

**LINN-BENTON COMMUNITY
COLLEGE FOUNDATION**
(an Oregon not-for-profit corporation)
ANNUAL FINANCIAL REPORT
December 31, 2022 and 2021

LINN-BENTON COMMUNITY COLLEGE FOUNDATION
(an Oregon not-for-profit corporation)

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

May 23, 2023

Board of Trustees
Linn-Benton Community College Foundation
Albany, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Linn-Benton Community College Foundation (an Oregon not-for-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Linn-Benton Community College Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Linn-Benton Community College Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Linn-Benton Community College Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Linn-Benton Community College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Linn-Benton Community College Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

BASIC FINANCIAL STATEMENTS

LINN-BENTON COMMUNITY COLLEGE FOUNDATION
(an Oregon not-for-profit corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

| | 2022 | 2021 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 236,030 | \$ 540,718 |
| Accounts receivable | 61,380 | 117,862 |
| Pledges receivable | 22,899 | - |
| Loans receivable, net of allowance | - | - |
| Prepaid expenses | - | 2,100 |
| Investments | 8,161,887 | 9,074,724 |
| Beneficial interest in assets held by The Oregon Community Foundation | 292,763 | 341,142 |
| Property and equipment | 3,241,479 | 3,244,837 |
| TOTAL ASSETS | \$ 12,016,438 | \$ 13,321,383 |
| LIABILITIES | | |
| Accounts payable | \$ 30,714 | \$ 264,316 |
| Obligations under split-interest agreements | 14,587 | 15,939 |
| TOTAL LIABILITIES | 45,301 | 280,255 |
| NET ASSETS | | |
| Without donor restrictions | 1,849,045 | 2,428,021 |
| With donor restrictions | 10,122,092 | 10,613,107 |
| TOTAL NET ASSETS | 11,971,137 | 13,041,128 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 12,016,438 | \$ 13,321,383 |

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

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

| | 2022 | | |
|---|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | | | |
| Cash, stock, fixed assets and receivables | \$ 209,823 | \$ 1,171,166 | \$ 1,380,989 |
| Interest on loans | 6,099 | - | 6,099 |
| Interest on checking account | 1,393 | - | 1,393 |
| Dividends | 83,991 | 245,069 | 329,060 |
| Fundraising | 1,900 | 38,395 | 40,295 |
| Rental property | 18,529 | 6,177 | 24,706 |
| In-kind contributions | 287,503 | - | 287,503 |
| In-kind program contributions | 2,957 | 34,478 | 37,435 |
| Other revenue | 2,396 | 31,084 | 33,480 |
| Realized gain on investments | - | - | - |
| Unrealized gain on investments | - | - | - |
| Change in beneficial interest in assets held by The Oregon Community Foundation | - | (48,379) | (48,379) |
| Distribution of investment return earned on assets held by The Oregon Community Foundation | - | 11,569 | 11,569 |
| Change in value of split-interest agreements | - | (518) | (518) |
| Recovery of bad debts | 4,916 | - | 4,916 |
| Reclassifications | (43,522) | 43,522 | - |
| Net assets released from restrictions for general administration | 82,936 | (82,936) | - |
| Net assets released from restrictions for scholarships and program activities | 657,860 | (657,860) | - |
| | 1,316,781 | 791,767 | 2,108,548 |
| EXPENSES AND LOSSES | | | |
| Program services | 814,816 | - | 814,816 |
| Supporting services | | | |
| Management and general | 631,031 | - | 631,031 |
| Fundraising | - | - | - |
| Loss on pledges receivable | - | - | - |
| Realized loss on disposition of fixed assets | - | 636 | 636 |
| Unrealized loss on investments | 449,910 | 1,282,146 | 1,732,056 |
| | 1,895,757 | 1,282,782 | 3,178,539 |
| CHANGE IN NET ASSETS | (578,976) | (491,015) | (1,069,991) |
| NET ASSETS AT BEGINNING OF YEAR | 2,428,021 | 10,613,107 | 13,041,128 |
| NET ASSETS AT END OF YEAR | \$ 1,849,045 | \$ 10,122,092 | \$ 11,971,137 |

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

| 2021 | | |
|---------------------------------------|------------------------------------|----------------------|
| <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
| \$ 142,620 | \$ 679,803 | \$ 822,423 |
| 12,197 | - | 12,197 |
| 383 | - | 383 |
| 159,529 | 408,756 | 568,285 |
| 12,975 | 14,764 | 27,739 |
| 19,931 | 6,354 | 26,285 |
| 168,771 | - | 168,771 |
| 8,452 | 118,644 | 127,096 |
| 5,983 | 25,928 | 31,911 |
| - | 112,228 | 112,228 |
| 202,862 | 367,122 | 569,984 |
| - | 52,461 | 52,461 |
| - | 10,934 | 10,934 |
| - | (560) | (560) |
| 9,833 | - | 9,833 |
| - | - | - |
| 63,097 | (63,097) | - |
| <u>640,977</u> | <u>(640,977)</u> | <u>-</u> |
| <u>1,447,610</u> | <u>1,092,360</u> | <u>2,539,970</u> |
| 725,975 | - | 725,975 |
| 494,885 | - | 494,885 |
| 23,850 | - | 23,850 |
| - | 10,114 | 10,114 |
| - | - | - |
| - | - | - |
| <u>1,244,710</u> | <u>10,114</u> | <u>1,254,824</u> |
| 202,900 | 1,082,246 | 1,285,146 |
| <u>2,225,121</u> | <u>9,530,861</u> | <u>11,755,982</u> |
| <u>\$ 2,428,021</u> | <u>\$ 10,613,107</u> | <u>\$ 13,041,128</u> |

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2022 and 2021

| | 2022 | | | Totals |
|--|-------------------|------------------------|-------------|---------------------|
| | Program Services | Management and General | Fundraising | |
| Scholarships and grants | \$ 480,576 | \$ - | \$ - | \$ 480,576 |
| Materials and supplies | 48,745 | - | - | 48,745 |
| Materials for resale | - | 3,521 | - | 3,521 |
| Postage | - | 4,890 | - | 4,890 |
| Printing | - | 8,493 | - | 8,493 |
| Publishing | - | 3,684 | - | 3,684 |
| Licenses and fees | - | 7,445 | - | 7,445 |
| Administrative support | - | 226,789 | - | 226,789 |
| Contracted services | 115,150 | 525 | - | 115,675 |
| Insurance | - | 17,065 | - | 17,065 |
| Software | - | 17,515 | - | 17,515 |
| Contributions for capital acquisitions | 19,940 | - | - | 19,940 |
| Depreciation expense | - | 4,272 | - | 4,272 |
| Travel | 41,560 | - | - | 41,560 |
| In-kind contributions | - | 287,503 | - | 287,503 |
| In-kind program contributions | 37,435 | - | - | 37,435 |
| Other expenses | 71,410 | 49,329 | - | 120,739 |
| Totals | <u>\$ 814,816</u> | <u>\$ 631,031</u> | <u>\$ -</u> | <u>\$ 1,445,847</u> |

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

2021

| Supporting Services | | | |
|---------------------|---------------------------|------------------|---------------------|
| Program Services | Management and General | Fundraising | Totals |
| \$ 415,628 | \$ - | \$ - | \$ 415,628 |
| 24,251 | - | - | 24,251 |
| - | - | - | - |
| - | 1,460 | - | 1,460 |
| - | 11,059 | - | 11,059 |
| - | 105 | - | 105 |
| - | 10,871 | - | 10,871 |
| - | 206,195 | - | 206,195 |
| 65,850 | 15,180 | - | 81,030 |
| - | 21,127 | - | 21,127 |
| - | 17,665 | - | 17,665 |
| 41,205 | - | - | 41,205 |
| - | 4,272 | - | 4,272 |
| 3,302 | - | - | 3,302 |
| - | 168,771 | - | 168,771 |
| 127,096 | - | - | 127,096 |
| 48,643 | 38,180 | 23,850 | 110,673 |
| <u>\$ 725,975</u> | <u>\$ 494,885</u> | <u>\$ 23,850</u> | <u>\$ 1,244,710</u> |

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (1,069,991) | \$ 1,285,146 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation expense | 4,272 | 4,272 |
| In-kind contributions revenue | (287,503) | (168,771) |
| In-kind contributions expense | 287,503 | 168,771 |
| In-kind program contributions revenue | (37,435) | (127,096) |
| In-kind program contributions expense | 37,435 | 127,096 |
| Contributions of stock | (487,589) | (21,279) |
| Contributions of fixed assets | (202,565) | - |
| Realized loss-(gain) on sale of investments | - | (112,228) |
| Unrealized loss-(gain) on investments | 1,732,056 | (569,984) |
| Change in beneficial interest in assets held by The Oregon Community Foundation | 48,379 | (52,461) |
| Change in value of split-interest agreements | 518 | 560 |
| Realized loss on disposition of fixed assets | 636 | - |
| (Increase) decrease in: | | |
| Accounts receivable | 56,482 | (117,862) |
| Pledges receivable | (22,899) | 10,114 |
| Prepaid expenses | 2,100 | 7,436 |
| Increase (decrease) in: | | |
| Accounts payable | (233,602) | (61,931) |
| Obligations under split-interest agreements | (1,870) | (1,870) |
| Contributions and grants restricted for long-term purposes | (844,857) | (157,747) |
| Payments of charitable gift annuity obligations | <u>1,870</u> | <u>1,870</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(1,017,060)</u> | <u>214,036</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (819,219) | (568,267) |
| Proceeds from sale of investments | 487,589 | 316,442 |
| Proceeds from sale of fixed assets | <u>201,015</u> | <u>-</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(130,615)</u> | <u>(251,825)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of charitable gift annuity obligations | (1,870) | (1,870) |
| Collection of contributions and grants restricted for long-term purposes | <u>844,857</u> | <u>157,747</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>842,987</u> | <u>155,877</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (304,688) | 118,088 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>540,718</u> | <u>422,630</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 236,030</u> | <u>\$ 540,718</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | - | - |

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

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities

Linn-Benton Community College Foundation is an Oregon not-for-profit corporation founded in 1972 under the laws and regulations of the state of Oregon. The Foundation exists for the express purpose of advancing and promoting the interest and development of Linn-Benton Community College and the students, faculty, and community. The Foundation provides a means for supporting projects and programs that are beyond the scope of the College. The Foundation's Board of Trustees is organized to solicit and accept gifts in support of Linn-Benton Community College and to manage, invest, and account for the assets of the Foundation.

The College-Foundation relationship is one of symbiosis with each entity beneficial to the other.

B. Income Taxes

Linn-Benton Community College Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation's tax exempt status can be revoked by the Internal Revenue Service as a result of direct violations of laws and regulations governing 501(c)(3) organizations. It is the Foundation's policy, therefore, to maintain strict adherence to these laws and regulations in order to maintain its tax-exempt status and to engage only in activities related to their exempt purpose.

Income from activities not directly related to performance of the Foundation's tax-exempt purposes could be subject to taxation as unrelated business income. The Foundation has evaluated each of these sources of income and believes that none of them meet the Internal Revenue Service definition of unrelated business income; therefore, no entries have been made in these financial statements to recognize potential income tax liability. The Foundation's tax returns for years prior to 2019 are generally no longer subject to examination by taxing authorities.

C. Basis of Presentation

Linn-Benton Community College Foundation records its revenue and expenses using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to the following net assets classifications:

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

D. Public Support and Revenue

In accordance with FASB ASC 958-605, contributions received are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Linn-Benton Community College Foundation. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 were not met. During 2022 and 2021, Linn-Benton Community College Foundation received donated services valued at \$273,938 and \$155,379, respectively.

Linn-Benton Community College Foundation occupies an office at Linn-Benton Community College. The fair value of this occupancy for the years ended December 31, 2022 and 2021 is \$13,565 and \$13,392, respectively.

E. Estimates

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

F. Cash and Cash Equivalents

Linn-Benton Community College Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

In accordance with FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in net assets without donor restrictions unless the donor places temporary or permanent restrictions on the investment income and gains. Once the restrictions are met (either by passage of time or by use) the investment income and gains are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

H. Beneficial Interest In Assets Held By The Oregon Community Foundation

The Foundation is in an Endowment Partners Program with The Oregon Community Foundation (OCF). OCF is an Oregon not-for-profit corporation. Endowment Partners Program endowments are OCF funds established by charitable organizations in Oregon to serve as their endowments. OCF maintains variance power and legal ownership of the endowments and reports the funds as assets. In accordance with FASB ASC No. 958-605-25-33, a liability is established on the financial statements of OCF for the fair market value of the endowments. Linn-Benton Community College Foundation reports a beneficial interest in assets held by OCF as an asset in its financial statements.

Distributions are normally made at least annually based on a percentage determined by the Board of Directors of OCF under its grant percentage payout policy. Additional distributions are also available with the approval of the Linn-Benton Community College Foundation Board of Trustees and OCF's Board of Directors.

The Foundation's beneficial interest in assets held by The Oregon Community Foundation is reported at fair value.

I. Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Property and equipment valued at \$5,000 or greater and maintained by the Foundation are capitalized. All others are expensed. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service or distributed to Linn-Benton Community College as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Capital assets are depreciated using the straight line method over their useful life. The duplex is being depreciated over 30 years. The office building in Lebanon is not yet leased and is not yet being depreciated.

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Obligations Under Split-Interest Agreements

Obligations under split-interest agreements, which consisted of two charitable gift annuities, are recorded when incurred at the present value, discounted at 3.25%, of the distributions to be made to the donor and/or donor-designated beneficiaries over either their actuarially determined expected lives or the life of the agreement. Distributions under the charitable gift annuities are fixed as specified in a Gift and Annuity Agreement. Obligations under split-interest agreements are revalued at the end of each year with the change being recognized in the statements of activities.

K. 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 5 percent of the endowment's fair value based on a 3-year rolling average balance, including investment earnings, 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 amount 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 the Board of Trustees Finance Committee as well as 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 mutual funds, stocks, real estate and other assets.

L. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets at December 31, 2022 and 2021 available to meet general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|-------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 236,030 | \$ 540,718 |
| Accounts receivable | 61,380 | 117,862 |
| Pledges receivable | 22,899 | - |
| Investments | 8,161,887 | 9,074,724 |
| Beneficial interest in assets held by The Oregon Community Foundation | <u>292,763</u> | <u>341,142</u> |
| Total financial assets | <u>8,774,959</u> | <u>10,074,446</u> |
| Less donor-restricted amounts not available for general expenditures within one year: | | |
| Endowment funds restricted in perpetuity | 5,867,580 | 5,022,723 |
| Endowment accounts restricted for scholarships and program activities | 399,644 | 2,073,591 |
| Non-endowment accounts restricted for scholarships and program activities | 1,369,487 | 1,258,767 |
| Assets held under split-interest agreements | 28,068 | 36,149 |
| Beneficial interest in assets held by The Oregon Community Foundation | <u>292,763</u> | <u>341,142</u> |
| Total donor-restricted amounts | <u>7,957,542</u> | <u>8,732,372</u> |
| Less board-designated endowment | <u>1,092,595</u> | <u>1,329,041</u> |
| Financial assets available to meet general expenditures over the next year | <u>\$ (275,178)</u> | <u>\$ 13,033</u> |

Endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowments. Donor restricted endowment funds received are restricted in perpetuity and are not available for general expenditures. Investment earnings from donor-restricted endowments are restricted for specific purposes, primarily scholarships and program activities. The Foundation's endowment spending policy allows up to 5 percent of the endowment's fair value based on a 3-year rolling average balance, including investment earnings, to be expended in a given fiscal year as determined by the Board of Trustees.

LINN-BENTON COMMUNITY COLLEGE FOUNDATION

(an Oregon not-for-profit corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2 – AVAILABILITY AND LIQUIDITY (Continued)

The board-designated endowment is a quasi-endowment fund created by the Board of Trustees. The use of these funds remains at the discretion of the Board of Trustees. These amounts could be made available if necessary.

As part of its liquidity management plan, the Foundation invests cash in excess of daily requirements in readily available money market funds and certificates of deposit.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances for the years ended December 31, 2022 and 2021 consist of the following:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|-------------------|-------------------|
| Petty cash | \$ 50 | \$ 50 |
| Checking account | 178,342 | 181,461 |
| Money market accounts | <u>57,638</u> | <u>359,207</u> |
| Total cash and cash equivalents | <u>\$ 236,030</u> | <u>\$ 540,718</u> |

NOTE 4 – PLEDGES RECEIVABLE

At December 31, 2022 and 2021, pledges receivable consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-------------|
| Due within one year | \$ 5,000 | \$ - |
| Due within one to two years | 5,000 | - |
| Due within two to three years | 5,000 | - |
| Due within three to four years | 5,000 | - |
| Due within four to five years | <u>5,000</u> | <u>-</u> |
| Pledges receivable | 25,000 | - |
| Unamortized discount to net present value | <u>(2,101)</u> | <u>-</u> |
| Pledges receivable, net | <u>\$ 22,899</u> | <u>\$ -</u> |

The pledges receivable unamortized discount has been discounted using a rate of 3%.

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NOTE 5 – LOANS RECEIVABLE

In January 2013, the Foundation Board of Trustees authorized an investment loan of \$100,000 for operations to a newly-formed not-for-profit company. In addition, the Foundation Board of Trustees authorized an additional loan during the year intended as a line of credit with a maximum loan amount of \$200,000 (increased to \$230,000 in May 2014). During 2013, the Foundation advanced the full \$100,000 investment loan plus amounts totaling \$195,000 on the additional loan. During 2014, the Foundation loaned an additional \$35,000 to the not-for-profit company. The not-for-profit company made interest payments of \$7,524 and required principal payments of \$2,469 during 2013, and made interest payments of \$750 during 2014. No payments were made in 2015. Terms of the loan agreements were modified throughout 2013, 2014 and 2015 to allow interest-only payments and, eventually, to defer all payments on the loans until 2016. During 2016, the not-for-profit company made interest payments of \$30,882 on the loans, and unpaid accrued interest totaling \$76,372 was added to the loan principal balance. During 2017, the not-for-profit company made interest payments of \$36,871 and principal payments of \$12,283. During 2018, the not-for-profit company made interest payments of \$23,775 and principal payments of \$10,152. In late 2018, terms of the loan agreements were modified to defer all payments on the loans until June 2019 with no accrual of interest during the deferral period. During 2019, the not-for-profit company made interest payments of \$2,710 and principal payments of \$2,797. No payments were made in 2020. During 2021, the not-for-profit company made interest payments of \$12,197 and principal payments of \$9,833. During 2022, the not-for-profit company made interest payments of \$6,099 and principal payments of \$4,916. The Foundation's financial statements reflect loans receivable of \$363,922 and an allowance of \$363,922 against all remaining loan balances as of December 31, 2022.

NOTE 6 – INVESTMENTS

The Foundation invests in premium investment grade mutual funds, certificates of deposit, equity securities, and debt securities from companies located throughout the United States and Europe. Fair values and unrealized appreciation (depreciation) at December 31, 2022 and 2021 are summarized as follows:

| | 2022 | | | 2021 | | |
|-------------------------|---------------------|---------------------|--|---------------------|---------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Investments | | | | | | |
| Equity mutual funds | \$ 6,935,496 | \$ 7,668,035 | \$ 732,539 | \$ 6,610,277 | \$ 9,074,724 | \$ 2,464,447 |
| Certificates of deposit | 494,000 | 493,852 | (148) | - | - | - |
| | <u>\$ 7,429,496</u> | <u>\$ 8,161,887</u> | <u>\$ 732,391</u> | <u>\$ 6,610,277</u> | <u>\$ 9,074,724</u> | <u>\$ 2,464,447</u> |

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NOTE 6 – INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2022 and 2021.

| | 2022 | | 2021 | |
|-------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions |
| Interest income | \$ 1,393 | \$ - | \$ 383 | \$ - |
| Dividend income | 83,991 | 245,069 | 159,529 | 408,756 |
| Net realized gains | - | - | - | 112,228 |
| Net unrealized gains (losses) | <u>(449,910)</u> | <u>(1,282,146)</u> | <u>202,862</u> | <u>367,122</u> |
| Total investment return | <u>\$ (364,526)</u> | <u>\$ (1,037,077)</u> | <u>\$ 362,774</u> | <u>\$ 888,106</u> |

NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY THE OREGON COMMUNITY FOUNDATION

The Foundation has a separate endowment fund at The Oregon Community Foundation. In accordance with FASB ASC 958-605, *Revenue Recognition*, Linn-Benton Community College Foundation accounts for its interest in this fund using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to the Foundation. The assets in this fund are restricted for an endowment.

Changes in the Foundation's beneficial interest in this fund for the years ended December 31, 2022 and 2021 are summarized as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Balance at beginning of year | \$ 341,142 | \$ 288,681 |
| Plus increase-(decrease) in the fair value of the assets | (36,810) | 63,395 |
| Less distribution of investment return to the Foundation | <u>(11,569)</u> | <u>(10,934)</u> |
| Balance at end of year | <u>\$ 292,763</u> | <u>\$ 341,142</u> |

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NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 771,238 | \$ 771,874 |
| Buildings | 2,473,222 | 2,473,222 |
| Grand piano | 20,000 | 20,000 |
| Livestock | <u>26,150</u> | <u>24,600</u> |
| | 3,290,610 | 3,289,696 |
| Less accumulated depreciation | <u>49,131</u> | <u>44,859</u> |
| Total property and equipment | <u>\$ 3,241,479</u> | <u>\$ 3,244,837</u> |

During 1995, the Foundation received land as a non-cash contribution. The land was appraised at \$305,000 on the date of acquisition and is being held for use by Linn-Benton Community College for educational purposes.

In January 2010, the Foundation received notice of a planned gift from a retired Linn-Benton Community College employee who passed away in December 2009. The estate was in probate until June of 2011 when the Foundation took possession of a duplex in Corvallis, Oregon with an appraised value of \$139,800 for the land and \$128,170 for the building. The duplex is being rented out with the assistance of a management company.

In 2019, the Foundation purchased an office building and adjacent land in Lebanon, Oregon with the intent to renovate the building and lease the space to outside parties. Of the original purchase price of \$1,305,753, \$326,438 was assigned to land and \$979,315 was assigned to the building. During 2020, the Foundation completed renovations to the building totaling \$1,365,737.

In 2022, the Foundation received a donation of real property in Alsea, Oregon which the Foundation immediately sold for \$201,015. The proceeds were used to establish an endowment.

The grand piano was purchased by the Foundation and is recorded at cost. The Foundation has granted Linn-Benton Community College exclusive use of the piano at no charge.

Periodically, the Foundation receives automobiles as donations. The Foundation registers the automobiles in the Foundation's name. These automobiles are then either sold outright with the proceeds going to one of the scholarship funds or donated to Linn-Benton Community College for various vocational programs.

The Foundation routinely receives horses from various donors. Some horses are turned over to Linn-Benton Community College for use in the College's agricultural technology program. Horses capitalized are being held for sale.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|---------------------|---------------------|
| Undesignated | \$ 323,421 | \$ 665,951 |
| Board-designated quasi-endowment | <u>1,525,624</u> | <u>1,762,070</u> |
| Total | <u>\$ 1,849,045</u> | <u>\$ 2,428,021</u> |

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Subject to expenditure for specified purposes: | | |
| Endowment accounts: | | |
| Restricted for scholarships and program activities | \$ 2,312,648 | \$ 3,735,128 |
| Non-endowment accounts: | | |
| Restricted for scholarships and program activities | <u>1,613,777</u> | <u>1,470,709</u> |
| Sub-total | 3,926,425 | 5,205,837 |
| Subject to the passage of time: | | |
| Assets held under split-interest agreements | 28,068 | 36,149 |
| Endowment funds restricted in perpetuity | 5,874,836 | 5,029,979 |
| Not subject to spending policy or appropriation: | | |
| Beneficial interest in assets held by The Oregon Community Foundation | <u>292,763</u> | <u>341,142</u> |
| Total | <u>\$ 10,122,092</u> | <u>\$ 10,613,107</u> |

During the years ended December 31, 2022 and 2021, \$740,796 and \$704,074, respectively, were released from donor restrictions because purpose restrictions were satisfied, because of the passage of time, or because of distributions made from the beneficial interest in assets held by The Oregon Community Foundation.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 11 – ENDOWMENT FUNDS

Endowment funds activity during the years ended December 31, 2022 and 2021, was as follows:

| Year ended December 31, 2022: | Without Donor Restrictions - Quasi-Endowment | With Donor Restrictions | | Total |
|---|--|---------------------------|---------------------------|---------------|
| | | Temporarily Restricted | Permanently Restricted | |
| Balance at beginning of year | \$ 1,762,070 | \$ 4,076,270 | \$ 5,029,979 | \$ 10,868,319 |
| Contributions | 52,772 | 34,349 | 804,857 | 891,978 |
| Unrealized gain-(loss) on endowment investments | (241,081) | (1,306,578) | - | (1,547,659) |
| Investment income | 45,548 | 242,956 | - | 288,504 |
| Interest on loans | 6,099 | - | - | 6,099 |
| Recovery of bad debts | 4,916 | - | - | 4,916 |
| Expenses | (61,178) | (445,108) | - | (506,286) |
| Reclassifications | (43,522) | 3,522 | 40,000 | - |
| Balance at end of year | \$ 1,525,624 | \$ 2,605,411 | \$ 5,874,836 | \$ 10,005,871 |

| Year ended December 31, 2021: | Without Donor Restrictions - Quasi-Endowment | With Donor Restrictions | | Total |
|---|--|---------------------------|---------------------------|---------------|
| | | Temporarily Restricted | Permanently Restricted | |
| Balance at beginning of year | \$ 1,644,792 | \$ 3,343,610 | \$ 4,872,232 | \$ 9,860,634 |
| Contributions | 204 | 122,226 | 157,747 | 280,177 |
| Unrealized gain-(loss) on endowment investments | 100,189 | 540,593 | - | 640,782 |
| Investment income | 78,776 | 407,418 | - | 486,194 |
| Interest on loans | 12,197 | - | - | 12,197 |
| Recovery of bad debts | 9,833 | - | - | 9,833 |
| Expenses | (83,921) | (337,577) | - | (421,498) |
| Balance at end of year | \$ 1,762,070 | \$ 4,076,270 | \$ 5,029,979 | \$ 10,868,319 |

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NOTE 12 – SPLIT-INTEREST AGREEMENTS

At December 31, 2022 and 2021, total assets held under split-interest agreements consisted of investments with a fair market value of \$42,655 and \$52,088 respectively.

In late 2012, the Foundation entered into a charitable gift annuity agreement whereby the donor provided the Foundation with \$20,000 in cash in exchange for the right to receive an annuity of \$940 per year (paid in semi-annual installments of \$470) during the donor's natural life. The net present value of the estimated liability for future payments under this annuity agreement was \$9,219 at December 31, 2022. Annuity payments of \$940 were paid during 2022 and a \$320 change in the value of this split-interest agreement was recognized during 2022.

In 2015, the Foundation entered into a charitable gift annuity agreement whereby the donor provided the Foundation with \$15,000 in cash in exchange for the right to receive an annuity of \$930 per year (paid in semi-annual installments of \$465) during the natural life of the donor and their spouse. The net present value of the estimated liability for future payments under this annuity agreement was \$5,368 at December 31, 2022. Annuity payments of \$930 were paid during 2022 and a \$198 change in the value of this split-interest agreement was recognized during 2022.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH HELD WITH INSTITUTIONS

The Foundation maintains a checking account at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2022. Amounts at our banking institution were fully insured as of December 31, 2022.

NOTE 14 – CONCENTRATIONS OF CREDIT RISK ARISING FROM INVESTMENTS

The Foundation's investments at December 31, 2022 are maintained with the local branch of the investment firm, Edward Jones. The Foundation's investments are diversified in a variety of mutual funds, certificates of deposit and equity securities. However, the Foundation's investments are subject to market fluctuations, which could dramatically affect the carrying value of these assets. The Foundation's investments are insured by the Securities Investors Protection Corporation (SIPC) up to a maximum of \$500,000. Investments at Edward Jones are also covered by additional insurance provided to investors through the company.

NOTE 15 – FAIR VALUE MEASUREMENTS

The Foundation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. In accordance with FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value and a three level hierarchy for fair value measurements based upon observable and

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NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

unobservable input valuation techniques. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect significant market assumptions including those made by the reporting entity. The three level hierarchy is summarized as follows:

Level 1 - Quoted prices in active markets for identical securities

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)

Level 3 - Significant unobservable inputs

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amounts of investments in equity mutual funds, certificates of deposit and equity securities are based upon quoted market values, a Level 1 input.

The Foundation's beneficial interest in assets held by The Oregon Community Foundation is reported at fair value at December 31, 2022. These assets are reported at fair value using information received from OCF (i.e., Level 3).

NOTE 16 – RELATED PARTY TRANSACTIONS

The loans made by the Foundation to the not-for-profit company and related principal and interest payments described in Note 5 are considered related party transactions. Under the terms of loan agreements, the Foundation has the right to appoint three members to the Board of Directors of the not-for-profit company, consisting of two members of the Foundation Board of Trustees plus the Executive Director of the Foundation. This constitutes a voting majority of the Board of Directors of the not-for-profit company, which was a condition of the Foundation making the loans to the not-for-profit company. Currently, the Foundation is not exercising this right and has no representatives on the Board of Directors of the not-for-profit company.

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NOTE 17 – IN-KIND PROGRAM CONTRIBUTIONS

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities consisted of:

| | | <u>Transferred to College:</u> |
|-----------------|------------------|---|
| Welding machine | \$ 18,000 | Integrated Manufacturing Technology Department |
| Pipe material | 5,271 | Integrated Manufacturing Technology Department |
| Decorations | 2,309 | Education Fund |
| Vehicles | 9,000 | Automotive Department |
| Vehicle parts | 1,000 | Automotive Department |
| Other | <u>1,855</u> | Various |
| Total | <u>\$ 37,435</u> | |

The Foundation receives donated materials which are then donated to the College for use in the College's instructional programs. These donations are recorded at their estimated fair value, and are reflected as revenues and expenses in the statement of activities. Contributed nonfinancial assets did not have donor-imposed restrictions.

During 2022, the Foundation also received a donation of real property which was subsequently sold for \$201,015. The proceeds were used to fund an endowment. Also, during 2022, the Foundation received a donation of a horse valued at \$1,550. The horse was added to the Foundation's capitalized property and equipment until such time as it is sold.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2023, which was the date that the financial statements were available to be issued.