



**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2012 and 2011



LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of Lane Community College Foundation (a nonprofit organization) and affiliate as of June 30, 2012 and 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 affiliate as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 audit 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.

Jones & Roth, P.C.
Eugene, Oregon
October 12, 2012

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CONSOLIDATED FINANCIAL STATEMENTS

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,794,013	\$ 2,768,084
Prepaid expenses	27,232	6,114
Note receivable, current portion	13,507	12,850
Unconditional promises to give, current portion	<u>971,617</u>	<u>1,763,394</u>
Total current assets	<u>9,806,369</u>	<u>4,550,442</u>
Property and intangibles		
Building, net of accumulated depreciation of \$-0- in 2012 and 2011	11,237,248	-
Intangible assets	<u>544,965</u>	<u>-</u>
Total property and intangibles	<u>11,782,213</u>	<u>-</u>
Noncurrent assets		
Investments	11,135,692	9,413,162
Notes receivable, net of current portion	222,229	237,066
Unconditional promises to give, noncurrent, less allowance for uncollectibles	228,266	453,501
Investment in property	<u>787,200</u>	<u>787,200</u>
Total noncurrent assets	<u>12,373,387</u>	<u>10,890,929</u>
Total assets	<u>\$ 33,961,969</u>	<u>\$ 15,441,371</u>

	<u>2012</u>	<u>2011</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 33,708	\$ 20,918
Accounts payable-LCC	272,140	272,140
Current portion of obligations under split-interest agreements	40,000	110,000
Deferred revenue	<u>123,015</u>	<u>104,255</u>
Total current liabilities	<u>468,863</u>	<u>507,313</u>
Noncurrent liabilities		
Notes payable	18,710,000	-
Obligations under split-interest agreements	<u>243,565</u>	<u>424,930</u>
Total noncurrent liabilities	<u>18,953,565</u>	<u>424,930</u>
Total liabilities	<u>19,422,428</u>	<u>932,243</u>
Net assets		
Unrestricted	747,261	816,575
Temporarily restricted	4,669,107	4,944,240
Permanently restricted	<u>9,123,173</u>	<u>8,748,313</u>
Total net assets	<u>14,539,541</u>	<u>14,509,128</u>
Total liabilities and net assets	<u>\$33,961,969</u>	<u>\$15,441,371</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, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Donations	\$ 192,697	\$ 847,064	\$ 537,611	\$ 1,577,372
Donations, related party	-	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>

2011

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 213,182	\$ 1,121,520	\$ 391,354	\$ 1,726,056
-	-	-	-
-	-	32,824	32,824
24,483	131,932	-	156,415
-	1,453,055	-	1,453,055
93,699	113,109	-	206,808
230,082	-	-	230,082
2,699	148,954	-	151,653
-	68,360	-	68,360
198,760	-	-	198,760
-	241,829	-	241,829
<u>2,656,613</u>	<u>(2,656,613)</u>	<u>-</u>	<u>-</u>
<u>3,419,518</u>	<u>622,146</u>	<u>424,178</u>	<u>4,465,842</u>
2,427,333	-	-	2,427,333
<u>931,819</u>	<u>-</u>	<u>-</u>	<u>931,819</u>
<u>3,359,152</u>	<u>-</u>	<u>-</u>	<u>3,359,152</u>
60,366	622,146	424,178	1,106,690
<u>756,209</u>	<u>4,322,094</u>	<u>8,324,135</u>	<u>13,402,438</u>
<u>\$ 816,575</u>	<u>\$ 4,944,240</u>	<u>\$ 8,748,313</u>	<u>\$ 14,509,128</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 30,413	\$ 1,106,690
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains (losses)	87,212	(1,453,055)
(Increase) decrease in:		
Prepaid expenses	(21,118)	13,211
Unconditional promises to give	1,017,012	1,028,660
Increase (decrease) in:		
Accounts payable	12,790	(51,919)
Obligations under split-interest agreements	(251,365)	(32,823)
Deferred revenue	<u>18,760</u>	<u>60,633</u>
Net cash provided by operating activities	<u>893,704</u>	<u>671,397</u>
Cash flows from investing activities		
Proceeds from sale of investments	355,185	359,719
Purchase of investments	(2,164,927)	(398,611)
Collection of principal on notes receivable	14,180	12,491
Acquisition of building and intangible assets	<u>(11,782,213)</u>	<u>-</u>
Net cash used by investing activities	<u>(13,577,775)</u>	<u>(26,401)</u>
Cash flows from financing activities		
Proceeds from notes payable	<u>18,710,000</u>	<u>-</u>
Net increase in cash and cash equivalents	6,025,929	644,996
Cash and cash equivalents, beginning of year	<u>2,768,084</u>	<u>2,123,088</u>
Cash and cash equivalents, end of year	<u>\$ 8,794,013</u>	<u>\$ 2,768,084</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, 2012 and 2011

	2012			
	Program Services			
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Management and Fundraising	Total
Functional expenses				
Scholarships	\$ 705,229	\$ -	\$ -	\$ 705,229
Grants	22,359	-	-	22,359
Awards and stipends	25,940	-	-	25,940
Special project expense	-	-	180,745	180,745
Personnel expenses	94,627	-	240,686	335,313
Personnel expenses provided by LCC	-	-	230,422	230,422
Administrative expenses	-	-	277,445	277,445
Faculty support	470,828	-	-	470,828
Program support	265,515	-	-	265,515
Buildings and improvements support	1,114,232	-	-	1,114,232
Other program expenses	82,814	-	-	82,814
Payments to grantors	-	-	82,934	82,934
Distribution of in-kind contributions	105,657	-	-	105,657
 Total functional expenses	 <u>\$ 2,887,201</u>	 <u>\$ -</u>	 <u>\$ 1,012,232</u>	 <u>\$ 3,899,433</u>

2011

Program Services			
Lane Community College Foundation	Downtown Campus QALICB, LLC	Management and Fundraising	Total
\$ 690,337	\$ -	\$ -	\$ 690,337
8,598	-	-	8,598
9,335	-	-	9,335
-	-	123,729	123,729
58,589	-	177,522	236,111
-	-	230,082	230,082
-	-	297,188	297,188
611,103	-	-	611,103
253,637	-	-	253,637
480,098	-	-	480,098
166,682	-	-	166,682
-	-	103,298	103,298
148,954	-	-	148,954
<u>\$ 2,427,333</u>	<u>\$ -</u>	<u>\$ 931,819</u>	<u>\$ 3,359,152</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. The LLC was formed in April 2012 to acquire, develop, rehabilitate, own, and operate property that will be 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 affiliate, 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 affiliate have not experienced any losses on its cash and cash equivalents. The FDIC secures accounts in insured institutions up to \$250,000 per depositor. In addition, the FDIC is fully insuring all funds deposited in "non-interest bearing transactions accounts" through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. The NCUA secures accounts in insured institutions up to \$250,000 per depositor. At times, the balance of the Foundation and its affiliate's accounts may exceed the federally insured limits. At June 30, 2012, the Foundation and its affiliate uninsured cash balances total \$9,956,956.

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

Intangible Asset

Intangible assets consist of closing and other related costs in the investment in Downtown Campus QALICB, LLC (Note 15).

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, 2012 and 2011 was \$251,364 and \$32,824, 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, except for donated equipment, which was capitalized by the Foundation. 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 \$1,379 and \$688 for the years ended June 30, 2012 and 2011, 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. At June 30, the summary of investments was as follows:

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Investments, continued

	<u>2012</u>	<u>2011</u>
Money market/cash management accounts	\$ 264,863	\$ 100,340
Certificate of deposits	1,900,000	-
U.S. Government bonds and agency obligations	495,730	710,323
Equity securities	5,911,975	6,251,618
Corporate bonds	<u>2,563,124</u>	<u>2,350,881</u>
Total investments	<u>\$ 11,135,692</u>	<u>\$ 9,413,162</u>

Temporarily restricted investment income has been reduced by investment expenses of \$57,415 in 2012 and \$61,802 in 2011.

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

	<u>2012</u>	<u>2011</u>
Net realized gains (losses)	\$ 293,215	\$ (12,100)
Net unrealized gains (losses)	<u>(380,427)</u>	<u>1,465,155</u>
	<u>\$ (87,212)</u>	<u>\$ 1,453,055</u>

3. Note Receivable

At June 30, note receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
Promissory note, interest at 4.89%, monthly payments of \$2,087 plus property taxes until 2025, secured by real estate.	\$ 235,736	\$ 249,916
Current portion	<u>(13,507)</u>	<u>(12,850)</u>
Note receivable, net of current portion	<u>\$ 222,229</u>	<u>\$ 237,066</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>2012</u>	<u>2011</u>
Unrestricted promises to give	\$ 165,181	\$ 169,667
Temporarily restricted promises to give	1,088,358	2,039,108
Permanently restricted promises to give	43,788	180,413
Allowance for uncollectible promises to give	<u>(12,894)</u>	<u>(23,705)</u>
	1,284,433	2,365,483
Unamortized discount	<u>(84,550)</u>	<u>(148,588)</u>
Unconditional promises to give, net	<u>\$ 1,199,883</u>	<u>\$ 2,216,895</u>

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Unconditional Promises to Give, continued

	<u>2012</u>	<u>2011</u>
Amounts due in:		
Less than one year	\$ 971,617	\$ 1,763,394
One to five years	<u>228,266</u>	<u>453,501</u>
	<u>\$ 1,199,883</u>	<u>\$ 2,216,895</u>

The unconditional promises to give unamortized discount has been discounted using a range of 3.25 percent to 5.00 percent for the years ended June 30, 2012 and 2011.

5. Notes Payable

	<u>2012</u>	<u>2011</u>
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	\$ -
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	-
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	-
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	-

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Payable, continued

	<u>2012</u>	<u>2011</u>
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	-
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>-</u>
	18,710,000	-
Current maturities	<u>-</u>	<u>-</u>
Notes payable, net of current maturities	<u>\$ 18,710,000</u>	<u>\$ -</u>

The future minimum payments required are as follows:

Year Ending June 30,	
2013	\$ -
2014	-
2015	-
2016	-
2017	-
Thereafter	<u>18,710,000</u>
Total	<u>\$ 18,710,000</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, of \$3,684,107 and \$4,944,420, respectively, consisted of tuition scholarships and student support. Additionally, at June 30, 2012 and 2011, \$985,000 and \$0-, respectively, consisted of the Foundation investment in Downtown Campus QALICB, LLC.

7. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2012 and 2011, of \$9,123,173 and \$8,748,313, 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>2012</u>	<u>2011</u>
Temporarily restricted earnings	\$ 1,042,232	\$ 1,417,072
Permanently restricted	<u>9,123,173</u>	<u>8,748,313</u>
Total Endowment Fund	<u>\$ 10,165,405</u>	<u>\$ 10,165,385</u>

A summary of Endowment Fund activity was as follows:

	<u>2012</u>	<u>2011</u>
Balance, July 1	\$ 10,165,385	\$ 8,632,889
Contributions	<u>788,975</u>	<u>424,178</u>
Other income	<u>79,180</u>	<u>60,000</u>
Appropriated expenditures	<u>(973,198)</u>	<u>(597,745)</u>
Investment returns:		
Unrealized gain (loss) on endowment	(388,133)	1,465,155
Return on endowment investments	<u>493,196</u>	<u>180,908</u>
Investment returns, net	<u>105,063</u>	<u>1,646,063</u>
Balance, June 30	<u>\$ 10,165,405</u>	<u>\$ 10,165,385</u>

9. Special Projects

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

	<u>2012</u>	<u>2011</u>
Project income	\$ 262,420	\$ 206,808
Project expenses	<u>(180,745)</u>	<u>(123,729)</u>
Special projects, net	<u>\$ 81,675</u>	<u>\$ 83,079</u>

10. In-kind Administrative Contributions by LCC

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

	<u>2012</u>	<u>2011</u>
Personnel expenses provided by LCC	\$ 230,422	\$ 230,082
Total in-kind administrative contributions by LCC	<u>\$ 230,422</u>	<u>\$ 230,082</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:

	<u>2012</u>	<u>2011</u>
Investments	\$ 620,953	\$ 672,714
Land and buildings	<u>-</u>	<u>787,200</u>
Total assets held under split-interest agreements	<u>\$ 620,953</u>	<u>\$ 1,459,914</u>

During the year, 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 2012 and 2011, net assets in the amount of \$3,066,529 and \$2,656,613, 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:

	<u>2012</u>	<u>2011</u>
Gift amount	\$ 10,168	\$ 10,168
Estimated annuity liability	<u>(8,896)</u>	<u>(9,030)</u>
Present value of charitable gift, net	<u>\$ 1,272</u>	<u>\$ 1,138</u>

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:

	<u>2012</u>	<u>2011</u>
Gift amount	\$ 20,000	\$ 20,000
Estimated annuity liability	<u>(13,364)</u>	<u>(12,283)</u>
Present value of charitable gift, net	<u>\$ 6,636</u>	<u>\$ 7,717</u>

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, 2012 and 2011, was as follows:

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	-	787,200	-	787,200
Total assets at fair value	<u>\$ 11,135,692</u>	<u>\$ 787,200</u>	<u>\$ -</u>	<u>\$ 11,922,892</u>

Assets at Fair Value as of June 30, 2011				
	Level 1	Level 2	Level 3	Total
Investments	\$ 9,413,162	\$ -	\$ -	\$ 9,413,162
Investments in property, annuity trust	-	787,200	-	787,200
Total assets at fair value	<u>\$ 9,413,162</u>	<u>\$ 787,200</u>	<u>\$ -</u>	<u>\$ 10,200,362</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.

As of June 30, the assets, liabilities, and members capital of the subsidiary consisted of the following:

	2012	2011
Cash	\$ 7,912,787	\$ -
Building, net of accumulated depreciation	11,237,248	-
Intangible assets	544,965	-
Total assets	<u>\$ 19,695,000</u>	<u>\$ -</u>
Note payable	18,710,000	-
Investment from the Foundation	985,000	-
Total liabilities and members capital	<u>\$ 19,695,000</u>	<u>\$ -</u>

LANE COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

17. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. Such reclassifications do not affect previously recorded net asset.

SUPPLEMENTARY INFORMATION

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012			
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	Total
Assets				
Current assets				
Cash	\$ 881,226	\$ 7,912,787	\$ -	\$ 8,794,013
Prepaid expenses	27,232	-	-	27,232
Note receivable, current portion	13,507	-	-	13,507
Unconditional promises to give, current portion	971,617	-	-	971,617
Total current assets	1,893,582	7,912,787	-	9,806,369
Property and intangibles				
Building, net of accumulated depreciation of \$-0- in 2012 and 2011	-	11,237,248	-	11,237,248
Intangible assets	-	544,965	-	544,965
Total property and intangibles	-	11,782,213	-	11,782,213
Noncurrent assets				
Investments	11,135,692	-	-	11,135,692
Note receivable, net of current portion	222,229	-	-	222,229
Unconditional promises to give, noncurrent, less allowance for uncollectibles	228,266	-	-	228,266
Investment in property	787,200	-	-	787,200
Investment in Downtown Campus QALICB, LLC	985,000	-	(985,000)	-
Total noncurrent assets	13,358,387	-	(985,000)	12,373,387
Total assets	\$ 15,251,969	\$ 19,695,000	\$ (985,000)	\$ 33,961,969

2011		
Lane Community College Foundation	Downtown Campus QALICB, LLC	Total
\$ 2,768,084	\$ -	\$ 2,768,084
6,114	-	6,114
12,850	-	12,850
1,763,394	-	1,763,394
<u>4,550,442</u>	<u>-</u>	<u>4,550,442</u>
-	-	-
-	-	-
-	-	-
9,413,162	-	9,413,162
237,066	-	237,066
453,501	-	453,501
787,200	-	787,200
-	-	-
<u>10,890,929</u>	<u>-</u>	<u>10,890,929</u>
<u>\$ 15,441,371</u>	<u>\$ -</u>	<u>\$ 15,441,371</u>

LANE COMMUNITY COLLEGE FOUNDATION
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION, Continued
June 30, 2012 and 2011

	2012			
	Lane Community College Foundation	Downtown Campus QALICB, LLC	Eliminations	Total
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 33,708	\$ -	\$ -	\$ 33,708
Accounts payable-LCC	272,140	-	-	272,140
Current portion of obligations under split-interest agreements	40,000	-	-	40,000
Deferred revenue	<u>123,015</u>	<u>-</u>	<u>-</u>	<u>123,015</u>
Total current liabilities	<u>468,863</u>	<u>-</u>	<u>-</u>	<u>468,863</u>
Noncurrent liabilities				
Notes payable	-	18,710,000	-	18,710,000
Obligations under split-interest agreements	<u>243,565</u>	<u>-</u>	<u>-</u>	<u>243,565</u>
Total noncurrent liabilities	<u>243,565</u>	<u>18,710,000</u>	<u>-</u>	<u>18,953,565</u>
Total liabilities	<u>712,428</u>	<u>18,710,000</u>	<u>-</u>	<u>19,422,428</u>
Net assets				
Member equity	-	985,000	(985,000)	-
Unrestricted	747,261	-	-	747,261
Temporarily restricted	4,669,107	-	-	4,669,107
Permanently restricted	<u>9,123,173</u>	<u>-</u>	<u>-</u>	<u>9,123,173</u>
Total net assets	<u>14,539,541</u>	<u>985,000</u>	<u>(985,000)</u>	<u>14,539,541</u>
Total liabilities and net assets	<u>\$15,251,969</u>	<u>\$19,695,000</u>	<u>\$ (985,000)</u>	<u>\$33,961,969</u>

2011		
Lane Community College Foundation	Downtown Campus QALICB, LLC	Total
\$ 20,918	\$ -	\$ 20,918
272,140	-	272,140
110,000	-	110,000
<u>104,255</u>	<u>-</u>	<u>104,255</u>
<u>507,313</u>	<u>-</u>	<u>507,313</u>
-	-	-
<u>424,930</u>	<u>-</u>	<u>424,930</u>
<u>424,930</u>	<u>-</u>	<u>424,930</u>
<u>932,243</u>	<u>-</u>	<u>932,243</u>
-	-	-
816,575	-	816,575
4,944,240	-	4,944,240
<u>8,748,313</u>	<u>-</u>	<u>8,748,313</u>
<u>14,509,128</u>	<u>-</u>	<u>14,509,128</u>
<u>\$15,441,371</u>	<u>\$ -</u>	<u>\$15,441,371</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, LLC	-	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
QALICB, LLC

<u>Unrestricted</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>