

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

Consolidated Financial Statements

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 19 to 21 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 & Packer, P.A.

August 23, 2018

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 1,638,264	\$	\$	\$ 1,638,264	\$ 1,550,348	\$	\$	\$ 1,550,348
Prepaid Income Taxes	114			114	3,128			3,128
Investments	3,628,175	3,200,580	4,425,893	11,254,648	2,199,141	3,313,756	3,876,721	9,389,618
Pledges Receivable - Net	5,525	179,138	241,440	426,103	24,260	113,916	137,430	275,606
Sales Tax Receivables	2,867			2,867				
Charitable Lead Annuity Trust - Net		69,005		69,005		57,521		57,521
Total Current Assets	5,274,945	3,448,723	4,667,333	13,391,001	3,776,877	3,485,193	4,014,151	11,276,221
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		52,727	483,735	536,462		65,584	149,500	215,084
Land Held for Sale	267,412	748,819		1,016,231	267,412	748,819		1,016,231
Charitable Lead Annuity Trust - Net		1,564,586		1,564,586		1,570,758		1,570,758
Total Other Assets	267,412	2,366,132	483,735	3,117,279	267,412	2,385,161	149,500	2,802,073
Total Assets	\$ 5,542,357	\$ 5,814,855	\$ 5,151,068	\$ 16,508,280	\$ 4,044,289	\$ 5,870,354	\$ 4,163,651	\$ 14,078,294
LIABILITIES, EQUITY, AND NET ASSETS								
Liabilities:								
Accounts Payable	\$ 12,503	\$	\$	\$ 12,503	\$ 4,000	\$	\$	\$ 4,000
Total Liabilities	12,503			12,503	4,000			4,000
Equity:								
Retained Earnings	72,859			72,859	45,917			45,917
Total Equity	72,859			72,859	45,917			45,917
Net Assets:								
Unrestricted	3,956,995			3,956,995	3,994,372			3,994,372
Unrestricted, Designated	1,500,000			1,500,000				
Temporarily Restricted		5,814,855		5,814,855		5,870,354		5,870,354
Permanently Restricted			5,151,068	5,151,068			4,163,651	4,163,651
Total Net Assets	5,456,995	5,814,855	5,151,068	16,422,918	3,994,372	5,870,354	4,163,651	14,028,377
Total Liabilities, Equity, and Net Assets	\$ 5,542,357	\$ 5,814,855	\$ 5,151,068	\$ 16,508,280	\$ 4,044,289	\$ 5,870,354	\$ 4,163,651	\$ 14,078,294

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:								
Contributions	\$ 1,703,536	\$ 825,863	\$ 986,636	\$ 3,516,035	\$ 243,421	\$ 843,517	\$ 399,184	\$ 1,486,122
Investment Income	43,947	146,673	781	191,401	468,377	382,528	3,643	854,548
Gifts - in - Kind	769,831	1,756,607		2,526,438	832,585	1,710,373		2,542,958
Product Sales		23,577		23,577		41,191		41,191
Other Income	240	94,844		95,084	36,763	91,463		128,226
Total Support and Revenues	<u>2,517,554</u>	<u>2,847,564</u>	<u>987,417</u>	<u>6,352,535</u>	<u>1,581,146</u>	<u>3,069,072</u>	<u>402,827</u>	<u>5,053,045</u>
Net Assets Released from Restrictions	<u>2,903,063</u>	<u>(2,903,063)</u>			<u>2,745,497</u>	<u>(2,745,497)</u>		
Expenses:								
Program Support	2,973,259			2,973,259	2,819,186			2,819,186
Management and General	543,936			543,936	489,890			489,890
Fundraising	440,799			440,799	437,394			437,394
Total Expenses	<u>3,957,994</u>			<u>3,957,994</u>	<u>3,746,470</u>			<u>3,746,470</u>
Change in Net Assets	<u>1,462,623</u>	<u>(55,499)</u>	<u>987,417</u>	<u>2,394,541</u>	<u>580,173</u>	<u>323,575</u>	<u>402,827</u>	<u>1,306,575</u>
Sales and Revenue:								
Energy Rebate	79,260			79,260	73,957			73,957
Other Income	189			189	235			235
Total Sales and Revenue	<u>79,449</u>			<u>79,449</u>	<u>74,192</u>			<u>74,192</u>
Expenses:								
Management and General	45,895			45,895	51,995			51,995
Total Expenses	<u>45,895</u>			<u>45,895</u>	<u>51,995</u>			<u>51,995</u>
Net Income Before Income Taxes	33,554			33,554	22,197			22,197
Income Taxes	6,612			6,612	15,269			15,269
Net Income	<u>26,942</u>			<u>26,942</u>	<u>6,928</u>			<u>6,928</u>
Retained Earnings, Beginning of Year	45,917			45,917	38,989			38,989
Retained Earnings, End of Year	<u>72,859</u>			<u>72,859</u>	<u>45,917</u>			<u>45,917</u>
Net Assets, Beginning of Year	3,994,372	5,870,354	4,163,651	14,028,377	3,414,199	5,546,779	3,760,824	12,721,802
Net Assets, End of Year	<u>\$ 5,456,995</u>	<u>\$ 5,814,855</u>	<u>\$ 5,151,068</u>	<u>\$ 16,422,918</u>	<u>\$ 3,994,372</u>	<u>\$ 5,870,354</u>	<u>\$ 4,163,651</u>	<u>\$ 14,028,377</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017

	2018					2017						
	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	\$ 1,756,607	\$	\$ 1,756,607	\$ 341,319	\$ 428,511	\$ 2,526,437	\$ 1,710,373	\$	\$ 1,710,373	\$ 421,449	\$ 411,135	\$ 2,542,957
General Program Support	7,794	42,050	49,844	4,483		54,327	19,575	834	20,409	100		20,509
Scholarships		531,237	531,237			531,237		419,629	419,629			419,629
Foster Care Program		75,408	75,408			75,408		44,590	44,590			44,590
Student Financial Assistance	230	13,747	13,977			13,977	2,375	34,063	36,438			36,438
Tuition Assistance	43,451		43,451			43,451	49,642		49,642			49,642
Faculty Recognition	20,500		20,500			20,500	15,536		15,536			15,536
Event Expenses	50,398		50,398	75,266		125,664	31,943		31,943	5,486		37,429
Professional Contract of Services	18,316		18,316	35,938		54,254	50,182		50,182	7,586		57,768
Travel and Meeting Expense	29,162	1,841	31,003	1,006	1,145	33,154	40,416	(2,400)	38,016	710		38,726
Audit and Tax Compliance Fees				12,543		12,543				10,300		10,300
Support and Training	17,961		17,961	7,180	4,625	29,766	22,754		22,754	3,769	21,561	48,084
Supplies	210,172		210,172	8,007		218,179	175,048		175,048	2,749		177,797
Meals/Food	59,208		59,208	6,332	224	65,764	51,328		51,328	4,185		55,513
Salaries	79,374		79,374	3,225	1,550	84,149	126,774		126,774	14,650	2,800	144,224
Dues, Subscriptions, and Memberships	3,015		3,015	749		3,764	6,669		6,669	5,410		12,079
Printing, Postage, and Publications	8,252		8,252	700	450	9,402	17,193		17,193	873	272	18,338
Donor Recognition	204		204	560	4,294	5,058	556		556	3,357	1,626	5,539
Legal Fees										222		222
Bad Debt Expense, Net of Recoveries				40,500		40,500				(633)		(633)
Banking Fees				6,024		6,024				4,684		4,684
Repairs and Maintenance										5,755		5,755
Rent Expense				4,000		4,000				4,000		4,000
Lease Expense				37,303		37,303				37,159		37,159
Other	4,332		4,332	4,696		9,028	2,106		2,106	10,074		12,180
	<u>\$ 2,308,976</u>	<u>\$ 664,283</u>	<u>\$ 2,973,259</u>	<u>\$ 589,831</u>	<u>\$ 440,799</u>	<u>\$ 4,003,889</u>	<u>\$ 2,322,470</u>	<u>\$ 496,716</u>	<u>\$ 2,819,186</u>	<u>\$ 541,885</u>	<u>\$ 437,394</u>	<u>\$ 3,798,465</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in Net Assets and Net Income	\$ 2,421,483	\$ 1,313,503
Adjustments to Reconcile Changes in Net Assets and Net Income to Net Cash Provided by Operating Activities:		
Amortization of Charitable Lead Annuity Trust	(63,991)	(63,593)
Net Appreciation in Fair Value of Investments	(18,928)	(280,379)
Net Realized (Gain) Loss on Sale of Investments	69,088	(285,753)
Realized Gain on Sale of Land		(11,634)
Change in Discount on Long Term Pledges Receivable	59,000	6,700
Change in Allowance for Doubtful Accounts	37,000	(29,000)
Changes in Assets and Liabilities:		
Prepaid Income Taxes	3,014	(3,128)
Pledges Receivable	(567,875)	63,327
Sales Tax Receivables	(2,867)	
Charitable Lead Annuity Trust	58,679	48,900
Accounts Payable	8,503	3,933
Contributions Restricted for Long Term Purposes	(986,636)	(399,184)
Net Cash Provided by Operating Activities	1,016,470	363,692
Cash Flows from Investing Activities:		
Sale of Investments	10,551,855	368,642
Purchase of Investments	(12,467,045)	(1,851,803)
Purchase of Land Held for Sale		(172,697)
Proceeds from Land Held for Sale		182,430
Net Cash Used by Investing Activities	(1,915,190)	(1,473,428)
Cash Flows from Financing Activities:		
Collections of Contributions Restricted for Long Term Purposes	986,636	399,184
Net Cash Provided by Financing Activities	986,636	399,184
Net Increase (Decrease) in Cash and Cash Equivalents	87,916	(710,552)
Cash and Cash Equivalents, Beginning of Year	1,550,348	2,260,900
Cash and Cash Equivalents, End of Year	\$ 1,638,264	\$ 1,550,348

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 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.

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, 2018 and 2017

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, 2018 and 2017, the Foundation had \$362,201 and \$80,860 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, 2018 and 2017. 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, 2018 and 2017 was \$68,000 and \$31,000, 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, 2018 and 2017

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, 2018 and 2017 was \$0.

Accounting for Uncertainty in Income Taxes

The 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, 2018 and 2017, 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, 2018 and 2017

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 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, 2018 and 2017, there were no interest or penalties recorded or included in the 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, 2018, the Foundation's uninsured cash balances totaled \$277,805.

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, 2018 and 2017, the Foundation's cash balances of \$617,720 and \$509,752 are on deposit with the State Treasurer.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018, 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, 2018 and 2017, all of the Foundation's financial instruments are Level 1.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Endowment Fund

The Foundation's endowment consists of approximately 70 individual funds established for a variety of purposes. The endowments include both donor restricted endowment funds and internally designated funds to function as endowments. 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:

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$	\$ 914,800	\$ 5,151,068	\$ 6,065,868
Designated endowment funds	<u>1,400,000</u>	<u> </u>	<u> </u>	<u>1,400,000</u>
Total	<u>\$ 1,400,000</u>	<u>\$ 914,800</u>	<u>\$ 5,151,068</u>	<u>\$ 7,465,868</u>
	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$</u>	<u>\$ 923,319</u>	<u>\$ 4,163,651</u>	<u>\$ 5,086,970</u>

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
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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, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	<u>\$ _____</u>	<u>\$ 541,794</u>	<u>\$ 3,760,824</u>	<u>\$ 4,302,618</u>
Investment return:				
Investment income		250,230	2,448	252,678
Net appreciation		<u>122,192</u>	<u>1,195</u>	<u>123,387</u>
Total investment return		<u>372,422</u>	<u>3,643</u>	<u>376,065</u>
Contributions		443,908	399,184	843,092
Payout of endowment assets for expenditure		<u>(434,805)</u>		<u>(434,805)</u>
Endowment net assets, June 30, 2017		923,319	4,163,651	5,086,970
Investment return:				
Investment income		61,877	525	62,402
Net appreciation		<u>30,216</u>	<u>256</u>	<u>30,472</u>
Total investment return		<u>92,093</u>	<u>781</u>	<u>92,874</u>
Contributions	1,400,000	40,480	986,636	2,427,116
Payout of endowment assets for expenditure		<u>(141,092)</u>		<u>(141,092)</u>
Endowment net assets, June 30, 2018	<u>\$ 1,400,000</u>	<u>\$ 914,800</u>	<u>\$ 5,151,068</u>	<u>\$ 7,465,868</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, 2018 and 2017, there were no deficiencies.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
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7. Pledges Receivable

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

	2018	2017
Receivable in less than one year	\$ 426,103	\$ 275,606
Receivable in one to five years	705,462	288,084
Total unconditional promises to give	1,131,565	563,690
Less: discounts to net present value	(101,000)	(42,000)
Less: allowance for doubtful pledges	(68,000)	(31,000)
Net unconditional promises to give	\$ 962,565	\$ 490,690

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 \$63,991 and \$63,593 as a contribution for the years ended June 30, 2018 and 2017.

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

	2018	2017
Remaining annual payments	\$ 2,138,318	\$ 2,196,997
Less: Discount at 4 percent	(504,727)	(568,718)
Present value of amounts receivable	1,633,591	1,628,279
Less: Current portion of present value	(69,005)	(57,521)
Long term portion of present value	\$ 1,564,586	\$ 1,570,758

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

	2018	2017
Within one year	\$ 69,005	\$ 57,521
Two to five years	453,583	377,986
Thereafter	1,615,730	1,761,490
	\$ 2,138,318	\$ 2,196,997

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

9. Restrictions on Net Assets

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

	2018	2017
Student Success and Support	\$ 2,037,835	\$ 2,031,399
College Educational Support	591,187	597,337
Programs and Special Operations	3,185,833	3,241,618
	\$ 5,814,855	\$ 5,870,354

Designated net assets are funds that are to be utilized for the following purposes as of June 30:

	2018	2017
Business Services Facilities	\$ 500,000	\$
Stephen Scott Applied Benchmarking	1,000,000	
	\$ 1,500,000	\$

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

	2018	2017
Student Support (Scholarships, Foster Care Program, Curriculum)	\$ 5,151,068	\$ 4,163,651

10. Related Party Transactions

During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the College agreed to retain and fund experienced personnel for the Foundation. The employees are considered employees of the College. With the adoption of FASB ASC 958-720-50-3, the Foundation recognized \$679,282 and \$795,212 of personnel costs for the years ended June 30, 2018 and 2017, respectively.

The Foundation received gifts-in-kind from board members for services rendered that totaled \$28,577 and \$17,860 during the years ended June 30, 2018 and 2017, respectively.

The Foundation paid the former executive director consulting fees for services rendered of \$26,450 and \$7,586 for during the years ended June 30, 2018 and 2017, respectively.

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

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

During 2012, the Foundation constructed and subsequently sold solar energy equipment to a bank at a 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, 2018 and 2017 was \$4,000. Total lease expense for the solar energy equipment for the years ended June 30, 2018 and 2017 was \$34,776.

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

<u>Year Ending June 30</u>	<u>Rent Amount</u>	<u>Lease Amount</u>
2019	\$ 4,000	\$ 34,776
2020	4,000	34,776
2021	4,000	34,776
2022	4,000	11,592
2023	4,000	
Thereafter	<u>32,000</u>	<u> </u>
Total	<u>\$ 52,000</u>	<u>\$ 115,920</u>

12. Income Taxes

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

	<u>2018</u>	<u>2017</u>
Current	\$ 6,612	\$ 15,269
Deferred	<u> </u>	<u> </u>
Provision for Income Taxes	<u>\$ 6,612</u>	<u>\$ 15,269</u>

There were no temporary book/tax differences during the years ended June 30, 2018 and 2017.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017 the Women's Club of Cary – Dorothy Schmelzeis Endowment distributed \$0 and \$2,800 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 \$2,526,438 and \$2,542,957 have been recognized in the accompanying consolidated statements of activities for the years ended June 30, 2018 and 2017, respectively.

15. Concentrations

Fifty five percent (55%) of pledges receivable at June 30, 2018 were due from two donors. Forty one percent (41%) of pledges receivable at June 30, 2017 were due from three donors.

The Foundation received support in the form of a gift-in-kind of approximately 58% from two donors for the year ended June 30, 2018 and 68% from three donors for the year ended June 30, 2017. 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 23, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,402,182	\$ 236,082	\$	\$ 1,638,264
Related Party Receivable	294,676		(294,676)	
Prepaid Income Taxes		114		114
Sales Tax Receivable	2,867			2,867
Investments	11,254,648			11,254,648
Pledges Receivable - Net	426,103			426,103
Charitable Lead Annuity Trust - Current Portion	69,005			69,005
Total Current Assets	13,449,481	236,196	(294,676)	13,391,001
Property and Equipment:				
Software	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)
Net Property and Equipment				
Other Assets:				
Pledges Receivable - Net	536,462			536,462
Land Held for Sale	1,016,231			1,016,231
Charitable Lead Annuity Trust - Net	1,564,586			1,564,586
Investments	(62,480)		62,480	
Total Other Assets	3,054,799		62,480	3,117,279
Total Assets	\$ 16,504,280	\$ 236,196	\$ (232,196)	\$ 16,508,280
LIABILITIES, EQUITY, AND NET ASSETS				
Liabilities:				
Accounts Payable	\$ 8,503	\$ 8,676	\$ (4,676)	\$ 12,503
Related Party Loan		290,000	(290,000)	
Total Liabilities	8,503	298,676	(294,676)	12,503
Equity:				
Retained Earnings (Deficit)		(62,480)	135,339	72,859
Total Equity		(62,480)	135,339	72,859
Net Assets:				
Unrestricted	4,029,854		(72,859)	3,956,995
Unrestricted, Designated	1,500,000			1,500,000
Temporarily Restricted	5,814,855			5,814,855
Permanently Restricted	5,151,068			5,151,068
Total Net Assets	16,495,777		(72,859)	16,422,918
Total Liabilities, Equity, and Net Assets	\$ 16,504,280	\$ 236,196	\$ (232,196)	\$ 16,508,280

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
Support and Revenues:				
Contributions	\$ 3,516,035	\$	\$	\$ 3,516,035
Investment Income	209,895		(18,494)	191,401
Gifts - in - Kind	2,526,438			2,526,438
Product Sales	23,577			23,577
Other Income	103,532		(8,448)	95,084
Total Support and Revenues	6,379,477		(26,942)	6,352,535
Expenses:				
Program Support	2,973,259			2,973,259
Management and General	543,936			543,936
Fundraising	440,799			440,799
Total Expenses	3,957,994			3,957,994
Change in Net Assets	2,421,483		(26,942)	2,394,541
Sales and Revenue:				
Energy Rebate		79,260		79,260
Other Income		189		189
Total Sales and Revenue		79,449		79,449
Expenses:				
Management and General		69,065	(23,170)	45,895
Total Expenses		69,065	(23,170)	45,895
Net Income				
Before Taxes		10,384	23,170	33,554
Income Taxes		6,612		6,612
Net Income		3,772	23,170	26,942
Retained Earnings (Deficit), Beginning of Year		(66,252)	112,169	45,917
Retained Earnings (Deficit), End of Year		(62,480)	135,339	72,859
Net Assets, Beginning of Year	14,074,294		(45,917)	14,028,377
Net Assets, End of Year	\$ 16,495,777	\$	\$ (72,859)	\$ 16,422,918

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Total
Gifts - in - Kind	\$ 2,526,437	\$	\$ 2,526,437
General Program Support	54,327		54,327
Scholarships	531,237		531,237
Foster Care Program	75,408		75,408
Student Financial Assistance	13,977		13,977
Tuition Assistance	43,451		43,451
Faculty Recognition	20,500		20,500
Event Expenses	125,664		125,664
Professional Contract of Services	54,254		54,254
Travel and Meeting Expense	33,154		33,154
Audit and Tax Compliance Fees	12,543		12,543
Support and Training	29,766		29,766
Supplies	218,179		218,179
Meals/Food	65,764		65,764
Salaries	84,149		84,149
Dues, Subscriptions, and Memberships	3,764		3,764
Printing, Postage, and Publications	9,402		9,402
Donor Recognition	5,058		5,058
Bad Debt Expense, Net of Recoveries	40,500		40,500
Banking Fees	6,024		6,024
Rent Expense		4,000	4,000
Lease Expense		37,323	37,323
Other	4,456	4,572	9,028
Total Expenses	\$ 3,958,014	\$ 45,895	\$ 4,003,909