

Lower Columbia College Foundation

# FINANCIAL STATEMENTS

June 30, 2009

Lower Columbia College Foundation

TABLE OF CONTENTS

June 30, 2009 and 2008

---

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



**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, 2009, 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, 2009, 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.

November 16, 2009

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

Lower Columbia College Foundation  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2009 and 2008

---

ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents (Note 2)	\$ 525,850	\$ 508,635
Marketable securities (Note 3)	6,140,765	7,818,237
Prepaid expenses	364	330
Pledges receivable (Note 4)	197,352	336,317
Fixtures and equipment (Note 5)	<u>54,661</u>	<u>96,353</u>
 Total Assets	 <u>\$ 6,918,992</u>	 <u>\$ 8,759,872</u>
 LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 17,568	\$ 55,504
Amounts held in trust for Lower Columbia College	60,038	45,628
Annuity payment liability (Note 6)	<u>4,206</u>	<u>16,185</u>
 Total liabilities	 <u>81,812</u>	 <u>117,317</u>
 Net assets (Note 7)	 <u>6,837,180</u>	 <u>8,642,555</u>
 Total Liabilities and Net Assets	 <u>\$ 6,918,992</u>	 <u>\$ 8,759,872</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, 2009  
(with comparative totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total	
				2009	2008
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 129,356	\$ 368,471	\$ 41,508	\$ 539,335	\$ 674,037
Investment earnings (Note 8)	(1,234,152)	(489,418)		(1,723,570)	(854,992)
Golf tournament/marathon	1,555			1,555	28,985
Other revenues and gains	10,979	16,168		27,147	35,434
In-kind contributions	18,000			18,000	18,000
Reclassification of net assets					
Satisfaction of program restrictions	<u>388,178</u>	<u>(388,178)</u>			
Total revenues, gains and other support	<u>(686,084)</u>	<u>(492,957)</u>	<u>41,508</u>	<u>(1,137,533)</u>	<u>(98,536)</u>
<b>EXPENSES</b>					
Program services	469,515			469,515	1,196,315
General and administrative expenses	167,816			167,816	188,164
Fund raising expenses	<u>30,511</u>			<u>30,511</u>	<u>40,587</u>
Total expenses	<u>667,842</u>	<u>-</u>	<u>-</u>	<u>667,842</u>	<u>1,425,066</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,353,926)</u>	<u>(492,957)</u>	<u>41,508</u>	<u>(1,805,375)</u>	<u>(1,523,602)</u>
Net assets at beginning 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>
Net assets at end of year	<u>\$ 1,247,474</u>	<u>\$ 2,466,899</u>	<u>\$ 3,122,807</u>	<u>\$ 6,837,180</u>	<u>\$ 8,642,555</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, 2009  
(with comparative totals for 2008)

	Expense Function			Combined Total	
	Program Services	General and Admin.	Fund-	2009	2008
Scholarships	\$ 186,628	\$	\$	\$ 186,628	\$ 212,968
Grants	58,439			58,439	76,122
Program support	106,500			106,500	810,056
Equipment contributed to LCC	59,500			59,500	25,500
Salaries	43,374	130,124	21,687	195,185	204,073
Other administration expenses	7,263	2,314		9,577	25,642
Annual fund drive			4,396	4,396	4,620
Depreciation		6,192		6,192	8,542
Golf tournament/marathon			2,428	2,428	10,598
Insurance	2,186			2,186	3,624
Miscellaneous	10			10	174
Planned giving expense	1,615			1,615	8,672
Professional services		10,225		10,225	9,610
In-kind rent expense	4,000	12,000	2,000	18,000	18,000
Software		6,961		6,961	6,865
<b>Total expenses</b>	<b><u>\$ 469,515</u></b>	<b><u>\$ 167,816</u></b>	<b><u>\$ 30,511</u></b>	<b><u>\$ 667,842</u></b>	<b><u>\$1,425,066</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, 2009 and 2008

	2009	2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$(1,805,375)	\$(1,523,602)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,192	8,542
Investments losses (gains)	1,693,798	814,923
Loss (Gain) on sale of assets	27,300	(13,945)
Contributed equipment	(5,000)	(22,300)
Donated securities	(25,189)	(636,688)
Increase in assets:		
Other receivables	(34)	294
Pledges receivable	138,965	477,227
Increase (decrease) in liabilities		
Accrued expenses	(37,936)	23,771
Amounts held in trust for Lower Columbia College	14,410	1,933
Charitable gift annuity payable	(11,979)	(10,850)
Net cash provided (used) by operating activities	<u>(4,848)</u>	<u>(880,695)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of equipment	13,200	19,445
Purchase of marketable securities	(1,695,499)	(153,984)
Sales of securities	<u>1,704,362</u>	<u>1,030,721</u>
Net cash used by financing activities	<u>22,063</u>	<u>896,182</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	17,215	15,487
Cash and cash equivalents at beginning of year	<u>508,635</u>	<u>493,148</u>
Cash and cash equivalents at end of year	<u>\$ 525,850</u>	<u>\$ 508,635</u>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

---

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, 2009 and 2008

---

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, 2009 and 2008

---

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, 2008 from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated by management through the date of the auditors' report. No significant subsequent events have been identified by management through that date.

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 \$250,000 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>2009</u>	<u>2008</u>
Mutual funds:		
Domestic equities	\$ 2,411,500	\$ 2,995,388
Fixed income	2,921,525	3,751,422
International equities	<u>807,740</u>	<u>1,071,427</u>
	<u>\$ 6,140,765</u>	<u>\$ 7,818,237</u>

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2009 and 2008, respectively, consist of unconditional promises to give to the Foundation which will be temporarily restricted for various programs.

	2009	2008
Receivable in less than one year, net of \$10,387 and \$8,884 allowance for uncollectible pledges	\$ 197,352	\$ 173,064
Receivable in one to five years, net of \$10,503 allowance for uncollectible pledges		199,557
Total	197,352	372,621
Less amortized discount at 6.75%		36,304
Net pledges receivable	\$ 197,352	\$ 336,317

5. FIXTURES AND EQUIPMENT

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

	2009	2008
Historical items	\$ 28,695	\$ 58,695
Vehicles held for resale	5,000	4,500
Equipment used in teaching (net of accumulated depreciation of \$53,814 and \$67,122)	20,966	33,158
	\$ 54,661	\$ 96,353

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 \$4,206 is currently being held to cover the liability associated with the gift annuities.

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

7. NET ASSETS

	2009	2008
Temporarily restricted net assets are available for the following purposes:		
Scholarships	\$ 306,083	\$ 512,382
Library grants	4,148	15,429
College program grants	1,808,435	2,025,779
Equipment	243,156	216,441
Areas of greatest need	30,486	55,074
Non-featured	74,591	134,751
Total temporarily restricted net assets	2,466,899	2,959,856

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

Scholarships	2,012,507	1,970,999
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	3,122,807	3,081,299
Total unrestricted net assets	1,247,474	2,601,400
Total net assets	<u>\$ 6,837,180</u>	<u>\$ 8,642,555</u>

8. INVESTMENT EARNINGS

The details of investment earnings are as follow:

Interest and dividends	\$ 244,111	\$ 320,419
Investment gains (losses)	(1,936,558)	(1,134,562)
Investment management expenses	(31,123)	(40,849)
	<u>\$ (1,723,570)</u>	<u>\$ (854,992)</u>

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, 2009 and 2008

---

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>2009</u>	<u>2008</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>

Lower Columbia College Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

---

11. ENDOWMENT FUNDS

The net assets associated with endowment funds are classified, in accordance with relevant state law as interpreted by the Foundation Board, as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include Board-designated funds, and any accumulated income and appreciation thereon. Temporarily restricted net assets include contributions to endowments that do not meet the minimum \$20,000 threshold and accumulated appreciation on temporarily and permanently restricted funds. Permanently restricted net assets include contributions designated by donors to be invested in perpetuity to produce income for specific purposes.

In 2008, the Financial Accounting Standards Board issued Staff Position 117-1, Endowments for Not-for-Profit Organizations, which requires the Foundation to disclose certain information about its endowment including net asset classification, composition, spending policies, and related investment policies. The Foundation's endowment spending policy aims to preserve the purchasing power of the endowment. Five percent of a three-year rolling average of the value of the endowment may be used to support the funds purpose for the following academic year. An additional 1% may be transferred to the operating fund for an administrative fee.

The long-term performance objective of the Endowment portfolio is to preserve and enhance the purchasing and earning value of the funds by seeking an average annual real rate of return of 4%, or total return of the Consumer Price Index plus 4%, within acceptable levels of risk, measured over a 10-15 year timeframe. To achieve its long-term rate of return objectives, the Foundation relies on an active strategic asset allocation strategy. Total return is achieved through both capital appreciation and current yield. Investments are diversified among mutual funds comprised of U.S. and international equities and bonds.

As of June 30, 2009, the market value attributable to certain endowment funds was less than the historical value of the related permanently restricted contribution by an aggregate amount of \$579,249. This has been reflected as a reduction in unrestricted net assets and will be restored to temporarily restricted net assets when the market value exceeds historical value. These deficits resulted from unfavorable market fluctuations.

Lower Columbia College Foundation  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009 and 2008

---

11. ENDOWMENT FUNDS (Continued)

Endowment funds were comprised of the following net asset types at June 30, 2009:

	<u>Unrestricted</u>	<u>Temp Restricted</u>	<u>Perm Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ (579,249)	\$ 11,803	\$ 3,122,807	\$ 2,555,361
Board-designated funds	<u>399,224</u>	<u>250,000</u>		<u>649,224</u>
	<u>\$ (180,025)</u>	<u>\$ 261,803</u>	<u>\$ 3,122,807</u>	<u>\$ 3,204,585</u>

Changes in endowment funds for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temp Restricted</u>	<u>Perm Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 399,224	\$ 697,403	\$ 3,081,299	\$ 4,177,926
Investment return	(579,249)	(336,968)		(916,217)
Contributions			41,508	41,508
Appropriated for expenditure		<u>(98,632)</u>		<u>(98,632)</u>
	<u>\$ (180,025)</u>	<u>\$ 261,803</u>	<u>\$ 3,122,807</u>	<u>\$ 3,204,585</u>