

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

Consolidated Financial Statements

June 30, 2014 and 2013

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3 - 4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 21
SUPPLEMENTARY INFORMATION	
Schedule of Consolidating Statement of Financial Position	22
Schedule of Consolidating Statement of Activities	23
Schedule of Consolidating Statement of Functional Expenses	24

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Wake Technical Community College Foundation, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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 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.

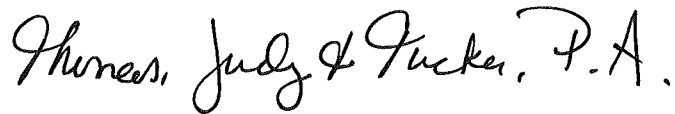
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 subsidiary as of June 30, 2014 and 2013, 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.

Other Matter

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 22-24 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.

A handwritten signature in black ink that reads "Thomas, Judy & Tucker, P.A.". The signature is written in a cursive, flowing style.

August 12, 2014

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,105,472	\$	\$	\$ 1,105,472
Accounts Receivable	3,897	8,759		12,656
Prepaid Rent				
Investments	1,286,087	3,209,476	2,416,281	6,911,844
Pledges Receivable - net	55,600	257,792	342,377	655,769
Charitable Lead Annuity Trust - Current Portion		33,286		33,286
Total Current Assets	<u>2,451,056</u>	<u>3,509,313</u>	<u>2,758,658</u>	<u>8,719,027</u>
Property and Equipment:				
Wall of Honor				
Software	128,319			128,319
Accumulated Depreciation	<u>(128,319)</u>			<u>(128,319)</u>
Net Property and Equipment				
Pledges Receivable - net		350,642	302,228	652,870
Land Held for Sale	974,201			974,201
Charitable Lead Annuity Trust - net		<u>1,530,221</u>		<u>1,530,221</u>
Total Assets	<u>\$ 3,425,257</u>	<u>\$ 5,390,176</u>	<u>\$ 3,060,886</u>	<u>\$ 11,876,319</u>
LIABILITIES, EQUITY, AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$	\$	\$	\$
Total Current Liabilities				
Equity:				
Retained Earnings (Deficit)	<u>(3,653)</u>			<u>(3,653)</u>
Total Equity	<u>(3,653)</u>			<u>(3,653)</u>
Net Assets:				
Unrestricted	3,428,910			3,428,910
Temporarily Restricted		5,390,176		5,390,176
Permanently Restricted			3,060,886	3,060,886
Total Net Assets	<u>3,428,910</u>	<u>5,390,176</u>	<u>3,060,886</u>	<u>11,879,972</u>
Total Liabilities, Equity, and Net Assets	<u>\$ 3,425,257</u>	<u>\$ 5,390,176</u>	<u>\$ 3,060,886</u>	<u>\$ 11,876,319</u>

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 996,041	\$	\$	\$ 996,041
3,247	12,325		15,572
4,000			4,000
1,412,822	2,556,004	2,140,301	6,109,127
46,850	103,100	94,083	244,033
<u>2,462,960</u>	<u>2,671,429</u>	<u>2,234,384</u>	<u>7,368,773</u>
33,478			33,478
128,319			128,319
(129,566)			(129,566)
<u>32,231</u>			<u>32,231</u>
7,608	887,733	639,099	1,534,440
418,435			418,435
<u>\$ 2,921,234</u>	<u>\$ 3,559,162</u>	<u>\$ 2,873,483</u>	<u>\$ 9,353,879</u>
\$ 10,964	\$	\$	\$ 10,964
<u>10,964</u>			<u>10,964</u>
(22,835)			(22,835)
<u>(22,835)</u>			<u>(22,835)</u>
2,933,105			2,933,105
	3,559,162		3,559,162
		2,873,483	2,873,483
<u>2,933,105</u>	<u>3,559,162</u>	<u>2,873,483</u>	<u>9,365,750</u>
<u>\$ 2,921,234</u>	<u>\$ 3,559,162</u>	<u>\$ 2,873,483</u>	<u>\$ 9,353,879</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Net Assets:				
Support and Revenues:				
Contributions	\$ 327,111	\$ 2,091,319	\$ 179,032	\$ 2,597,462
Investment Income	492,680	315,770	8,371	816,821
Gifts - in - Kind	16,899	867,557		884,456
Product Sales		169,970		169,970
Other Income	12,015	52,142		64,157
Total Support and Revenues	<u>848,705</u>	<u>3,496,758</u>	<u>187,403</u>	<u>4,532,866</u>
Net Assets Released from Restrictions	<u>1,665,744</u>	<u>(1,665,744)</u>		
Expenses:				
Program Support	1,791,555			1,791,555
Management and General	194,544			194,544
Fundraising	32,545			32,545
Total Expenses	<u>2,018,644</u>			<u>2,018,644</u>
Change in Net Assets	<u>495,805</u>	<u>1,831,014</u>	<u>187,403</u>	<u>2,514,222</u>
Sales and Revenue:				
Energy Rebate	76,845			76,845
Other Income	335			335
Total Sales and Revenue	<u>77,180</u>			<u>77,180</u>
Expenses:				
Management and General	<u>57,998</u>			<u>57,998</u>
Total Expenses	<u>57,998</u>			<u>57,998</u>
Net Income (Loss)	19,182			19,182
Retained Earnings (Deficit), Beginning of Year	<u>(22,835)</u>			<u>(22,835)</u>
Retained Earnings (Deficit), End of Year	<u>(3,653)</u>			<u>(3,653)</u>
Net Assets, Beginning of Year	<u>2,933,105</u>	<u>3,559,162</u>	<u>2,873,483</u>	<u>9,365,750</u>
Net Assets, End of Year	<u>\$ 3,428,910</u>	<u>\$ 5,390,176</u>	<u>\$ 3,060,886</u>	<u>\$ 11,879,972</u>

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 257,090	\$ 1,579,595	\$ 904,755	\$ 2,741,440
284,152	139,905	3,126	427,183
15,430	1,703,351		1,718,781
	137,731		137,731
30,000	150,505		180,505
586,672	3,711,087	907,881	5,205,640
2,085,246	(2,085,246)		
2,085,244			2,085,244
298,863			298,863
70,962			70,962
2,455,069			2,455,069
216,849	1,625,841	907,881	2,750,571
43,785			43,785
332			332
44,117			44,117
66,952			66,952
66,952			66,952
(22,835)			(22,835)
(22,835)			(22,835)
2,716,256	1,933,321	1,965,602	6,615,179
\$ 2,933,105	\$ 3,559,162	\$ 2,873,483	\$ 9,365,750

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

	2014					
	General Support	Student Support	Total Program Support	Management and General	Fundraising	Total
Gifts - in - Kind	\$ 874,253	\$	\$ 874,253	\$ 4,345	\$	\$ 878,598
General Program						
Support	4,782	1,750	6,532	35		6,567
Scholarships		285,107	285,107			285,107
Foster Care Program		54,910	54,910			54,910
Student Financial						
Assistance	705	15,475	16,180			16,180
Tuition Assistance	55,725		55,725			55,725
Faculty Recognition	22,135		22,135			22,135
Event Expenses	73,902		73,902	12,574		86,476
Professional Contract						
of Services	31,839		31,839			31,839
Travel and Meeting Expense	72,780		72,780	3,620	50	76,450
Audit and Tax Compliance						
Fees				11,390		11,390
Support and Training	17,871		17,871	24,318	70	42,259
Supplies	153,963		153,963	1,400		155,363
Meals/Food	18,626		18,626	2,963	1,133	22,722
Salaries	12,843		12,843	19,438	18,667	50,948
Dues, Subscriptions, and						
Memberships	1,455		1,455	3,056		4,511
Printing, Postage, and						
Publications	88,736		88,736	1,597	(204)	90,129
Donor Recognition	2,911		2,911	842	12,079	15,832
Legal Fees	300		300	225		525
Bad Debt Expense				63,082		63,082
Banking Fees				6,862		6,862
Lobbying Expense						
Repairs and Maintenance				5,691		5,691
Depreciation				32,231		32,231
Rent Expense				4,000		4,000
Lease Expense				37,130		37,130
Other	563	924	1,487	17,743	750	19,980
	<u>\$ 1,433,389</u>	<u>\$ 358,166</u>	<u>\$ 1,791,555</u>	<u>\$ 252,542</u>	<u>\$ 32,545</u>	<u>\$ 2,076,642</u>

2013					
General Support	Student Support	Total Program Support	Management and General	Fundraising	Total
\$ 1,328,781	\$	\$ 1,328,781	\$	\$	\$ 1,328,781
4,995		4,995	19		5,014
	255,587	255,587			255,587
	80,178	80,178			80,178
2,100	18,395	20,495			20,495
62,108		62,108			62,108
16,661		16,661			16,661
50,743		50,743	29,796		80,539
37,975		37,975	6,024	10,323	54,322
51,827		51,827	2,646	160	54,633
			9,400		9,400
6,437		6,437	48,305	1,955	56,697
35,925		35,925	2,205		38,130
18,196		18,196	3,079	6,354	27,629
8,157		8,157	18,620	21,475	48,252
3,385		3,385	2,698		6,083
93,752		93,752	456	1,955	96,163
1,296		1,296	2,973	28,498	32,767
			17,652		17,652
			109,100		109,100
			9,817		9,817
			14,000		14,000
			45,005		45,005
			4,000		4,000
			24,753		24,753
8,746		8,746	15,267	242	24,255
<u>\$ 1,731,084</u>	<u>\$ 354,160</u>	<u>\$ 2,085,244</u>	<u>\$ 365,815</u>	<u>\$ 70,962</u>	<u>\$ 2,522,021</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in Net Assets and Net Loss	\$ 2,533,404	\$ 2,727,736
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,925	45,005
Loss on Disposal of Property and Equipment	19,306	
Net Appreciation (Depreciation) in Fair Value of Investments	(493,605)	160,758
Net Realized Gain on Sale of Investments	(170,664)	(451,484)
Change in Discount on Long Term Pledges	24,975	91,255
Change in Allowance for Doubtful Accounts	27,291	112,000
Donated Land		(390,000)
Changes in Assets and Liabilities:		
Accounts Receivable	2,916	87,262
Pledges Receivable	417,568	(1,449,790)
Prepaid Rent	4,000	(4,000)
Charitable Lead Annuity Trust	(1,563,507)	
Accounts Payable	(10,964)	10,964
Contributions Restricted for Long Term Purposes:		
Contributions	(179,032)	(904,755)
Net Cash Provided by Operating Activities	<u>624,613</u>	<u>34,951</u>
Cash Flows from Investing Activities:		
Sales of Investments	5,392,077	6,038,583
Purchases of Investments	(5,530,525)	(6,747,679)
Additions to Land Held for Sale	(555,766)	(28,435)
Additions to Property and Equipment		(1,246,366)
Proceeds from Sale of Property and Equipment		1,246,366
Net Cash Used in Investing Activities	<u>(694,214)</u>	<u>(737,531)</u>
Cash Flows from Financing Activities:		
Collections of Contributions Restricted for Long Term Purposes	179,032	904,755
Net Cash Provided by Financing Activities	<u>179,032</u>	<u>904,755</u>
Net Increase in Cash and Cash Equivalents	109,431	202,175
Cash and Cash Equivalents, Beginning of Year	<u>996,041</u>	<u>793,866</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,105,472</u>	<u>\$ 996,041</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. Business Operations and Summary of Significant Accounting Policies

Business Operations

Wake Technical Community College Foundation, Inc. (the "Foundation") is a nonprofit organization established to operate exclusively for charitable and educational purposes, in order to receive funds from business and individual contributors which are used in support 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.

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 net 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.

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 gain or loss on investments is reflected in the statements of changes in net assets.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Investments (Continued)

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 statement of financial position.

Cash and Cash Equivalents

For purposes of the statement 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, 2014 and 2013, the Foundation had \$48,043 and \$24,715 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, 2014 and 2013. 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, 2014 and 2013 was \$90,000 and \$112,000, 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.

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 statement of activities as net assets released from restrictions.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Functional Expenses

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

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

Student Support – established to support the needs of students.

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

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

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 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, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities for the period. The estimated useful lives of property and equipment for the purpose of computing depreciation are:

Wall of Honor	15 years
Software	3 years

Depreciation expense for the years ended June 30, 2014 and 2013 was \$12,925 and \$45,005, respectively.

Accounting for Uncertainty in Income Taxes

The Foundation is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3). During the years ended June 30, 2014 and 2013, 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 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.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Accounting for Uncertainty in Income Taxes (Continued)

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 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. The Foundation is no longer subject to income tax examinations for the years prior to 2011. For the years ended June 30, 2014 and 2013, there were no interest or penalties recorded or included in its 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, 2014, the Foundation's uninsured cash balances totaled \$617,168.

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, 2014 and 2013, the Foundation's cash balances of \$523 and \$520 are on deposit with the State Treasurer.

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, 2014, the Foundation's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

The following table sets forth the level within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2014 and 2013. It does not reflect cash and cash equivalents of \$48,043 and \$24,715 held in brokerage accounts at June 30, 2014 and 2013, respectively.

	2014			
	Level 1	Level 2	Level 3	Total
<i>Financial Assets:</i>				
Mutual Funds:				
Large Cap Value	\$ 573,196	\$	\$	\$ 573,196
Large Cap Blend	773,877			773,877
Large Cap Growth	577,808			577,808
International	1,211,383			1,211,383
Fixed Income	2,369,257			2,369,257
Alternatives	980,494			980,494
Commodities	205,761			205,761
Real Estate	220,068			220,068
Total	<u>\$ 6,911,844</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,911,844</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

4. Fair Value Measurements (Continued)

	2013			Total
	Level 1	Level 2	Level 3	
<i>Financial Assets:</i>				
Mutual Funds:				
Large Cap Value	\$ 236,825	\$	\$	\$ 236,825
Large Cap Blend	1,024,763			1,024,763
Large Cap Growth	224,466			224,466
International	964,825			964,825
Fixed Income	1,931,242			1,931,242
Credit Strategies	258,492			258,492
Alternatives	1,068,837			1,068,837
Commodities	222,508			222,508
Real Estate	177,169			177,169
Total	<u>\$ 6,109,127</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,109,127</u>

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, 2014 and 2013 is comprised of the following:

	2014		
	Fair Value	Cost	Unrealized Gain
Mutual Funds	<u>\$ 6,911,844</u>	<u>\$ 6,383,295</u>	<u>\$ 528,549</u>
	2013		
	Fair Value	Cost	Unrealized Gain
Mutual Funds	<u>\$ 6,109,127</u>	<u>\$ 6,068,455</u>	<u>\$ 40,672</u>

The Foundation realized gains of \$170,664 and \$451,484 from the sale of investments for the years ended June 30, 2014 and 2013, 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 and included in realized and unrealized gains and losses. Investment fees for the years ended June 30, 2014 and 2013 were \$34,710 and \$28,280, respectively.

6. Endowment Fund

The Foundation's endowment consists of approximately 48 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.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

6. Endowment Fund (Continued)

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:

2014			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ 401,503	\$ 3,060,886	\$ 3,462,389

2013			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ 341,995	\$ 2,873,483	\$ 3,215,478

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.

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

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

6. Endowment Fund (Continued)

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, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ _____	\$ 331,708	\$ 1,965,602	\$ 2,297,310
Investment return:				
Investment income (losses)		60,293	1,129	61,422
Net appreciation (depreciation)	_____	<u>6,572</u>	<u>1,997</u>	<u>8,569</u>
Total investment return	_____	<u>66,865</u>	<u>3,126</u>	<u>69,991</u>
Contributions			904,755	904,755
Payout of endowment assets for expenditure	_____	<u>(56,578)</u>	_____	<u>(56,578)</u>
Endowment net assets, June 30, 2013		341,995	2,873,483	3,215,478
Investment return:				
Investment income (losses)		131,108	1,826	132,934
Net appreciation (depreciation)	_____	<u>97,188</u>	<u>6,545</u>	<u>103,733</u>
Total investment return	_____	<u>228,296</u>	<u>8,371</u>	<u>238,667</u>
Contributions			179,032	179,032
Payout of endowment assets For expenditures	_____	<u>(168,788)</u>	_____	<u>(168,788)</u>
Endowment net assets, June 30, 2014	\$ _____	\$ 401,503	\$ 3,060,886	\$ 3,462,389

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, 2014 and 2013, there were no deficiencies.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

7. Pledges Receivable

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

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 655,769	\$ 244,033
Receivable in one to five years	845,870	1,672,340
Receivable in five or more years		110,000
Total unconditional promises to give	<u>1,501,639</u>	<u>2,026,373</u>
Less: discounts to net present value	(103,000)	(135,900)
Less: allowance for doubtful pledges	<u>(90,000)</u>	<u>(112,000)</u>
Net unconditional promises to give	<u>\$ 1,308,639</u>	<u>\$ 1,778,473</u>

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 \$45,211 and \$0 as a contribution for the years ended June 30, 2014 and 2013.

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

	<u>2014</u>	<u>2013</u>
Remaining annual payments	\$ 2,320,603	\$
Less: Discount at 4 percent	<u>(757,096)</u>	<u></u>
Present value of amounts receivable	1,563,507	
Less: Current portion of present value	<u>(33,286)</u>	<u></u>
Long term portion of present value	<u>\$ 1,530,221</u>	<u>\$</u>

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

	<u>2014</u>	<u>2013</u>
Within one year	\$ 33,958	\$
Two to five years	218,742	
Thereafter	<u>2,067,903</u>	<u></u>
	<u>\$ 2,320,603</u>	<u>\$</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

9. Restrictions on Net Assets

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

	<u>2014</u>	<u>2013</u>
Scholarships, financial assistance	\$ 997,686	\$ 1,096,760
Curriculum	461,627	457,072
Building and grounds	<u>3,930,863</u>	<u>2,005,330</u>
	<u>\$ 5,390,176</u>	<u>\$ 3,559,162</u>

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

	<u>2014</u>	<u>2013</u>
Student Support (Scholarships, Foster Care Program, Curriculum)	<u>\$ 3,060,886</u>	<u>\$ 2,873,483</u>

10. Related Party Transactions

During the years ended June 30, 2014 and 2013, the College provided office space, utilities, hardware, software, and other office equipment to the Foundation without charge.

Under an operating agreement between the College and the Foundation for the years ended June 30, 2014 and 2013, the College agreed to retain and fund experienced personnel for the Foundation. The employees shall be considered employees of the College.

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

During the years ended June 30, 2014 and 2013, the College paid legal fees to a board member of \$37,204 and \$0, respectively, for work performed on behalf of the Foundation.

11. Leases

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

During 2012, the Foundation constructed and subsequently sold solar energy equipment to a bank at its costs 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.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

11. Leases (Continued)

Total rent expense for the rooftop space at June 30, 2014 and 2013 was \$4,000 and \$4,000, respectively. Total lease expense for the solar energy equipment at June 30, 2014 and 2013 was \$34,776 and \$24,753, respectively.

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

Year Ending June 30	Rent Amount	Lease Amount
2015	\$ 4,000	\$ 34,776
2016	4,000	34,776
2017	4,000	34,776
2018	4,000	34,776
2019	4,000	34,776
Thereafter	<u>48,000</u>	<u>115,920</u>
Total	<u>\$ 68,000</u>	<u>\$ 289,800</u>

12. Income Taxes

The provision for income taxes for Wake Tech Innovations, Inc. is as follows:

	2014	2013
Current	\$	\$
Deferred	<u></u>	<u></u>
Provision for Income Taxes	<u>\$</u>	<u>\$</u>

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:

	2014	2013
Deferred Tax Assets	\$ 10,800	\$ 5,900
Valuation Allowance	<u>(10,800)</u>	<u>(5,900)</u>
Net Deferred Tax Asset	<u>\$</u>	<u>\$</u>

As of June 30, 2014, 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 SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

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, 2014 and 2013 the Women's Club of Cary – Dorothy Schmelzeis Endowment distributed \$2,630 and \$2,540 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, property and equipment in the amounts of \$884,456 and \$1,718,781 have been recognized in the accompanying statement of activities for the years ended June 30, 2014 and 2013, respectively.

15. Concentrations

Forty percent (40%) of pledges receivable at June 30, 2014 were due from two donors. Thirty percent (30%) of pledges receivable at June 30, 2013 were due from one donor.

The Foundation received support in the form of a gift-in-kind of approximately 64% from one donor for the year ended June 30, 2014 and 71% from three donors for the year ended June 30, 2013. 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. 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 August 12, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Elimination	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 754,745	\$ 350,727	\$	\$ 1,105,472
Accounts Receivable	8,756	3,900		12,656
Related Party Receivable	403,687		(403,687)	
Investments	6,911,844			6,911,844
Pledges Receivable - net	655,769			655,769
Charitable Lead Annuity Trust	33,286			33,286
Total Current Assets	<u>8,768,087</u>	<u>354,627</u>	<u>(403,687)</u>	<u>8,719,027</u>
Property and Equipment:				
Wall of Honor				
Software	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)
Net Property and Equipment				
Pledges Receivable - net	652,870			652,870
Land Held for Sale	974,201			974,201
Charitable Lead Annuity Trust	1,530,221			1,530,221
Investments	(49,060)		49,060	
Total Assets	<u>\$ 11,876,319</u>	<u>\$ 354,627</u>	<u>\$ (354,627)</u>	<u>\$ 11,876,319</u>
LIABILITIES, EQUITY, AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$	\$ 7,916	(7,916)	\$
Related Party Loan		395,771	(395,771)	
Total Current Liabilities		<u>403,687</u>	<u>(403,687)</u>	
Equity:				
Retained Earnings (Deficit)		(49,060)	45,407	(3,653)
Total Equity		<u>(49,060)</u>	<u>45,407</u>	<u>(3,653)</u>
Net Assets:				
Unrestricted	3,425,257		3,653	3,428,910
Temporarily Restricted	5,390,176			5,390,176
Permanently Restricted	3,060,886			3,060,886
Total Net Assets	<u>11,876,319</u>		<u>3,653</u>	<u>11,879,972</u>
Total Liabilities, Equity, and Net Assets	<u>\$ 11,876,319</u>	<u>\$ 354,627</u>	<u>\$ (354,627)</u>	<u>\$ 11,876,319</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
Changes in Net Assets:				
Support and Revenues:				
Contributions	\$ 2,597,462	\$	\$	\$ 2,597,462
Investment Income (Losses)	836,952		(20,131)	816,821
Gifts - in - Kind	884,456			884,456
Product Sales	169,970			169,970
Other Income	33,932		30,225	64,157
Total Support and Revenues	<u>4,522,772</u>	<u></u>	<u>10,094</u>	<u>4,532,866</u>
Net Assets Released from from Restrictions				
Expenses:				
Program Support	1,791,555			1,791,555
Management and General	194,544			194,544
Fundraising	32,545			32,545
Total Expenses	<u>2,018,644</u>	<u></u>	<u></u>	<u>2,018,644</u>
Change in Net Assets	<u>2,504,128</u>	<u></u>	<u>10,094</u>	<u>2,514,222</u>
Sales and Revenue:				
Energy Rebate		76,845		76,845
Other Income		335		335
Total Sales and Revenue		<u>77,180</u>	<u></u>	<u>77,180</u>
Expenses:				
Management and General		78,129	(20,131)	57,998
Total Expenses		<u>78,129</u>	<u>(20,131)</u>	<u>57,998</u>
Net Income (Loss)		<u>(949)</u>	<u>20,131</u>	<u>19,182</u>
Retained Earnings (Deficit), Beginning of Year		<u>(48,111)</u>	<u>25,276</u>	<u>(22,835)</u>
Retained Earnings (Deficit), End of Year		<u>(49,060)</u>	<u>45,407</u>	<u>(3,653)</u>
Net Assets, Beginning of Year	<u>9,372,191</u>	<u></u>	<u>(6,441)</u>	<u>9,365,750</u>
Net Assets, End of Year	<u>\$ 11,876,319</u>	<u>\$</u>	<u>\$ 3,653</u>	<u>\$ 11,879,972</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Total
Gifts - in - Kind	\$ 878,598	\$	\$ 878,598
General Program Support	6,567		6,567
Scholarships	285,107		285,107
Foster Care Program	54,910		54,910
Student Financial Assistance	16,180		16,180
Tuition Assistance	55,725		55,725
Faculty Recognition	22,135		22,135
Event Expenses	86,476		86,476
Professional Contract of Services	31,839		31,839
Travel and Meeting Expense	76,450		76,450
Audit and Tax Compliance Fees	11,390		11,390
Support and Training	42,259		42,259
Supplies	155,363		155,363
Meals/Food	22,722		22,722
Salaries	50,948		50,948
Dues, Subscriptions, and Memberships	4,511		4,511
Printing, Postage, and Publications	90,129		90,129
Donor Recognition	15,832		15,832
Legal Fees	300	225	525
Bad Debt Expense	63,082		63,082
Banking Fees	6,802	60	6,862
Repairs and Maintenance		5,691	5,691
Depreciation	32,231		32,231
Rent Expense		4,000	4,000
Lease Expense		37,130	37,130
Other	9,088	10,892	19,980
Total Expenses	\$ 2,018,644	\$ 57,998	\$ 2,076,642