

Lower Columbia College Foundation

FINANCIAL STATEMENTS

June 30, 2010 and 2009

Lower Columbia College Foundation

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Certified Public Accountants and Consultants

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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, 2010, 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, 2010, 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.

October 12, 2010

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

Lower Columbia College Foundation
STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents (Note 2)	\$ 432,631	\$ 525,850
Marketable securities (Note 3)	7,000,365	6,140,765
Prepaid expenses	667	364
Pledges receivable (Note 4)	3,521,222	197,352
Fixtures and equipment (Note 5)	<u>51,915</u>	<u>54,661</u>
 Total Assets	 <u>\$11,006,800</u>	 <u>\$ 6,918,992</u>
 LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 15,247	\$ 17,568
Amounts held in trust for Lower Columbia College	53,458	60,038
Annuity payment liability (Note 6)	<u>3,936</u>	<u>4,206</u>
 Total liabilities	 <u>72,641</u>	 <u>81,812</u>
 Net assets (Note 7)	 <u>10,934,159</u>	 <u>6,837,180</u>
 Total Liabilities and Net Assets	 <u>\$11,006,800</u>	 <u>\$ 6,918,992</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, 2010
(with comparative totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total	
				2010	2009
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	\$ 26,585	\$ 135,104	\$ 3,563,083	\$ 3,724,772	\$ 539,335
Investment earnings (Note 8)	741,412	119,673		861,085	(1,723,570)
Golf tournament/marathon	43,490			43,490	1,555
Other revenues and gains	-402	27,897		27,495	25,857
In-kind contributions	18,000			18,000	18,000
Reclassification of net assets					
Satisfaction of program restrictions	462,188	(462,188)			
Total revenues, gains and other support	<u>1,291,273</u>	<u>(179,514)</u>	<u>3,563,083</u>	<u>4,674,842</u>	<u>(1,138,823)</u>
EXPENSES					
Program services	355,092			355,092	469,515
General and administrative expenses	185,983			185,983	167,816
Fund raising expenses	36,788			36,788	30,511
Total expenses	<u>577,863</u>	<u>-</u>	<u>-</u>	<u>577,863</u>	<u>667,842</u>
CHANGE IN NET ASSETS	713,410	(179,514)	3,563,083	4,096,979	(1,806,665)
Net assets at beginning 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>
Net assets at end of year	<u>\$ 1,960,884</u>	<u>\$ 2,287,385</u>	<u>\$ 6,685,890</u>	<u>\$ 10,934,159</u>	<u>\$ 6,835,890</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, 2010
(with comparative totals for 2009)

	Expense Function			Combined Total	
	Program Services	General and Admin.	Fundraising	2010	2009
Scholarships	\$ 126,634	\$	\$	\$ 126,634	\$ 186,628
Grants	334			334	58,439
Program support	165,857			165,857	106,500
Equipment contributed to LCC	500			500	59,500
Salaries	47,066	141,196	23,533	211,795	195,185
Other administration expenses	10,418	3,318		13,736	9,577
Annual fund drive			2,417	2,417	4,396
Depreciation		3,246		3,246	6,192
Golf tournament/marathon			8,283	8,283	2,428
Insurance		4,062		4,062	2,186
Miscellaneous	283			283	10
Planned giving expense			555	555	325
Professional services		10,625		10,625	10,225
In-kind rent expense	4,000	12,000	2,000	18,000	18,000
Software		11,536		11,536	6,961
Total expenses	<u>\$ 355,092</u>	<u>\$ 185,983</u>	<u>\$ 36,788</u>	<u>\$ 577,863</u>	<u>\$ 666,552</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,096,979	\$1,805,375)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	3,246	6,192
Investments losses (gains)	(892,341)	1,693,798
Loss (Gain) on sale of assets	(5,850)	27,300
Contributed equipment	(4,500)	(5,000)
Donated securities	(25,103)	(25,189)
Decrease (increase) in assets:		
Prepaid expenses	(303)	(34)
Pledges receivable	(3,323,870)	138,965
Increase (decrease) in liabilities		
Accrued expenses	(2,321)	(37,936)
Amounts held in trust for Lower Columbia College	(6,580)	14,410
Charitable gift annuity payable	(270)	(11,979)
Net cash used by operating activities	<u>(160,913)</u>	<u>(4,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of equipment	9,850	13,200
Purchase of marketable securities	(240,452)	(1,695,499)
Sales of securities	298,296	1,704,362
Net cash provided by investing activities	<u>67,694</u>	<u>22,063</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(93,219)	17,215
Cash and cash equivalents at beginning of year	<u>525,850</u>	<u>508,635</u>
Cash and cash equivalents at end of year	<u>\$ 432,631</u>	<u>\$ 525,850</u>

The accompanying notes are an integral part of these financial statements

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 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, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

The Foundation began a fund raising campaign (Major Gift Campaign) in 2005 to generate program funding. The program was designed to solicit pledges over time. 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. The campaign concluded in 2010.

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 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 revenue and expenses reported during the period. Actual results could differ from those estimates.

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, 2009 from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated by management through the date of the auditors' report.

2. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions. The Foundation's non-interest-bearing cash accounts held at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC). 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>2010</u>	<u>2009</u>
Mutual funds:		
Domestic equities	\$ 2,679,599	\$ 2,411,500
Fixed income	3,472,021	2,921,525
International equities	848,745	807,740
	<u>\$ 7,000,365</u>	<u>\$ 6,140,765</u>

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2010 and 2009, respectively, consist of unconditional promises to give to the Foundation which will be temporarily restricted for various programs.

	2010	2009
Major Gift Campaign receivable, net of \$10,387 allowance for uncollectible pledges	\$	\$ 197,352
Golf Marathon pledges	3,455	
Other contributions receivable	3,517,767	
Net pledges receivable	\$ 3,521,222	\$ 197,352

5. FIXTURES AND EQUIPMENT

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

	2010	2009
Historical items	\$ 28,695	\$ 28,695
Vehicles held for resale	5,500	5,000
Equipment used in teaching (net of accumulated depreciation of \$57,060 and \$53,814)	17,720	20,966
	\$ 51,915	\$ 54,661
	\$ 51,915	\$ 54,661

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 \$3,936 is currently being held to cover the liability associated with the gift annuities.

Lower Columbia College Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

7. NET ASSETS

	2010	2009
Temporarily restricted net assets are available for the following purposes:		
Scholarships	\$ 340,811	\$ 306,083
Library grants	6,960	4,148
College program grants	1,901,644	1,808,435
Equipment	37,970	243,156
Areas of greatest need	-	30,486
Non-featured	-	74,591
Total temporarily restricted net assets	2,287,385	2,466,899

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

Scholarships	2,057,823	2,012,507
College program grants	3,717,767	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	6,685,890	3,122,807
Total unrestricted net assets	1,960,884	1,247,474
Total net assets	<u>\$ 10,934,159</u>	<u>\$ 6,837,180</u>

8. INVESTMENT EARNINGS

The details of investment earnings are as follow:

Interest and dividends	\$ 177,767	\$ 244,111
Investment gains (losses)	716,290	(1,936,558)
Investment management expenses	(32,972)	(31,123)
	<u>\$ 861,085</u>	<u>\$ (1,723,570)</u>

9. FUTURE INTERESTS

The foundation has been named as a beneficiary in the wills of 18 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, 2010 and 2009

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>2010</u>	<u>2009</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. 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, 2010, 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 \$172,105. 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, 2010 and 2009

11. ENDOWMENT FUNDS (Continued)

Endowment funds were comprised of the following net asset types at June 30, 2010:

	Unrestricted	Temp Restricted	Perm Restricted	Total
Donor-restricted funds	\$ (172,105)	\$ 88,746	\$6,685,890	\$6,602,531
Board-designated funds	399,224	250,000		649,224
	<u>\$ 227,119</u>	<u>\$ 338,746</u>	<u>\$6,685,890</u>	<u>\$7,251,755</u>

Changes in endowment funds for the year ending June 30, 2010 are as follows:

	Unrestricted	Temp Restricted	Perm Restricted	Total
Endowment net assets, beginning of year	\$ (180,025)	\$ 261,803	\$3,122,807	\$3,204,585
Investment return	407,144	57,993		465,137
Contributions		30,855	3,563,083	3,593,938
Appropriated for expenditure		(11,905)		(11,905)
	<u>\$ 227,119</u>	<u>\$ 338,746</u>	<u>\$6,685,890</u>	<u>\$7,251,755</u>