

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

Consolidated Financial Statements

June 30, 2017 and 2016

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 18
SUPPLEMENTARY INFORMATION	
Schedule of Consolidating Statement of Financial Position	19
Schedule of Consolidating Statement of Activities	20
Schedule of Consolidating Statement of Functional Expenses	21

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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, 2017 and 2016, 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, 2017 and 2016, 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.

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

August 10, 2017

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 1,550,348	\$	\$	\$ 1,550,348	\$ 2,260,900	\$	\$	\$ 2,260,900
Prepaid Income Taxes	3,128			3,128				
Investments	2,199,141	3,313,756	3,876,721	9,389,618	864,693	3,548,157	7,340,325	
Pledges Receivable - Net	24,260	113,916	137,430	275,606	47,750	169,467	457,517	
Charitable Lead Annuity Trust - Net		57,521		57,521		47,949	47,949	
Total Current Assets	3,776,877	3,485,193	4,014,151	11,276,221	3,173,343	3,717,624	10,106,691	
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		65,584	149,500	215,084	12,500	43,200	74,200	
Land Held for Sale	267,412	748,819		1,016,231	267,412		1,014,330	
Charitable Lead Annuity Trust - Net		1,570,758		1,570,758		1,565,637	1,565,637	
Total Other Assets	267,412	2,385,161	149,500	2,802,073	279,912	43,200	2,654,167	
Total Assets	\$ 4,044,289	\$ 5,870,354	\$ 4,163,651	\$ 14,078,294	\$ 3,453,255	\$ 3,760,824	\$ 12,760,858	
<b>LIABILITIES, EQUITY, AND NET ASSETS</b>								
Liabilities:								
Accounts Payable	\$ 4,000	\$	\$	\$ 4,000	\$ 67	\$	\$ 67	
Total Liabilities	4,000			4,000	67		67	
Equity:								
Retained Earnings	45,917			45,917	38,989		38,989	
Total Equity	45,917			45,917	38,989		38,989	
Net Assets:								
Unrestricted	3,994,372			3,994,372	3,414,199		3,414,199	
Temporarily Restricted		5,870,354		5,870,354		5,546,779	5,546,779	
Permanently Restricted			4,163,651	4,163,651		3,760,824	3,760,824	
Total Net Assets	3,994,372	5,870,354	4,163,651	14,028,377	3,414,199	3,760,824	12,721,802	
Total Liabilities, Equity, and Net Assets	\$ 4,044,289	\$ 5,870,354	\$ 4,163,651	\$ 14,078,294	\$ 3,453,255	\$ 3,760,824	\$ 12,760,858	

See Accompanying Notes

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2017 and 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues:</b>								
Contributions	\$ 243,421	\$ 843,517	\$ 399,184	\$ 1,486,122	\$ 163,606	\$ 1,112,355	\$ 222,866	\$ 1,498,827
Investment Income (Losses)	468,377	382,528	3,643	854,548	(70,527)	(17,501)	(747)	(88,775)
Gifts - in - Kind	832,585	1,710,373		2,542,958	710,375	1,782,803		2,493,178
Product Sales		41,191		41,191		206,517		206,517
Other Income	36,763	91,463		128,226	5,655	63,238		68,893
Total Support and Revenues	1,581,146	3,069,072	402,827	5,053,045	809,109	3,147,412	222,119	4,178,640
Net Assets Released from Restrictions	2,745,497	(2,745,497)			3,159,347	(3,159,347)		
<b>Expenses:</b>								
Program Support	2,819,186			2,819,186	3,430,980			3,430,980
Management and General	489,890			489,890	253,753			253,753
Fundraising	437,394			437,394	359,184			359,184
Total Expenses	3,746,470			3,746,470	4,043,917			4,043,917
Change in Net Assets	580,173	323,575	402,827	1,306,575	(75,461)	(11,935)	222,119	134,723
Transfers					(60,918)	106,069	(45,151)	
<b>Sales and Revenue:</b>								
Energy Rebate	73,957			73,957	78,285			78,285
Other Income	235			235	262			262
Total Sales and Revenue	74,192			74,192	78,547			78,547
<b>Expenses:</b>								
Management and General	51,995			51,995	46,178			46,178
Total Expenses	51,995			51,995	46,178			46,178
Net Income Before Income Taxes	22,197			22,197	32,369			32,369
Income Taxes	15,269			15,269				
Net Income	6,928			6,928				
Retained Earnings (Deficit), Beginning of Year	38,989			38,989	6,620			6,620
Retained Earnings, End of Year	45,917			45,917	38,989			38,989
Net Assets, Beginning of Year	3,414,199	5,546,779	3,760,824	12,721,802	3,550,578	5,452,645	3,583,856	12,587,079
Net Assets, End 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

See Accompanying Notes

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2017 and 2016

	2017					2016						
	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	\$ 1,710,373	\$	\$ 1,710,373	\$ 421,449	\$ 411,135	\$ 2,542,957	\$ 1,945,425	\$	\$ 1,945,425	\$ 215,967	\$ 331,786	\$ 2,493,178
General Program Support	19,575	834	20,409	100		20,509	7,247	27	7,274	34		7,308
Scholarships		419,629	419,629			419,629		375,505	375,505			375,505
Foster Care Program		44,590	44,590			44,590		42,813	42,813			42,813
Student Financial Assistance	2,375	34,063	36,438			36,438	1,298	25,526	26,824			26,824
Tuition Assistance	49,642		49,642			49,642	63,029		63,029			63,029
Faculty Recognition	15,536		15,536			15,536	32,731		32,731			32,731
Event Expenses	31,943		31,943	5,486		37,429	23,535		23,535			23,535
Professional Contract of Services	50,182		50,182	7,586		57,768	68,131		68,131			68,131
Travel and Meeting Expense	40,416	(2,400)	38,016	710		38,726	124,889	12,193	137,082	911	125	138,118
Audit and Tax Compliance Fees				10,300		10,300				9,460		9,460
Support and Training	22,754		22,754	3,769	21,561	48,084	21,492		21,492	1,259	17,937	40,688
Supplies	175,048		175,048	2,749		177,797	368,762		368,762	1,883		370,645
Meals/Food	51,328		51,328	4,185		55,513	40,298		40,298	4,424	989	45,711
Salaries	126,774		126,774	14,650	2,800	144,224	107,186		107,186	18,900		126,086
Dues, Subscriptions, and Memberships	6,669		6,669	5,410		12,079	7,368		7,368	3,736		11,104
Printing, Postage, and Publications	17,193		17,193	873	272	18,338	162,418		162,418	1,822	2,204	166,444
Donor Recognition	556		556	3,357	1,626	5,539	455		455	240	6,143	6,838
Legal Fees				222		222				988		988
Lobbying										15,095		15,095
Bad Debt Expense, Net of Recoveries				(633)		(633)				(27,000)		(27,000)
Banking Fees				4,684		4,684				5,982		5,982
Repairs and Maintenance				5,755		5,755				5,755		5,755
Rent Expense				4,000		4,000				4,000		4,000
Lease Expense				37,159		37,159				37,130		37,130
Other	2,106		2,106	10,074		12,180	652		652	(655)		(3)
	\$ 2,322,470	\$ 496,716	\$ 2,819,186	\$ 541,885	\$ 437,394	\$ 3,798,465	\$ 2,974,916	\$ 456,064	\$ 3,430,980	\$ 299,931	\$ 359,184	\$ 4,090,095

See Accompanying Notes  
5

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in Net Assets and Net Income	\$ 1,313,503	\$ 167,092
Adjustments to Reconcile Changes in Net Assets and Net Income to Net Cash Provided by Operating Activities:		
Amortization of Charitable Lead Annuity Trust	(63,593)	(62,866)
Net Depreciation (Appreciation) in Fair Value of Investments	(280,379)	125,298
Net Realized (Gain) Loss on Sale of Investments	(285,753)	226,911
Realized Gain on Sale of Land	(11,634)	
Change in Discount on Long Term Pledges Receivable	6,700	(15,700)
Change in Allowance for Doubtful Accounts	(29,000)	(27,000)
Changes in Assets and Liabilities:		
Prepaid Income Taxes	(3,128)	
Pledges Receivable	63,327	370,604
Charitable Lead Annuity Trust	48,900	40,749
Accounts Payable	3,933	67
Contributions Restricted for Long Term Purposes	(399,184)	(222,866)
Net Cash Provided by Operating Activities	363,692	602,289
Cash Flows from Investing Activities:		
Sale of Investments	368,642	2,728,925
Purchase of Investments	(1,851,803)	(3,261,495)
Purchase of Land Held for Sale	(172,697)	(2,104)
Proceeds from Land Held for Sale	182,430	
Accounts Receivable from Sale of Land		573,896
Net Cash Provided (Used) by Investing Activities	(1,473,428)	39,222
Cash Flows from Financing Activities:		
Collections of Contributions Restricted for Long Term Purposes	399,184	222,866
Net Cash Provided by Financing Activities	399,184	222,866
Net Increase (Decrease) in Cash and Cash Equivalents	(710,552)	864,377
Cash and Cash Equivalents, Beginning of Year	2,260,900	1,396,523
Cash and Cash Equivalents, End of Year	\$ 1,550,348	\$ 2,260,900

See Accompanying Notes



**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2017 and 2016

1. Business Operations and Summary of Significant Accounting Policies

Business Operations

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

Principles of Consolidation

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

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

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

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

Financial Statement Presentation

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

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 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.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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, 2017 and 2016, the Foundation had \$80,860 and \$779,832 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, 2017 and 2016. 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, 2017 and 2016 was \$31,000 and \$60,000, 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, 2017 and 2016

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, 2017 and 2016 was \$0.

Accounting for Uncertainty in Income Taxes

The Wake Tech Foundation is exempt from income taxes as a nonprofit organization under Internal Revenue Service ("IRS") code section 501(c)(3). During the years ended June 30, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016, 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, 2017, the Foundation's uninsured cash balances totaled \$508,467.

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, 2017 and 2016, the Foundation's cash balances of \$509,752 and \$504,762 are on deposit with the State Treasurer.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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, 2017, 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, 2017 and 2016, all of the Foundation's financial instruments are Level 1.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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, 2017 and 2016 is comprised of the following:

	2017		
	Fair Value	Cost	Unrealized Gain (Loss)
<i>Financial Assets:</i>			
Mutual Funds:			
Large Cap Blend	\$ 2,207,522	\$ 1,969,395	\$ 238,127
International	1,373,293	1,253,490	119,803
Fixed Income	4,156,654	4,148,786	7,868
Alternatives	1,181,784	1,156,265	25,519
Commodities	226,269	344,528	(118,259)
Real Estate	244,096	192,446	51,650
<b>Total</b>	<b>\$ 9,389,618</b>	<b>\$ 9,064,910</b>	<b>\$ 324,708</b>
2016			
	Fair Value	Cost	Unrealized Gain (Loss)
<i>Financial Assets:</i>			
Mutual Funds:			
Large Cap Blend	\$ 1,810,911	\$ 1,596,292	\$ 214,619
International	889,938	958,248	(68,310)
Fixed Income	3,118,096	3,175,984	(57,888)
Alternatives	1,027,561	1,038,054	(10,493)
Commodities	241,708	334,973	(93,265)
Real Estate	252,111	192,445	59,666
<b>Total</b>	<b>\$ 7,340,325</b>	<b>\$ 7,295,996</b>	<b>\$ 44,329</b>

The Foundation's investment income consisted of the following items for the years ended June 30, 2017 and 2016, respectively.

	2017	2016
Realized Gains (Losses) on Investments	\$ 285,753	\$ (226,911)
Realized Gain on Sale of Land	11,634	
Interest and Dividends	317,608	300,819
Unrealized Gains (Losses) on Investments	280,379	(125,298)
Investment Fees	(40,826)	(37,385)
<b>Total</b>	<b>\$ 854,548</b>	<b>\$ (88,775)</b>

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.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

6. Endowment Fund

The Foundation's endowment consists of approximately 70 individual funds established for a variety of purposes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

Endowment net assets consist of the following:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ _____	\$ 923,319	\$ 4,163,651	\$ 5,086,970
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ _____	\$ 541,794	\$ 3,760,824	\$ 4,302,618

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



**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	<u>\$</u>	<u>\$ 408,029</u>	<u>\$ 3,583,856</u>	<u>\$ 3,991,885</u>
Investment return:				
Investment income		49,162	2,099	51,261
Net depreciation		<u>(66,663)</u>	<u>(2,846)</u>	<u>(69,509)</u>
Total investment return		<u>(17,501)</u>	<u>(747)</u>	<u>(18,248)</u>
Transfers		219,810	(45,151)	174,659
Contributions		356,374	222,866	579,240
Payout of endowment assets for expenditure		<u>(424,918)</u>		<u>(424,918)</u>
Endowment net assets, June 30, 2016		541,794	3,760,824	4,302,618
Investment return:				
Investment income (losses)		250,230	2,448	252,678
Net appreciation (depreciation)		<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	<u>\$</u>	<u>\$ 923,319</u>	<u>\$ 4,163,651</u>	<u>\$ 5,086,970</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, 2017 and 2016, there were no deficiencies.



**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 275,606	\$ 457,517
Receivable in one to five years	<u>288,084</u>	<u>169,500</u>
Total unconditional promises to give	563,690	627,017
Less: discounts to net present value	(42,000)	(35,300)
Less: allowance for doubtful pledges	<u>(31,000)</u>	<u>(60,000)</u>
Net unconditional promises to give	<u>\$ 490,690</u>	<u>\$ 531,717</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 \$63,593 and \$62,866 as a contribution for the years ended June 30, 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>
Remaining annual payments	\$ 2,196,997	\$ 2,245,896
Less: Discount at 4 percent	<u>(568,718)</u>	<u>(632,310)</u>
Present value of amounts receivable	1,628,279	1,613,586
Less: Current portion of present value	<u>(57,521)</u>	<u>(47,949)</u>
Long term portion of present value	<u>\$ 1,570,758</u>	<u>\$ 1,565,637</u>

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

	<u>2017</u>	<u>2016</u>
Within one year	\$ 57,521	\$ 47,949
Two to five years	377,986	314,989
Thereafter	<u>1,761,490</u>	<u>1,882,958</u>
	<u>\$ 2,196,997</u>	<u>\$ 2,245,896</u>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

9. Restrictions on Net Assets

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

	2017	2016
Student Success and Support	\$ 2,031,399	\$ 1,679,538
College Educational Support	597,337	466,788
Programs and Special Operations	3,241,618	3,400,453
	\$ 5,870,354	\$ 5,546,779

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

	2017	2016
Student Support (Scholarships, Foster Care Program, Curriculum)	\$ 4,163,651	\$ 3,760,824

10. Related Party Transactions

During the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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 \$795,212 and \$682,387 of personnel costs for the years ended June 30, 2017 and 2016, respectively.

The Foundation received gifts-in-kind from board members for services rendered that totaled \$17,860 and \$0 during the years ended June 30, 2017 and 2016, respectively.

The Foundation paid the former executive director consulting fees for services rendered of \$7,586 and \$0 for during the years ended June 30, 2017 and 2016, respectively.

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

11. Leases

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

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

11. Leases (Continued)

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, 2017 and 2016 was \$4,000. Total lease expense for the solar energy equipment for the years ended June 30, 2017 and 2016 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>
2018	\$ 4,000	\$ 34,776
2019	4,000	34,776
2020	4,000	34,776
2021	4,000	34,776
2022	4,000	34,776
Thereafter	<u>36,000</u>	<u>11,592</u>
Total	<u>\$ 56,000</u>	<u>\$ 185,472</u>

12. Income Taxes

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

	<u>2017</u>	<u>2016</u>
Current	\$ 15,269	\$
Deferred	<u>                    </u>	<u>                    </u>
Provision for Income Taxes	<u>\$ 15,269</u>	<u>\$</u>

There were no temporary book/tax differences during the years ended June 30, 2017 and 2016.

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, 2017 and 2016 the Women's Club of Cary – Dorothy Schmelzeis Endowment distributed \$2,800 and \$2,810 to the Foundation, respectively.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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 \$2,542,958 and \$2,493,178 have been recognized in the accompanying consolidated statements of activities for the years ended June 30, 2017 and 2016, respectively.

15. Concentrations

Forty one percent (41%) of pledges receivable at June 30, 2017 were due from three donors. Thirty two percent (32%) of pledges receivable at June 30, 2016 were due from two donors.

The Foundation received support in the form of a gift-in-kind of approximately 68% from three donors for the year ended June 30, 2017 and 71% from three donors for the year ended June 30, 2016. 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 10, 2017, 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, 2017

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,285,377	\$ 264,971	\$	\$ 1,550,348
Related Party Receivable	330,351		(330,351)	
Prepaid Income Taxes		3,128		3,128
Investments	9,389,618			9,389,618
Pledges Receivable - Net	275,606			275,606
Charitable Lead Annuity Trust - Current Portion	57,521			57,521
<b>Total Current Assets</b>	<b>11,338,473</b>	<b>268,099</b>	<b>(330,351)</b>	<b>11,276,221</b>
Property and Equipment:				
Software	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)
<b>Net Property and Equipment</b>				
Other Assets:				
Pledges Receivable - Net	215,084			215,084
Land Held for Sale	1,016,231			1,016,231
Charitable Lead Annuity Trust - Net	1,570,758			1,570,758
Investments	(66,252)		66,252	
<b>Total Other Assets</b>	<b>2,735,821</b>		<b>66,252</b>	<b>2,802,073</b>
<b>Total Assets</b>	<b>\$ 14,074,294</b>	<b>\$ 268,099</b>	<b>\$ (264,099)</b>	<b>\$ 14,078,294</b>
<b>LIABILITIES, EQUITY, AND NET ASSETS</b>				
Liabilities:				
Accounts Payable	\$	\$ 24,303	\$ (20,303)	\$ 4,000
Related Party Loan		310,048	(310,048)	
<b>Total Liabilities</b>		<b>334,351</b>	<b>(330,351)</b>	<b>4,000</b>
Equity:				
Retained Earnings (Deficit)		(66,252)	112,169	45,917
<b>Total Equity</b>		<b>(66,252)</b>	<b>112,169</b>	<b>45,917</b>
Net Assets:				
Unrestricted	4,040,289		(45,917)	3,994,372
Temporarily Restricted	5,870,354			5,870,354
Permanently Restricted	4,163,651			4,163,651
<b>Total Net Assets</b>	<b>14,074,294</b>		<b>(45,917)</b>	<b>14,028,377</b>
<b>Total Liabilities, Equity, and Net Assets</b>	<b>\$ 14,074,294</b>	<b>\$ 268,099</b>	<b>\$ (264,099)</b>	<b>\$ 14,078,294</b>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
Changes in Net Assets:				
Support and Revenues:				
Contributions	\$ 1,486,122	\$	\$	\$ 1,486,122
Investment Income	873,623		(19,075)	854,548
Gifts - in - Kind	2,542,958			2,542,958
Product Sales	41,191			41,191
Other Income	116,079		12,147	128,226
Total Support and Revenues	<u>5,059,973</u>		<u>(6,928)</u>	<u>5,053,045</u>
Expenses:				
Program Support	2,819,186			2,819,186
Management and General	489,890			489,890
Fundraising	437,394			437,394
Total Expenses	<u>3,746,470</u>			<u>3,746,470</u>
Change in Net Assets	<u>1,313,503</u>		<u>(6,928)</u>	<u>1,306,575</u>
Sales and Revenue:				
Energy Rebate		73,957		73,957
Other Income		235		235
Total Sales and Revenue		<u>74,192</u>		<u>74,192</u>
Expenses:				
Management and General		75,746	(23,751)	51,995
Total Expenses		<u>75,746</u>	<u>(23,751)</u>	<u>51,995</u>
Net Income (Loss)				
Before Taxes		(1,554)	23,751	22,197
Income Taxes		<u>15,269</u>		<u>15,269</u>
Net Income (Loss)		<u>(16,823)</u>	<u>23,751</u>	<u>6,928</u>
Retained Earnings (Deficit), Beginning of Year		<u>(49,429)</u>	<u>88,418</u>	<u>38,989</u>
Retained Earnings (Deficit), End of Year		<u>(66,252)</u>	<u>112,169</u>	<u>45,917</u>
Net Assets, Beginning of Year	<u>12,760,791</u>		<u>(38,989)</u>	<u>12,721,802</u>
Net Assets, End of Year	<u>\$ 14,074,294</u>	<u>\$</u>	<u>\$ (45,917)</u>	<u>\$ 14,028,377</u>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2017

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Total
Gifts - in - Kind	\$ 2,542,957	\$	\$ 2,542,957
General Program Support	20,509		20,509
Scholarships	419,629		419,629
Foster Care Program	44,590		44,590
Student Financial Assistance	36,438		36,438
Tuition Assistance	49,642		49,642
Faculty Recognition	15,536		15,536
Event Expenses	37,429		37,429
Professional Contract of Services	57,768		57,768
Travel and Meeting Expense	38,726		38,726
Audit and Tax Compliance Fees	10,300		10,300
Support and Training	48,084		48,084
Supplies	177,738	59	177,797
Meals/Food	55,513		55,513
Salaries	144,224		144,224
Dues, Subscriptions, and Memberships	12,079		12,079
Printing, Postage, and Publications	18,338		18,338
Donor Recognition	5,539		5,539
Legal Fees	222		222
Bad Debt Expense, Net of Recoveries	(633)		(633)
Banking Fees	4,679	5	4,684
Repairs and Maintenance		5,755	5,755
Rent Expense		4,000	4,000
Lease Expense		37,159	37,159
Other	7,163	5,017	12,180
<b>Total Expenses</b>	<b>\$ 3,746,470</b>	<b>\$ 51,995</b>	<b>\$ 3,798,465</b>