

Lower Columbia College Foundation

FINANCIAL STATEMENTS

June 30, 2007 and 2006

Lower Columbia College Foundation

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Columbia College Foundation
Longview, Washington

We have audited the statement of financial position of the Lower Columbia College Foundation as of June 30, 2007, 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, 2007, 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.

August 2, 2007

Futcher-Henry Group
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Lower Columbia College Foundation
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents (Note 2)	\$ 493,148	\$ 691,976
Marketable securities (Note 3)	8,873,208	6,915,741
Prepaid expenses	624	1,075
Pledges receivable (Note 4)	813,543	1,226,590
Fixtures and equipment (Note 5)	<u>88,095</u>	<u>71,912</u>
 Total Assets	 <u><u>\$10,268,618</u></u>	 <u><u>\$ 8,907,294</u></u>
 LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 31,735	\$ 3,631
Amounts held in trust for Lower Columbia College	43,695	44,302
Annuity payment liability (Note 6)	<u>27,035</u>	<u>11,146</u>
 Total liabilities	 <u>102,465</u>	 <u>59,079</u>
 Net assets (Note 7)	 <u>10,166,153</u>	 <u>8,848,215</u>
 Total Liabilities and Net Assets	 <u><u>\$10,268,618</u></u>	 <u><u>\$ 8,907,294</u></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, 2007
(with comparative totals for 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>	
				<u>2007</u>	<u>2006</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 216,414	\$ 846,405	\$ 121,295	\$ 1,184,114	\$ 2,394,509
Investment earnings (Note 8)	365,253	737,716	9,452	1,112,421	530,052
Golf tournament/marathon	2,604			2,604	55,688
Other revenues and gains	14,011	5,805		19,816	28,337
In-kind contributions	18,000			18,000	18,000
Reclassifications of net assets					
Satisfaction of program restrictions	<u>774,349</u>	<u>(774,349)</u>			
Total revenues, gains and other support	<u>1,390,631</u>	<u>815,577</u>	<u>130,747</u>	<u>2,336,955</u>	<u>3,026,586</u>
EXPENSES					
Program services	802,037			802,037	535,724
General and administrative expenses	165,977			165,977	160,497
Fund raising expenses	<u>51,003</u>			<u>51,003</u>	<u>63,707</u>
Total expenses	<u>1,019,017</u>	<u>-</u>	<u>-</u>	<u>1,019,017</u>	<u>759,928</u>
CHANGE IN NET ASSETS					
	371,614	815,577	130,747	1,317,938	2,266,658
Net assets at beginning of year	<u>2,616,320</u>	<u>3,375,574</u>	<u>2,856,321</u>	<u>8,848,215</u>	<u>6,581,557</u>
Net assets at end of year	<u>\$ 2,987,934</u>	<u>\$ 4,191,151</u>	<u>\$ 2,987,068</u>	<u>\$10,166,153</u>	<u>\$ 8,848,215</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, 2007
(with comparative totals for 2006)

	Expense Function			Combined Total	
	Program Services	General and Admin.	Fund-raising	2007	2006
Scholarships	\$ 199,523			\$ 199,523	\$ 189,378
Grants	67,992			67,992	87,418
Program support	458,491			458,491	183,323
Library support	2,223			2,223	5,924
Equipment contributed to LCC	6,300			6,300	2,682
Salaries	43,942	131,825	21,971	197,738	188,470
Other administrative expenses	7,277	2,318		9,595	12,328
Annual fund drive			8,567	8,567	4,896
Depreciation		12,567		12,567	15,642
Golf tournament/marathon					11,168
Insurance	4,160			4,160	1,939
Miscellaneous					249
Planned giving expense	8,129			8,129	8,607
Professional services			18,465	18,465	23,800
In-kind rent expense	4,000	12,000	2,000	18,000	18,000
Software		7,267		7,267	6,104
Total expenses	<u>\$ 802,037</u>	<u>\$ 165,977</u>	<u>\$ 51,003</u>	<u>\$1,019,017</u>	<u>\$ 759,928</u>

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,317,938	\$ 2,266,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,567	15,642
Investment gains	(897,273)	(393,515)
Gain on sale of assets	(9,600)	(5,628)
Increase in assets:		
Other receivables	451	(570)
Pledges receivables	413,047	(966,374)
Non-cash contributions	(39,500)	(21,450)
Increase (decrease) in liabilities		
Accrued expenses	28,104	(24,955)
Amounts held in trust for Lower Columbia College	(607)	(18,893)
Charitable gift annuity payable	15,890	(8,555)
	<u>841,017</u>	<u>842,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales contributed of equipment	20,350	13,028
Purchases of marketable securities	<u>(1,060,194)</u>	<u>(814,315)</u>
	<u>(1,039,844)</u>	<u>(801,287)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(198,827)	41,073
Cash and cash equivalents at beginning of year	<u>691,976</u>	<u>650,903</u>
Cash and cash equivalents at end of year	<u>\$ 493,149</u>	<u>\$ 691,976</u>
NON-CASH TRANSACTIONS		
Contributions of equipment	<u>\$ 39,500</u>	<u>\$ 21,450</u>

The accompanying notes are an integral part of these financial statements.

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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.

Temporarily 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 stipulations 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.

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 the 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.

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS
CONTINUED

June 30, 2007 and 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2006 from which the summarized information was derived.

Reclassifications

Certain items on the statement of activities and statement of functional expenses for the year ended June 30, 2006 have been reclassified to conform to the current year's presentation.

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS
CONTINUED

June 30, 2007 and 2006

2. CASH IN EXCESS OF INSURED LIMITS

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by various agencies up to \$100,000. The Foundation's balances exceeded the insured limits by the following amounts at June 30, 2007:

	Book Balance	Uninsured Portion
Federal Deposit Insurance Corporation	\$ 183,839	\$ 40,044
Securities Investor Protection Corporation	309,309	209,309
	\$ 493,148	\$ 249,353

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:

	2007	2006
Mutual funds:		
Domestic equities	\$ 3,691,296	\$ 2,953,210
Fixed income	3,922,262	2,657,666
International equities	1,259,650	1,304,865
	\$ 8,873,208	\$ 6,915,741

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2007 consist of unconditional promises to give to the Foundation which will be temporarily restricted for various programs. Included in the pledges receivable balance is a pledge from June Rose in the amount of \$500,000.

Receivable in less than one year, net of \$13,346 allowance for uncollectible pledges	\$ 260,927
Receivable in one to five years, net of \$34,978 allowance for uncollectible pledges	664,578
Total	925,505
Less amortized discount at 6.75%	111,962
Net pledges receivable	\$ 813,543

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS
CONTINUED

June 30, 2007 and 2006

5. FIXTURES AND EQUIPMENT

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

	2007	2006
Historical items	\$ 46,395	\$ 16,395
Vehicles held for resale	3,500	4,450
Equipment used in teaching (net of accumulated depreciation of \$66,580 and \$54,213)	38,200	51,067
	\$ 88,095	\$ 71,912

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 is 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 \$27,035 is currently being held to cover the liability associated with the gift annuities.

7. NET ASSETS

Temporarily restricted net assets are available for the following purposes:	2007	2006
Scholarships	\$ 861,577	\$ 627,936
Library grants	27,058	18,554
College program grants	2,622,752	2,434,935
Equipment	216,191	66,883
Areas of greatest need	97,000	183,468
Non-featured	366,573	43,798
Total temporarily restricted net assets	4,191,151	3,375,574

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS
CONTINUED

June 30, 2007 and 2006

7. NET ASSETS (continued)

	2007	2006
Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:		
Scholarships	1,876,768	1,796,021
College program grants	200,000	200,000
Exceptional faculty awards	650,800	600,800
Resource development	200,000	200,000
Library grants	59,500	59,500
Total permanently restricted net assets	2,987,068	2,856,321
Total unrestricted net assets	2,987,934	2,616,320
Total net assets	\$ 10,166,153	\$ 8,848,215

8. INVESTMENT EARNINGS

The details of investment earnings are as follow:

Interest and dividends	\$ 252,734	\$ 168,470
Investment gains	897,273	393,515
Investment management expenses	(37,586)	(31,933)
	\$ 1,112,421	\$ 530,052

9. FUTURE INTERESTS

The Foundation has been named as a beneficiary in the wills of 18 known donors. Five of these bequests contain benefits estimated at \$360,000. The remaining 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
CONTINUED

June 30, 2007 and 2006

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>2007</u>	<u>2006</u>
Designated funds:		
Unrestricted	\$ 399,224	\$ 349,224
Temporarily restricted	250,000	250,000
Permanently restricted by the state of Washington	650,000	600,000
Permanently restricted by other donors	<u>799</u>	<u>799</u>
	<u>\$ 1,300,023</u>	<u>\$ 1,200,023</u>