

PORTLAND COMMUNITY
COLLEGE FOUNDATION

Audited Financial Statements

For the Year Ended June 30, 2023



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Community College Foundation

Opinion

We have audited the accompanying financial statements of Portland Community College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Portland Community College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Portland Community College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Portland Community College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Portland Community College Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Portland Community College Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
September 13, 2023

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With comparative totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 405,662	\$ 766,112
Short-term investments	5,791,912	7,391,475
Contributions and grants receivable, net	1,592,474	3,019,078
Other assets	59,484	15,996
Investments	19,480,332	16,556,883
 TOTAL ASSETS	 \$ 27,329,864	 \$ 27,749,544
LIABILITIES AND NET ASSETS		
Liabilities:		
Scholarships, grants and accounts payable	\$ 898,949	\$ 1,489,101
Obligations under split-interest agreements	66,322	64,176
Total liabilities	965,271	1,553,277
Net assets:		
Without donor restrictions:		
Available for programs and operations	441,486	401,795
Board designated	1,289,997	1,455,998
Total without donor restrictions	1,731,483	1,857,793
With donor restrictions	24,633,110	24,338,474
Total net assets	26,364,593	26,196,267
 TOTAL LIABILITIES AND NET ASSETS	 \$ 27,329,864	 \$ 27,749,544

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(With comparative totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grants and contributions	\$ 243,785	\$ 3,503,649	\$ 3,747,434	\$ 6,798,313
College in-kind support	1,281,735	-	1,281,735	1,356,266
Donated assets, materials and services	-	941,447	941,447	331,467
Special events revenue, net of direct benefit costs of \$130,563 in 2023 and \$104,040 in 2022	155,669	-	155,669	281,771
Investment income, net	184,086	538,803	722,889	577,782
Change in value of investments	(6,252)	1,228,521	1,222,269	(2,794,274)
Net change in fair value of split interest agreements	(8,638)	-	(8,638)	(33,831)
	1,850,385	6,212,420	8,062,805	6,517,494
Net assets released from restrictions and other transfers	5,917,784	(5,917,784)	-	-
Total support and revenue	7,768,169	294,636	8,062,805	6,517,494
Expenses:				
Program:				
Scholarships	2,050,043	-	2,050,043	1,913,950
Future Connect	1,537,537	-	1,537,537	1,506,541
Other program expenses	2,753,039	-	2,753,039	2,673,865
Total program	6,340,619	-	6,340,619	6,094,356
Supporting services:				
Administration	686,832	-	686,832	670,867
Fundraising	867,028	-	867,028	988,482
Total expenses	7,894,479	-	7,894,479	7,753,705
Change in net assets	(126,310)	294,636	168,326	(1,236,211)
Net assets:				
Beginning of year	1,857,793	24,338,474	26,196,267	27,432,478
End of year	\$ 1,731,483	\$ 24,633,110	\$ 26,364,593	\$ 26,196,267

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Cash received from grantors and contributors	\$ 5,242,111	\$ 4,242,506
Cash received from interest and dividends	722,889	574,956
Cash paid for scholarships, grants and other disbursements	(5,498,671)	(5,155,087)
Cash paid for administrative and other costs	<u>(940,376)</u>	<u>(235,383)</u>
Net cash flows from operating activities	<u>(474,047)</u>	<u>(573,008)</u>
 Cash flows from investing activities:		
Net proceeds (purchase) of short term investments	1,599,563	(1,760,667)
Proceeds from the sale of investments	2,749,720	3,785,841
Purchase of investments and reinvested income	<u>(4,450,900)</u>	<u>(3,304,731)</u>
Net cash flows from investing activities	<u>(101,617)</u>	<u>(1,279,557)</u>
 Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	221,706	2,313,645
Contributions of split-interest agreements	-	35,000
Payments to beneficiaries under split-interest agreements	<u>(6,492)</u>	<u>(3,995)</u>
Net cash flows from financing activities	<u>215,214</u>	<u>2,344,650</u>
 Net change in cash and cash equivalents	(360,450)	492,085
 Cash and cash equivalents - beginning of year	<u>766,112</u>	<u>274,027</u>
 Cash and cash equivalents - end of year	<u><u>\$ 405,662</u></u>	<u><u>\$ 766,112</u></u>

See notes to financial statements.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$46,019 and \$413,014 at June 30, 2023 and 2022, respectively.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Contributions and Grants Receivable

Contributions (unconditional promises to give) and grants 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. The Foundation has no equipment at June 30, 2023 or 2022.

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 and are generally payable within one year.

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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Income Tax Status, Continued

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.

Grants and Contributions

Grants and 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.

College In-Kind Support and 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, including in-kind college support, 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.

Special Events

The Foundation records special events revenue at the time the event takes place. Revenue includes the fair value of direct benefits received by donors, and contribution income.

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 15. 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
 Continued

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 2022

The financial information as of June 30, 2022 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 13, 2023, the date the financial statements were available to be issued.

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 available for general expenditure consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 405,662	\$ 766,112
Short-term investments	5,791,912	7,391,475
Contributions and grants receivable	1,592,474	3,019,078
Investments	<u>19,480,332</u>	<u>16,556,883</u>
	27,270,380	27,733,548
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	24,633,110	24,338,474
Board designations	<u>1,289,997</u>	<u>1,455,998</u>
Financial assets available for general expenditure	<u>\$ 1,347,273</u>	<u>\$ 1,939,076</u>

See Note 9 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

3. SHORT-TERM INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 1,564,758	\$ 2,595,130
Short-term bond mutual funds	<u>4,227,154</u>	<u>4,796,345</u>
Total short-term investments	<u>\$ 5,791,912</u>	<u>\$ 7,391,475</u>

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Receivable within one year:		
City of Hillsboro	\$ 157,500	\$ 160,000
Bequests	342,657	1,472,657
Higher Education Coordinating Commission	116,646	103,015
One private family foundation	164,200	-
Other	<u>500,299</u>	<u>699,732</u>
Total receivable within one year	1,281,302	2,435,404
Receivable in two to five years	<u>382,028</u>	<u>659,184</u>
Total contributions and grants receivable	1,663,330	3,094,588
Less discount on noncurrent grants	<u>70,856</u>	<u>75,510</u>
Contributions and grants receivable, net	<u>\$ 1,592,474</u>	<u>\$ 3,019,078</u>

Contributions and grants receivable after one year are discounted to present value using a discount rate of 8.25% in 2023 and 4.75% 2022. 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>2023</u>	<u>2022</u>
Equity securities	\$ 16,682,872	\$ 14,015,680
Fixed income securities	2,797,215	2,540,370
Cash equivalents	<u>245</u>	<u>833</u>
Total investments	<u>\$ 19,480,332</u>	<u>\$ 16,556,883</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

6. OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation holds six charitable gift annuities for four annuitants (six annuities with four annuitants in 2022), 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, 2023, the assets associated with the annuities totaled \$134,274 (\$126,283 at June 30, 2022) and are included with investments.

The total liability under these agreements is \$66,322 at June 30, 2023 (\$64,176 at June 30, 2022).

7. BOARD DESIGNATED NET ASSETS

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

	2023	2022
Endowment for scholarships (Note 9)	\$ 515,018	\$ 489,391
Operating reserve	630,000	850,000
Program reserves	144,979	116,607
Total board designated net assets	\$ 1,289,997	\$ 1,455,998

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Net assets with expiring donor restrictions:		
Scholarships	\$ 2,182,726	\$ 2,649,743
Programs	5,831,321	6,320,674
Restricted earnings on perpetual endowments (Note 9)	2,800,588	1,796,544
Total net assets with expiring restrictions	10,814,635	10,766,961
Net assets with perpetual donor restrictions:		
Endowments (Note 9)	13,818,475	13,571,513
Total net assets with donor restrictions	\$ 24,633,110	\$ 24,338,474

Net assets with perpetual donor restrictions at June 30, 2023 and 2022 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 9, Endowments.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

9. ENDOWMENTS

The Foundation's endowment consists of 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.

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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

9. ENDOWMENTS, Continued

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 are as follows:

	Without	With Donor Restrictions		Total
	Donor Restrictions	Expiring	Perpetual	
June 30, 2023				
Donor-restricted	\$ -	\$ 2,800,588	\$ 13,818,475	\$ 16,619,063
Board-designated	515,018	-	-	515,018
Total endowments	<u>\$ 515,018</u>	<u>\$ 2,800,588</u>	<u>\$ 13,818,475</u>	<u>\$ 17,134,081</u>
June 30, 2022				
Donor-restricted	\$ -	\$ 1,796,544	\$ 13,571,513	\$ 15,368,057
Board-designated	489,391	-	-	489,391
Total endowments	<u>\$ 489,391</u>	<u>\$ 1,796,544</u>	<u>\$ 13,571,513</u>	<u>\$ 15,857,448</u>

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without	With Donor Restrictions		Total
	Donor Restrictions	Expiring	Perpetual	
Endowment net assets -				
June 30, 2021	\$ 578,293	\$ 4,543,951	\$ 11,176,398	\$ 16,298,642
Contributions	492	35,000	2,313,645	2,349,137
Investment income, net of fees	7,409	535,314	-	542,723
Change in value of investments	(79,456)	(2,564,818)	-	(2,644,274)
Appropriation of endowment assets for expenditure	(12,347)	(747,387)	-	(759,734)
Other changes	(5,000)	(5,516)	81,470	70,954
Endowment net assets -				
June 30, 2022	489,391	1,796,544	13,571,513	15,857,448
Contributions	492	-	254,443	254,935
Investment income, net of fees	6,097	538,803	-	544,900
Change in value of investments	30,542	1,228,521	-	1,259,063
Appropriation of endowment assets for expenditure	(11,504)	(748,659)	(34,487)	(794,650)
Other changes	-	(14,621)	27,006	12,385
Endowment net assets -				
June 30, 2023	<u>\$ 515,018</u>	<u>\$ 2,800,588</u>	<u>\$ 13,818,475</u>	<u>\$ 17,134,081</u>

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

9. ENDOWMENTS, Continued

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 are reported in net assets with donor restrictions. At June 30, 2023 funds with deficiencies totaled approximately \$19,200. At June 30, 2022, funds with deficiencies totaled \$183,000.

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, 2023

10. NET ASSETS RELEASED FROM RESTRICTIONS AND OTHER TRANSFERS

During the years ended June 30, 2023 and 2022, 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:

	2023	2022
Net assets with expiring restrictions:		
Satisfaction of purpose and/or time restrictions	\$ 5,496,918	\$ 5,553,857
Endowment administrative fee	370,261	336,714
Gift administrative fee	77,611	93,818
	5,944,790	5,984,389
Net assets with perpetual restrictions:		
Other transfers	(27,006)	(81,470)
Total net assets released	\$ 5,917,784	\$ 5,902,919

11. 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.

12. CONTRIBUTED NONFINANCIAL ASSETS

Program, administrative and fundraising expenses provided in-kind by Portland Community College (the College) are as follows for the years ended June 30:

	2023	2022
Payroll and related costs	\$ 1,263,056	\$ 1,346,380
Travel	1,846	1,764
Printing and postage	1,294	442
Minor equipment	12,091	-
Other	3,448	7,680
Total College in-kind supporting services	\$ 1,281,735	\$ 1,356,266

See Note 15 for detail of expenses by program and supporting services. Amounts are reported based on actual costs incurred by the College.

PORTLAND COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2023

12. CONTRIBUTED NONFINANCIAL ASSETS, Continued

Contributions of donated assets, materials and services consists of the following at June 30:

	2023	2022
Program:		
Program salaries and benefits	\$ 150,000	\$ 150,000
Program equipment and supplies	784,367	173,507
Fundraising:		
Auction items for special events	7,080	7,960
Total donated assets, materials and services	\$ 941,447	\$ 331,467

The Foundation receives supplies and equipment that are restricted for use within designated programs of the College. Also, the Foundation received auction items for special events held during the year. The donated items are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire the supplies and equipment estimated at the sales price of comparable items.

The Foundation also receives donated salaries and benefits received from the College to support the Future Connect Scholarship Program. Donated services are reported at the amount paid by the College.

13. 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.

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

14. 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, 2023 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Included in short-term investments:				
Money market fund	\$ 1,564,759	\$ 1,564,759	\$ -	\$ -
Mutual funds - fixed income	4,227,154	4,227,154	-	-
Investments:				
Common stock	46,252	46,252	-	-
Mutual and index funds:				
Equity	16,636,620	16,636,620	-	-
Fixed income	2,797,215	2,797,215	-	-
Liabilities:				
Obligations under split interest agreements	(66,322)	-	-	(66,322)

PORTLAND COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2023

14. FAIR VALUE MEASUREMENTS. Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2022 are as follows:

	Total	Level 1	Level 2	Level 3
Assets:				
Included in short-term investments:				
Money market fund	\$ 2,595,130	\$ 2,595,130	\$ -	\$ -
Government bonds	4,796,345	4,796,345	-	-
Investments:				
Common stock	44,180	44,180	-	-
Mutual and index funds:				
Equity	13,971,500	13,971,500	-	-
Fixed income	2,540,370	2,540,370	-	-
Liabilities:				
Obligations under split interest agreements	(64,176)	-	-	(64,176)

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.

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

Obligation under charitable gift annuities as follows:

	2023	2022
Balance at beginning of year	\$ (64,176)	\$ (39,264)
New charitable gift annuities received	-	(27,701)
Investment earnings (loss) and change in value	4,346	6,784
Payments to beneficiaries	(6,492)	(3,995)
Balance at end of year	\$ (66,322)	\$ (64,176)

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, 2023

15. EXPENSES BY NATURAL CATEGORIES

Expenses by natural category as well as function for the year ended June 30, 2023 are as follows, along with summarized totals by natural category for 2022:

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Scholarships	\$ 2,050,043	\$ -	\$ -	\$ 2,050,043	\$ 1,913,950
Future connect	1,537,537	-	-	1,537,537	1,506,541
Other direct program costs	2,397,333	-	-	2,397,333	2,324,338
In-kind college expenses - See note 13	282,200	406,036	593,607	1,281,843	1,356,266
Personnel related	57,112	103,617	171,061	331,790	354,833
Professional services	12,355	36,185	25,988	74,528	81,641
Fundraising and campaign	-	-	70,972	70,972	90,584
Special event expenses	-	-	133,660	133,660	104,040
Conferences and meetings	-	9,883	-	9,883	4,649
Office, dues, licenses and fees	4,039	84,688	5,400	94,127	74,265
Other operating expenses	-	46,423	-	46,423	46,638
	<u>6,340,619</u>	<u>686,832</u>	<u>1,000,688</u>	<u>8,028,139</u>	<u>7,857,745</u>
Less special event expenses netted with revenue	<u>-</u>	<u>-</u>	<u>133,660</u>	<u>133,660</u>	<u>104,040</u>
Total expenses	<u>\$ 6,340,619</u>	<u>\$ 686,832</u>	<u>\$ 867,028</u>	<u>\$ 7,894,479</u>	<u>\$ 7,753,705</u>