

**WAKE TECHNICAL COMMUNITY
COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wake Technical Community College Foundation, Inc. and Subsidiaries
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of Wake Technical Community College Foundation, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wake Technical Community College Foundation, Inc. and Subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed on pages 20 to 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Thomas, Judy & Duck, P.A.

September 1, 2016

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 2,260,900	\$	\$	\$ 2,260,900	\$ 1,396,523	\$	\$	\$ 1,396,523
Accounts Receivable - Related Party					573,896			573,896
Investments	864,693	2,927,475	3,548,157	7,340,325	1,298,877	2,714,628	3,146,459	7,159,964
Pledges Receivable - Net	47,750	240,300	169,467	457,517	20,490	255,292	339,707	615,489
Charitable Lead Annuity Trust - Net		47,949		47,949		39,958		39,958
Total Current Assets	<u>3,173,343</u>	<u>3,215,724</u>	<u>3,717,624</u>	<u>10,106,691</u>	<u>3,289,786</u>	<u>3,009,878</u>	<u>3,486,166</u>	<u>9,785,830</u>
Property and Equipment:								
Software	128,319			128,319	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)	(128,319)			(128,319)
Net Property and Equipment								
Other Assets:								
Pledges Receivable - Net	12,500	18,500	43,200	74,200		146,442	97,690	244,132
Land Held for Sale	267,412	746,918		1,014,330	267,412	744,814		1,012,226
Charitable Lead Annuity Trust - Net		1,565,637		1,565,637		1,551,511		1,551,511
Total Other Assets	<u>279,912</u>	<u>2,331,055</u>	<u>43,200</u>	<u>2,654,167</u>	<u>267,412</u>	<u>2,442,767</u>	<u>97,690</u>	<u>2,807,869</u>
Total Assets	<u>\$ 3,453,255</u>	<u>\$ 5,546,779</u>	<u>\$ 3,760,824</u>	<u>\$ 12,760,858</u>	<u>\$ 3,557,198</u>	<u>\$ 5,452,645</u>	<u>\$ 3,583,856</u>	<u>\$ 12,593,699</u>
LIABILITIES, EQUITY, AND NET ASSETS								
Liabilities:								
Accounts Payable	\$ 67	\$	\$	\$ 67	\$	\$	\$	\$
Total Liabilities	<u>67</u>			<u>67</u>				
Equity:								
Retained Earnings	<u>38,989</u>			<u>38,989</u>	<u>6,620</u>			<u>6,620</u>
Total Equity	<u>38,989</u>			<u>38,989</u>	<u>6,620</u>			<u>6,620</u>
Net Assets:								
Unrestricted	3,414,199			3,414,199	3,550,578			3,550,578
Temporarily Restricted		5,546,779		5,546,779		5,452,645		5,452,645
Permanently Restricted			3,760,824	3,760,824			3,583,856	3,583,856
Total Net Assets	<u>3,414,199</u>	<u>5,546,779</u>	<u>3,760,824</u>	<u>12,721,802</u>	<u>3,550,578</u>	<u>5,452,645</u>	<u>3,583,856</u>	<u>12,587,079</u>
Total Liabilities, Equity, and Net Assets	<u>\$ 3,453,255</u>	<u>\$ 5,546,779</u>	<u>\$ 3,760,824</u>	<u>\$ 12,760,858</u>	<u>\$ 3,557,198</u>	<u>\$ 5,452,645</u>	<u>\$ 3,583,856</u>	<u>\$ 12,593,699</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Contributions	\$ 163,606	\$ 1,112,355	\$ 222,866	\$ 1,498,827	\$ 320,545	\$ 611,668	\$ 521,398	\$ 1,453,611
Investment Income (Losses)	(70,527)	(17,501)	(747)	(88,775)	8,197	54,927	1,572	64,696
Gifts - in - Kind	710,375	1,782,803		2,493,178	596,846	2,257,726		2,854,572
Product Sales		206,517		206,517		213,125		213,125
Other Income	5,655	63,238		68,893	6,751	25,798		32,549
Total Support and Revenues	809,109	3,147,412	222,119	4,178,640	932,339	3,163,244	522,970	4,618,553
Net Assets Released from Restrictions	3,159,347	(3,159,347)			3,100,775	(3,100,775)		
Expenses:								
Program Support	3,430,980			3,430,980	3,349,046			3,349,046
Management and General	253,753			253,753	271,579			271,579
Fundraising	359,184			359,184	290,821			290,821
Total Expenses	4,043,917			4,043,917	3,911,446			3,911,446
Change in Net Assets	(75,461)	(11,935)	222,119	134,723	121,668	62,469	522,970	707,107
Transfers	(60,918)	106,069	(45,151)					
Sales and Revenue:								
Energy Rebate	78,285			78,285	77,985			77,985
Other Income	262			262	295			295
Total Sales and Revenue	78,547			78,547	78,280			78,280
Expenses:								
Management and General	46,178			46,178	68,007			68,007
Total Expenses	46,178			46,178	68,007			68,007
Net Income	32,369			32,369	10,273			10,273
Retained Earnings (Deficit), Beginning of Year	6,620			6,620	(3,653)			(3,653)
Retained Earnings, End of Year	38,989			38,989	6,620			6,620
Net Assets, Beginning of Year	3,550,578	5,452,645	3,583,856	12,587,079	3,428,910	5,390,176	3,060,886	11,879,972
Net Assets, End of Year	<u>\$ 3,414,199</u>	<u>\$ 5,546,779</u>	<u>\$ 3,760,824</u>	<u>\$ 12,721,802</u>	<u>\$ 3,550,578</u>	<u>\$ 5,452,645</u>	<u>\$ 3,583,856</u>	<u>\$ 12,587,079</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2016 and 2015

	2016					2015						
	General Support	Student Support	Total Program Support	Management and General	Fundraising	Total	General Support	Student Support	Total Program Support	Management and General	Fundraising	Total
Gifts - in - Kind	\$ 1,945,425	\$	\$ 1,945,425	\$ 215,967	\$ 331,786	\$ 2,493,178	\$ 2,117,754	\$	\$ 2,117,754	\$ 176,887	\$ 269,930	\$ 2,564,571
General Program Support	7,247	27	7,274	34		7,308	1,638		1,638	43		1,681
Scholarships		375,505	375,505			375,505		269,166	269,166			269,166
Foster Care Program		42,813	42,813			42,813		49,097	49,097			49,097
Student Financial Assistance	1,298	25,526	26,824			26,824	1,035	12,152	13,187			13,187
Tuition Assistance	63,029		63,029			63,029	82,105		82,105			82,105
Faculty Recognition	32,731		32,731			32,731	16,135		16,135			16,135
Event Expenses	23,535		23,535			23,535	24,667		24,667	1,172		25,839
Professional Contract of Servi	68,131		68,131			68,131	28,932		28,932	35,000		63,932
Travel and Meeting Expense	124,889	12,193	137,082	911	125	138,118	90,176		90,176	849		91,025
Audit and Tax Compliance Fees				9,460		9,460				8,200		8,200
Support and Training	21,492		21,492	1,259	17,937	40,688	26,984		26,984	4,199	13,261	44,444
Supplies	368,762		368,762	1,883		370,645	407,579		407,579	1,182		408,761
Meals/Food	40,298		40,298	4,424	989	45,711	25,962		25,962	6,205	1,701	33,868
Salaries	107,186		107,186	18,900		126,086	53,069		53,069	15,505		68,574
Dues, Subscriptions, and Memberships	7,368		7,368	3,736		11,104	1,520		1,520	2,810		4,330
Printing, Postage, and Publications	162,418		162,418	1,822	2,204	166,444	118,261		118,261	952	319	119,532
Donor Recognition	455		455	240	6,143	6,838	6,332		6,332	1,611	5,610	13,553
Legal Fees				988		988	207		207	3,485		3,692
Lobbying				15,095		15,095						
Bad Debt Expense, Net of Recoveries				(27,000)		(27,000)				(1,526)		(1,526)
Banking Fees				5,982		5,982				6,247		6,247
Repairs and Maintenance				5,755		5,755				12,120		12,120
Rent Expense				4,000		4,000				4,000		4,000
Lease Expense				37,130		37,130				37,130		37,130
Other	652		652	(655)		(3)		16,275	16,275	23,515		39,790
	<u>\$ 2,974,916</u>	<u>\$ 456,064</u>	<u>\$ 3,430,980</u>	<u>\$ 299,931</u>	<u>\$ 359,184</u>	<u>\$ 4,090,095</u>	<u>\$ 3,002,356</u>	<u>\$ 346,690</u>	<u>\$ 3,349,046</u>	<u>\$ 339,586</u>	<u>\$ 290,821</u>	<u>\$ 3,979,453</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in Net Assets and Net Income	\$ 167,092	\$ 717,380
Adjustments to Reconcile Changes in Net Assets and Net Income to Net Cash Provided by Operating Activities:		
Amortization of Charitable Lead Annuity Trust	(62,866)	(61,920)
Gain on Sale of Land		(43,452)
Net Depreciation in Fair Value of Investments	125,298	352,938
Net Realized (Gain) Loss on Sale of Investments	226,911	(66,039)
Change in Discount on Long Term Pledges Receivable	(15,700)	52,000
Change in Allowance for Doubtful Accounts	(27,000)	3,000
Donated Land		(296,713)
Changes in Assets and Liabilities:		
Accounts Receivable		12,655
Pledges Receivable	370,604	394,018
Charitable Lead Annuity Trust	40,749	33,958
Accounts Payable	67	
Contributions Restricted for Long Term Purposes:		
Contributions	(222,866)	(521,398)
Net Cash Provided by Operating Activities	602,289	576,427
Cash Flows from Investing Activities:		
Sale of Investments	2,728,925	4,926,432
Purchase of Investments	(3,261,495)	(5,461,451)
Purchase of Land Held for Sale	(2,104)	(271,755)
Accounts Receivable from Sale of Land	573,896	(573,895)
Proceeds from Sale of Land		573,895
Net Cash Provided (Used) by Investing Activities	39,222	(806,774)
Cash Flows from Financing Activities:		
Collections of Contributions Restricted for Long Term Purposes	222,866	521,398
Net Cash Provided by Financing Activities	222,866	521,398
Net Increase in Cash and Cash Equivalents	864,377	291,051
Cash and Cash Equivalents, Beginning of Year	1,396,523	1,105,472
Cash and Cash Equivalents, End of Year	\$ 2,260,900	\$ 1,396,523

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. Business Operations and Summary of Significant Accounting Policies

Business Operations

Wake Technical Community College Foundation, Inc. (the "Wake Tech Foundation") is a nonprofit organization established to operate exclusively for charitable and educational purposes, in order to receive funds from corporate and individual contributors which are used in support of and benefit to Wake Technical Community College ("College") in such a manner deemed necessary and appropriate by the Board of Directors of the Foundation.

Principles of Consolidation

The consolidated financial statements include the accounts of Wake Technical Community College Foundation, Inc., Wake Tech Innovations, Inc., and LS Selma, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Wake Tech Innovations, Inc. ("Innovations"), a for-profit corporation, was formed in May 2012 to construct, operate, and maintain a solar photovoltaic array. Wake Technical Community College Foundation, Inc. owns 100% of Innovations common stock. No amounts were paid for the common stock.

The books and records of Wake Technical Community College Foundation, Inc. include the accounts of LS Selma, LLC ("Selma"), a for-profit limited liability company, which was formed in December 2012 to receive, maintain, and sell donated land. Selma is wholly-owned by Wake Technical Community College Foundation, Inc.

Wake Technical Community College Foundation, Inc., Wake Tech Innovations, Inc., and LS Selma, LLC are collectively referred to as the "Foundation".

Financial Statement Presentation

The Foundation has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under these provisions, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Effective for the year ended June 30, 2015, the Foundation has adopted FASB ASC 958-720-50-3, and subsections as it relates to *Related Party Transactions and Common Control* and ASU 2013-06, *Not-for-Profit Entities: Services Rendered from Personnel of an Affiliate*. Under these provisions, the Foundation is required to report information regarding its services received from personnel of the College and the services are to be recognized at fair market value.

Contributions

The Foundation has adopted FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Although restricted contributions typically are reported as support that increases restricted nets assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. Business Operations and Summary of Significant Accounting Policies (Continued)

Investments

Investments consist primarily of assets invested in marketable equity and debt securities. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections as it relates to *Accounting for Certain Investments Held By Not-for-Profit Organizations*. This standard requires that investments in equity securities with readily determinable fair value and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gains or losses in investments are reflected in the accompanying consolidated statements of activities.

Investments are exposed to various risks such as significant world events, 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 fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity at date of purchase of three months or less to be cash equivalents. As of June 30, 2016 and 2015, the Foundation had \$779,832 and \$37,231 of cash equivalents, respectively.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contributions. The discount rate used to reflect the present value of estimated future cash flows was 4% for the years ended June 30, 2016 and 2015. Pledges receivable are stated at the amount management expects to collect from outstanding balances. If an outstanding balance was deemed to be uncollectible, it would be charged against bad debt expense in the year such determination was made. The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance at June 30, 2016 and 2015 was \$60,000 and \$87,000, respectively.

Net Assets

Net assets of the Foundation and changes therein are classified and reported 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 stipulations that may or will be met by action of the Foundation and/or passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. Business Operations and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Net Assets Released from Restrictions – The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

Functional expenses of the Foundation are classified and reported as follows:

General Support – funds used to supply support for faculty, staff, students, and the overall College.

Student Support – funds used to support the needs of students.

Management and General – funds used for the general operation and management of the Foundation.

Fundraising – funds used to support donors and expenses to raise funds for the overall programs.

Use of Estimates

The preparation of the Foundation's 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 and disclosure of contingent assets and liabilities at the date of the statements of financial position and the reported amounts of revenues and expenses included in the statements of activities. Actual results could differ from those estimates.

Property and Equipment

Expenditures for property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statements of activities for the period. The estimated useful life of software included within property and equipment for the purpose of computing depreciation is three years.

Depreciation expense for the years ended June 30, 2016 and 2015 was \$0.

Accounting for Uncertainty in Income Taxes

The Wake Tech Foundation is exempt from income taxes as a nonprofit organization under Internal Revenue Service ("IRS") code section 501(c)(3). During the years ended June 30, 2016 and 2015, the Foundation reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. Business Operations and Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes (Continued)

Wake Tech Innovations, Inc. accounts for uncertainties using the asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Foundation has adopted the provisions of FASB ASC 740-10-25 as it relates to *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Foundation's consolidated financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, no liability for unrecognized tax benefits will be recorded. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax years in progress. For the years ended June 30, 2016 and 2015, there were no interest or penalties recorded or included in its consolidated financial statements.

Endowments

The Foundation adopted the provisions of FASB ASC 958-205 and subsections as it relates to *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Acts of 2006 ("UPMIFA") and is effective for fiscal years ending after December 15, 2008. UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), and whether or not the organization is subject to UPMIFA.

2. Concentrations of Credit Risk

The Foundation occasionally maintains deposits in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the Foundation's uninsured cash balances totaled \$1,044,150.

3. Deposits

All funds of the Foundation are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Foundation may establish time deposit accounts, money market accounts, and certificates of deposit. At June 30, 2016 and 2015, the Foundation's cash balances of \$504,762 and \$501,176 are on deposit with the State Treasurer.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

3. Deposits (Continued)

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local government unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer. Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2016, the Foundation's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

4. Fair Value Measurements

FASB ASC 820-10 and subsections as it relates to *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2016 and 2015, all of the Foundation's financial instruments are Level 1.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

5. Investments

Investments are reported at fair market values based on quotation from national securities exchanges or brokerage firms. The fair value of investments at June 30, 2016 and 2015 is comprised of the following:

	2016		
	Fair Value	Cost	Unrealized Gain
<i>Financial Assets:</i>			
Mutual Funds:			
Large Cap Blend	\$ 1,810,911	\$ 1,596,292	\$ 214,619
International	889,938	958,248	(68,310)
Fixed Income	3,118,096	3,175,984	(57,888)
Alternatives	1,027,561	1,038,054	(10,493)
Commodities	241,708	334,973	(93,265)
Real Estate	252,111	192,445	59,666
Total	<u>\$ 7,340,325</u>	<u>\$ 7,295,996</u>	<u>\$ 44,329</u>
	2015		
	Fair Value	Cost	Unrealized Gain
<i>Financial Assets:</i>			
Mutual Funds:			
Large Cap Blend	\$ 1,670,267	\$ 1,455,564	\$ 214,703
Mid Cap Blend	285,221	289,694	(4,473)
Small Cap Blend	215,259	214,707	552
International	1,423,455	1,401,482	21,973
Fixed Income	2,065,439	2,093,747	(28,308)
Alternatives	1,085,662	1,090,254	(4,592)
Commodities	196,481	252,443	(55,962)
Real Estate	218,180	192,446	25,734
Total	<u>\$ 7,159,964</u>	<u>\$ 6,990,337</u>	<u>\$ 169,627</u>

The Foundation realized gains (losses) of \$(226,911) and \$66,039 from the sale of investments for the years ended June 30, 2016 and 2015, respectively. For purposes of determining the gain or loss on sale, the cost of the investment is based on the average cost of all shares of each such investment fund at the date of the sale. Investment income is recorded net of investment fees. Investment fees for the years ended June 30, 2016 and 2015 were \$37,385 and \$37,238, respectively.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

6. Endowment Fund

The Foundation's endowment consists of approximately 64 individual funds established for a variety of purposes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 Foundation 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 Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

Endowment net assets consist of the following:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ _____	\$ 541,794	\$ 3,760,824	\$ 4,302,618
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ _____	\$ 408,029	\$ 3,583,856	\$ 3,991,885

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Foundation has adopted specific guidelines for both equity and fixed income investments. The guidelines for equity investments include equity holdings that may only be selected from the New York, America, Regional and Major Foreign Stock Exchanges, or the NASDAQ markets. No individual security managed by any one investment manager should exceed 5% (at cost) of the total assets contained in their respective portfolio. Holdings must represent companies meeting the minimum capitalization of \$50 million with high market liquidity. Allocations to any non-US equity portfolio will have no more than 30% in any one country. The overall portfolio should be reflective of a balanced and broad based asset allocation. For fixed income securities, investment securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and other factors. No investments of a single issuer (with the exception of the U.S. Government and its agencies) should exceed 10% (at cost) of the total assets contained in any one manager's portfolio. Only preferred stocks or corporate debt securities that have a Standard and Poor's rating or a Moody's rating of Investment Grade or higher may be purchased or held. Fixed income portfolio duration shall not exceed the Lehman Brothers Government/Credit Intermediate Bond Index by 1 ½ years. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's or Moody's.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

6. Endowment Fund (Continued)

The investment manager is prohibited from investing in private placements and from speculating in fixed income or interest rate futures, swaps and derivatives.

The Foundation's goal is to yield investment return over a five-year period such that each endowment may fund payouts of 4% per year, based on the size of the endowment, toward the scholarship or other intended purpose. In years where the investment income is negative 5% or greater, no allocations are authorized without a specific vote of the Board of Directors.

Changes in the endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ _____	\$ 401,503	\$ 3,060,886	\$ 3,462,389
Investment return:				
Investment income (losses)		273,664	858	274,522
Net appreciation (depreciation)		227,757	714	228,471
Total investment return		<u>501,421</u>	<u>1,572</u>	<u>502,993</u>
Contributions		44,770	521,398	566,168
Payout of endowment assets for expenditure		<u>(539,665)</u>		<u>(539,665)</u>
Endowment net assets, June 30, 2015		408,029	3,583,856	3,991,885
Investment return:				
Investment income (losses)		49,162	2,099	51,261
Net appreciation (depreciation)		<u>(66,663)</u>	<u>(2,846)</u>	<u>(69,509)</u>
Total investment return		<u>(17,501)</u>	<u>(747)</u>	<u>(18,248)</u>
Transfers		219,810	(45,151)	174,659
Contributions		356,374	222,866	579,240
Payout of endowment assets for expenditure		<u>(424,918)</u>		<u>(424,918)</u>
Endowment net assets, June 30, 2016	<u>\$ _____</u>	<u>\$ 541,794</u>	<u>\$ 3,760,824</u>	<u>\$ 4,302,618</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below what the donor requires the Foundation to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. As of June 30, 2016 and 2015, there were no deficiencies.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

7. Pledges Receivable

The Foundation receives pledges to support scholarships, financial assistance and other programs. Pledge receivables consisted of the following at June 30:

	2016	2015
Receivable in less than one year	\$ 457,517	\$ 615,489
Receivable in one to five years	169,500	382,132
Total unconditional promises to give	627,017	997,621
Less: discounts to net present value	(35,300)	(51,000)
Less: allowance for doubtful pledges	(60,000)	(87,000)
Net unconditional promises to give	\$ 531,717	\$ 859,621

8. Charitable Lead Annuity Trust

The Foundation is the beneficiary of a charitable lead annuity trust. The Foundation recorded amortization of the discount associated with the estimated present value of the receivable in the amounts of \$62,866 and \$61,920 as a contribution for the years ended June 30, 2016 and 2015.

The status of the amounts recorded under the charitable lead annuity trust are as follows as of June 30:

	2016	2015
Remaining annual payments	\$ 2,245,896	\$ 2,286,645
Less: Discount at 4 percent	(632,310)	(695,176)
Present value of amounts receivable	1,613,586	1,591,469
Less: Current portion of present value	(47,949)	(39,958)
Long term portion of present value	\$ 1,565,637	\$ 1,551,511

The charitable lead annuity trust is scheduled to be received as follows:

	2016	2015
Within one year	\$ 47,949	\$ 39,958
Two to five years	314,989	213,513
Thereafter	1,882,958	2,033,174
	\$ 2,245,896	\$ 2,286,645

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

9. Restrictions on Net Assets

Temporarily restricted net assets are composed of the following as of June 30:

	2016	2015
Student Success and Support	\$ 1,679,538	\$ 1,279,614
College Educational Support	466,788	476,573
Programs and Special Operations	3,400,453	3,696,458
	\$ 5,546,779	\$ 5,452,645

Permanently restricted net assets are related to investments invested in perpetuity, with the income available to support the following purpose:

	2016	2015
Student Support (Scholarships, Foster Care Program, Curriculum)	\$ 3,760,824	\$ 3,583,856

10. Related Party Transactions

During the years ended June 30, 2016 and 2015, the College provided office space, utilities, hardware, software, and other office equipment to the Foundation without charge. The amounts are considered immaterial and therefore not recorded as in-kind contributions.

Under an operating agreement between the College and the Foundation for the years ended June 30, 2016 and 2015, the College agreed to retain and fund experienced personnel for the Foundation. The employees shall be considered employees of the College. With the adoption of FASB ASC 958-720-50-3, the Foundation recognized \$682,387 and \$586,663 of personnel costs for the years ended June 30, 2016 and 2015, respectively.

All accounts payable are owed to the College under an agreement with the College that includes reimbursement for related expenses.

During the year ended June 30, 2015, the Foundation sold a parcel of land to the College resulting in a gain of \$43,452. At June 30, 2015, \$573,896 was due from the College related to the sale.

11. Leases

The Foundation leases rooftop space under an operating lease with the College that expires July 2032 and requires an annual payment of \$4,000. The rooftop space is used to house solar energy equipment leased under a separate lease with a bank.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

11. Leases (Continued)

During 2012, the Foundation constructed and subsequently sold solar energy equipment to a bank at its cost of \$1,246,366. Concurrent with the sale, the Foundation leased back the equipment under an operating lease with the bank for 10 years with monthly payments of \$2,898. The transaction was accounted for as a sale-leaseback transaction by the Foundation. The lease is considered an operating lease. The solar equipment generates energy rebates which are paid for by the utility company.

Total rent expense for the rooftop space for the years ended June 30, 2016 and 2015 was \$4,000. Total lease expense for the solar energy equipment for the years ended June 30, 2016 and 2015 was \$34,776.

Total future minimum lease payments under these leases are as follows:

Year Ending June 30	Rent Amount	Lease Amount
2017	\$ 4,000	\$ 34,776
2018	4,000	34,776
2019	4,000	34,776
2020	4,000	34,776
2021	4,000	34,776
Thereafter	40,000	46,368
Total	\$ 60,000	\$ 220,248

12. Income Taxes

There is no provision for income taxes for Wake Tech Innovations, Inc. as it has no taxable income.

The provision for income taxes differs from applying the statutory U.S federal income tax rate to income before income taxes. The primary differences result from net operating loss carryforwards.

Significant components of deferred tax assets and liabilities are as follows:

	2016	2015
Deferred Tax Assets	\$ 10,900	\$ 13,500
Valuation Allowance	(10,900)	(13,500)
Net Deferred Tax Asset	\$	\$

As of June 30, 2016, the Foundation had federal and state net operating losses of approximately \$49,000. These net losses begin to expire in 2018 and 2023.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

13. Endowment Funds Held By Others

The Foundation is the specified beneficiary of the Woman's Club of Cary – Dorothy Schmelzeis Endowment held at the North Carolina Community Foundation ("Community Foundation"). The Community Foundation distributes income at a specified rate to the Foundation. The Foundation does not meet the criteria of FASB ASC 958-605 to recognize the endowment as an asset of the Foundation. During the years ended June 30, 2016 and 2015 the Women's Club of Cary – Dorothy Schmelzeis Endowment distributed \$2,810 and \$1,500 to the Foundation, respectively.

14. Contributed Services and Materials

The Foundation reports gifts of furniture, equipment and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Foundation recognizes contributions of services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed specialized services and property and equipment in the amounts of \$2,493,178 and \$2,854,572 have been recognized in the accompanying consolidated statements of activities for the years ended June 30, 2016 and 2015, respectively.

15. Concentrations

Thirty two percent (32%) of pledges receivable at June 30, 2016 were due from two donors. Forty percent (40%) of pledges receivable at June 30, 2015 were due from two donors.

The Foundation received support in the form of a gift-in-kind of approximately 71% from three donors for the year ended June 30, 2016 and 68% from four donors for the year ended June 30, 2015. A significant reduction in this level of support, if it were to occur, could have a significant impact on the Foundation's programs and activities.

16. Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no impact on change in net assets or net assets.

17. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 1, 2016, which is the date the financial statements were available to be issued.

In July 2016, the Foundation purchased a plot of land for \$170,000. This land was purchased to provide additional space around the main campus of the College.

SUPPLEMENTARY INFORMATION

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2016

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,963,642	\$ 297,258	\$	\$ 2,260,900
Related Party Receivable	346,687		(346,687)	
Investments	7,340,325			7,340,325
Pledges Receivable - Net	457,517			457,517
Charitable Lead Annuity Trust - Current Portion	47,949			47,949
Total Current Assets	10,156,120	297,258	(346,687)	10,106,691
Property and Equipment:				
Software	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)
Net Property and Equipment				
Other Assets:				
Pledges Receivable - Net	74,200			74,200
Land Held for Sale	1,014,330			1,014,330
Charitable Lead Annuity Trust - Net	1,565,637			1,565,637
Investments	(49,429)		49,429	
Total Other Assets	2,604,738		49,429	2,654,167
Total Assets	\$ 12,760,858	\$ 297,258	\$ (297,258)	\$ 12,760,858
LIABILITIES, EQUITY, AND NET ASSETS				
Liabilities:				
Accounts Payable	\$ 67	\$ 11,724	\$ (11,724)	\$ 67
Related Party Loan		334,963	(334,963)	
Total Liabilities	67	346,687	(346,687)	67
Equity:				
Retained Earnings (Deficit)		(49,429)	88,418	38,989
Total Equity		(49,429)	88,418	38,989
Net Assets:				
Unrestricted	3,453,188		(38,989)	3,414,199
Temporarily Restricted	5,546,779			5,546,779
Permanently Restricted	3,760,824			3,760,824
Total Net Assets	12,760,791		(38,989)	12,721,802
Total Liabilities, Equity, and Net Assets	\$ 12,760,858	\$ 297,258	\$ (297,258)	\$ 12,760,858

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
Changes in Net Assets:				
Support and Revenues:				
Contributions	\$ 1,498,827	\$	\$	\$ 1,498,827
Investment Income (Losses)	(68,123)		(20,652)	(88,775)
Gifts - in - Kind	2,493,178			2,493,178
Product Sales	206,517			206,517
Other Income	80,610		(11,717)	68,893
Total Support and Revenues	<u>4,211,009</u>		<u>(32,369)</u>	<u>4,178,640</u>
Expenses:				
Program Support	3,430,980			3,430,980
Management and General	253,753			253,753
Fundraising	359,184			359,184
Total Expenses	<u>4,043,917</u>			<u>4,043,917</u>
Change in Net Assets	<u>167,092</u>		<u>(32,369)</u>	<u>134,723</u>
Sales and Revenue:				
Energy Rebate		78,285		78,285
Other Income		262		262
Total Sales and Revenue		<u>78,547</u>		<u>78,547</u>
Expenses:				
Management and General		66,830	(20,652)	46,178
Total Expenses		<u>66,830</u>	<u>(20,652)</u>	<u>46,178</u>
Net Income		<u>11,717</u>	<u>20,652</u>	<u>32,369</u>
Retained Earnings (Deficit), Beginning of Year		<u>(61,146)</u>	<u>67,766</u>	<u>6,620</u>
Retained Earnings (Deficit), End of Year		<u>(49,429)</u>	<u>88,418</u>	<u>38,989</u>
Net Assets, Beginning of Year	<u>12,593,699</u>		<u>(6,620)</u>	<u>12,587,079</u>
Net Assets, End of Year	<u>\$ 12,760,791</u>	<u>\$</u>	<u>\$ (38,989)</u>	<u>\$ 12,721,802</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Total
Gifts - in - Kind	\$ 2,493,178	\$	\$ 2,493,178
General Program Support	7,308		7,308
Scholarships	375,505		375,505
Foster Care Program	42,813		42,813
Student Financial Assistance	26,824		26,824
Tuition Assistance	63,029		63,029
Faculty Recognition	32,731		32,731
Event Expenses	23,535		23,535
Professional Contract of Services	68,131		68,131
Travel and Meeting Expense	138,118		138,118
Audit and Tax Compliance Fees	9,400	60	9,460
Support and Training	40,688		40,688
Supplies	370,645		370,645
Meals/Food	45,711		45,711
Salaries	126,086		126,086
Dues, Subscriptions, and Memberships	11,104		11,104
Printing, Postage, and Publications	166,444		166,444
Donor Recognition	6,838		6,838
Legal Fees	472	516	988
Lobbying	15,095		15,095
Bad Debt Expense, Net of Recoveries	(27,000)		(27,000)
Banking Fees	5,937	45	5,982
Repairs and Maintenance		5,755	5,755
Rent Expense		4,000	4,000
Lease Expense		37,130	37,130
Other	1,325	(1,328)	(3)
Total Expenses	<u>\$ 4,043,917</u>	<u>\$ 46,178</u>	<u>\$ 4,090,095</u>