

**Lower Columbia College Foundation**

**FINANCIAL STATEMENTS**

**June 30, 2008 and 2007**

Lower Columbia College Foundation

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June 30, 2008 and 2007

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**Futcher • Henry Group**  
*Certified Public Accountants and Consultants*

**INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Lower Columbia College Foundation  
Longview, Washington**

We have audited the statements of financial position of the Lower Columbia College Foundation as of June 30, 2008, and the related statements of activities, of functional expenses and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Columbia College Foundation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

September 30, 2008

*Futcher -Henry Group*  
Futcher-Henry CPA Group, P.S.

Lower Columbia College Foundation  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2008 and 2007

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ASSETS	<u>2008</u>	<u>2007</u>
Cash and cash equivalents (Note 2)	\$ 508,635	\$ 493,146
Marketable securities (Note 3)	7,818,237	8,873,209
Prepaid expenses	330	624
Pledges receivable (Note 4)	336,317	813,544
Fixtures and equipment (Note 5)	<u>96,353</u>	<u>88,095</u>
 Total Assets	 <u>\$ 8,759,872</u>	 <u>\$ 10,268,618</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accrued expenses	\$ 55,504	\$ 31,733
Amounts held in trust for Lower Columbia College	45,628	43,695
Annuity payment liability (Note 6)	<u>16,185</u>	<u>27,035</u>
 Total liabilities	 <u>117,317</u>	 <u>102,463</u>
 Net assets (Note 7)	 <u>8,642,555</u>	 <u>10,166,155</u>
 Total Liabilities and Net Assets	 <u>\$ 8,759,872</u>	 <u>\$ 10,268,618</u>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation

STATEMENTS OF ACTIVITIES

For the year ended June 30, 2008  
(with comparative totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total	
				2008	2007
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 219,128	\$ 360,678	\$ 94,231	\$ 674,037	\$ 1,184,114
Investment earnings (Note 8)	(342,334)	(512,658)		(854,992)	1,112,421
Golf tournament/marathon	28,985			28,985	2,604
Other revenues and gains	19,355	16,079		35,434	19,816
In-kind contributions	18,000			18,000	18,000
Reclassification of net assets					
Satisfaction of program restrictions	<u>1,095,394</u>	<u>(1,095,394)</u>		<u>0</u>	<u>0</u>
Total revenues, gains and other support	<u>1,038,528</u>	<u>(1,231,295)</u>	<u>94,231</u>	<u>(98,536)</u>	<u>2,336,955</u>
<b>EXPENSES</b>					
Program services	1,196,315			1,196,315	802,037
General and administrative expenses	188,164			188,164	165,977
Fund raising expenses	<u>40,587</u>			<u>40,587</u>	<u>51,003</u>
Total expenses	<u>1,425,066</u>	<u>-</u>	<u>-</u>	<u>1,425,066</u>	<u>1,019,017</u>
<b>CHANGE IN NET ASSETS</b>	<b>(386,538)</b>	<b>(1,231,295)</b>	<b>94,231</b>	<b>(1,523,602)</b>	<b>1,317,938</b>
Net assets at beginning of year	<u>2,987,938</u>	<u>4,191,151</u>	<u>2,987,068</u>	<u>10,166,157</u>	<u>8,848,219</u>
Net assets at end of year	<u>\$ 2,601,400</u>	<u>\$ 2,959,856</u>	<u>\$ 3,081,299</u>	<u>\$ 8,642,555</u>	<u>\$ 10,166,157</u>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation  
**STATEMENTS OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2008  
(with comparative totals for 2007)

	Expense Function			Combined Total	
	Program Services	General and Admin.	Fund-Raising	2008	2007
Scholarships	\$ 212,968	\$	\$	\$ 212,968	\$ 199,523
Grants	76,122			76,122	67,992
Program support	810,056			810,056	458,491
Library support					2,223
Equipment contributed to LCC	25,500			25,500	6,300
Salaries	40,490	140,214	23,369	204,073	190,227
Other administration expenses	14,709	10,933		25,642	17,111
Annual fund drive			4,620	4,620	8,562
Depreciation		8,542		8,542	12,567
Golf tournament/marathon			10,598	10,598	
Insurance	3,624			3,624	4,160
Miscellaneous	174			174	
Planned giving expense	8,672			8,672	8,129
Professional services		9,610		9,610	18,465
In-kind rent expense	4,000	12,000	2,000	18,000	18,000
Software		6,865		6,865	7,267
<b>Total expenses</b>	<b><u>\$1,196,315</u></b>	<b><u>\$ 188,164</u></b>	<b><u>\$ 40,587</u></b>	<b><u>\$ 1,425,066</u></b>	<b><u>\$ 1,019,017</u></b>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,523,602)	\$ 1,317,938
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,542	12,567
Investments losses (gains)	814,923	(1,153,215)
Gain on sale of assets	(13,945)	(9,600)
Contributed equipment	(22,300)	(39,500)
Donated securities	(636,688)	
Increase in assets:		
Other receivables	294	451
Pledges receivable	477,227	413,047
Increase (decrease) in liabilities		
Accrued expenses	23,771	28,102
Amounts held in trust for Lower Columbia College	1,933	(607)
Charitable gift annuity payable	(10,850)	15,889
Net cash provided (used) by operating activities	<u>(880,695)</u>	<u>585,072</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of equipment	19,445	20,350
Purchase of marketable securities	(153,984)	(2,236,932)
Sales of securities	<u>1,030,721</u>	<u>1,432,680</u>
Net cash used by financing activities	<u>896,182</u>	<u>(783,902)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15,487	(198,830)
Cash and cash equivalents at beginning of year	<u>493,149</u>	<u>691,976</u>
Cash and cash equivalents at end of year	<u>\$ 508,636</u>	<u>\$ 493,146</u>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Columbia College Foundation, a not-for-profit corporation established in the state of Washington, operates in support of Lower Columbia College. The Foundation is dedicated to providing a conduit for private support of the College through scholarship endowments, program grants, and similar types of support. In return, the College provides facilities for Foundation operations. The following is a summary of the significant accounting principles applied by management in the preparation of these financial statements:

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporary restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation requires a minimum contribution of \$20,000 to establish a new endowment fund. As donor contributions toward endowments are received, they are classified as temporarily restricted contributions until the donor meets the \$20,000 threshold. At that time, the fund's balance is reclassified as permanently restricted.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.



Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

The Foundation began a fund raising campaign (Major Gift Campaign) to generate program funding. The program was designed to solicit pledges over time. Pledges are recorded as temporarily restricted contributions due to the implied time restrictions. The contributions are recorded as revenue at the time pledges are made. When the time restrictions are met, the amounts are recorded on the statement of activities as net assets released from restrictions. The receivables are stated at the amount management expects to collect from outstanding balances less discount for future value (note 4). Management provides for probable uncollectible amounts through a charge to contributions and a credit to allowance for uncollectible pledges based on its assessment of the current status of the pledge groups.

Fixtures and Equipment

The Foundation accepts contributions of non-cash items in the form of real and personal property. Carrying values are generally determined by the donor's estimate of fair market value at the time of the gift. If no value is provided, the Foundation estimates the fair market value using available information. At the financial statement date, donated items consisted of various vehicles, keyboard instruments, rugs, and shop machinery. The Foundation has granted Lower Columbia College the right to use these equipment items as teaching aids as applicable. Items used as teaching aids are depreciated using the straight-line method over the estimated useful lives of the related assets. Upon disposition of the equipment, proceeds are distributed to the college for use in various programs and in accordance with the intent of the donor. Historical items and vehicles held for resale are not depreciated by the Foundation.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The majority of the Foundation's cash is held in investment accounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Balances

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

Reclassifications

Certain items on the statement of cash flows for the year ended June 30, 2007 have been reclassified to conform to the current year's presentation.

2. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions. Cash accounts held at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per institution. The Foundation's cash balances exceed the limit at times, though the Foundation has experienced no losses in such accounts. The Foundation's investment accounts also contain a cash component. These investment accounts are insured up to \$500,000 by the Securities Investor protection Corporation (SIPC). The Foundation's investment balances exceed the SIPC limit.

3. MARKETABLE SECURITIES

Marketable securities held by brokers are carried at their fair market value as determined by the brokers' statements at the financial statement date. Changes in market value are recognized in the period that they occur. The following are the major classes of securities held by the Foundation:

	<u>2008</u>	<u>2007</u>
Mutual funds:		
Domestic equities	\$ 2,995,388	\$ 3,691,296
Fixed income	3,751,422	3,922,262
International equities	<u>1,071,427</u>	<u>1,259,650</u>
	<u>\$ 7,818,237</u>	<u>\$ 8,873,208</u>

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2008 consist of unconditional promises to give to the Foundation which will be temporarily restricted for various programs.

Receivable in less than one year, net of \$8,884 allowance for uncollectible pledges	\$	173,064
Receivable in one to five years, net of \$10,503 allowance for uncollectible pledges		<u>199,557</u>
Total		372,621
Less amortized discount at 6.75%		<u>36,304</u>
Net pledges receivable		<u><u>\$ 336,317</u></u>

5. FIXTURES AND EQUIPMENT

The following is a summary of equipment less accumulated depreciation on equipment used as teaching aids:

	<u>2008</u>		<u>2007</u>
Historical items	\$ 58,695	\$	46,395
Vehicles held for resale	4,500		3,500
Equipment used in teaching (net of accumulated depreciation of \$67,122 and \$66,580)	33,158		38,200
	<u>96,353</u>		<u>88,095</u>

6. CHARITABLE GIFT ANNUITIES

The Foundation has entered into charitable gift annuity agreements whereby the donor contributes assets in exchange for distributions over a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Foundation's use. Assets received are recorded at fair value on the date the agreement is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries are recognized as contribution revenue. On an annual basis, the Foundation revalues the liability based on applicable mortality tables and discount rates ranging from 6.75% - 7%. An amount equal to the estimated actuarial liability is required to be held in reserve and has been invested in cash funds and government securities. An amount of \$16,185 is currently being held to cover the liability associated with the gift annuities.

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

7. NET ASSETS

	2008	2007
Temporarily restricted net assets are available for the following purposes:		
Scholarships	\$ 512,382	\$ 861,577
Library grants	15,429	27,058
College program grants	2,025,779	2,622,752
Equipment	216,441	216,191
Areas of greatest need	55,074	97,000
Non-featured	134,751	366,573
Total temporary restricted net assets	\$ 2,959,856	\$ 4,191,151

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

Scholarships	\$ 1,970,999	\$ 1,876,768
College program grants	200,000	200,000
Exceptional faculty award	650,800	650,800
Resource development	200,000	200,000
Library grants	59,500	59,500
Total permanently restricted net assets	3,081,299	2,987,068
Total unrestricted net assets	2,601,400	2,987,938
Total net assets	\$ 8,642,555	\$ 10,166,157

8. INVESTMENT EARNINGS

The details of investment earnings are as follow:

Interest and dividends	\$ 320,419	\$ 252,734
Investment gains (losses)	(1,134,562)	897,273
Investment management expenses	(40,849)	(37,586)
	\$ (854,992)	\$ 1,112,421

9. FUTURE INTERESTS

The foundation has been named as a beneficiary in the wills of 19 known donors. These bequests specify percentages of the donors' estates, the values of which are not known to the Foundation. Due to their uncertain nature these amounts are not reflected in the financial statements.

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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10. EXCEPTIONAL FACULTY AWARDS

The state of Washington has provided funds to community colleges and their foundations that can be used to provide financial awards to deserving faculty members. These grants require that a matching amount be provided by the college or foundation. The Foundation has accepted state grants toward this purpose, and the board of directors has designated \$649,224 of unrestricted and temporarily restricted net assets to be used to match the state grants. The total funds designated or permanently restricted for exceptional faculty awards are shown below:

	<u>2008</u>	<u>2007</u>
Designated funds:		
Unrestricted	\$ 399,224	\$ 399,224
Temporarily restricted	250,000	250,000
Permanently restricted by the state of Washington	650,000	650,000
Permanently restricted by other donors	<u>799</u>	<u>799</u>
	<u>\$ 1,300,023</u>	<u>\$ 1,300,023</u>

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2008, the value of marketable securities declined by \$876,582.