



Transforming lives

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2013 and 2012



LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lane Community College Foundation and Subsidiary
Eugene, Oregon

We have audited the accompanying consolidated financial statements of Lane Community College Foundation (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lane Community College Foundation and subsidiary as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Jones & Roth, P.C.
Eugene, Oregon
October 10, 2013

CONSOLIDATED FINANCIAL STATEMENTS

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,905,187	\$ 8,794,013
Prepaid expenses	9,868	27,232
Accounts receivable, related party	61,275	-
Note receivable, current portion	14,198	13,507
Unconditional promises to give, current portion	<u>583,927</u>	<u>971,617</u>
 Total current assets	 <u>9,574,455</u>	 <u>9,806,369</u>
Property and intangibles		
Building, net of accumulated depreciation of \$126,097 in 2013 and \$-0- in 2012	11,111,151	11,237,248
Intangible assets, net of accumulated amortization of of \$17,030 in 2013 and \$-0- in 2012	<u>527,935</u>	<u>544,965</u>
 Total property and intangibles	 <u>11,639,086</u>	 <u>11,782,213</u>
Noncurrent assets		
Investments	12,232,988	11,135,692
Notes receivable, net of current portion	207,767	222,229
Unconditional promises to give, noncurrent, less allowance for uncollectibles	608,835	228,266
Investment in property	<u>787,200</u>	<u>787,200</u>
 Total noncurrent assets	 <u>13,836,790</u>	 <u>12,373,387</u>
 Total assets	 <u><u>\$ 35,050,331</u></u>	 <u><u>\$ 33,961,969</u></u>

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 83,215	\$ 33,708
Accounts payable, LCC	-	272,140
Current portion of obligations under split-interest agreements	40,000	40,000
Deferred revenue	<u>121,980</u>	<u>123,015</u>
Total current liabilities	<u>245,195</u>	<u>468,863</u>
Noncurrent liabilities		
Notes payable	18,710,000	18,710,000
Obligations under split-interest agreements	<u>218,231</u>	<u>243,565</u>
Total noncurrent liabilities	<u>18,928,231</u>	<u>18,953,565</u>
Total liabilities	<u>19,173,426</u>	<u>19,422,428</u>
Net assets		
Unrestricted	804,860	747,261
Temporarily restricted	5,641,130	4,669,107
Permanently restricted	<u>9,430,915</u>	<u>9,123,173</u>
Total net assets	<u>15,876,905</u>	<u>14,539,541</u>
Total liabilities and net assets	<u>\$ 35,050,331</u>	<u>\$ 33,961,969</u>

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

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and other support				
Donations	\$ 303,392	\$ 1,754,164	\$ 282,408	\$ 2,339,964
Donations, LCC	272,140	-	-	272,140
Change in split-interest agreements	-	-	25,334	25,334
Net investment income	23,482	160,560	-	184,042
Net realized and unrealized gains (losses)	271	896,318	-	896,589
Special project income	138,378	170,633	-	309,011
In-kind administrative contributions by LCC	251,992	-	-	251,992
In-kind program contributions	12,613	84,774	-	97,387
Rent	161,275	71,134	-	232,409
Administrative fee income	203,944	-	-	203,944
Other program income	-	199,629	-	199,629
Net assets released from restrictions	<u>2,365,189</u>	<u>(2,365,189)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>3,732,676</u>	 <u>972,023</u>	 <u>307,742</u>	 <u>5,012,441</u>
 Expenses				
Program services	2,581,619	-	-	2,581,619
Management and fundraising	<u>1,093,458</u>	<u>-</u>	<u>-</u>	<u>1,093,458</u>
 Total expenses	 <u>3,675,077</u>	 <u>-</u>	 <u>-</u>	 <u>3,675,077</u>
 Change in net assets	 57,599	 972,023	 307,742	 1,337,364
Net assets, beginning of year	<u>747,261</u>	<u>4,669,107</u>	<u>9,123,173</u>	<u>14,539,541</u>
Net assets, end of year	<u>\$ 804,860</u>	<u>\$ 5,641,130</u>	<u>\$ 9,430,915</u>	<u>\$ 15,876,905</u>

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 192,697	\$ 847,064	\$ 537,611	\$ 1,577,372
-	985,000	-	985,000
-	-	251,364	251,364
10,772	142,467	-	153,239
(4)	(87,208)	-	(87,212)
137,826	124,594	-	262,420
230,422	-	-	230,422
5,342	105,657	-	110,999
-	65,922	-	65,922
186,532	-	-	186,532
-	174,608	19,180	193,788
<u>3,066,532</u>	<u>(2,633,237)</u>	<u>(433,295)</u>	<u>-</u>
<u>3,830,119</u>	<u>(275,133)</u>	<u>374,860</u>	<u>3,929,846</u>
2,887,201	-	-	2,887,201
<u>1,012,232</u>	<u>-</u>	<u>-</u>	<u>1,012,232</u>
<u>3,899,433</u>	<u>-</u>	<u>-</u>	<u>3,899,433</u>
(69,314)	(275,133)	374,860	30,413
<u>816,575</u>	<u>4,944,240</u>	<u>8,748,313</u>	<u>14,509,128</u>
<u>\$ 747,261</u>	<u>\$ 4,669,107</u>	<u>\$ 9,123,173</u>	<u>\$ 14,539,541</u>

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

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 1,337,364	\$ 30,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains (losses)	(896,589)	87,212
Depreciation and amortization expense	143,127	-
Donations, LCC	(272,140)	-
(Increase) decrease in:		
Prepaid expenses	17,364	(21,118)
Accounts receivable, related party	(61,275)	-
Unconditional promises to give	7,121	1,017,012
Increase (decrease) in:		
Accounts payable	49,507	12,790
Obligations under split-interest agreements	(25,334)	(251,365)
Deferred revenue	(1,035)	18,760
	<u>298,110</u>	<u>893,704</u>
 Cash flows from investing activities		
Proceeds from sale of investments	1,952,587	355,185
Purchase of investments	(2,153,294)	(2,164,927)
Collection of principal on notes receivable	13,771	14,180
Acquisition of building and intangible assets	-	(11,782,213)
	<u>(186,936)</u>	<u>(13,577,775)</u>
 Cash flows from financing activities		
Proceeds from notes payable	-	18,710,000
	<u>111,174</u>	<u>6,025,929</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>8,794,013</u>	<u>2,768,084</u>
Cash and cash equivalents, end of year	<u>\$ 8,905,187</u>	<u>\$ 8,794,013</u>

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

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2013 and 2012

2013

	Program Services				
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Total Program Services	Management and Fundraising	Total
Functional expenses					
Scholarships	\$ 629,520	\$ -	\$ 629,520	\$ -	\$ 629,520
Grants	10,365	-	10,365	-	10,365
Awards and stipends	20,575	-	20,575	-	20,575
Special project expense	-	-	-	161,491	161,491
Personnel expenses	81,196	-	81,196	228,941	310,137
Personnel expenses provided by LCC	-	-	-	251,992	251,992
Administrative expenses	-	46,009	46,009	409,642	455,651
Interest expense	-	236,473	236,473	-	236,473
Faculty support	514,185	-	514,185	-	514,185
Program support	227,607	-	227,607	-	227,607
Buildings and improvements support	506,217	-	506,217	-	506,217
Other program expenses	81,571	-	81,571	-	81,571
Payments to grantors	-	-	-	41,392	41,392
Distribution of in-kind contributions	84,774	-	84,774	-	84,774
Depreciation and amortization	-	143,127	143,127	-	143,127
Total functional expenses	<u>\$ 2,156,010</u>	<u>\$ 425,609</u>	<u>\$ 2,581,619</u>	<u>\$ 1,093,458</u>	<u>\$ 3,675,077</u>

2012

Program Services				
Lane Community College Foundation	Downtown Campus QALICB, LLC	Total Program Services	Management and Fundraising	Total
\$ 705,229	\$ -	\$ 705,229	\$ -	\$ 705,229
22,359	-	22,359	-	22,359
25,940	-	25,940	-	25,940
-	-	-	180,745	180,745
94,627	-	94,627	240,686	335,313
-	-	-	230,422	230,422
-	-	-	277,445	277,445
-	-	-	-	-
470,828	-	470,828	-	470,828
265,515	-	265,515	-	265,515
1,114,232	-	1,114,232	-	1,114,232
82,814	-	82,814	-	82,814
-	-	-	82,934	82,934
105,657	-	105,657	-	105,657
-	-	-	-	-
<u>\$ 2,887,201</u>	<u>\$ -</u>	<u>\$ 2,887,201</u>	<u>\$ 1,012,232</u>	<u>\$ 3,899,433</u>

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

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Lane Community College Foundation (the Foundation) is a charitable corporation formed to encourage and involve the community in further developing educational opportunities by augmenting the facilities and functions of Lane Community College (LCC).

The Foundation receives support from the local community in the form of cash and other noncash contributions. These contributions are received from individuals, as well as from the business sector. Other sources of revenue periodically include special projects as determined by the Foundation's Board of Trustees.

Downtown Campus QALICB, LLC is wholly owned by Lane Community College Foundation and was formed in April 2012 to acquire, develop, rehabilitate, own, and operate property that is used to support Lane Community College.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Foundation and those of its wholly owned subsidiary, Downtown Campus QALICB, LLC. Inter-company transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Foundation considers cash to be all highly liquid investments available for current use with an initial maturity of three months or less. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

Concentrations of Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents and investments.

Cash and cash equivalents are maintained at three financial institutions. The Foundation and its subsidiary have not experienced any losses on its cash and cash equivalents. The FDIC secures accounts in insured institutions up to \$250,000 per depositor. The NCUA secures accounts in insured institutions up to \$250,000 per depositor. At times, the balance of the Foundation and its subsidiary's accounts may exceed the federally insured limits. At June 30, 2013 and 2012, the Foundation and its subsidiary uninsured cash balances total \$10,037,251 and \$9,956,956, respectively.

Investments

Investments are carried at market or appraised value, and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Gains or losses are reported as increases or decreases in the unrestricted class of net assets unless the donor places temporary or permanent restrictions on the gains and losses. Investment income is also reported as an increase in unrestricted, temporarily, or permanently restricted net assets, depending on the nature of the restrictions.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Investments, continued

Investments consist of real property and funds that are managed by professional fund managers chosen by the Board of Trustees and are invested in U.S. Government and Agency obligations, corporate bonds, equity securities, mortgage-backed securities, money market accounts, and certificates of deposit.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated equipment is recorded at fair market value at the time the property is received. Expenses for maintenance and repairs are expensed, while renewals and improvements are capitalized. Depreciation is computed over the estimated useful lives of the property and equipment using the straight-line method. Depreciation expense for June 30, 2013 and 2012 was \$126,097 and \$-0-, respectively

Intangible Asset

Intangible assets consist of closing and other related costs in the investment in Downtown Campus QALICB, LLC (Note 15). Amortization expense for June 30, 2013 and 2012 was \$17,030 and \$-0-, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions are primarily from the Lane County, Oregon area.

Obligations Under Split-interest Agreements

Obligations under split-interest agreements and charitable remainder trusts are recorded when incurred at the present value, discounted at rates between 2.8 percent and 3.2 percent, of the distributions to be made to the donor-designated beneficiaries. Distributions under charitable remainder annuity trusts are fixed amounts, while distributions under charitable remainder unitrusts are a specified percentage of the trust assets' fair value determined annually. 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 (IRS) and actuarially determined expected lives. Obligations under the split-interest agreements are revalued annually at June 30 to reflect actual experience. The net revaluations, together with any remaining recorded obligations after all trust obligations under terminated agreements have been met, are recorded as increases/decreases in contributions in the consolidated statements of activities. The net revaluation of split-interest agreements as of June 30, 2013 and 2012 was \$25,334 and \$251,364, respectively.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Net Assets

Net assets of the Foundation consisted of the following:

Unrestricted - These net assets are available for general obligations of the Foundation.

Temporarily restricted - These net assets are restricted by donors to be used for specific purposes.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the Foundation. Income and capital gains may be used depending on the endowment agreement.

Endowment Fund Policy

The Board of Trustees has established guidelines for the utilization of the Endowment Fund maintained to benefit the general purposes of the Foundation. The policy sets forth that the Foundation shall accept current and deferred gifts to the Endowment Fund. The Foundation's policy is to maintain the principal of the fund in perpetuity. The policy allows up to 4 percent of the endowments fair market value based on a 3-year rolling average balance, including interest earned, to be expended in a given fiscal year as determined by the Board of Trustees.

If an endowment's fair market value falls below the required minimum investment at the time the endowment was executed, the Foundation will not distribute any payout until the assets exceed that minimum. Any income not utilized in a given year may be retained for future use according to the endowment's established purpose or reinvested in the endowment's principal. The Foundation's Board of Trustees is responsible for determining the annual distribution percentage and the method of calculation as deemed to be in the best interest of the Endowment Fund.

Endowment Fund assets are pooled in the Foundation's Endowment Fund and managed by professional investment firms. The goal of the Endowment Fund is to maintain the principal with sufficient returns to both grow the Endowment Fund and meet the income requirements for annual distributions to support the Endowment Fund's established purpose such as providing annual scholarships. The Endowment Fund's investment strategy is a conservative growth model which includes stocks, bonds, mutual funds, real estate investment trust, and other assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Administrative Support

Donated administrative support received from LCC is recorded as revenue. This type of support is also recorded as an expense in the accompanying consolidated statements of activities. LCC provides for a portion of the Foundation's operating budget, including a percentage of salaries and related expenses.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Donated Assets

Noncash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation allocates expense as the donated assets are used to the appropriate program or supporting service.

Functional Expenses

Expenses for the Foundation are summarized according to function classification of program services and support services. The Foundation's purpose is entirely fundraising; therefore, this amount is not separately stated in support services.

Program Services - Costs that are identifiable with a program and are clearly described by that program.

Support Services - Management, general, and fundraising expenses.

Advertising Expenses

Advertising expenses are expensed when incurred. Advertising costs totaled \$7,504 and \$13,606 for the years ended June 30, 2013 and 2012, respectively.

Use of Estimates

The preparation of consolidated financial statements, in conformity with generally accepted accounting principles of the United States of America, requires the Foundation to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a charitable organization exempt from payment of federal income taxes and Oregon excise taxes. All filing requirements of Internal Revenue Code (IRC) Section 501(c)(3) and Oregon Revised Statutes (ORS) 128.670 have been met. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(iv). The Foundation's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

2. Investments

Substantially all of the Foundation's investments are held in a pooled account managed by a professional fund manager selected by the Board of Trustees. Investment management fees are recorded when incurred.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investments, continued

At June 30, the summary of investments was as follows:

	<u>2013</u>	<u>2012</u>
Money market/cash management accounts	\$ 590,038	\$ 264,863
Certificate of deposits	1,905,055	1,900,000
U.S. Government bonds and agency obligations	972,358	495,730
Equity securities	6,893,279	5,911,975
Corporate bonds	<u>1,872,258</u>	<u>2,563,124</u>
Total investments	<u>\$ 12,232,988</u>	<u>\$ 11,135,692</u>

Temporarily restricted investment income has been reduced by investment expenses of \$54,309 in 2013 and \$57,415 in 2012.

At June 30, net realized and unrealized gains (losses) were as follows:

	<u>2013</u>	<u>2012</u>
Net realized gains	\$ 154,766	\$ 293,215
Net unrealized gains (losses)	<u>741,823</u>	<u>(380,427)</u>
	<u>\$ 896,589</u>	<u>\$ (87,212)</u>

3. Note Receivable

At June 30, note receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Promissory note, interest at 4.89%, monthly payments of \$2,087 plus property taxes until 2025, secured by real estate.	\$ 221,965	\$ 235,736
Current portion	<u>(14,198)</u>	<u>(13,507)</u>
Note receivable, net of current portion	<u>\$ 207,767</u>	<u>\$ 222,229</u>

All notes receivable are considered fully collectible.

4. Unconditional Promises to Give

At June 30, unconditional promises to give consisted of the following:

	<u>2013</u>	<u>2012</u>
Unrestricted promises to give	\$ 97,118	\$ 165,181
Temporarily restricted promises to give	1,135,695	1,088,358
Permanently restricted promises to give	4,168	43,788
Allowance for uncollectible promises to give	<u>(14,608)</u>	<u>(12,894)</u>
	1,222,373	1,284,433
Unamortized discount	<u>(29,611)</u>	<u>(84,550)</u>
Unconditional promises to give, net	<u>\$ 1,192,762</u>	<u>\$ 1,199,883</u>

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Unconditional Promises to Give, continued

	2013	2012
Amounts due in:		
Less than one year	\$ 583,927	\$ 971,617
One to five years	608,835	228,266
	\$ 1,192,762	\$ 1,199,883

The unconditional promises to give unamortized discount has been discounted using a rate of 3.25 percent for the year ended June 30, 2013 and a range of 3.25 percent to 5.00 percent for the year ended June 30, 2012.

5. Notes Payable

	2013	2012
Note payable, Brownfield Revitalization XXII, LLC, payable in quarterly interest only, installments commencing September 2012 through June 2019 and quarterly payments of \$66,035 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	\$ 5,855,579	\$ 5,855,579
Note payable, Brownfield Revitalization XXII, LLC, payable in quarterly interest only installments commencing September 2012 through June 2019 and quarterly payments of \$22,379 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	1,984,421	1,984,421
Note payable, LCC/NCF Sub-CDE, LLC, payable in quarterly interest only installments commencing September 2012 through June 2019 and quarterly payments of \$53,653 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	4,757,658	4,757,658
Note payable, LCC/NCF Sub-CDE, LLC, payable in quarterly interest only installments commencing September 2012 through June 2019 and quarterly payments of \$18,183 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	1,612,342	1,612,342

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Payable, continued

	2013	2012
Note payable, USBCDE Sub-CDE LI, LLC, payable in quarterly interest only installments commencing September 2012 through June 2019 and quarterly payments of \$37,145 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	3,293,763	3,293,763
Note payable, USBCDE Sub-CDE LI, LLC, payable in quarterly interest only installments commencing September 2012 through June 2019 and quarterly payments of \$13,603 thereafter, including interest at 1.25%, final payment due June 2045, secured by leasehold trust deed, assignment of leases and rents, security agreement, and fixture filing.	<u>1,206,237</u>	<u>1,206,237</u>
	18,710,000	18,710,000
Current maturities	<u>-</u>	<u>-</u>
Notes payable, net of current maturities	<u>\$ 18,710,000</u>	<u>\$ 18,710,000</u>

The future minimum payments required are as follows:

Year Ending June 30,	
2014	\$ -
2015	-
2016	-
2017	-
2018	-
Thereafter	<u>18,710,000</u>
Total	<u>\$ 18,710,000</u>

Interest expense for the years ended June 30, 2013 and 2012 was \$236,473 and \$0-, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012, of \$4,656,130 and \$3,684,107, respectively, consisted of tuition scholarships and student support. Additionally, at June 30, 2013 and 2012, \$985,000 consisted of the Foundation's investment in Downtown Campus QALICB, LLC.

7. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 and 2012, of \$9,430,915 and \$9,123,173, respectively, consisted of endowment funds, which are permanently restricted as stipulated by the donors.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Endowment Fund

At June 30, the Endowment Fund consisted of the following:

	<u>2013</u>	<u>2012</u>
Temporarily restricted earnings	\$ 1,594,309	\$ 1,042,232
Permanently restricted	<u>9,430,915</u>	<u>9,123,173</u>
Total Endowment Fund	<u>\$ 11,025,224</u>	<u>\$ 10,165,405</u>

A summary of Endowment Fund activity was as follows:

	<u>2013</u>	<u>2012</u>
Balance, July 1	<u>\$ 10,165,405</u>	<u>\$ 10,165,385</u>
Contributions	<u>307,742</u>	<u>788,975</u>
Other income	<u>-</u>	<u>79,180</u>
Appropriated expenditures	<u>(549,223)</u>	<u>(973,198)</u>
Investment returns:		
Unrealized gain (loss) on endowment	734,590	(388,133)
Return on endowment investments	<u>366,710</u>	<u>493,196</u>
Investment returns, net	<u>1,101,300</u>	<u>105,063</u>
Balance, June 30	<u>\$ 11,025,224</u>	<u>\$ 10,165,405</u>

9. Special Projects

The Foundation sponsored special project events with the following income and expenses:

	<u>2013</u>	<u>2012</u>
Project income	\$ 309,011	\$ 262,420
Project expenses	<u>(161,491)</u>	<u>(180,745)</u>
Special projects, net	<u>\$ 147,520</u>	<u>\$ 81,675</u>

10. In-kind Administrative Contributions by LCC

At June 30, in-kind administrative contributions by LCC consisted of the following:

	<u>2013</u>	<u>2012</u>
Personnel expenses provided by LCC	<u>\$ 251,992</u>	<u>\$ 230,422</u>

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Split-interest Agreements

At June 30, total assets held under the split-interest agreements consisted of the following:

	2013	2012
Investments	\$ 585,781	\$ 620,953

During 2013, one of the split-interest agreements terminated in accordance with the agreement and the investments are now held as an investment.

During 2012, one of the split-interest agreements terminated in accordance with the agreement and the land and buildings are now held as an endowment investment.

12. Net Assets Released from Restrictions

During 2013 and 2012, net assets in the amount of \$2,365,189 and \$3,066,532, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors.

13. Deferred Payment Charitable Gift Annuity Agreement

During 2005, the Foundation entered into an annuity agreement with a donor. The donor contributed \$10,168 in stock which funded the annuity. The agreement stipulates that the donor will receive quarterly payments beginning the last day of June in the year the payments commence. Payments will begin no earlier than the 63rd year (year 2010) of the donor and no later than the 67th year (year 2014). These payments will last until the death of the donor, at which time the Foundation is released from the agreement. Currently the Foundation has established an estimated annuity liability and the net present value of charitable gift, which are as follows:

	2013	2012
Gift amount	\$ 10,168	\$ 10,168
Estimated annuity liability	(8,611)	(8,896)
Present value of charitable gift, net	\$ 1,557	\$ 1,272

During 2010, the Foundation entered into an annuity agreement with a donor. The donor contributed \$20,000 in cash which funded the annuity. The agreement stipulates that the donor will receive quarterly payments beginning the last day of June in the year the payments commence. These payments will last until the death of the donor, at which time the Foundation is released from the agreement. Currently the Foundation has established an estimated annuity liability and the net present value of charitable gift, which are as follows:

	2013	2012
Gift amount	\$ 20,000	\$ 20,000
Estimated annuity liability	(12,761)	(13,364)
Present value of charitable gift, net	\$ 7,239	\$ 6,636

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the entity's various financial instruments. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, the Foundation groups its financial assets and financial liabilities generally measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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 determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Fair Value Measurements, continued

Fair value of assets measured on a recurring basis at June 30, 2013 and 2012, was as follows:

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments	\$ 12,232,988	\$ -	\$ -	\$ 12,232,988
Investments in property	<u>-</u>	<u>787,200</u>	<u>-</u>	<u>787,200</u>
Total assets at fair value	<u>\$ 12,232,988</u>	<u>\$ 787,200</u>	<u>\$ -</u>	<u>\$ 13,020,188</u>

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments	\$ 11,135,692	\$ -	\$ -	\$ 11,135,692
Investments in property	<u>-</u>	<u>787,200</u>	<u>-</u>	<u>787,200</u>
Total assets at fair value	<u>\$ 11,135,692</u>	<u>\$ 787,200</u>	<u>\$ -</u>	<u>\$ 11,922,892</u>

15. Downtown Campus QALICB, LLC

In April 2012, the Foundation created Downtown Campus QALICB, LLC, a wholly-owned subsidiary. Downtown Campus QALICB, LLC was organized to acquire, develop, rehabilitate, own, and operate real property.

Downtown Campus QALICB, LLC entered into a lease agreement with LCC to lease real property constructed by LCC under a capital lease, which was paid in full during 2012. The lease is for a term of 65 years and was financed with long-term debt, see Note 5. The lease agreement restricts the use of the property and states that Downtown Campus QALICB, LLC shall sublease the premise to LCC.

Downtown Campus QALICB, LLC entered into an operating lease agreement in June 2012 with LCC to lease the property to LCC commencing on July 1, 2012. The lease calls for quarterly payments of \$30,377 during 2012, \$50,260 during 2013 through June 2019, and \$215,304 for each quarter thereafter, increasing by 1.96 percent annually, ending June 30, 2045. For the years ended June 30, 2013 and 2012 rent income totaled \$161,275 and \$-0-, of which \$61,275 and \$-0- was receivable at year end, respectively.

Year Ending June 30,	
2014	\$ 201,039
2015	201,039
2016	201,039
2017	201,039
2018	201,039
Thereafter	<u>28,923,050</u>
Total	<u>\$ 29,928,245</u>

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Downtown Campus QALICB, LLC, continued

As of June 30, the assets, liabilities, and member's capital of the subsidiary consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 7,745,868	\$ 7,912,787
Accounts receivable	61,275	-
Building, net of accumulated depreciation	11,111,151	11,237,248
Intangible assets, net of accumulated amortization	<u>527,935</u>	<u>544,965</u>
Total assets	<u>\$ 19,446,229</u>	<u>\$ 19,695,000</u>
Accounts payable	\$ 15,563	\$ -
Note payable	18,710,000	18,710,000
Investment from the Foundation	985,000	985,000
Members capital	<u>(264,334)</u>	<u>-</u>
Total liabilities and member's capital	<u>\$ 19,446,229</u>	<u>\$ 19,695,000</u>

As of June 30, income activity of the subsidiary consisted of the following

	<u>2013</u>	<u>2012</u>
Rent	<u>\$ 161,275</u>	<u>\$ -</u>
Total revenue	<u>161,275</u>	<u>-</u>
Interest expense	236,473	-
Depreciation and amortization	143,127	-
Management fees	34,000	-
Accounting and related expenses	11,998	-
Miscellaneous expenses	<u>11</u>	<u>-</u>
Total expenses	<u>425,609</u>	<u>-</u>
Change in net assets	<u>\$ (264,334)</u>	<u>\$ -</u>

16. Subsequent Events

Management evaluates events and transactions that occur after the consolidated statement of financial position as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

SUPPLEMENTARY INFORMATION

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013			
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 1,159,319	\$ 7,745,868	\$ -	\$ 8,905,187
Prepaid expenses	9,868	-	-	9,868
Accounts receivable, related party	-	61,275	-	61,275
Note receivable, current portion	14,198	-	-	14,198
Unconditional promises to give, current portion	<u>583,927</u>	<u>-</u>	<u>-</u>	<u>583,927</u>
 Total current assets	 <u>1,767,312</u>	 <u>7,807,143</u>	 <u>-</u>	 <u>9,574,455</u>
Property and intangibles				
Building, net of accumulated depreciation of \$126,097 in 2013 and \$-0- in 2012	-	11,111,151	-	11,111,151
Intangible assets, net of accumulated amortization of \$17,030 in 2013 and \$-0- in 2012	<u>-</u>	<u>527,935</u>	<u>-</u>	<u>527,935</u>
 Total property and intangibles	 <u>-</u>	 <u>11,639,086</u>	 <u>-</u>	 <u>11,639,086</u>
Noncurrent assets				
Investments	12,232,988	-	-	12,232,988
Note receivable, net of current portion	207,767	-	-	207,767
Unconditional promises to give, noncurrent, less allowance for uncollectibles	608,835	-	-	608,835
Investment in property	787,200	-	-	787,200
Investment in Downtown Campus QALICB, LLC	<u>985,000</u>	<u>-</u>	<u>(985,000)</u>	<u>-</u>
 Total noncurrent assets	 <u>14,821,790</u>	 <u>-</u>	 <u>(985,000)</u>	 <u>13,836,790</u>
 Total assets	 <u>\$ 16,589,102</u>	 <u>\$ 19,446,229</u>	 <u>\$ (985,000)</u>	 <u>\$ 35,050,331</u>

2012

Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	Total
\$ 881,226	\$ 7,912,787	\$ -	\$ 8,794,013
27,232	-	-	27,232
-	-	-	-
13,507	-	-	13,507
<u>971,617</u>	<u>-</u>	<u>-</u>	<u>971,617</u>
<u>1,893,582</u>	<u>7,912,787</u>	<u>-</u>	<u>9,806,369</u>
-	11,237,248	-	11,237,248
<u>-</u>	<u>544,965</u>	<u>-</u>	<u>544,965</u>
<u>-</u>	<u>11,782,213</u>	<u>-</u>	<u>11,782,213</u>
11,135,692	-	-	11,135,692
222,229	-	-	222,229
228,266	-	-	228,266
787,200	-	-	787,200
<u>985,000</u>	<u>-</u>	<u>(985,000)</u>	<u>-</u>
<u>13,358,387</u>	<u>-</u>	<u>(985,000)</u>	<u>12,373,387</u>
<u>\$ 15,251,969</u>	<u>\$ 19,695,000</u>	<u>\$ (985,000)</u>	<u>\$ 33,961,969</u>

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION, Continued
June 30, 2013 and 2012

	2013			Total
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 67,652	\$ 15,563	\$ -	\$ 83,215
Accounts payable, LCC	-	-	-	-
Current portion of obligations under split-interest agreements	40,000	-	-	40,000
Deferred revenue	121,980	-	-	121,980
Total current liabilities	<u>229,632</u>	<u>15,563</u>	<u>-</u>	<u>245,195</u>
Noncurrent liabilities				
Notes payable	-	18,710,000	-	18,710,000
Obligations under split-interest agreements	218,231	-	-	218,231
Total noncurrent liabilities	<u>218,231</u>	<u>18,710,000</u>	<u>-</u>	<u>18,928,231</u>
Total liabilities	<u>447,863</u>	<u>18,725,563</u>	<u>-</u>	<u>19,173,426</u>
Net assets				
Unrestricted	1,069,194	720,666	(985,000)	804,860
Temporarily restricted	5,641,130	-	-	5,641,130
Permanently restricted	9,430,915	-	-	9,430,915
Total net assets	<u>16,141,239</u>	<u>720,666</u>	<u>(985,000)</u>	<u>15,876,905</u>
Total liabilities and net assets	<u>\$ 16,589,102</u>	<u>\$ 19,446,229</u>	<u>\$ (985,000)</u>	<u>\$ 35,050,331</u>

2012

Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	Total
\$ 33,708	\$ -	\$ -	\$ 33,708
272,140	-	-	272,140
40,000	-	-	40,000
<u>123,015</u>	<u>-</u>	<u>-</u>	<u>123,015</u>
<u>468,863</u>	<u>-</u>	<u>-</u>	<u>468,863</u>
-	18,710,000	-	18,710,000
<u>243,565</u>	<u>-</u>	<u>-</u>	<u>243,565</u>
<u>243,565</u>	<u>18,710,000</u>	<u>-</u>	<u>18,953,565</u>
<u>712,428</u>	<u>18,710,000</u>	<u>-</u>	<u>19,422,428</u>
747,261	985,000	(985,000)	747,261
4,669,107	-	-	4,669,107
<u>9,123,173</u>	<u>-</u>	<u>-</u>	<u>9,123,173</u>
<u>14,539,541</u>	<u>985,000</u>	<u>(985,000)</u>	<u>14,539,541</u>
<u>\$ 15,251,969</u>	<u>\$ 19,695,000</u>	<u>\$ (985,000)</u>	<u>\$ 33,961,969</u>

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2013

	Lane Community College Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Donations	\$ 303,392	\$ 1,754,164	\$ 282,408	\$ 2,339,964
Donation, LCC	272,140	-	-	272,140
Change in split-interest agreements	-	-	25,334	25,334
Net investment income	23,482	160,560	-	184,042
Net realized and unrealized gains (losses)	271	896,318	-	896,589
Special project income	138,378	170,633	-	309,011
In-kind administrative contributions by LCC	251,992	-	-	251,992
In-kind program contributions	12,613	84,774	-	97,387
Rent	-	71,134	-	71,134
Administrative fee income	203,944	-	-	203,944
Other program income	-	199,629	-	199,629
Net assets released from restrictions	<u>2,365,189</u>	<u>(2,365,189)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>3,571,401</u>	 <u>972,023</u>	 <u>307,742</u>	 <u>4,851,166</u>
Expenses				
Program services	2,156,010	-	-	2,156,010
Management and fundraising	<u>1,093,458</u>	<u>-</u>	<u>-</u>	<u>1,093,458</u>
 Total expenses	 <u>3,249,468</u>	 <u>-</u>	 <u>-</u>	 <u>3,249,468</u>
Change in net assets	321,933	972,023	307,742	1,601,698
Net assets, beginning of year	<u>747,261</u>	<u>4,669,107</u>	<u>9,123,173</u>	<u>14,539,541</u>
Net assets, end of year	<u>\$ 1,069,194</u>	<u>\$ 5,641,130</u>	<u>\$ 9,430,915</u>	<u>\$ 16,141,239</u>

Downtown Campus QALICB, LLC	
<u>Unrestricted</u>	<u>Total</u>
\$ -	\$ 2,339,964
-	272,140
-	25,334
-	184,042
-	896,589
-	309,011
-	251,992
-	97,387
161,275	232,409
-	203,944
-	199,629
-	-
<u>161,275</u>	<u>5,012,441</u>
425,609	2,581,619
-	1,093,458
<u>425,609</u>	<u>3,675,077</u>
(264,334)	1,337,364
-	14,539,541
<u>\$ (264,334)</u>	<u>\$ 15,876,905</u>

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2012

	Lane Community College Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Donations	\$ 192,697	\$ 847,064	\$ 537,611	\$ 1,577,372
Donation, LCC	-	985,000	-	985,000
Change in split-interest agreements	-	-	251,364	251,364
Net investment income	10,772	142,467	-	153,239
Net realized and unrealized gains (losses)	(4)	(87,208)	-	(87,212)
Special project income	137,826	124,594	-	262,420
In-kind administrative contributions by LCC	230,422	-	-	230,422
In-kind program contributions	5,342	105,657	-	110,999
Rent	-	65,922	-	65,922
Administrative fee income	186,532	-	-	186,532
Other program income	-	174,608	19,180	193,788
Net assets released from restrictions	<u>3,066,532</u>	<u>(2,633,237)</u>	<u>(433,295)</u>	<u>-</u>
 Total revenue and other support	 <u>3,830,119</u>	 <u>(275,133)</u>	 <u>374,860</u>	 <u>3,929,846</u>
 Expenses				
Program services	2,887,201	-	-	2,887,201
Management and fundraising	<u>1,012,232</u>	<u>-</u>	<u>-</u>	<u>1,012,232</u>
 Total expenses	 <u>3,899,433</u>	 <u>-</u>	 <u>-</u>	 <u>3,899,433</u>
 Change in net assets	 (69,314)	 (275,133)	 374,860	 30,413
 Net assets, beginning of year	 <u>816,575</u>	 <u>4,944,240</u>	 <u>8,748,313</u>	 <u>14,509,128</u>
 Net assets, end of year	 <u>\$ 747,261</u>	 <u>\$ 4,669,107</u>	 <u>\$ 9,123,173</u>	 <u>\$ 14,539,541</u>

Downtown Campus <u>QALICB, LLC</u>	<u>Total</u>
\$ -	\$ 1,577,372
-	985,000
-	251,364
-	153,239
-	(87,212)
-	262,420
-	230,422
-	110,999
-	65,922
-	186,532
-	193,788
-	-
-	<u>3,929,846</u>
-	2,887,201
-	<u>1,012,232</u>
-	<u>3,899,433</u>
-	30,413
-	<u>14,509,128</u>
<u>\$ -</u>	<u>\$ 14,539,541</u>