

Audited
Financial
Statement

June 30
2013



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harrisburg Area Community College Foundation
Harrisburg, Pennsylvania

We have audited the accompanying statements of Harrisburg Area Community College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risk 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.



Board of Directors
Harrisburg Area Community College Foundation

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

The financial statements of Harrisburg Area Community College Foundation as of June 30, 2012, were audited by other auditors whose report dated November 6, 2012, expressed an unmodified opinion on those statements.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 10, 2013

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 735,190	\$ 1,260,072
Accrued interest receivable	28,205	26,409
Prepaid expenses	3,017	2,118
Contributions receivable, net	2,483,522	2,997,627
Investments	<u>29,654,700</u>	<u>27,837,424</u>
Total assets	<u>\$ 32,904,634</u>	<u>\$ 32,123,650</u>
LIABILITIES		
Deferred revenue	\$ 69,700	\$ 34,000
Accrued expenses	113,667	-
Due to Harrisburg Area Community College	<u>113,837</u>	<u>320,487</u>
Total liabilities	<u>297,204</u>	<u>354,487</u>
NET ASSETS		
Unrestricted	1,052,192	733,274
Unrestricted - board designated	<u>1,074,906</u>	<u>976,555</u>
	2,127,098	1,709,829
Temporarily restricted	13,840,387	14,222,661
Permanently restricted	<u>16,639,945</u>	<u>15,836,673</u>
Total net assets	<u>32,607,430</u>	<u>31,769,163</u>
Total liabilities and net assets	<u>\$ 32,904,634</u>	<u>\$ 32,123,650</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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	4,091,515	(3,146,665)	(944,850)	-
Total revenues and other support	5,618,381	(382,274)	803,272	6,039,379
EXPENSES				
Program Services				
Scholarships and awards	1,006,572	-	-	1,006,572
Other endowment programs	1,877,935	-	-	1,877,935
Capital programs	1,099,866	-	-	1,099,866
Total program services	3,984,373	-	-	3,984,373
Supporting Services				
Management and general	603,161	-	-	603,161
Fundraising	613,578	-	-	613,578
Total supporting services	1,216,739	-	-	1,216,739
Total expenses	5,201,112	-	-	5,201,112
Change in net assets	417,269	(382,274)	803,272	838,267
Net assets at beginning of year	1,709,829	14,222,661	15,836,673	31,769,163
Net assets at end of year	\$ 2,127,098	\$ 13,840,387	\$ 16,639,945	\$ 32,607,430

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND OTHER SUPPORT				
Contributions and grants	\$ 189,849	\$ 1,812,977	\$ 473,920	\$ 2,476,746
Contributions in-kind	427,447	-	-	427,447
Investment income	69,075	205,931	363,315	638,321
Realized and unrealized gains (losses) on investments	(61,563)	(204,257)	(334,687)	(600,507)
4% total return policy	-	544,975	(544,975)	-
Net assets released from restriction/reclassification	1,994,552	(1,994,552)	-	-
Total revenues and other support	<u>2,619,360</u>	<u>365,074</u>	<u>(42,427)</u>	<u>2,942,007</u>
EXPENSES				
Program Services				
Scholarships and awards	846,934	-	-	846,934
Special initiatives	22,900	-	-	22,900
Other endowment programs	535,510	-	-	535,510
Capital programs	891,075	-	-	891,075
Total program services	<u>2,296,419</u>	<u>-</u>	<u>-</u>	<u>2,296,419</u>
Supporting Services				
Management and general	407,271	-	-	407,271
Fundraising	332,513	-	-	332,513
Total supporting services	<u>739,784</u>	<u>-</u>	<u>-</u>	<u>739,784</u>
Total expenses	<u>3,036,203</u>	<u>-</u>	<u>-</u>	<u>3,036,203</u>
Change in net assets	(416,843)	365,074	(42,427)	(94,196)
Net assets at beginning of year	<u>2,126,672</u>	<u>13,857,587</u>	<u>15,879,100</u>	<u>31,863,359</u>
Net assets at end of year	<u>\$ 1,709,829</u>	<u>\$ 14,222,661</u>	<u>\$ 15,836,673</u>	<u>\$ 31,769,163</u>

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

	Program Services			Supporting Services		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
Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services				Supporting Services		Total
	Scholarships and Awards	Special Initiatives	Other Endowment Programs	Capital Programs	Management and General	Fundraising	
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 240,187	\$ 51,124	\$ 291,311
Fringe benefits & payroll taxes	-	-	-	-	96,689	15,202	111,891
Total salaries and related expenses	-	-	-	-	336,876	66,326	403,202
Scholarships and awards	823,054	-	-	-	-	-	823,054
Capital expenditures	-	-	-	864,021	-	-	864,021
Special initiatives	-	22,900	-	-	-	-	22,900
Other endowment disbursements	-	-	489,559	-	-	-	489,559
Postage	-	-	-	-	4,472	-	4,472
Telephone	-	-	-	-	240	171	411
Printing	-	-	-	-	7,162	7,859	15,021
Supplies	-	-	-	-	4,840	31,852	36,692
Advertising	-	-	-	-	750	2,984	3,734
Professional fees	-	-	-	-	19,698	200,716	220,414
Meeting expenses	-	-	-	-	13,219	14,176	27,395
Travel and training	-	-	-	-	7,170	1,257	8,427
Subscriptions and memberships	-	-	-	-	2,513	-	2,513
Special events	-	-	-	-	7,949	3,245	11,194
Bad debts	23,880	-	45,951	22,054	-	3,559	95,444
Transferred to HACC	-	-	-	5,000	-	-	5,000
Miscellaneous	-	-	-	-	2,382	368	2,750
Total expenses	\$ 846,934	\$ 22,900	\$ 535,510	\$ 891,075	\$ 407,271	\$ 332,513	\$ 3,036,203

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 838,267	(\$ 94,196)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	(1,360,441)	1,002,550
Realized (gain) loss on investments	(825,572)	(402,043)
Contributions restricted for long-term investment	(590,592)	(473,920)
(Increase) decrease in operating assets:		
Contributions receivable	514,105	680,543
Interest receivable	(1,796)	4,221
Prepaid expenses	(899)	2,215
Increase (decrease) in operating liabilities:		
Deferred revenue	35,700	(27,500)
Accrued expenses	113,667	-
Due to Harrisburg Area Community College	(206,650)	171,590
Net cash (used) by operating activities	<u>(1,484,211)</u>	<u>863,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(15,298,226)	(17,468,492)
Proceeds from sale/maturities of investments	<u>15,666,963</u>	<u>16,474,338</u>
Net cash provided (used) by investing activities	<u>368,737</u>	<u>(994,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for long-term purposes	<u>590,592</u>	<u>473,920</u>
Net cash provided by financing activities	<u>590,592</u>	<u>473,920</u>
Net increase (decrease) in cash and cash equivalents	(524,882)	343,226
Beginning cash and cash equivalents	1,260,072	916,846
Ending cash and cash equivalents	<u>\$ 735,190</u>	<u>\$ 1,260,072</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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, 2013 or 2012.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 1 Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt 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, 2013 and 2012. 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, 2013 and 2012

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, 2013, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the Foundation's financial statements. Tax years subsequent to 2009 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. The balances for these campaigns were transferred to the College during 2013 and 2012. 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 \$ 998 and \$ 3,734 for 2013 and 2012, respectively.

Reclassifications

Certain reclassifications were made to the previously reported amounts for 2012 in order for them to be comparative to 2013. The reclassifications did not affect total net assets or changes in net assets.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

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 1.2% at June 30, 2013 and 1.0% at June 30, 2012. The discounted pledges and related allowance for uncollectible contributions, estimated by management, are scheduled to be collected as follows:

	2013	2012
Less than one year	\$ 1,376,760	\$ 262,447
One year to five years	1,010,052	1,696,597
Over five years	209,034	1,238,626
Total unconditional promises to give	<u>2,595,846</u>	<u>3,197,670</u>
Less allowance for uncollectible contributions	<u>(43,603)</u>	<u>(43,603)</u>
	2,552,243	3,154,067
Discount for present value of cash flows	<u>(68,721)</u>	<u>(156,440)</u>
Net unconditional promises to give	<u>\$ 2,483,522</u>	<u>\$ 2,997,627</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, 2013 and 2012

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 and fixed income securities or mutual funds. The investment policy sets investment ranges at 30% to 70% equities and 30% to 70% fixed income securities and cash equivalents.

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

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>

2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 976,555	\$ -	\$ -	\$ 976,555
Donor restricted endowment funds	-	14,222,661	15,836,673	30,059,334
	<u>\$ 976,555</u>	<u>\$ 14,222,661</u>	<u>\$ 15,836,673</u>	<u>\$ 31,035,889</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2013 and 2012

Note 3 Endowments (Continued)

The changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2011	\$ 983,855	\$ 13,857,587	\$ 15,879,100	\$ 30,720,542
Investment return:				
Investment income (loss)	19,272	750,906	(181,660)	588,518
Realized gains (losses)	11,964	(334,607)	229,041	(93,602)
Net depreciation (unrealized)	(28,500)	130,350	(563,728)	(461,878)
Total investment return	2,736	546,649	(516,347)	33,038
Contributions	28,197	1,812,977	473,920	2,315,094
Transfers	-	132,789	-	132,789
Distributions to the Foundation for expenditure	(38,233)	(2,127,341)	-	(2,165,574)
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/reclassifications	-	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	<u>\$ 1,074,906</u>	<u>\$ 13,840,387</u>	<u>\$ 16,639,945</u>	<u>\$ 31,555,238</u>

Included in the above amount is \$ 2,483,522 and \$ 2,997,627 of contributions receivable at June 30, 2013 and 2012, respectively.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 4 Investments

Investments of the Foundation are carried at fair value as of June 30, 2013 and 2012 are comprised of the following:

		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	7,418,182	8,828,780	1,410,598
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	18,416,647	19,731,166	1,314,519
Corporate bonds	406,402	416,289	9,887
Total	\$ 26,919,696	\$ 29,654,700	\$ 2,735,004

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 4 Investments (Continued)

	2012		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	\$ 1,146,952	\$ 1,146,952	\$ -
Equities by industry:			
Consumer discretionary	612,931	775,328	162,397
Consumer staples	763,740	1,009,855	246,115
Energy	858,976	862,951	3,975
Exchange-traded fund	1,239,268	1,269,085	29,817
Financial	840,649	999,590	158,941
Health care	430,586	493,917	63,331
Industrials	986,257	1,340,387	354,130
Information technology	285,946	281,789	(4,157)
Materials	188,791	186,281	(2,510)
Telecommunication services	131,560	150,156	18,596
Utilities	105,809	112,640	6,831
Total equities	6,444,513	7,481,979	1,037,466
Mutual funds by type:			
Growth	1,596,531	1,746,723	150,192
Index	4,029,033	4,268,904	239,871
Value	1,709,952	1,738,165	28,213
International	2,295,342	2,111,593	(183,749)
Fixed income	8,131,655	8,198,679	67,024
Other	576,670	598,505	21,835
Total mutual funds	18,339,183	18,662,569	323,386
Government obligations	10,175	10,052	(123)
Corporate bonds	521,324	535,872	14,548
Total	<u>\$ 26,462,147</u>	<u>\$ 27,837,424</u>	<u>\$ 1,375,277</u>

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

	2013	2012
Realized and unrealized gains (losses), net	\$ 2,186,013	\$ (600,507)
Investment income, net	<u>714,516</u>	<u>638,321</u>
Total	<u>\$ 2,900,529</u>	<u>\$ 37,814</u>

Investment related expenses were \$ 118,035 and \$108,325 for the years ended June 30, 2013 and 2012, respectively. Investment income is reduced by these expenses in the statements of activities.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

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. Contributions receivable are also classified as Level 2 based on the factor used for discounting.

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.

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.

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.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 5 Fair Value Measurements (Continued)

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.

The following table sets forth by level within the fair value hierarchy, the Foundation's financial assets classified as "Investments" that were accounted for at fair value as of June 30, 2013 and 2012:

	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	8,247,469	8,247,469	-	-
Total mutual funds	<u>19,731,166</u>	<u>19,731,166</u>	<u>-</u>	<u>-</u>
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	201,181	201,181	-	-
Total equities	<u>8,828,780</u>	<u>8,828,780</u>	<u>-</u>	<u>-</u>
Corporate bonds	<u>416,289</u>	<u>-</u>	<u>416,289</u>	<u>-</u>
Total	<u>\$ 32,138,222</u>	<u>\$ 28,559,946</u>	<u>\$ 3,578,276</u>	<u>\$ -</u>

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2013 and 2012

Note 5 Fair Value Measurements (Continued)

	2012			
	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	\$ 2,997,627	\$ -	\$ 2,997,627	\$ -
Money market funds	1,146,952	-	1,146,952	-
Mutual funds by type:				
Growth	1,746,723	1,746,723	-	-
Index	4,268,904	4,268,904	-	-
Value	1,738,165	1,738,165	-	-
International	2,111,593	2,111,593	-	-
Fixed Income	8,198,679	8,198,679	-	-
Other	<u>598,505</u>	<u>598,505</u>	<u>-</u>	<u>-</u>
Total mutual funds	18,662,569	18,662,569	-	-
Equities by industry:				
Consumer Discretionary	775,328	775,328	-	-
Consumer Staples	1,009,855	1,009,855	-	-
Energy	862,951	862,951	-	-
Financial	1,269,085	1,269,085	-	-
Health Care	999,590	999,590	-	-
Industries	493,917	493,917	-	-
Information technology	1,340,387	1,340,387	-	-
Materials	281,789	281,789	-	-
Telecommunication services	186,281	186,281	-	-
Utilities	150,156	150,156	-	-
International	<u>112,640</u>	<u>112,640</u>	<u>-</u>	<u>-</u>
Total equities	7,481,979	7,481,979	-	-
Government obligations	10,052	-	10,052	-
Corporate bonds	<u>535,872</u>	<u>-</u>	<u>535,872</u>	<u>-</u>
Total	<u>\$ 30,835,051</u>	<u>\$ 26,144,548</u>	<u>\$ 4,690,503</u>	<u>\$ -</u>

The Foundation had no liabilities subject to fair value reporting requirements at June 30, 2013 and 2012.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 6 Net Assets

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

	2013	2012
Designated for endowment purposes	\$ 1,074,906	\$ 976,555
Undesignated	1,052,192	733,274
	<u>\$ 2,127,098</u>	<u>\$ 1,709,829</u>

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

	2013	2012
Scholarships and awards	\$ 3,701,826	\$ 3,529,626
Academic support	2,114,255	2,549,796
Capital improvements	7,079,706	7,524,366
Other	944,600	618,873
	<u>\$ 13,840,387</u>	<u>\$ 14,222,661</u>

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

	2013	2012
Scholarships and awards	\$ 13,942,143	\$ 13,586,514
Academic support	234,142	216,624
Other	2,463,660	2,033,535
	<u>\$ 16,639,945</u>	<u>\$ 15,836,673</u>

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.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

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:

	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>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 69,329	\$ -	\$ -	\$ 69,329
Temporarily restricted	-	207,490	-	207,490
Permanently restricted:				
4% total return policy	-	544,975	-	544,975
Excess (deficiency) of actual investment income to total return policy	-	-	(179,252)	(179,252)
Change to accrued interest	(254)	(1,559)	(2,408)	(4,221)
	<u>\$ 69,075</u>	<u>\$ 750,906</u>	<u>\$ (181,660)</u>	<u>\$ 638,321</u>

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, 2013 and 2012 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 salaries is reflected in these financial statements as salaries and employee benefits and payroll taxes.

Note 11 Returned Contribution

During the current fiscal year 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 the related interest to the donor and this amount is included on the statement of financial position as accrued expenses.

HARRISBURG AREA COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2013 and 2012

Note 12 Subsequent Events

The Foundation has evaluated events and transactions subsequent to June 30, 2013 through October 10, 2013, 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, 2013 and through October 10, 2013 that require recognition or disclosure in the financial statements.