

Audited
Financial
Statements

June 30,
2014



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harrisburg Area Community College Foundation
Harrisburg, Pennsylvania

We have audited the accompanying financial statements of Harrisburg Area Community College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related 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 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the 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 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 financial statements.

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



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harrisburg Area Community College Foundation as of June 30, 2014 and 2013, 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.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 16, 2014

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,103,450	\$ 735,190
Accrued interest receivable	60,120	28,205
Prepaid expenses	500	3,017
Contributions receivable, net	1,971,779	2,483,522
Investments	<u>33,881,760</u>	<u>29,654,700</u>
Total assets	<u>\$ 37,017,609</u>	<u>\$ 32,904,634</u>
LIABILITIES		
Deferred revenue	\$ 44,517	\$ 69,700
Accrued expenses	-	113,667
Due to Harrisburg Area Community College	<u>137,122</u>	<u>113,837</u>
Total liabilities	<u>181,639</u>	<u>297,204</u>
NET ASSETS		
Unrestricted	1,250,623	1,052,192
Unrestricted - board designated	<u>1,118,862</u>	<u>1,074,906</u>
	2,369,485	2,127,098
Temporarily restricted	14,621,301	13,840,387
Permanently restricted	<u>19,845,184</u>	<u>16,639,945</u>
Total net assets	<u>36,835,970</u>	<u>32,607,430</u>
Total liabilities and net assets	<u>\$ 37,017,609</u>	<u>\$ 32,904,634</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Statements of Activities
Years Ended June 30, 2014 and 2013

	2014			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 230,823	\$ 775,345	\$ 767,921	\$ 1,774,089
Alumni Association cards	2,850	-	-	2,850
Contributions in-kind	1,016,363	-	-	1,016,363
Investment income	79,483	224,235	440,586	744,304
Realized and unrealized gains (losses) on investments	438,606	1,284,020	2,443,179	4,165,805
4% total return policy		636,345	(636,345)	-
Net assets released from restriction/reclassification	1,949,133	(2,139,031)	189,898	-
Total revenues and other support	<u>3,717,258</u>	<u>780,914</u>	<u>3,205,239</u>	<u>7,703,411</u>
EXPENSES				
Program Services				
Scholarships and awards	1,300,727	-	-	1,300,727
Other endowment programs	309,583	-	-	309,583
Capital programs	676,980	-	-	676,980
Total program services	<u>2,287,290</u>	<u>-</u>	<u>-</u>	<u>2,287,290</u>
Supporting Services				
Management and general	657,784	-	-	657,784
Fundraising	529,797	-	-	529,797
Total supporting services	<u>1,187,581</u>	<u>-</u>	<u>-</u>	<u>1,187,581</u>
Total expenses	<u>3,474,871</u>	<u>-</u>	<u>-</u>	<u>3,474,871</u>
Change in net assets	242,387	780,914	3,205,239	4,228,540
Net assets at beginning of year	<u>2,127,098</u>	<u>13,840,387</u>	<u>16,639,945</u>	<u>32,607,430</u>
Net assets at end of year	<u>\$ 2,369,485</u>	<u>\$ 14,621,301</u>	<u>\$ 19,845,184</u>	<u>\$ 36,835,970</u>

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 117,089	\$ 1,207,740	\$ 696,753	\$ 2,021,582
Alumni Association cards	4,220	-	-	4,220
Contributions in-kind	1,113,048	-	-	1,113,048
Investment income	72,030	228,896	413,590	714,516
Realized and unrealized gains (losses) on investments	220,479	710,182	1,255,352	2,186,013
4% total return policy	-	617,573	(617,573)	-
Net assets released from restriction/reclassification	<u>4,091,515</u>	<u>(3,146,665)</u>	<u>(944,850)</u>	<u>-</u>
Total revenues and other support	<u>5,618,381</u>	<u>(382,274)</u>	<u>803,272</u>	<u>6,039,379</u>
EXPENSES				
Program Services				
Scholarships and awards	1,006,572	-	-	1,006,572
Other endowment programs	1,877,935	-	-	1,877,935
Capital programs	<u>1,099,866</u>	<u>-</u>	<u>-</u>	<u>1,099,866</u>
Total program services	<u>3,984,373</u>	<u>-</u>	<u>-</u>	<u>3,984,373</u>
Supporting Services				
Management and general	603,161	-	-	603,161
Fundraising	<u>613,578</u>	<u>-</u>	<u>-</u>	<u>613,578</u>
Total supporting services	<u>1,216,739</u>	<u>-</u>	<u>-</u>	<u>1,216,739</u>
Total expenses	<u>5,201,112</u>	<u>-</u>	<u>-</u>	<u>5,201,112</u>
Change in net assets	417,269	(382,274)	803,272	838,267
Net assets at beginning of year	<u>1,709,829</u>	<u>14,222,661</u>	<u>15,836,673</u>	<u>31,769,163</u>
Net assets at end of year	<u>\$ 2,127,098</u>	<u>\$ 13,840,387</u>	<u>\$ 16,639,945</u>	<u>\$ 32,607,430</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Statements of Functional Expenses
Year Ended June 30, 2014

	Program Services					Total
	Scholarships and Awards	Other Endowment Programs	Capital Programs	Management and General	Fundraising	
Salaries	\$ -	\$ -	\$ -	\$ 385,516	\$ 340,235	\$ 725,751
Fringe benefits & payroll taxes	-	-	-	155,936	137,924	293,860
Total salaries and related expenses	-	-	-	541,452	478,159	1,019,611
Scholarships and awards	1,291,477	-	-	-	-	1,291,477
Capital expenditures	-	-	609,005	-	-	609,005
Other endowment disbursements	-	178,386	-	-	-	178,386
Postage	-	-	-	3,713	-	3,713
Printing	-	-	-	6,994	-	6,994
Supplies	-	-	-	5,020	-	5,020
Advertising	-	-	-	350	-	350
Professional fees	-	-	-	86,810	-	86,810
Meeting expenses	-	-	-	3,685	-	3,685
Travel and training	-	-	-	6,086	-	6,086
Subscriptions and memberships	-	-	-	2,110	-	2,110
Special events	-	-	-	-	40,613	40,613
Bad debts	9,250	131,197	67,975	-	11,025	219,447
Miscellaneous	-	-	-	1,564	-	1,564
Total expenses	<u>\$ 1,300,727</u>	<u>\$ 309,583</u>	<u>\$ 676,980</u>	<u>\$ 657,784</u>	<u>\$ 529,797</u>	<u>\$ 3,474,871</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Statements of Functional Expenses
Year Ended June 30, 2013

						Total
	Scholarships and Awards	Other Endowment Programs	Capital Programs	Management and General	Fundraising	
Salaries	\$ -	\$ -	\$ -	\$ 371,680	\$ 400,447	\$ 772,127
Fringe benefits & payroll taxes	-	-	-	180,713	163,828	344,541
Total salaries and related expenses	-	-	-	552,393	564,275	1,116,668
Scholarships and awards	940,092	-	-	-	-	940,092
Capital expenditures	-	-	1,071,099	-	-	1,071,099
Other endowment disbursements	-	219,146	-	-	-	219,146
Postage	-	-	-	3,669	-	3,669
Printing	-	-	-	4,253	-	4,253
Supplies	-	-	-	1,332	-	1,332
Advertising	-	-	-	998	-	998
Professional fees	-	-	-	26,669	-	26,669
Meeting expenses	-	-	-	4,330	-	4,330
Travel and training	-	-	-	372	-	372
Subscriptions and memberships	-	-	-	6,560	-	6,560
Special events	-	-	-	-	44,597	44,597
Bad debts	66,480	45,122	23,767	-	4,706	140,075
Transferred to HACC	-	-	5,000	-	-	5,000
Returned contribution	-	1,613,667	-	-	-	1,613,667
Miscellaneous	-	-	-	2,585	-	2,585
Total expenses	<u>\$ 1,006,572</u>	<u>\$ 1,877,935</u>	<u>\$ 1,099,866</u>	<u>\$ 603,161</u>	<u>\$ 613,578</u>	<u>\$ 5,201,112</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,228,540	\$ 838,267
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	1,147,037	(1,360,441)
Realized (gain) loss on investments	(5,312,842)	(825,572)
Contributions restricted for long-term investment	(583,453)	(590,592)
(Increase) decrease in operating assets:		
Contributions receivable	511,743	514,105
Interest receivable	(31,915)	(1,796)
Prepaid expenses	2,517	(899)
Increase (decrease) in operating liabilities:		
Deferred revenue	(25,183)	35,700
Accrued expenses	(113,667)	113,667
Due to Harrisburg Area Community College	23,285	(206,650)
Net cash (used) by operating activities	<u>(153,938)</u>	<u>(1,484,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(51,480,294)	(15,298,226)
Proceeds from sale/maturities of investments	51,419,039	15,666,963
Net cash provided (used) by investing activities	<u>(61,255)</u>	<u>368,737</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for long-term purposes	583,453	590,592
Net cash provided by financing activities	<u>583,453</u>	<u>590,592</u>
Net increase (decrease) in cash and cash equivalents	368,260	(524,882)
Beginning cash and cash equivalents	<u>735,190</u>	<u>1,260,072</u>
Ending cash and cash equivalents	<u>\$ 1,103,450</u>	<u>\$ 735,190</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Harrisburg Area Community College Foundation (the "Foundation") was formed under the non-profit corporation law of the Commonwealth of Pennsylvania in June 1985. The Foundation was organized for the purpose of receiving gifts, grants, and bequests, and to distribute the available funds to, or for the benefit of, Harrisburg Area Community College (the "College").

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Also, the Foundation is required to present a Statement of Cash Flows.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period the promises are received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no conditional promises to give at June 30, 2014 or 2013.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Market Risks

The Foundation's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investments reported in the financial statements.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all unrestricted, highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor stipulations on their use. Temporarily restricted net assets are the portion of net assets whose use is limited by donor imposed stipulations that can be removed by the passage of time or action of the Foundation pursuant to those stipulations. Permanently restricted net assets are the portion of net assets whose use is limited by donor imposed stipulations that cannot be removed by the passage of time or action of the Foundation.

Total Return Policy

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 4% for the years ended June 30, 2014 and 2013. Actual investment return, net of the 4% spending policy, is added back to the permanently restricted corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

The Foundation follows the FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2014, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the Foundation's financial statements. Tax years subsequent to 2010 are open for examination.

Concentrations

The Foundation maintains its bank deposit accounts at local financial institutions. At times, the balances may exceed federally insured limits, which management considers to be a normal business risk.

The Foundation is supported primarily through donations and investment returns. Loss or reduction of these funding sources could have a significant impact on the Foundation's operations.

Functional Expenses

The functional expense classifications on the Statements of Functional Expense of scholarships and awards, capital programs, and other endowment programs represent funds forwarded to the College for those purposes. The "Transferred to HACC" caption represents funds collected for the Select Medical and Dental Hygiene Campaigns during 2013. The balance for this campaign was transferred to the College during 2013 and no funds were collected for this campaign during 2014. All other Statement of Functional Expense captions represent reimbursements to the College for operational expenditures of the Foundation.

Advertising Costs

The Foundation expenses advertising costs as incurred, which amounted to \$ 350 and \$ 998 for 2014 and 2013, respectively.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 1.7% at June 30, 2014 and 1.2% at June 30, 2013. The discounted pledges and related allowance for uncollectible contributions, estimated by management, are scheduled to be collected as follows:

Unconditional promises are expected to be collected in:

	2014	2013
Less than one year	\$ 1,317,578	\$ 1,376,760
One year to five years	750,306	1,010,052
Over five years	<u>150,700</u>	<u>209,034</u>
Total unconditional promises to give	2,218,584	2,595,846
Less allowance for uncollectible contributions	<u>(168,600)</u>	<u>(43,603)</u>
	2,049,984	2,552,243
Discount for present value of cash flows	<u>(78,205)</u>	<u>(68,721)</u>
Net unconditional promises to give	<u>\$ 1,971,779</u>	<u>\$ 2,483,522</u>

NOTE 3 ENDOWMENTS

The Foundation's endowments consist of individual funds established to provide scholarships and benefits for students of Harrisburg Area Community College. The endowments include both donor-restricted endowment funds and funds designated by the Foundation to function as an endowment. Net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported as unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of donor-imposed restrictions. The classification is based on the Board's interpretation of Pennsylvania's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor restrictions, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The Board of Directors annually makes a determination of the level of funding that will be provided to the Foundation. The Board has the ability to provide funding from the annual investment income and has established a policy of receiving distributions equal to 4% of the average market value of the endowments for the last three years. Any undistributed investment income, including all gains and losses, are added to the endowment's temporarily restricted principal.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 3 ENDOWMENTS (CONTINUED)

The endowments are invested consistent with an investment policy statement that is monitored by the Board of Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). Funds in the endowment are primarily invested in equities, fixed income securities and mutual funds. The investment policy sets investment ranges at 21% to 99% equities, 19% to 60% fixed income securities, 0% - 9% commercial real estate and private equities, 0% - 14% hedge funds, 0% - 7% commodities, and 0% - 5% cash.

Endowment net assets consisted of the following as of June 30:

2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 1,118,862	\$ -	\$ -	\$ 1,118,862
Donor restricted endowment funds	-	14,621,301	19,845,184	34,466,485
	<u>\$ 1,118,862</u>	<u>\$ 14,621,301</u>	<u>\$ 19,845,184</u>	<u>\$ 35,585,347</u>
2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 1,074,906	\$ -	\$ -	\$ 1,074,906
Donor restricted endowment funds	-	13,840,387	16,639,945	30,480,332
	<u>\$ 1,074,906</u>	<u>\$ 13,840,387</u>	<u>\$ 16,639,945</u>	<u>\$ 31,555,238</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 3 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended June 30, 2014 and 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2012	\$ 976,555	\$ 14,222,661	\$ 15,836,673	\$ 31,035,889
Investment return:				
Investment income (loss)	21,526	846,469	(203,983)	664,012
Realized gains (losses)	25,385	271,314	478,714	775,413
Net appreciation (unrealized)	45,210	438,868	776,638	1,260,716
Total investment return	92,121	1,556,651	1,051,369	2,700,141
Contributions	26,240	1,207,740	696,753	1,930,733
Transfers	-	738,266	(944,850)	(206,584)
Distributions to the Foundation for expenditure	(20,010)	(3,884,931)	-	(3,904,941)
Endowment net assets at June 30, 2013	1,074,906	13,840,387	16,639,945	31,555,238
Investment return:				
Investment income (loss)	34,673	860,580	(195,759)	699,494
Realized gains (losses)	172,066	1,627,170	3,116,730	4,915,966
Net depreciation (unrealized)	(49,259)	(343,150)	(673,551)	(1,065,960)
Total investment return	157,480	2,144,600	2,247,420	4,549,500
Contributions	25,676	775,345	767,921	1,568,942
Transfers/reclassifications	(3,500)	(186,398)	189,898	-
Distributions to the Foundation for expenditure	(135,700)	(1,952,633)	-	(2,088,333)
Endowment net assets at June 30, 2014	<u>\$ 1,118,862</u>	<u>\$ 14,621,301</u>	<u>\$ 19,845,184</u>	<u>\$ 35,585,347</u>

Included in the above amount is \$ 1,971,779 and \$ 2,483,522 of contributions receivable at June 30, 2014 and 2013, respectively.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 4 INVESTMENTS

Investments of the Foundation are carried at fair value as of June 30, 2014 and 2013 are comprised of the following:

		2014	
	Cost	Fair Value	Unrealized Gains (Losses)
Cash	\$ 358,939	\$ 358,939	\$ -
Money market funds	1,052,461	1,052,461	-
Equities by industry:			
S&P 500 index	4,253,267	4,513,303	260,036
Vanguard real estate investment trust	1,113,146	1,246,086	132,940
Basic materials	379,714	431,647	51,933
Capital goods	464,874	476,184	11,310
Consumer cyclical	483,161	512,984	29,823
Consumer non-cyclical	858,225	939,681	81,456
Energy	892,193	1,051,805	159,612
Financial	1,618,583	1,799,507	180,924
Health care	597,316	625,278	27,962
Other - Foreign stocks	4,979,556	5,190,237	210,681
Services	1,244,347	1,285,803	41,456
Technology	1,153,496	1,250,169	96,673
Transportation	551,759	640,194	88,435
Utilities	26,045	35,636	9,591
Total equities	<u>18,615,682</u>	<u>19,998,514</u>	<u>1,382,832</u>
Mutual funds by type:			
Fixed income	4,523,567	4,604,619	81,052
Total mutual funds	<u>4,523,567</u>	<u>4,604,619</u>	<u>81,052</u>
US Government obligations	2,873,943	2,833,099	(40,844)
Corporate bonds	<u>4,955,838</u>	<u>5,034,128</u>	<u>78,290</u>
Total	<u>\$ 32,380,430</u>	<u>\$ 33,881,760</u>	<u>\$ 1,501,330</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 4 INVESTMENTS (CONTINUED)

		2013	
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	\$ 678,465	\$ 678,465	\$ -
Equities by industry:			
Consumer discretionary	689,063	903,801	214,738
Consumer staples	791,288	1,023,254	231,966
Energy	763,351	817,245	53,894
Exchange-traded fund	789,102	841,146	52,044
Financial	1,016,405	1,215,470	199,065
Health care	998,424	1,223,128	224,704
Industrials	573,199	726,543	153,344
Information technology	985,896	1,244,768	258,872
Materials	294,185	313,365	19,180
Telecommunication services	327,138	318,879	(8,259)
Utilities	190,131	201,181	11,050
Total equities	<u>7,418,182</u>	<u>8,828,780</u>	<u>1,410,598</u>
Mutual funds by type:			
Growth	4,595,519	5,745,040	1,149,521
Value	2,061,818	2,394,672	332,854
International	2,051,072	2,083,426	32,354
Real estate	1,208,138	1,260,559	52,421
Fixed income	8,500,100	8,247,469	(252,631)
Total mutual funds	<u>18,416,647</u>	<u>19,731,166</u>	<u>1,314,519</u>
Corporate bonds	<u>406,402</u>	<u>416,289</u>	<u>9,887</u>
Total	<u>\$ 26,919,696</u>	<u>\$ 29,654,700</u>	<u>\$ 2,735,004</u>

The following summarizes the composition of investment return for the years ended June 30:

	2014	2013
Realized and unrealized gains (losses), net	\$ 4,165,805	\$ 2,186,013
Investment income, net	<u>744,304</u>	<u>714,516</u>
Total	<u>\$ 4,910,109</u>	<u>\$ 2,900,529</u>

Investment related expenses were \$ 166,856 and \$ 118,035 for the years ended June 30, 2014 and 2013, respectively. Investment income is reduced by these expenses in the statements of activities.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
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NOTE 5 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values. Contributions receivable are carried at fair value due to discounting to present value and classified as Level 3 based on the unobservable inputs related to the allowance for uncollectible contributions.

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

The following is a description of the valuation methodologies used for instruments measured at fair value on the Foundation's statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Money Market Accounts

Money markets are valued at a stable \$ 1.00 net asset value which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investment; such securities are classified within Level 2 of the valuation hierarchy.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities and Mutual Funds

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Foundation's interests in mutual funds are categorized by type as growth, index, value, international, and fixed income. Such securities are classified within Level 1 of the valuation hierarchy.

Government Obligations and Corporate Bonds

Government obligations consisting of U.S. Treasury bonds and notes, agency securities, mortgage backed securities and corporate debt obligations consisting of bonds are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

Contributions Receivable

Contributions receivable are valued at the initial pledge amount committed by the donor discounted (using the 5 year U.S. Treasury rate - see Note 2) to their present value less any allowance for uncollectible contributions as determined by management based upon management's analysis of specific promises made. Such receivables are classified within Level 3 of the valuation hierarchy. The most significant unobservable input used in the measurement of fair value for contributions receivable is the determination of the allowance for uncollectible contributions and bad debt write-offs.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy, the Foundation's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2014 and 2013:

	2014			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contributions receivable	\$ 1,971,779	\$ -	\$ -	\$ 1,971,779
Cash	358,939	358,939	-	-
Money market funds	1,052,461	-	1,052,461	-
Mutual funds by type:				
Fixed Income	4,604,619	4,604,619	-	-
Total mutual funds	4,604,619	4,604,619	-	-
Equities by industry:				
S&P 500 index	4,513,303	4,513,303	-	-
Vanguard real estate index	1,246,086	1,246,086	-	-
Basic materials	431,647	431,647	-	-
Capital goods	476,184	476,184	-	-
Consumer cyclical	512,984	512,984	-	-
Consumer non-cyclical	939,681	939,681	-	-
Energy	1,051,805	1,051,805	-	-
Financial	1,799,507	1,799,507	-	-
Health care	625,278	625,278	-	-
Other	5,190,237	5,190,237	-	-
Services	1,285,803	1,285,803	-	-
Technology	1,250,169	1,250,169	-	-
Transportation	640,194	640,194	-	-
Utilities	35,636	35,636	-	-
Total equities	19,998,514	19,998,514	-	-
US Government obligations	2,833,099	-	2,833,099	-
Corporate bonds	5,034,128	-	5,034,128	-
Total	<u>\$ 35,853,539</u>	<u>\$ 24,962,072</u>	<u>\$ 8,919,688</u>	<u>\$ 1,971,779</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

	2013			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contributions receivable	\$ 2,483,522	\$ -	\$ -	\$ 2,483,522
Money market funds	678,465	-	678,465	-
Mutual funds by type:				
Growth	5,745,040	5,745,040	-	-
Value	2,394,672	2,394,672	-	-
International	2,083,426	2,083,426	-	-
Real Estate	1,260,559	1,260,559	-	-
Fixed Income	<u>8,247,469</u>	<u>8,247,469</u>	-	-
Total mutual funds	19,731,166	19,731,166	-	-
Equities by industry:				
Consumer Discretionary	903,801	903,801	-	-
Consumer Staples	1,023,254	1,023,254	-	-
Energy	817,245	817,245	-	-
Exchange-traded fund	841,146	841,146	-	-
Financial	1,215,470	1,215,470	-	-
Health Care	1,223,128	1,223,128	-	-
Industrials	726,543	726,543	-	-
Information technology	1,244,768	1,244,768	-	-
Materials	313,365	313,365	-	-
Telecommunication services	318,879	318,879	-	-
Utilities	<u>201,181</u>	<u>201,181</u>	-	-
Total equities	8,828,780	8,828,780	-	-
Corporate bonds	<u>416,289</u>	-	<u>416,289</u>	-
Total	<u>\$ 32,138,222</u>	<u>\$ 28,559,946</u>	<u>\$ 1,094,754</u>	<u>\$ 2,483,522</u>

The Foundation had no liabilities subject to fair value reporting requirements at June 30, 2014 and 2013.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the year ended June 30:

	<u>2014</u>	<u>2013</u>
Fair Value as of July 1	\$ 2,483,522	\$ 2,997,627
Total gains or losses included in change in net assets		
Contribution revenue from pledges	300,641	128,843
Change in discount on unconditional promises to give	(9,484)	87,719
Bad debts from promises to give and change in allowance	(219,447)	(140,075)
Contributions collected	<u>(583,453)</u>	<u>(590,592)</u>
Fair Value as of June 30	<u>\$ 1,971,779</u>	<u>\$ 2,483,522</u>

The Foundation had no liabilities subject to fair value reporting requirements at June 30, 2014 and 2013.

NOTE 6 NET ASSETS

The Foundation's board of directors has chosen to place the following limitations on unrestricted net assets at June 30:

	<u>2014</u>	<u>2013</u>
Designated for endowment purposes	\$ 1,118,862	\$ 1,074,906
Undesignated	1,250,623	1,052,192
	<u>\$ 2,369,485</u>	<u>\$ 2,127,098</u>

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2014</u>	<u>2013</u>
Scholarships and awards	\$ 3,920,913	\$ 3,701,826
Academic support	2,385,063	2,114,255
Capital improvements	7,204,746	7,079,706
Other	1,110,579	944,600
	<u>\$ 14,621,301</u>	<u>\$ 13,840,387</u>

Permanently restricted net assets are to provide a permanent endowment restricted for various purposes as follows at June 30:

	<u>2014</u>	<u>2013</u>
Scholarships and awards	\$ 17,976,206	\$ 13,942,143
Academic support	270,101	234,142
Other	1,598,877	2,463,660
	<u>\$ 19,845,184</u>	<u>\$ 16,639,945</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
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NOTE 7 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on the statement of functional expenses. The statement of functional expenses further allocates these expenses based on their neutral classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's judgment and past experience.

NOTE 8 TAX EXEMPT STATUS

The Internal Revenue Service has determined that the Harrisburg Area Community College Foundation is an organization described in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax under Section 509(a)(3) of the Internal Revenue Code, and is not subject to federal excise taxes.

NOTE 9 INVESTMENT INCOME

Investment income consists of interest, dividends and the total return policy, and was allocated as follows for the years ending June 30:

2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 81,022	\$ -	\$ -	\$ 81,022
Temporarily restricted	-	234,292	-	234,292
Permanently restricted:				
4% total return policy	-	636,345	-	636,345
Excess (deficiency) of actual investment income to total return policy	-	-	(179,150)	(179,150)
Change to accrued interest	(1,539)	(10,057)	(16,609)	(28,205)
	<u>\$ 79,483</u>	<u>\$ 860,580</u>	<u>\$ (195,759)</u>	<u>\$ 744,304</u>
2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 72,137	\$ -	\$ -	\$ 72,137
Temporarily restricted	-	228,951	-	228,951
Permanently restricted:				
4% total return policy	-	617,573	-	617,573
Excess (deficiency) of actual investment income to total return policy	-	-	(205,941)	(205,941)
Change to accrued interest	(107)	(55)	1,958	1,796
	<u>\$ 72,030</u>	<u>\$ 846,469</u>	<u>\$ (203,983)</u>	<u>\$ 714,516</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
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NOTE 10 RELATED PARTIES

Harrisburg Area Community College is deemed to be a related party to the Harrisburg Area Community College Foundation due to the oversight responsibility of the College and because the Foundation's primary purpose is to raise funds to benefit the College. The amount due to the College at June 30, 2014 and 2013 represents unpaid amounts related to special initiative grants for prior years and other operational activity.

The College also directly pays the salaries of College employees that provide services to the Foundation which are reflected in the financial statements as a contribution in kind. The allocation of employee salaries between the College and the Foundation varies based on their roles and responsibilities. Thus, the Foundation's share of these expenses is reflected in these financial statements as salaries, and fringe benefits and payroll taxes.

NOTE 11 RETURNED CONTRIBUTION

During the year ended June 30, 2013 the Foundation was required to return a prior contribution and related interest to a donor. The contribution and related interest are shown on the statement of functional expenses as a returned contribution. At June 30, 2013 the Foundation had not yet returned interest to the donor and this amount is included on the statement of financial position as an accrued expense. This was paid back during the year ended June 30, 2014.

NOTE 12 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions subsequent to June 30, 2014 through October 16, 2014, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that occurred subsequent to June 30, 2014 and through October 16, 2014 that require recognition or disclosure in the financial statements.