | \$1,700,172 | \$ - | \$ - | \$ 1,700,172 | 1,564,429 |
| Future connect | 1,416,312 | - | - | 1,416,312 | 1,381,135 |
| Other direct program costs | 3,972,508 | - | - | 3,972,508 | 1,658,829 |
| In-kind college expenses - See note 13 | 217,368 | 362,280 | 627,952 | 1,207,600 | 1,208,042 |
| Personnel related | 42,215 | 96,098 | 174,586 | 312,899 | 271,997 |
| Professional services | 11,354 | 37,337 | 35,399 | 84,090 | 123,143 |
| Fundraising and campaign | - | - | 104,676 | 104,676 | 161,236 |
| Special event expenses | - | - | 63,288 | 63,288 | 33,107 |
| Conferences and meetings | - | 22,960 | - | 22,960 | 18,207 |
| Office, dues, licenses and fees | 10,387 | 54,017 | 32,386 | 96,790 | 91,816 |
| Other operating expenses | - | 35,809 | - | 35,809 | 48,016 |
| | <u>7,370,316</u> | <u>608,501</u> | <u>1,038,287</u> | <u>9,017,104</u> | <u>6,559,957</u> |
| Less special event expenses netted with revenue | <u>-</u> | <u>-</u> | <u>63,288</u> | <u>63,288</u> | <u>33,107</u> |
| Total expenses | <u>\$7,370,316</u> | <u>\$ 608,501</u> | <u>\$ 974,999</u> | <u>\$ 8,953,816</u> | <u>\$ 6,526,850</u> |