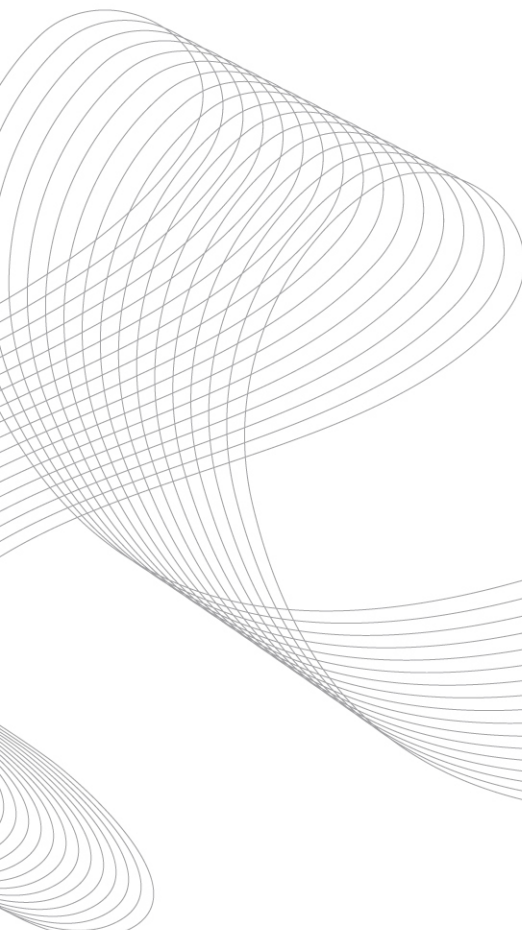




Report of Independent Auditors in accordance
with OMB Circular A-133 and Financial
Statements (with supplemental information) for

Lewis & Clark College

May 31, 2011 and 2010

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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CONTENTS

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3 – 4
Statements of cash flows	5 – 6
Notes to financial statements	7 – 32
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33 – 34
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	35 – 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38 – 42
SUPPLEMENTAL INFORMATION	
Schedule of expenditures of federal awards	43 – 44
Notes to schedule of expenditures of federal awards	45

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Lewis & Clark College

We have audited the accompanying statements of financial position of Lewis & Clark College (the College) as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Portland, Oregon
September 28, 2011

LEWIS & CLARK COLLEGE
STATEMENTS OF FINANCIAL POSITION

	May 31,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 11,709,371	\$ 29,537,416
Student accounts receivable, net	331,225	472,199
Other receivables	2,091,713	1,254,728
Real estate held for sale	840,000	3,200,000
Prepaid expenses and other assets	1,239,771	750,462
Student loans receivable, net	8,022,227	8,356,360
Investments	224,272,898	178,230,255
Contributions receivable	5,923,372	6,297,082
Bond issuance costs, net	1,179,451	879,923
Property, plant, and equipment, net	<u>163,425,990</u>	<u>160,360,100</u>
TOTAL ASSETS	<u>\$ 419,036,018</u>	<u>\$ 389,338,525</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,514,004	\$ 2,558,273
Accrued and other liabilities	14,770,327	11,038,246
Deferred revenues	1,681,329	2,768,457
Liability for split interest agreements	700,737	669,940
Bonds payable	108,107,731	103,365,000
Interest rate swaps liability	8,105,028	12,177,009
U.S. government grants refundable	<u>6,378,274</u>	<u>6,447,872</u>
Total liabilities	<u>142,257,430</u>	<u>139,024,797</u>
NET ASSETS		
Unrestricted	89,993,437	79,825,013
Temporarily restricted	83,250,036	68,704,610
Permanently restricted	<u>103,535,115</u>	<u>101,784,105</u>
Total net assets	<u>276,778,588</u>	<u>250,313,728</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 419,036,018</u>	<u>\$ 389,338,525</u>

LEWIS & CLARK COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues and gains:				
Tuition and fees, net of scholarships and fellowships of \$32,088,723 and \$28,796,748 in 2011 and 2010, respectively	\$ 79,046,364	\$ -	\$ -	\$ 79,046,364
Contributions	1,953,256	-	-	1,953,256
Contracts and other exchange transactions	2,599,911	-	-	2,599,911
Investment earnings, distributed	9,373,320	-	-	9,373,320
Other investment income	334,741	-	-	334,741
Other revenue	2,828,514	-	-	2,828,514
Sales and services of auxiliary enterprises	13,858,557	-	-	13,858,557
Total revenues and gains	109,994,663	-	-	109,994,663
Net assets released from restrictions and other redesignations	5,677,255	(6,235,052)	557,797	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	115,671,918	(6,235,052)	557,797	109,994,663
Expenses:				
Educational and general:				
Instruction	48,960,829	-	-	48,960,829
Research	2,938,558	-	-	2,938,558
Public service	1,046,048	-	-	1,046,048
Academic support	13,008,758	-	-	13,008,758
Student services	10,924,210	-	-	10,924,210
Institutional support	22,530,680	-	-	22,530,680
Total educational and general	99,409,083	-	-	99,409,083
Auxiliary enterprises	13,325,418	-	-	13,325,418
TOTAL EXPENSES	112,734,501	-	-	112,734,501
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	2,937,417	(6,235,052)	557,797	(2,739,838)
NON-OPERATING ACTIVITIES				
Contributions	380,499	2,744,752	2,985,242	6,110,493
Contracts & exchange transactions	244,566	-	-	244,566
Investment earnings, net of amounts distributed	8,390,706	18,053,722	(1,789,012)	24,655,416
Change in value of split interest agreements	-	(17,996)	(3,017)	(21,013)
Loss on interest rate swaps related to bonds	(184,255)	-	-	(184,255)
Loss on disposal of assets	(1,600,509)	-	-	(1,600,509)
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	7,231,007	20,780,478	1,193,213	29,204,698
INCREASE IN NET ASSETS	10,168,424	14,545,426	1,751,010	26,464,860
NET ASSETS, BEGINNING OF YEAR	79,825,013	68,704,610	101,784,105	250,313,728
NET ASSETS, END OF YEAR	\$ 89,993,437	\$ 83,250,036	\$ 103,535,115	\$ 276,778,588

LEWIS & CLARK COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues and gains:				
Tuition and fees, net of scholarships and fellowships of \$28,796,748 and \$25,333,144 in 2010 and 2009, respectively	\$ 75,980,193	\$ -	\$ -	\$ 75,980,193
Contributions	1,829,043	-	-	1,829,043
Contracts and other exchange transactions	2,800,317	-	-	2,800,317
Investment earnings, distributed	11,144,264	-	-	11,144,264
Other investment income	70,565	-	-	70,565
Other revenue	1,946,036	-	-	1,946,036
Sales and services of auxiliary enterprises	12,899,725	-	-	12,899,725
Total revenues and gains	<u>106,670,143</u>	<u>-</u>	<u>-</u>	<u>106,670,143</u>
Net assets released from restrictions and other redesignations	6,857,762	(7,804,614)	946,852	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>113,527,905</u>	<u>(7,804,614)</u>	<u>946,852</u>	<u>106,670,143</u>
Expenses:				
Educational and general:				
Instruction	49,281,930	-	-	49,281,930
Research	2,700,960	-	-	2,700,960
Public service	1,108,407	-	-	1,108,407
Academic support	13,045,580	-	-	13,045,580
Student services	10,855,037	-	-	10,855,037
Institutional support	18,019,420	-	-	18,019,420
Total educational and general	<u>95,011,334</u>	<u>-</u>	<u>-</u>	<u>95,011,334</u>
Auxiliary enterprises	12,505,287	-	-	12,505,287
TOTAL EXPENSES	<u>107,516,621</u>	<u>-</u>	<u>-</u>	<u>107,516,621</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	<u>6,011,284</u>	<u>(7,804,614)</u>	<u>946,852</u>	<u>(846,478)</u>
NON-OPERATING ACTIVITIES				
Contributions	552,257	8,406,624	930,410	9,889,291
Contracts & exchange transactions	205,245	-	-	205,245
Investment earnings, net of amounts distributed	4,266,156	8,323,428	-	12,589,584
Change in value of split interest agreements	-	31,856	388,438	420,294
Loss on interest rate swaps related to bonds	(575,364)	-	-	(575,364)
Loss from college housing program	(79,102)	-	-	(79,102)
Loss on disposal of assets	<u>(2,306,821)</u>	<u>(2,563)</u>	<u>(98,289)</u>	<u>(2,407,673)</u>
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>2,062,371</u>	<u>16,759,345</u>	<u>1,220,559</u>	<u>20,042,275</u>
INCREASE IN NET ASSETS	8,073,655	8,954,731	2,167,411	19,195,797
NET ASSETS, BEGINNING OF YEAR	<u>71,751,358</u>	<u>59,749,879</u>	<u>99,616,694</u>	<u>231,117,931</u>
NET ASSETS, END OF YEAR	<u>\$ 79,825,013</u>	<u>\$ 68,704,610</u>	<u>\$ 101,784,105</u>	<u>\$ 250,313,728</u>

See accompanying notes.

LEWIS & CLARK COLLEGE
STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ 26,464,860	\$ 19,195,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution of marketable securities	(2,001,196)	(949,579)
Depreciation and amortization	6,544,490	6,222,055
Loss on write-off of contributions receivable	-	98,289
Loss on disposal of property, plant and equipment	1,600,509	2,407,673
Loss on write-down of real estate held for sale	2,360,000	280,000
Loss on write-off of bond issuance costs	847,088	-
Unrealized loss on interest rate swaps liability	184,255	575,364
Actuarial adjustments of liabilities under split-interest agreements	(35,681)	(34,748)
Change in contributions receivable discount	(2,300)	79,875
Contributions restricted for endowment, trust and capital projects	(3,519,363)	(1,676,610)
Interest and dividends restricted for long-term investment	(345,870)	(328,060)
Net realized and unrealized gains	(34,450,763)	(22,228,005)
Cash provided by changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	(696,011)	488,559
(Increase) decrease in pledges receivable	376,010	(4,079,342)
Increase in prepaid expense and other assets	(489,309)	(215,570)
Increase (decrease) in accounts payable	(44,269)	832,302
Increase in accrued and other liabilities	3,732,081	1,213,311
Additions to split-interest agreement obligations	66,478	5,467
Increase (decrease) in deferred revenues	(1,087,128)	775,588
Net cash from operating activities	(496,119)	2,662,366
INVESTING ACTIVITIES		
(Increase) decrease in student loans receivable	334,133	(126,799)
Increase (decrease) in U.S. government grants refundable	(69,598)	439
Purchases of land, property, plant, and equipment	(11,514,311)	(5,754,391)
Proceeds from sale of property and equipment	345,500	542,693
Proceeds from sales of investments	117,754,508	29,852,550
Purchase of investments	(127,345,192)	(21,546,312)
Net cash from investing activities	(20,494,960)	2,968,180

LEWIS & CLARK COLLEGE
STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2011	2010
FINANCING ACTIVITIES		
Contributions restricted for endowment, trust and capital projects	\$ 3,519,363	\$ 1,676,610
Interest and dividends restricted for long-term investment	345,870	328,060
Proceeds from issuance of bonds payable	114,807,731	-
Principal payments on bonds payable	(110,065,000)	(1,035,000)
Payment on termination of interest rate swap agreement	(4,256,236)	-
Bond issuance costs associated with bond refinancing	(1,188,694)	-
Maturities and terminations of split interest obligations	-	(129,358)
Net cash from financing activities	3,163,034	840,312
NET INCREASE IN CASH AND CASH EQUIVALENTS	(17,828,045)	6,470,858
CASH AND CASH EQUIVALENTS, beginning of year	29,537,416	23,066,558
CASH AND CASH EQUIVALENTS, end of year	\$ 11,709,371	\$ 29,537,416
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 4,192,825	\$ 4,526,684

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lewis & Clark College (the College) is a private, nonprofit institution of higher education based in Portland, Oregon. The College provides education and training services for undergraduate students through the College of Arts and Sciences, for graduate students through the Graduate School of Education and Counseling, and for law students through the Lewis & Clark Law School. The College performs research, training, and other services under grants and contracts with sponsoring organizations, primarily departments and agencies of the United States government.

Basis of accounting – The financial statements of the College have been prepared on the accrual basis of accounting.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that are permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenue recognition – Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Tuition and fees – Student tuition and fees are recorded as revenue in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Collectability of student accounts and loans receivable is reviewed both individually and in the aggregate.

Contributions – Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Unconditional promises to give are initially recorded at fair value using the present value of future cash flows, discounted using a risk adjusted rate. Subsequent measurements of unconditional promises to give do not represent fair value. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortized discounts are recorded as additional contribution revenue and are subject to donor-imposed restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Grants and contracts – Revenues from grants and contracts are reported as increases in unrestricted net assets, as allowable expenditures under such agreements are incurred.

Investment return – Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category. Income and net gains on investments of endowment and similar funds are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require they be added to the principal of a permanently restricted net asset.
- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the timing or the use of the income.
- Increases in unrestricted net assets in all other cases.

Cash and cash equivalents – The College considers all highly-liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents are invested in money market accounts or commercial paper and are stated at cost which approximates fair market value.

Student accounts and loans receivable – Student accounts receivable are recorded at the invoiced amount and do not bear interest. At May 31, 2011 and 2010, student accounts receivable totaled \$331,225 and \$472,199, respectively, net of allowance for doubtful accounts of \$240,000. Student loans receivable totaled \$8,022,227 and \$8,356,360, respectively, net of allowance for doubtful accounts of \$485,200. The allowance for doubtful accounts represents the College's best estimate of the amount of probable credit losses in the College's existing accounts receivable and student loans receivable. The College determines the allowance by performing on-going evaluations of its students and their ability to make payments. The College determines the adequacy of the allowance based on length of time past due, historical experience, and judgment of economic conditions. Account and loan balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

Real estate held for sale – Real estate held for sale consists of 59.50 acres of land in Yamhill County. Ninety percent of the property is held in a trust and the other ten percent is held by the College directly as an endowment asset. The trust and the College are actively seeking a buyer for the property. At May 31, 2011 and 2010, the property was valued at \$840,000 and \$3,200,000, respectively. The 2011 estimate was based on the property tax assessment and the recommendation of an independent property auctioneer. The 2010 estimate was based on an independent appraisal. As of May 31, 2011 and 2010, the College has recorded a cumulative write-down of \$5,062,200 and \$2,702,200, respectively, on this property. Losses on write-downs totaled \$2,360,000 and \$280,000 during the fiscal years ended May 31, 2011 and 2010, respectively, are included in investment earnings, net of amounts distributed, on the statement of activities.

Inventories – Inventories consist primarily of books and supplies and are recorded at the lower of cost (first-in, first-out) or market and are included in other assets in the statement of financial position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Investments – Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The value of real estate investments is determined from valuations prepared by independent appraisers at the time of gift and these investments are carried at cost. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

The College invests in a variety of investment securities which are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the financial statements.

Contributions receivable – An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and type of receivable. Accounts are charged off when all collection efforts have been exhausted.

Bond issuance costs – Bond issuance costs are amounts paid by the College in connection with bond financing. Amortization is calculated using the straight-line method, which approximates the effective interest method, over the life of the bonds.

Split-interest agreements – The College uses the actuarial method of recording certain split-interest agreements. Under this method, the present value of the payments to beneficiaries is determined based upon life expectancy tables when the gift is received. The present value of those payments is recorded as a liability and the remainder as net assets. Discount rates ranging from 2.00% to 10.00% were used to calculate the present value of the liability based on the estimated life expectancies of the beneficiaries. This rate approximates a risk-free rate plus premium at May 31, 2011. The discount rates represent the Federal Applicable Rates that were effective when the gift agreements were established. At May 31, 2010, discount rates ranging 3.20% to 10.00% were used to calculate the liability. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses. There were two new agreements during the year ended May 31, 2011.

The College is named as beneficiary of various trust funds where the College's ultimate receipt of the funds is uncertain because of stipulations in the trust agreement. These trust funds are comprised of agreements which name third parties as co-beneficiaries and agreements where the named beneficiary can be revoked by the donor. The College has reflected appropriate liabilities for such trusts in the accompanying statements of financial position. For the years ended May 31, 2011 and 2010, the College distributed \$402,564 and \$422,147 respectively, in split-interest beneficiary payments to all beneficiaries.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Fair value of financial instruments – A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

At May 31, 2011 and 2010, the carrying values of cash, accounts and notes receivable, and accounts payable approximate fair value due to the short-term nature of these instruments. The difference between the carrying value of debt obligations and the fair value is immaterial to these financial statements.

Income taxes – The College is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the College qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The College recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended May 31, 2011 and 2010, the College recognized no interest and penalties and had no unrecognized tax benefits at May 31, 2011 or May 31, 2010.

The College files an exempt organization income tax return and an unrelated business income tax return in the U.S. federal jurisdiction and a copy with the state charities division and state department of revenue. With few exceptions, the College is no longer subject to U.S. federal or state/local income tax examinations by tax authorities for years before 2007.

Use of 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Redesignation of net assets – Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Reclassifications – Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Related party transactions – Members of the College’s Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. For senior management, the College requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the College. The College has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm’s length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the College, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

Subsequent events – Subsequent events are events or transactions that occur after the date of the statement of financial position but before financial statements are issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The College’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before financial statements are available to be issued.

The College has evaluated subsequent events through September 28, 2011, which is the date the financial statements are issued.

NOTE 2 – STUDENT LOANS RECEIVABLE

Student loans receivable represents loans from the Perkins loan fund that are generally payable with interest between 3.00% and 5.00% over approximately 11 years following college attendance. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. government in proportion to their share of funds provided. The program provides for cancellation of loans if the student is employed in certain occupations following graduation. Losses from employment cancellations are absorbed in full by the United States government.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions – At May 31, 2011 and 2010, the College had uncollected unconditional promises to give of \$6,156,665 and \$6,532,675, which are shown as contributions receivable, net of unamortized discounts of \$233,293 and \$235,593, respectively. Pledges receivable after one year were discounted using an adjusted risk free interest rate commensurate with the period over which the contribution will be received for the years ended May 31, 2011 and 2010. The weighted average rate was 2.08%.

Amounts due are as follows:

Amounts receivable in less than one year	\$ 1,455,600
Amounts receivable in one to five years	<u>4,701,065</u>
	6,156,665
Unamortized discount	<u>(233,293)</u>
Total contributions receivable	<u><u>\$ 5,923,372</u></u>

Conditional contributions – At May 31, 2011 and 2010, the College had received conditional promises to give of approximately \$2,825,000. These conditional promises are not recognized as assets and, if they are received, will generally be restricted for specific purposes stipulated by the donors primarily for endowment, general operational support, or plant facilities.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS

At May 31, the values of investments by type are as follows:

	2011	2010
Pooled investments		
Equity securities		
International mutual funds	\$ 35,301,255	\$ 26,822,429
Domestic mutual funds	15,260,036	11,003,745
Commodity mutual funds	6,045,653	4,317,521
Marketable domestic equity securities	10,659,773	9,954,667
Debt securities		
Domestic high yield mutual funds	6,543,505	6,256,001
International fixed income mutual funds	4,509,150	3,908,151
Commingled trusts		
Marketable international equity securities	30,307,116	24,305,670
Marketable domestic equity securities	9,937,781	7,725,443
U.S. Treasury securities	14,239,299	14,132,568
Marketable international fixed income securities	6,950,484	5,134,395
Real estate investment trust	8,902,983	9,289,393
Alternative investments		
Hedge funds		
Long/short equity	15,848,065	-
Multi strategy	20,697,542	41,817,850
Credit opportunities	4,794,287	-
Domestic private equity funds	3,714,484	2,406,998
International private equity funds	2,497,007	1,502,815
Venture capital funds	1,551,582	927,762
Natural resources funds	1,785,285	1,319,311
Real estate funds	1,099,701	570,463
Real estate and others (reported at cost)	129,263	166,204
Total pooled investments	200,774,251	171,561,386
Separate investments		
Assets held in charitable remainder trusts		
Fixed income mutual funds	1,818,427	1,808,143
Equity mutual funds	1,650,060	1,238,549
Marketable fixed income securities	989,339	993,389
Real estate and others (reported at cost)	1,166,710	1,166,710
Equity securities		
Balanced mutual funds	1,220,651	1,002,984
Debt securities		
U.S. Treasury securities	5,263,797	-
Domestic fixed income mutual funds	7,680,425	-
Collateralized debt securities	3,248,917	-
Real estate and others (reported at cost)	460,321	459,094
Total separate investments	23,498,647	6,668,869
Total investments	\$ 224,272,898	\$ 178,230,255

NOTE 4 – INVESTMENTS – (continued)

At May 31, the values of investments by category are as follows:

	<u>2011</u>	<u>2010</u>
Endowment		
Pooled investments	\$ 200,774,251	\$ 171,561,386
Separately invested	<u>6,846,625</u>	<u>1,363,934</u>
Total endowment	<u>207,620,876</u>	<u>172,925,320</u>
Annuity and life income contracts		
Separately invested	<u>5,624,536</u>	<u>5,206,791</u>
Total annuity and life income contracts	<u>5,624,536</u>	<u>5,206,791</u>
Separately invested		
Construction funds	3,248,917	-
Operations	7,680,425	-
Other	<u>98,144</u>	<u>98,144</u>
Total by category	<u>\$ 224,272,898</u>	<u>\$ 178,230,255</u>

NOTE 5 – SPLIT-INTEREST AGREEMENTS

As of May 31, 2011, the College had eight gift annuity contracts issued and outstanding. The College maintains a reserve adequate to meet the actuarially determined future payments of these contracts. As of May 31, 2011, the fair value of the total assets held was \$386,683. The reserve was \$271,371, leaving \$115,312 of net assets in excess. During the fiscal year ended May 31, 2011, distributions to annuitants totaled \$34,213.

As of May 31, 2010, the College had six gift annuity contracts issued and outstanding. The College maintains a reserve adequate to meet the actuarially determined future payments of these contracts. As of May 31, 2010, the fair value of the total assets held was \$258,024. The reserve was \$197,993, leaving \$60,031 of net assets in excess. During the fiscal year ended May 31, 2010, distributions to annuitants totaled \$36,925.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SPLIT-INTEREST AGREEMENTS – (continued)

The College acts as trustee for a variety of split-interest agreements, mainly in the form of charitable remainder trusts, including both annuity trusts and unitrusts. At May 31, 2011 and 2010, the College's actuarially determined future payments and other obligations were as follows:

	<u>2011</u>	<u>2010</u>
Gift annuity reserve	\$ 271,371	\$ 197,994
Present value of future payments – annuity trusts	229,873	269,383
Present value of future payments – fixed rate unitrusts	<u>199,493</u>	<u>202,563</u>
 Total liability for split-interest agreements	 <u><u>\$ 700,737</u></u>	 <u><u>\$ 669,940</u></u>

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES

Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the College's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level I** Inputs are unadjusted, and represent quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II** Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.
- Level III** Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model.

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

The College used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the financial statements:

Investments – Investments are comprised of marketable securities, commingled trusts and alternative investments. Marketable security fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Commingled trusts and hedge funds are valued using net asset value. Alternative investments are valued at fair value using significant unobservable inputs. The value of these investments is determined by fund managers and valuation experts, using relevant market data. Such valuations are generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of similar investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility. The valuation methods utilized by the fund managers and valuation experts are subject to regular review by management.

Assets held in charitable remainder trusts – Assets held in charitable remainder trusts are comprised of marketable securities and real property. Marketable security fair values are based on quoted market prices and discounted, when appropriate. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The real estate investments are held at cost.

Interest rate swap agreements – The fair values of interest rate swap agreements are the estimated amount the College would receive or pay to terminate the agreement at the reporting date, taking into consideration the current interest rates and creditworthiness of counter parties.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

The following is a summary categorization as of May 31, 2011 and 2010 of the College's assets and liabilities based on the level of inputs utilized in determining the value of such investments:

	At May 31, 2011			Totals
	Level I	Level II	Level III	
Investments:				
Equity securities				
International mutual funds	\$ 35,301,254	\$ -	\$ -	\$ 35,301,254
Domestic mutual funds	15,260,036	-	-	15,260,036
Balanced mutual funds	1,220,651	-	-	1,220,651
Commodity mutual funds	6,045,653	-	-	6,045,653
Marketable domestic equity securities	10,659,773	-	-	10,659,773
Debt securities				
U.S. Treasury securities	-	5,263,797	-	5,263,797
Domestic high yield mutual funds	6,543,505	-	-	6,543,505
International fixed income mutual funds	4,509,150	-	-	4,509,150
Domestic fixed income mutual funds	7,680,425	-	-	7,680,425
Collateralized debt securities	-	3,248,917	-	3,248,917
Commingled trusts				
Marketable international equity securities	-	30,307,116	-	30,307,116
Marketable domestic equity securities	-	9,937,781	-	9,937,781
U.S. Treasury securities	-	14,239,299	-	14,239,299
Marketable international fixed income securities	-	6,950,484	-	6,950,484
Real estate investment trust	-	8,902,983	-	8,902,983
Hedge fund investments				
Long/short funds	-	1,872,826	13,975,239	15,848,065
Multi-strategy funds	-	-	20,697,542	20,697,542
Credit opportunities funds	-	-	4,794,287	4,794,287
Domestic private equity funds	-	-	3,714,484	3,714,484
International private equity funds	-	-	2,497,007	2,497,007
Venture capital funds	-	-	1,551,582	1,551,582
Natural resources funds	-	-	1,785,285	1,785,285
Real estate funds	-	-	1,099,701	1,099,701
Assets held in charitable remainder trusts				
Fixed income mutual funds	1,818,427	-	-	1,818,427
Equity mutual funds	1,650,060	-	-	1,650,060
Marketable fixed income securities	-	989,339	-	989,339
Interest rate swaps liability	-	(8,105,028)	-	(8,105,028)
Totals	<u>\$ 90,688,934</u>	<u>\$ 73,607,514</u>	<u>\$ 50,115,127</u>	<u>\$ 214,411,575</u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

	At May 31, 2010			
	Level I	Level II	Level III	Total
Investments:				
Marketable domestic debt securities	\$ 6,256,001	\$ -	\$ -	\$ 6,256,001
Marketable international debt securities	3,908,151	-	-	3,908,151
Marketable commodities	4,317,521	-	-	4,317,521
Marketable domestic equity securities	31,768,266	-	-	31,768,266
Marketable international equity securities	16,012,573	-	-	16,012,573
Marketable balanced funds	1,002,984	-	-	1,002,984
Commingled trusts	-	60,587,469	-	60,587,469
Alternative investments				
Hedge funds	-	-	41,817,850	41,817,850
Private equity and venture capital	-	-	4,837,576	4,837,576
Natural resources funds	-	-	1,319,311	1,319,311
Real estate funds	-	-	570,463	570,463
Assets held in charitable remainder trusts	4,165,433	1,041,358	-	5,206,791
Interest rate swap liability	-	(12,177,009)	-	(12,177,009)
Totals	<u>\$ 67,430,928</u>	<u>\$ 49,451,818</u>	<u>\$ 48,545,200</u>	<u>\$ 165,427,947</u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level III) on a recurring basis during the year ended May 31, 2011 and 2010:

	Level III Instruments								
	Domestic Private Equity Funds	International Private Equity Funds	Venture Capital Funds	Natural Resources Funds	Real Estate Funds	Multi- Strategy Funds	Long/Short Funds	Credit Opportunities Funds	Total
Beginning balances, May 31, 2010	\$ 2,476,783	\$ 1,433,030	\$ 927,762	\$ 1,319,311	\$ 570,463	\$ 41,817,850	\$ -	\$ -	\$ 48,545,199
Gains and (losses) (realized/unrealized)	530,524	163,977	102,613	214,656	63,988	859,692	375,239	294,287	2,604,976
Purchases, issuances, sales and settlements, net	707,177	900,000	521,207	251,318	465,250	(21,980,000)	13,600,000	4,500,000	(1,035,048)
Ending balances, May 31, 2011	<u>\$ 3,714,484</u>	<u>\$ 2,497,007</u>	<u>\$ 1,551,582</u>	<u>\$ 1,785,285</u>	<u>\$ 1,099,701</u>	<u>\$ 20,697,542</u>	<u>\$ 13,975,239</u>	<u>\$ 4,794,287</u>	<u>\$ 50,115,127</u>
The total amount of gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at May 31, 2011	<u>\$ (211,414)</u>	<u>\$ (121,674)</u>	<u>\$ (87,990)</u>	<u>\$ 250,016</u>	<u>\$ (316,206)</u>	<u>\$ 586,171</u>	<u>\$ 375,239</u>	<u>\$ 294,287</u>	<u>\$ 768,429</u>

	Level III Instruments				
	Private Equity & Venture Capital	Natural Resources Funds	Real Estate Funds	Hedge Funds	Total
Beginning balances, May 31, 2009	\$ 4,693,804	\$ 524,164	\$ 367,857	\$ 36,847,040	\$ 42,432,865
Gains and (losses) (realized/unrealized)	1,051,220	181,427	(96,894)	4,970,810	6,106,563
Purchases, issuances, sales, and settlements, net	(907,448)	613,720	299,500	-	5,772
Ending balances, May 31, 2010	<u>\$ 4,837,576</u>	<u>\$ 1,319,311</u>	<u>\$ 570,463</u>	<u>\$ 41,817,850</u>	<u>\$ 48,545,200</u>
The total amount of gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at May 31, 2010	<u>\$ 949,214</u>	<u>\$ 181,427</u>	<u>\$ (96,894)</u>	<u>\$ 4,970,810</u>	<u>\$ 6,004,557</u>

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

Investment returns for the years ended May 31 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 3,051,560	\$ 2,317,722
Net realized and unrealized gains on investments carried at fair value	<u>31,311,917</u>	<u>21,486,691</u>
Total investment return	34,363,477	23,804,413
Less: Operating investment return	<u>9,708,061</u>	<u>11,214,829</u>
Non-operating investment return	<u><u>\$ 24,655,416</u></u>	<u><u>\$ 12,589,584</u></u>

Interest, dividend, realized and unrealized income on the College's unrestricted endowment funds is included in operating activities in the Statement of Activities as those investment types are used for the College's daily cash management activities. All other investment return is considered non-operating.

LEWIS & CLARK COLLEGE

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

The College uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major class:

	Fair Value May 31, 2011	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
<u>Commingled trusts (a)</u>					
Marketable international equity securities	\$ 30,307,116	\$ -	Range from monthly to quarterly	6 – 30 days	-
Marketable domestic equity securities	9,937,781	-	Quarterly	60 days	-
U.S. Treasury securities	14,239,299	-	Range from daily to bi-monthly	2 – 5 days	-
Marketable international fixed income securities	6,950,484	-	Monthly	10 days	Funds delivered between 5 and 15 days after valuation date
Real estate investment trust	8,902,983	-	Monthly	5 days	Funds delivered 5 days after withdrawal date
<u>Hedge funds (b)</u>					
Multi-strategy funds	20,697,542	-	Range from quarterly to annually	30 – 108 days	Rolling one to two year lockup
Long/short funds	15,848,065	-	Range from monthly to annually	30 – 90 days	Rolling 12 month lockup
Credit opportunities funds	4,794,287	-	Range from annually to every two years	90 days	Rolling one to two year lockup
Domestic private equity funds (c)	3,714,484	2,850,042	N/A *	N/A *	N/A *
International private equity funds (c)	2,497,007	3,544,500	N/A *	N/A *	N/A *
Venture capital funds (c)	1,551,582	3,625,000	N/A *	N/A *	N/A *
Natural resources funds (d)	1,785,285	2,372,000	N/A *	N/A *	N/A *
Real estate funds (e)	1,099,701	1,085,500	N/A *	N/A *	N/A *
	<u>\$ 122,325,616</u>	<u>\$ 13,477,042</u>			

* These funds are in private equity structure, with no ability to be redeemed.

(a) These are directional investments, invested in domestic and international debt and equity securities. These funds invest mostly in long-term securities, and some invest both long and short-term. The investments are public securities, and the funds are held in partnership or trust format.

(b) Fund-of-funds invest in 20 to 50 hedge funds pursuing a variety of investment strategies. Hedge fund strategies and allocations include 53% multi-strategy, 12% distressed opportunities and 35% long/short.

(c) This class includes investments in both dedicated private equity or venture capital funds and in fund-of-funds, which invest in 15-30 private equity or venture capital funds. Private Equity funds, through negotiation or tender offer, attempt to take over a majority percentage of a company's equity, with the purpose of acquiring its assets and operations. Venture Capital funds invest in non-marketable securities of new companies or companies considered to be in the early stages of growth.

(d) This class invests in fund-of-funds, which invest in 15-30 natural resource funds created to invest in the exploration or development of energy-related reserves.

(e) This class includes investments in fund-of-funds, which invest in 15-30 private real estate funds. Private real estate funds take ownership positions in land and buildings, equity-like investments in mortgages or land leases that include substantial participation in revenues, capital appreciation, and private operating companies.

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES – (continued)

Funds noted above held at year end have remaining lives ranging from 1 to 11 years with commitments due as follows:

Year Ending May 31, 2012	\$ 4,213,135
2013	6,838,545
2014	2,026,682
2015	<u>398,680</u>
	<u><u>\$ 13,477,042</u></u>

NOTE 7 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost at the date of acquisition or fair market value on the date contributed. New equipment and expenditures for major repairs and improvements exceeding \$10,000 for equipment and \$20,000 for buildings are capitalized; conversely, maintenance, repairs, and routine replacements are charged to expense as incurred. All plant assets except land are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives of land improvements and buildings are 50 to 100 years; building improvements are 20 years; and furniture and equipment are 5 to 7 years.

	May 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 18,132,444	\$ -	\$ 18,132,444
Land improvements	12,337,928	6,250,282	6,087,646
Buildings and improvements	178,952,162	49,572,955	129,379,207
Art & Artifacts collection	2,379,826	-	2,379,826
Furniture and equipment	37,249,784	32,089,198	5,160,586
Construction in progress	<u>2,286,281</u>	<u>-</u>	<u>2,286,281</u>
	<u><u>\$ 251,338,425</u></u>	<u><u>\$ 87,912,435</u></u>	<u><u>\$ 163,425,990</u></u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PROPERTY, PLANT, AND EQUIPMENT – (continued)

		May 31, 2010	
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 17,746,871	\$ -	\$ 17,746,871
Land improvements	11,799,430	5,730,099	6,069,331
Buildings and improvements	170,980,587	45,695,179	125,285,408
Art collection	817,633	-	817,633
Furniture and equipment	37,772,856	29,190,309	8,582,547
Construction in progress	1,858,310	-	1,858,310
	<u>\$ 240,975,687</u>	<u>\$ 80,615,587</u>	<u>\$ 160,360,100</u>

NOTE 8 – BONDS PAYABLE

At May 31, bonds payable consist of the following:

	2011	2010
State of Oregon Revenue Bonds, 2008 Series A, interest rate of 0.20% to 0.41%, secured by a junior lien on the unrestricted assets of the College, payable in annual installments beginning October 2009 with maturity in 2032	\$ -	\$ 103,365,000
State of Oregon Revenue Bonds, 2011 Series A, fixed interest rates ranging from 4.00% to 5.75%, secured by a Uniform Commercial Code security interest in the unrestricted revenues of the College, payable in annual installments beginning October 2015, with maturity in October 2041	108,107,731	-
Total bonds payable	<u>\$ 108,107,731</u>	<u>\$ 103,365,000</u>

On March 7, 2011, the College entered into a loan agreement and trust indenture with the State of Oregon Facilities Authority that provided for the issuance of \$108,610,000 2011 Series A Revenue Bonds with mandatory final redemption on October 1, 2041. The bonds were issued to refund all of the College's 2008 Series A Bonds, and to finance the costs associated with construction of a new residence hall for students.

The 2008 bonds were issued to refund all outstanding prior bond issues. Proceeds of previous bonds were used for construction and expansion of classrooms, library and office facilities, student housing, landscaping, road and street improvements, acquisition of the Franciscan Renewal Center, and the Bicentennial Project, which included the renovation and expansion of Albany Hall. The bonds were payable from the College's unrestricted revenues.

NOTE 8 – BONDS PAYABLE – (continued)

Interest expense for all bonds payable was \$4,659,948 and \$4,530,401 for the years ended May 31, 2011 and 2010, respectively.

The fair value of the College's debt obligations is approximately \$111,900,000 at May 31, 2011.

Dates fixed for redemption occur annually on October 1, and continue through 2041. Total amounts subject to mandatory redemption will begin at \$580,000 on October 1, 2015, and increase annually to \$10,680,000 on October 1, 2041, net of associated amortizable discount of approximately \$502,000. The agreement contains certain restrictive covenants as to additional indebtedness, as defined in the agreement.

		2011 Bonds Repayment Requirements	
		Principal	Interest
Years ended May 31,	2012	\$ -	\$ 5,955,800
	2013	-	5,955,800
	2014	-	5,955,800
	2015	-	5,955,800
	2016	580,000	5,944,200
	Thereafter	107,527,731	110,496,731
		<u>\$ 108,107,731</u>	<u>\$ 140,264,131</u>

NOTE 9 – INTEREST RATE SWAPS

The College had used variable-rate debt to finance the acquisition of property, plant, and equipment as indicated in Note 8. These debt obligations had exposed the College to variability in interest payments due to changes in interest rates.

The College had swapped virtually 100% of its variable-rate cash flow exposure on these debt obligations for fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the College received variable-rate interest payments and made fixed interest rate payments, thereby creating substantially fixed interest rate payments on the related debt obligations. The College does not enter into derivative instruments for investment purposes. The College's existing swaps were contracted as cash flow hedges.

Since the College refinanced its variable rate debt with fixed rate bonds in March 2011, the interest rate swaps were no longer needed to hedge the variable rate exposure. The Board decided to terminate two of the four existing swaps with notional amounts of \$27,950,000 and \$14,535,000. One existing swap, with a notional amount of \$20,000,000, was novated into two \$10,000,000 nominal amount swaps. Additionally, the College paid approximately \$4,256,000 to terminate these swaps, resulting in a realized loss on termination of about \$2,100,000 which is included in the loss on interest rate swaps related to bonds on the statement of activities.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – INTEREST RATE SWAPS – (continued)

In March 2011, the College novated a 30-year swap to the Bank of New York, at a fixed rate of 3.85%. The notional amount at May 31, 2011 was equal to \$10,000,000.

Also in March 2011, the College novated a 30-year swap to Deutsche Bank, at a fixed rate of 3.85%. The notional amount at May 31, 2011 was equal to \$10,000,000. In January 2007, the College executed a 25-year swap with The Bank of New York at a fixed rate of 3.422%. The notional amount at May 31, 2011 and 2010 was equal to \$37,665,000 and \$38,075,000, respectively.

In each of these swaps, the College's variable-rate receipts are tied to a percentage of One-Month LIBOR.

Changes in the fair market value of the interest rate swaps are reported as unrealized gains or losses on interest rate swaps in unrestricted other revenue or expense in the Statement of Activities. As of May 31, 2011 and 2010, the valuation of the swap resulted in unrealized losses of \$184,255 and \$575,364, respectively, net of realized losses recognized on termination of swap agreements. Providing the College holds the swaps to maturity, the value of the derivatives will be zero. These swapping transactions can be terminated at market rates at anytime during the term of the swap.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	2011	2010
The portion of perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	\$ 4,194,578	\$ 3,783,271
With purpose restrictions:		
Scholarships	39,237,107	30,268,929
Chairs	12,401,819	8,676,733
Facilities	11,558,885	10,521,013
Departmental	4,180,697	2,651,855
Other	-	41,260
Total temporarily restricted endowment net assets	71,573,086	55,943,061
Split interest agreements	767,579	675,517
Student loans	1,540,362	1,746,889
Restricted for specific projects	9,369,009	10,339,143
Total temporarily restricted net assets	<u>\$ 83,250,036</u>	<u>\$ 68,704,610</u>

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of:

	<u>2011</u>	<u>2010</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 91,255,619</u>	<u>\$ 87,712,393</u>
Total endowments	91,255,619	87,712,393
Trusts held for endowment	5,084,135	6,876,351
Property held for College use in perpetuity	<u>7,195,361</u>	<u>7,195,361</u>
Total permanently restricted net assets	<u><u>\$ 103,535,115</u></u>	<u><u>\$ 101,784,105</u></u>

The income from these investments together with the income on net endowment investment gains is spendable for instruction, scholarships, distribution to trust beneficiaries and operations.

NOTE 12 – ENDOWMENTS

The College's endowment consists of approximately 500 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$692,255 and \$3,101,800 as of May 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

The College invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation of investments earned during the year is provided for program support. The College has adopted an endowment spending policy designed specifically to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. The spending policy attempts to achieve these two objectives by using a long-term targeted spending rate combined with a smoothing rule, which adjusts spending gradually to changes in the endowment market value.

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ENDOWMENTS – (continued)

The College uses a base spending rate of 4.50% of the sixteen quarter rolling average endowment market value. In addition, the Board has approved an annual supplemental amount to offset interest payments. This maximum supplemental spending rate was originally set at 1.50% of the rolling average endowment market value. In May 2009, the Board approved a revision to the maximum supplemental spending rate. Beginning with the 2011 fiscal year, the maximum supplemental spending rate was reduced by 0.10% per year until the maximum rate is 0.50%. The actual total spending rate was 5.20% (4.50% base and .70% supplemental) in 2011, although the maximum possible was 5.90%. The actual total spending rate was 6.00% (4.5% base and 1.50% supplemental) in 2010. In May 2009, the Board approved a base rate of 2.50% for endowments which are underwater. Supplemental spending is not allowed for underwater endowments.

Effective January 1, 2008, the State of Oregon enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees of the College has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) The investment policies of the College

Endowment net assets consist of the following at May 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (692,255)	\$ 71,573,086	\$ 91,255,619	\$ 162,136,450
Board-designated endowment funds	42,004,756	-	-	42,004,756
Total funds	<u>\$ 41,312,501</u>	<u>\$ 71,573,086</u>	<u>\$ 91,255,619</u>	<u>\$ 204,141,206</u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ENDOWMENTS – (continued)

Endowment net assets consist of the following at May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (3,101,800)	\$ 55,943,061	\$ 87,712,393	\$ 140,553,654
Board-designated endowment funds	38,756,015	-	-	38,756,015
Total funds	<u>\$ 35,654,215</u>	<u>\$ 55,943,061</u>	<u>\$ 87,712,393</u>	<u>\$ 179,309,669</u>

Changes in the endowment net assets for the year ended May 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2010	\$ 35,654,215	\$ 55,943,061	\$ 87,712,393	\$ 179,309,669
Investment return				
Investment income	311,892	1,610,828	-	1,922,720
Net appreciation (realized and unrealized)	5,167,927	26,674,109	-	31,842,036
Loss on real estate valuation	(240,775)	-	-	(240,775)
Total investment return	5,239,044	28,284,937	-	33,523,981
Contributions	380,600	-	2,985,242	3,365,842
Matured trusts and other transfers	(237,940)	(2,148,523)	557,984	(1,828,479)
Appropriation of endowment assets for expenditure	(2,132,963)	(8,096,844)	-	(10,229,807)
Change in underwater endowments	2,409,545	(2,409,545)	-	-
Endowment net assets, end of year May 31, 2011	<u>\$ 41,312,501</u>	<u>\$ 71,573,086</u>	<u>\$ 91,255,619</u>	<u>\$ 204,141,206</u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ENDOWMENTS – (continued)

Changes in the endowment net assets for the year ended May 31, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 1, 2009	\$ 30,654,619	\$ 48,336,801	\$ 86,609,224	\$ 165,600,644
Investment return				
Investment income	365,259	1,462,682	-	1,827,941
Net depreciation (realized and unrealized)	4,409,867	17,669,929	-	22,079,796
Loss on real estate valuation	(38,575)	-	-	(38,575)
Total investment return	4,736,551	19,132,611	-	23,869,162
Contributions	552,257	-	930,410	1,482,667
Matured trusts and other transfers	649,470	(388,045)	172,759	434,184
Appropriation of endowment assets for expenditure	(2,158,954)	(9,918,034)	-	(12,076,988)
Change in underwater endowments	1,220,272	(1,220,272)	-	-
Endowment net assets, end of year May 31, 2010	<u>\$ 35,654,215</u>	<u>\$ 55,943,061</u>	<u>\$ 87,712,393</u>	<u>\$ 179,309,669</u>

NOTE 13 – PENSION PLAN

The College participates in a contributory retirement plan covering substantially all personnel. All employees are eligible to make voluntary deferrals to the plan immediately upon employment. All regular employees working at least half time receive College contributions after one year of employment. The plan is administered by the Teachers' Insurance and Annuity Association and College Retirement Equities Fund.

Once an employee becomes eligible for the employer contribution, the College makes monthly payments of 9.00% of the employee's compensation. There is no requirement for the employee to make a contribution in order to receive the College's contribution. All funds vest immediately. The College has a contractual obligation, through May 31, 2012, to make 10.00% contributions on behalf of approximately 28 union employees. Aggregate retirement plan expense for the years ended May 31, 2011 and 2010, was approximately \$3,725,088 and \$3,464,964, respectively.

NOTE 14 – POST-RETIREMENT HEALTHCARE BENEFITS

In addition to providing pension benefits, the College provides certain health care benefits for retired employees. Employees who retire with at least five years of full-time service may purchase a Medicare supplement through the Retiree Medical Insurance Program. The College pays a portion of the premium.

The College recognizes the funded status of defined benefit post-retirement plans as either an asset or liability on the statement of financial position. The benefit plan is not funded in separate accounts and costs are paid from the College's general cash accounts on a pay-as-you-go basis.

Obligations and funded status at May 31 are as follows:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 1,560,546	\$ 1,468,398
Service cost	87,759	93,330
Interest cost	83,478	84,541
Actuarial gain	(135,798)	(38,863)
Benefits paid	<u>(52,140)</u>	<u>(46,860)</u>
 Benefit obligation, end of year	 <u><u>\$ 1,543,845</u></u>	 <u><u>\$ 1,560,546</u></u>
Reconciliation of funded status:		
End of year	\$ 1,543,845	\$ 1,560,546
Unrecognized net actuarial loss	<u>-</u>	<u>-</u>
 Net amount recognized	 <u><u>\$ 1,543,845</u></u>	 <u><u>\$ 1,560,546</u></u>
Amounts recognized in the statements of financial position:		
Accrued postretirement healthcare benefits liability	<u><u>\$ 1,543,845</u></u>	<u><u>\$ 1,560,546</u></u>
Amounts recognized in the accompanying statements of activities:		
Transition obligation	\$ 135,878	\$ 169,848
Net gain	<u>(590,427)</u>	<u>(482,750)</u>
 Total	 <u><u>\$ (454,549)</u></u>	 <u><u>\$ (312,902)</u></u>

LEWIS & CLARK COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – POST-RETIREMENT BENEFITS – (continued)

The net periodic benefit costs for the year ended May 31 included the following components:

	<u>2011</u>	<u>2010</u>
Net periodic benefit cost:		
Service cost	\$ 87,759	\$ 93,330
Interest cost	83,478	84,541
Amortization of prior service cost	33,970	33,970
Amortization of actuarial loss	<u>(44,953)</u>	<u>(34,755)</u>
Net periodic benefit cost	<u>\$ 160,254</u>	<u>\$ 177,086</u>

The discount rate used in determining the accumulated post-retirement benefit obligation was 5.50% at May 31, 2011 and 2010. To determine the accumulated post-retirement benefit obligation at May 31, 2011 and 2010, the College's portion of each eligible employee's total premium was assumed to remain at \$55 per month (\$660 per year). During the years ended May 31, 2011 and 2010, the College made healthcare insurance premium payments for the participants of approximately \$52,140 and \$46,860, respectively. As of May 31, 2011, the College's post-retirement healthcare benefit obligation is not funded, and management intends on funding such costs on a pay-as-you-go basis.

The healthcare insurance premium payments for the participants are expected to be paid as follows:

Years ending May 31, 2012	\$ 52,140
2013	52,140
2014	52,140
2015	52,140
2016	52,140
2017 through 2021 in the aggregate	<u>260,700</u>
	<u>\$ 521,400</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The College has placed its liability insurance coverage with the College Liability Insurance Company, Ltd. (CLIC), established by eight similar western colleges and universities for the purpose of providing liability insurance to higher education institutions. As a portion of its capital, CLIC has placed a \$2,000,000 standby letter of credit of which the College is contingently liable for a pro rata portion based upon premium contributions from covered institutions. In the event the losses of CLIC exceed its capital and secondary coverage, the maximum contingent liability exposure to the College is approximately \$243,000. As of May 31, 2011 and 2010, no amounts were outstanding against the standby letter of credit.

The College has placed certain of its medical insurance coverage with Pioneer Educators Health Trust (formerly Oregon Independent Colleges Employee Benefits Trust), formulated by seven similar western colleges and universities for the purpose of providing medical, dental and vision insurance to higher education institutions. Under the agreement, member institutions are required to make contributions to the fund at such times and in an amount as determined by the Trustees for the various benefit programs sufficient to provide the benefits, pay the administrative expenses of the Plan which are not otherwise paid by the College directly, and to establish and maintain a minimum reserve as determined by the Trustee. In the event losses of the Trust exceed its capital and secondary coverage, the maximum contingent liability exposure to the College is \$707,447. This exposure will fluctuate based on factors including changes in actuarial assumptions, medical trend rates and reinsurance amounts. The level of reinsurance is not expected to fluctuate significantly in the future.

The College has an operating line of credit totaling \$10,000,000 at a bank for the purpose of financing short-term operating cash flow requirements. Interest is due monthly at the prime interest rate (3.25% at May 31, 2011). The scheduled maturity on the line of credit is January 31, 2012. During the years ended and as of May 31, 2011 and 2010, no amounts were borrowed or outstanding on the line of credit.

The agreement establishes various positive and negative covenants, including liquid asset requirements.

The College receives and expends monies under federal grant programs and is subject to audits by governmental agencies. Management believes that any liabilities resulting from such audits will not have a material impact on the College.

The College is involved in legal proceedings, claims, and litigation arising in the ordinary course of operations. In the opinion of management, these matters will not materially affect the College's financial position.

NOTE 16 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and other investments, and accounts and loans receivable. The College places substantially all of its cash and liquid investments with financial institutions; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by an investment manager. Other receivables are due from a variety of sources.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Lewis & Clark College

We have audited the financial statements of Lewis & Clark College (the College) as of and for the year ended May 31, 2011, and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we would consider to be material weaknesses, as defined above.



REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – (continued)

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated September 28, 2011.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, management, others within the entity, Department of Education and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
September 28, 2011

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Lewis & Clark College

COMPLIANCE

We have audited Lewis & Clark College's (the College) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-01.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 – (continued)

INTERNAL CONTROL OVER COMPLIANCE

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 –
(continued)**

Lewis & Clark College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, management, others within the entity, Department of Education and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
September 28, 2011

LEWIS & CLARK COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial statements

The independent auditor's report expresses an unqualified opinion on the financial statements of Lewis & Clark College as of May 31, 2011, and for the year then ended.

Internal control over financial reporting:

- | | | | |
|---|---|---------|------------------------|
| ◆ | Material weakness(es) identified? | ___ yes | <u>✓</u> no |
| ◆ | Significant deficiency(ies) identified? | ___ yes | <u>✓</u> none reported |
| Noncompliance material to financial statements noted? | | ___ yes | <u>✓</u> no |

Federal awards

Internal control over major programs:

- | | | | |
|---|---|--------------|-------------------|
| ◆ | Material weakness(es) identified? | ___ yes | <u>✓</u> no |
| ◆ | Significant deficiency(ies) identified? | <u>✓</u> yes | ___ none reported |

The independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 for Lewis & Clark College expresses an unqualified opinion as of May 31, 2011, and for the year then ended.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

✓ yes ___ no

LEWIS & CLARK COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS – (continued)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
84.379	Teacher Education Assistance for College and Higher Education Grants
	Research and Development Cluster:
47.041	Engineering Grants
47.049	Mathematical and Physical Sciences
47.050	Geosciences
47.070	Computer and Information Science and Engineering
47.074	Biological Sciences
47.076	Education and Human Resources
27.011	Passed through National Science Foundation – Intergovernmental Personnel Act (IPA) Mobility Program
47.049	Passed through Willamette University – Mathematical and Physical Sciences
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders
93.859	Biomedical Research and Research Training

Dollar threshold used to distinguish
between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? ✓ yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2011-01 – Significant Deficiency: Special Tests and Provisions – Return of Title IV Funds for Withdrawn Students

Federal program – Student Financial Assistance Cluster

Federal agency – Department of Education

Criteria – Per 34CFR 668.22(j)(1), an institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition – The College had a total of seventy seven official withdrawals and four unofficial withdrawals during the 2010-2011 school year. We tested a total of thirteen official withdrawals and two unofficial withdrawals during our audit procedures. We noted that of the thirteen official withdrawals tested, four were incorrectly calculated, resulting in net additional funds to be returned to the federal agency. As a result of our testing, the College analyzed all remaining students who received federal funds and withdrew from the College during the Fall semester. The College's analysis resulted in an additional three students being identified for which additional federal funds were to be returned. We did not note any issues during our testing of the unofficial withdrawals.

Questioned costs – \$221 in additional funds to be returned to the federal agency.

Context – Instances noted were for students who officially withdrew during the Fall semester. The issue is for noncompliance with the deadlines for returning the funds as the returns were not calculated correctly and resulted in additional funds to be returned.

Effect – As inaccurate data was used to determine the Title IV funds required to be returned, there is a net amount due to the Department of Education which results in funds not being returned to the Department of Education within the required timeframe.

Cause – The incorrect calculations and resulting late payments are due to a lack of review of inputs used in the calculation of the amounts to be returned after a student withdraws.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – (continued)

Recommendation – We noted that in January, 2011, the College has implemented a policy to address the issues noted above. This policy specifically addresses the personnel assigned to various tasks (data entry and review), related completion timelines for these tasks and an overall review of the process. No issues of noncompliance were noted in our sample after the policy was in effect. However, we recommend the College continue to follow and enhance existing policies to ensure funds due to the Department of Education are calculated correctly, reviewed timely and returned within 45 days of determining the student's withdrawal date.

Views of responsible officials and planned corrective actions (unaudited) – The Director and Associate Director of Student Financial Services are in the process of compiling existing written policies and procedures in a central location. As a part of this process, they are adding and updating policies when necessary. The 2009-10 recommendation from Moss Adams did not mention the "Research and Development Department". The Director of Accounting manages the accounting for grants and will document those of her procedures that are not currently in written form.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDING 2010-01 – Significant Deficiency: Recording of Material Transactions

Condition – During our testing of non-federal grants receivable, we noted that a transaction had been posted to the general ledger accounts in the incorrect time period. The amount of the receivable was \$3,912,000 (at net present value) and, because of the magnitude of the adjustment, was considered a significant deficiency as defined by *Government Auditing Standards*.

Recommendation – We recommended the College improve the communication between the finance and advancement departments. We further recommended a review of all significant general ledger accounts to ensure that no significant misstatements have occurred, and that all critical accounts are reconciled and adjusted as necessary.

Current status – Resolved.

FINDING 2010-02 – Significant Deficiency: Special Tests and Provisions – Return of Title IV Funds for Withdrawn Students

Condition – During our review of Title IV fund calculations, we found three instances in which student withdrawals were not adequately monitored. This resulted in one return of Title IV funds not paid within 45 days after the College determined the student withdrew.

Recommendation – We recommended the College develop and implement policies to ensure funds due to the Department of Education are returned within 45 days of determining the student's withdrawal date.

Current status – Not resolved as instances of noncompliance were noted during the audit for the year ended May 31, 2011. Resulted in FINDING 2011-01.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – (continued)

FINDING 2010-03 – Significant Deficiency: Special Tests and Provisions – Eligibility/Allowable Costs

Condition – During our audit of federal work study, we noted two student timecards were not approved by a supervisor. During our audit of allowable costs for the R&D grants, we noted two students with time charged to the grant that did not have sufficient documentation of approved pay rates.

Recommendation – We recommended the College develop and implement policies to ensure proper authorizations are obtained from the appropriate supervisors before payroll is processed. We also recommended the College adopt an adequate payroll documentation retention policy.

Current status – Resolved.

SUPPLEMENTAL INFORMATION

LEWIS & CLARK COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2011

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures Federal
Department of the Treasury/Internal Revenue Service: Low Income Taxpayer Clinics	21.008		<u>\$ 76,928</u>
National Endowment for the Humanities: Promotion of the Humanities – Office of Digital Humanities	45.169		<u>22,718</u>
Institute of Museum and Library Services Grants to States	45.310		<u>31,721</u>
U.S. Department of Education: Student Financial Assistance Cluster: U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007		337,498
Federal Work Study Program	84.033		648,167
Federal Perkins Loan Program	84.038		- *
Federal Pell Grant Program	84.063		1,527,022
Federal Direct Student Loans	84.268		- *
Academic Competitiveness Grants	84.375		115,625
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		156,706
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>46,000</u>
Total Student Financial Assistance Cluster			<u>2,831,018</u>
Byrd Honors Scholarships	84.185		<u>25,500</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>15,410</u>
Indian Education - Special Programs for Indian Children	84.299B		<u>4,099</u>
Passed through the High Desert Education Service District: Fund for the Improvement of Education	84.215X		<u>39,202</u>
Passed through the Oregon University System: Improving Teacher Quality State Grants	84.367B	TR07.205481	<u>85,393</u>
Passed through University of California at Berkeley: National Writing Project Corp	84.928A	92-OR03	<u>63,260</u>
Total U.S. Department of Education			<u>3,063,882</u>

LEWIS & CLARK COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2011

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures Federal
Research and Development Cluster:			
National Science Foundation:			
Direct programs			
Engineering Grants	47.041		\$ 79,403
Mathematical and Physical Sciences	47.049		55,060
Geosciences	47.050		1,890
Computer and Information Science and Engineering	47.070		34,678
Biological Sciences	47.074		360,174
Education and Human Resources	47.076		23,267
Passed through National Science Foundation			
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	CHE-1127010	75,892
Passed through Willamette University			
Mathematical and Physical Sciences	47.049	WU-NSF01-08	9,107
Total National Science Foundation			<u>639,471</u>
Department of Health and Human Services – National Institutes of Health:			
Extramural Research Programs in the Neurosciences			
and Neurological Disorders	93.853		41,006
Biomedical Research and Research Training	93.859		<u>80,822</u>
Total Dept of Health and Human Services –			
National Institutes of Health			<u>121,828</u>
Total Research and Development Cluster			<u>761,299</u>
Total federal awards			<u>\$ 3,956,548</u>

* See notes 2 and 3

LEWIS & CLARK COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Lewis & Clark College under programs of the federal government for the year ended May 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lewis & Clark College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Lewis & Clark College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – NON-CASH FEDERAL FINANCIAL ASSISTANCE

Below is a detail of amounts of non-cash federal financial assistance provided to Lewis & Clark College for the year ended May 31, 2011. The amounts shown approximate loans made to eligible students by third party lenders. Lewis & Clark College's responsibility over these loans is to determine eligibility and act as the disbursing agent for the loans.

	<u>CFDA Number</u>	<u>Loans Advanced</u>
United States Department of Education Federal Direct Student Loans	84.268	\$ 45,255,356

The amount of loans made to Lewis & Clark College students in prior years for which the federal government is still at risk are held by independent third party lenders.

NOTE 4 – LOAN PROGRAM

The College administers the following loan program:

	<u>CFDA Number</u>	<u>Loans Advanced</u>	<u>Outstanding Balance at May 31, 2011</u>
United States Department of Education Federal Perkins Loan Program	84.038	\$ 1,176,424	\$ 8,478,733

An administrative cost allowance of \$ 47,057 was claimed for the 2010-2011 school year.