

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

Consolidated Financial Statements

June 30, 2019

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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 statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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 audit. We conducted our audit 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, 2019, and the changes in their net assets and their cash flows for the year 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 & Dick, P.A.*

September 10, 2019  
Raleigh, North Carolina

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
June 30, 2019

<u>ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,761,694	\$ 458,546	\$ 2,220,240
Sales Tax Receivable	2,816		2,816
Investments	3,878,620	8,180,395	12,059,015
Pledges Receivable - Current	16,500	505,767	522,267
Charitable Lead Annuity Trust - Current		82,807	82,807
<b>Total Current Assets</b>	<b>5,659,630</b>	<b>9,227,515</b>	<b>14,887,145</b>
<b>Property and Equipment:</b>			
Software	128,319		128,319
Accumulated Depreciation	(128,319)		(128,319)
<b>Net Property and Equipment</b>	<b></b>	<b></b>	<b></b>
<b>Other Assets:</b>			
Pledges Receivable - Net	10,793	543,892	554,685
Land Held for Sale	267,412	748,819	1,016,231
Charitable Lead Annuity Trust - Net		1,544,344	1,544,344
<b>Total Other Assets</b>	<b>278,205</b>	<b>2,837,055</b>	<b>3,115,260</b>
<b>Total Assets</b>	<b>\$ 5,937,835</b>	<b>\$ 12,064,570</b>	<b>\$ 18,002,405</b>
 <b>LIABILITIES, EQUITY, AND NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 10,227	\$	\$ 10,227
<b>Total Liabilities</b>	<b>10,227</b>	<b></b>	<b>10,227</b>
<b>Equity:</b>			
Retained Earnings	78,713		78,713
<b>Total Equity</b>	<b>78,713</b>	<b></b>	<b>78,713</b>
<b>Net Assets:</b>			
<b>Without Donor Restrictions:</b>			
Undesignated	4,288,695		4,288,695
Designated by the Board	1,560,200		1,560,200
<b>With Donor Restrictions:</b>			
Perpetual in Nature		5,963,598	5,963,598
Purpose Restrictions		6,100,972	6,100,972
<b>Total Net Assets</b>	<b>5,848,895</b>	<b>12,064,570</b>	<b>17,913,465</b>
<b>Total Liabilities, Equity, and Net Assets</b>	<b>\$ 5,937,835</b>	<b>\$ 12,064,570</b>	<b>\$ 18,002,405</b>

See Accompanying Notes

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Contributions	\$ 323,241	\$ 2,053,499	\$ 2,376,740
Investment Earnings	346,522	272,776	619,298
Gifts - in - Kind	1,020,053	2,056,989	3,077,042
Product Sales		20,074	20,074
Interest Income	37,885		37,885
Other Income	3,396	42,542	45,938
Total Support and Revenues	<u>1,731,097</u>	<u>4,445,880</u>	<u>6,176,977</u>
Net Assets Released from Restrictions	<u>3,347,233</u>	<u>(3,347,233)</u>	
Program Expenses:			
Scholarship Support	554,958		554,958
Fostering Bright Futures	132,884		132,884
College Support	861,007		861,007
College Initiatives	1,843,322		1,843,322
General and Administrative	784,155		784,155
Fundraising	510,104		510,104
Total Expenses	<u>4,686,430</u>		<u>4,686,430</u>
Change in Net Assets	<u>391,900</u>	<u>1,098,647</u>	<u>1,490,547</u>
Sales and Revenue:			
Energy Rebate	72,930		72,930
Other Income	162		162
Total Sales and Revenue	<u>73,092</u>		<u>73,092</u>
Expenses:			
Management and General	56,625		56,625
Total Expenses	<u>56,625</u>		<u>56,625</u>
Net Income Before Income Taxes	16,467		16,467
Income Taxes	10,613		10,613
Net Income	<u>5,854</u>		<u>5,854</u>
Retained Earnings, Beginning of Year	<u>72,859</u>		<u>72,859</u>
Retained Earnings, End of Year	<u>78,713</u>		<u>78,713</u>
Net Assets, Beginning of Year	<u>5,456,995</u>	<u>10,965,923</u>	<u>16,422,918</u>
Net Assets, End of Year	<u>\$ 5,848,895</u>	<u>\$ 12,064,570</u>	<u>\$ 17,913,465</u>

See Accompanying Notes

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019

	Program					Administrative and General	Fundraising	Total
	Scholarships	Fostering Bright Futures	College Support	College Initiatives	Total Program Support			
Gifts - in - Kind	\$	\$ 18,155	\$ 375,846	\$ 1,626,779	\$ 2,020,780	\$ 562,028	\$ 458,024	\$ 3,040,832
General Program Support			153,832	6,886	160,718	13,692		174,410
Scholarships	515,653				515,653			515,653
Foster Care Program		114,664			114,664			114,664
Student Financial Assistance and Grants	39,305				39,305			39,305
Faculty Recognition			43,160		43,160			43,160
Event Expenses			36,003	17,279	53,282	78,212		131,494
Professional Contract of Services			1,034	6,022	7,056	33,258		40,314
Travel and Meeting Expense				23,923	23,923	639	1,658	26,220
Audit and Tax Compliance Fees						15,031		15,031
Support and Training			32,749	3,831	36,580	780	40,598	77,958
Supplies			167,327	19,698	187,025	9,621		196,646
Meals/Food			39,948	23,997	63,945	8,324	4,943	77,212
Repairs and Maintenance						11,719		11,719
Salaries			8,262	108,890	117,152	36,261	75	153,488
Dues, Subscriptions, and Memberships			1,005	4,215	5,220	8,649		13,869
Printing, Postage, and Publications			1,246	644	1,890	2,807	1,054	5,751
Donor Recognition						3,256	3,752	7,008
Bad Debt Expense, Net of Recoveries						7,000		7,000
Banking Fees			517	1,158	1,675	3,174		4,849
Rent Expense						4,000		4,000
Lease Expense						37,303		37,303
Other		65	78		143	5,026		5,169
	<u>\$ 554,958</u>	<u>\$ 132,884</u>	<u>\$ 861,007</u>	<u>\$ 1,843,322</u>	<u>\$ 3,392,171</u>	<u>\$ 840,780</u>	<u>\$ 510,104</u>	<u>\$ 4,743,055</u>

See Accompanying Notes

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Change in Net Assets and Net Income	\$ 1,496,401
Adjustments to Reconcile Changes in Net Assets and Net Income to Net Cash Provided by Operating Activities:	
Amortization of Charitable Lead Annuity Trust	(63,975)
Net Appreciation in Fair Value of Investments	(895,285)
Net Realized Gain on Sale of Investments	616,306
Change in Discount on Long Term Pledges Receivable	(10,000)
Change in Allowance for Doubtful Accounts	7,000
Changes in Assets and Liabilities:	
Prepaid Income Taxes	114
Sales Tax Receivables	51
Pledges Receivable	(111,387)
Charitable Lead Annuity Trust	70,415
Accounts Payable	(2,276)
Contributions Restricted for Long Term Purposes	(441,751)
Net Cash Provided by Operating Activities	<u>665,613</u>
Cash Flows from Investing Activities:	
Sale of Investments	998,801
Purchase of Investments	(1,524,189)
Net Cash Used by Investing Activities	<u>(525,388)</u>
Cash Flows from Financing Activities:	
Collections of Contributions Restricted for Long Term Purposes	441,751
Net Cash Provided by Financing Activities	<u>441,751</u>
Net Increase in Cash and Cash Equivalents	581,976
Cash and Cash Equivalents, Beginning of Year	<u>1,638,264</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,220,240</u>

See Accompanying Notes



**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

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". The Foundation's revenues are derived primarily to benefit the following programs:

Scholarship Support: Financial assistance to degree and non-degree students attending Wake Technical Community college.

Fostering Bright Futures: Financial, academic and social support for students who are in or were in the foster care system.

College Support: Equipment, professional development and financial support for Wake Technical Community College departments and divisions.

College Initiatives: Targeted support for key programmatic initiatives of Wake Technical Community College.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. ASC 958-205 requires that not-for-profit organizations provide a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows. Also, ASC 958-205 requires classification of an organization's net assets, revenues and expenses according to the following net asset classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

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

Financial Statement Presentation (Continued)

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

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 contributions without donor restriction or contributions with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Although restricted contributions typically are reported as support that increases net assets with donor restriction, they may be reported as support without donor restriction if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections as it relates to *Accounting for Certain Investments Held By Not-for-Profit Organizations*. This standard requires that investments in equity securities with readily determinable fair value and all investments in debt securities be measured at fair value in the consolidated statement 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 statement 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 statement of financial position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity at date of purchase of three months or less to be cash equivalents. As of June 30, 2019, the Foundation had \$1,278,194 of cash equivalents.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 June 30, 2019

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

Functional Allocations of Expenses

The consolidated statement of functional expenses reports certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All other expenses are directly identified with either programs or in administrative and general or fundraising. The expenses that are allocated include the following:

Expense	Method of Allocation
Gifts in Kind	Time and Effort
Salaries	Time and Effort

Use of Estimates

The preparation of the Foundation's consolidated 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 consolidated statement of financial position and the reported amounts of revenues and expenses included in the consolidated statement of activities. Actual results could differ from those estimates.

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 year ended June 30, 2019, the Foundation reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

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

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 year ended June 30, 2019, there were no interest or penalties recorded or included in the consolidated financial statements.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 June 30, 2019

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

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 consolidated statement 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 year ended June 30, 2019 was \$0.

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.

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about these expenses and investment return. The Foundation has adjusted the presentation of these consolidated statements accordingly.

2. Availability and Liquidity

The following represents the Foundation’s financial assets as of June 30, 2019:

Financial assets at year-end:	
Cash and Cash Equivalents	\$ 2,220,240
Sales Tax Receivable	2,816
Investments	12,059,015
Pledges Receivable – Net	522,267
Charitable Lead Annuity Trust, collected in less than one year	<u>82,807</u>
Total financial assets	14,887,145
Less amounts not available to be used within one year:	
Donor-Restricted Funds for Purpose	3,263,917
Perpetual Endowments	5,963,598
Board Designated Endowment	<u>1,560,200</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,099,430</u>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

2. Availability and Liquidity (Continued)

The Foundation's board-designated funds of \$1,560,200 as of June 30, 2019 is subject to the Board's spending policy. Although the Foundation does not intend to spend from this board-designated fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation's policy is to have adequate liquid funds available to meet upcoming cash flow needs while being good stewards of funds available for investment.

3. 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, 2019, the Foundation's uninsured cash balances totaled \$1,051,122.

4. 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, 2019, the Foundation had a balance of \$629,588 on deposit with the State Treasurer.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local government unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer. Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2019, the Foundation's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

5. 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.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2019

5 Fair Value Measurements (Continued)

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, 2019, all of the Foundation's financial instruments are Level 1.

6. 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, 2019 is comprised of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
<i>Financial Assets:</i>			
<i>Mutual Funds:</i>			
U.S. Equity	\$ 4,931,935	\$ 4,451,044	\$ 480,891
Fixed Income	4,087,732	3,963,967	123,765
International Equities	1,773,899	1,729,489	44,410
Real Estate Investment Trusts	195,138	200,290	(5,152)
Strategic Alternative	932,334	946,527	(14,193)
Commodities	<u>137,977</u>	<u>157,253</u>	<u>(19,276)</u>
 Total	 <u>\$ 12,059,015</u>	 <u>\$ 11,448,570</u>	 <u>\$ 610,445</u>

The Foundation's investment income consisted of the following items for the year ended June 30, 2019:

Realized Losses on Investments	\$ (616,306)
Interest and Dividends	385,861
Unrealized Gains on Investments	895,285
Investment Fees	<u>(45,542)</u>
 Total	 <u>\$ 619,298</u>

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, 2019

7. 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 retains in perpetuity (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 retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

Endowment net assets consist of the following as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Board Designated Funds	\$ 1,460,200	\$	\$ 1,460,200
Donor Restricted Endowment Funds:			
Funds to be Kept in Perpetuity		5,963,598	5,963,598
Accumulated Investment Gains		816,797	816,797
<b>Total</b>	<b>\$ 1,460,200</b>	<b>\$ 6,780,395</b>	<b>\$ 8,240,595</b>

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, 2019

7. 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 year ended June 30, 2019 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, June 30, 2018:	\$ 1,400,000	\$ 6,065,868	\$ 7,465,868
Investment Income	60,200	272,776	332,976
Contributions	<u>                    </u>	<u>441,751</u>	<u>441,751</u>
Endowment net assets, June 30, 2019:	<u>\$ 1,460,200</u>	<u>\$ 6,780,395</u>	<u>\$ 8,240,595</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 with donor restrictions. Deficiencies of this nature result from unfavorable market fluctuations and would be included in without donor restricted net assets. As of June 30, 2019, there were no deficiencies.

8. Pledges Receivable

The Foundation receives pledges to support scholarships, financial assistance and other programs. Pledge receivables consisted of the following at June 30, 2019:

Receivable in less than one year	\$ 522,267
Receivable in one to five years	<u>720,685</u>
Total unconditional promises to give	1,242,952
Less: discounts to net present value	(91,000)
Less: allowance for doubtful pledges	<u>(75,000)</u>
Net unconditional promises to give	<u>\$ 1,076,952</u>



**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
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9. Charitable Lead Annuity Trust

The Foundation is the beneficiary of an irrevocable charitable lead annuity trust created in 2013. The trust agreement states that the Foundation will receive annual cash payments starting at \$32,328 and increase 120% over the next 15 years. The Foundation recorded amortization of the discount associated with the estimated present value of the receivable in the amounts of \$63,974 as a contribution for the year ended June 30, 2019.

The status of the amounts recorded under the charitable lead annuity trust are as follows as of June 30, 2019:

Remaining annual payments	\$ 2,067,903
Less: Discount at 4 percent	<u>(440,752)</u>
Present value of amounts receivable	1,627,151
Less: Current portion of present value	<u>(82,807)</u>
Long term portion of present value	<u>\$ 1,544,344</u>

The charitable lead annuity trust is scheduled to be received as follows as of June 30, 2019:

Within one year	\$ 82,807
Two to five years	544,300
Thereafter	<u>1,440,796</u>
	<u>\$ 2,067,903</u>

10. Designated Net Assets

Net assets with board designations are designated for the following purposes:

Business Services Facilities	\$ 517,200
Stephen Scott Applied Benchmarking	<u>1,043,000</u>
	<u>\$ 1,560,200</u>

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as follows:

Subject to expenditure for specified purpose:

Student Success and Support	\$ 1,263,528
College Educational Support	1,675,392
Programs and Special Operations	<u>2,345,255</u>
	<u>5,284,175</u>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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11. Net Assets with Donor Restrictions (Continued)

Endowments:

Subject to appropriation and expenditure when a specified event occurs:

Student Support (Scholarships, Foster Care Program, Curriculum)	<u>816,797</u>
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Subject to endowment spending policy and appropriation:

Student Support (Scholarships, Foster Care Program, Curriculum)	<u>5,963,598</u>
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Total Net Assets with Donor Restrictions	<u>\$ 12,064,570</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other event events specified by the donors as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:

Gift in Kind	\$ 2,020,980
Scholarships	515,023
Equipment and Supplies	187,025
General Program Support	160,718
Event Expenses	54,080
Other Expenses	<u>409,406</u>
	<u>\$ 3,347,233</u>

12. Related Party Transactions

During the year ended June 30, 2019, 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 year ended June 30, 2019, 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 \$731,953 of personnel costs and \$35,653 of other costs for the year ended June 30, 2019.

The Foundation received gifts-in-kind from board members for services rendered that totaled \$14,000 during the year ended June 30, 2019.

The Foundation paid the former executive director consulting fees for services rendered of \$8,994 for the year ended June 30, 2019.

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**  
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13. 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 year ended June 30, 2019 was \$4,000. Total lease expense for the solar energy equipment for the year ended June 30, 2019 was \$34,776.

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

Year Ending June 30	Rent Amount	Lease Amount
2020	\$ 4,000	\$ 34,776
2021	4,000	34,776
2022	4,000	11,592
2023	4,000	
2024	4,000	
Thereafter	28,000	
Total	\$ 48,000	\$ 81,144

14. Income Taxes

The provision for income taxes for Wake Tech Innovations, Inc. is as follows for June 30, 2019.

Current	\$ 10,613
Deferred	_____
Provision for Income Taxes	\$ 10,613

There were no temporary book/tax differences during the years ended June 30, 2019.

15. Concentrations

Fifty nine percent (59%) of pledges receivable at June 30, 2019 were due from two donors. The Foundation received support in the form of a gift-in-kind of approximately 74% from three donors for the year ended June 30, 2019. 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.

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

16. Contributed Services and Materials

The Foundation reports gifts of furniture, equipment and other nonmonetary contributions as support without donor restriction 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 \$3,077,042 have been recognized in the accompanying consolidated statement of activities for the year ended June 30, 2019.

17. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 10, 2019, which is the date the consolidated 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, 2019

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 2,039,646	\$ 180,594	\$	\$ 2,220,240
Related Party Receivable	254,676		(254,676)	
Sales Tax Receivable	2,816			2,816
Investments	12,059,015			12,059,015
Pledges Receivable - Net	522,267			522,267
Charitable Lead Annuity Trust - Current Portion	82,807			82,807
<b>Total Current Assets</b>	<b>14,961,227</b>	<b>180,594</b>	<b>(254,676)</b>	<b>14,887,145</b>
<b>Property and Equipment:</b>				
Software	128,319			128,319
Accumulated Depreciation	(128,319)			(128,319)
<b>Net Property and Equipment</b>				
<b>Other Assets:</b>				
Pledges Receivable - Net	554,685			554,685
Land Held for Sale	1,016,231			1,016,231
Charitable Lead Annuity Trust - Net	1,544,344			1,544,344
Investments	(78,082)		78,082	
<b>Total Other Assets</b>	<b>3,037,178</b>		<b>78,082</b>	<b>3,115,260</b>
<b>Total Assets</b>	<b>\$ 17,998,405</b>	<b>\$ 180,594</b>	<b>\$ (176,594)</b>	<b>\$ 18,002,405</b>
<b>LIABILITIES, EQUITY, AND NET ASSETS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 6,227	\$ 8,696	\$ (4,696)	\$ 10,227
Related Party Loan		250,000	(250,000)	
<b>Total Liabilities</b>	<b>6,227</b>	<b>258,696</b>	<b>(254,696)</b>	<b>10,227</b>
<b>Equity:</b>				
Retained Earnings (Deficit)		(78,102)	156,815	78,713
<b>Total Equity</b>		<b>(78,102)</b>	<b>156,815</b>	<b>78,713</b>
<b>Net Assets:</b>				
<b>Without Donor Restrictions:</b>				
Undesignated	4,367,408		(78,713)	4,288,695
Designated by the Board	1,560,200			1,560,200
<b>With Donor Restrictions:</b>				
Perpetual in Nature	5,963,598			5,963,598
Purpose Restrictions	6,100,972			6,100,972
<b>Total Net Assets</b>	<b>17,992,178</b>		<b>(78,713)</b>	<b>17,913,465</b>
<b>Total Liabilities, Equity, and Net Assets</b>	<b>\$ 17,998,405</b>	<b>\$ 180,594</b>	<b>\$ (176,594)</b>	<b>\$ 18,002,405</b>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
<b>Support and Revenues:</b>				
Contributions	\$ 2,376,740	\$	\$	\$ 2,376,740
Investment Earnings	636,098		(16,800)	619,298
Gifts - in - Kind	3,077,042			3,077,042
Product Sales	20,074			20,074
Interest Income	37,885			37,885
Other Income	34,992		10,946	45,938
<b>Total Support and Revenues</b>	<b>6,182,831</b>		<b>(5,854)</b>	<b>6,176,977</b>
<b>Program Expenses:</b>				
Scholarship Support	554,958			554,958
Fostering Bright Futures	132,884			132,884
College Support	861,007			861,007
College Initiatives	1,843,322			1,843,322
Administrative and General	784,155			784,155
Fundraising	510,104			510,104
<b>Total Expenses</b>	<b>4,686,430</b>			<b>4,686,430</b>
<b>Change in Net Assets</b>	<b>1,496,401</b>		<b>(5,854)</b>	<b>1,490,547</b>
<b>Sales and Revenue:</b>				
Energy Rebate		72,930		72,930
Other Income		162		162
<b>Total Sales and Revenue</b>		<b>73,092</b>		<b>73,092</b>
<b>Expenses:</b>				
Management and General		78,101	(21,476)	56,625
<b>Total Expenses</b>		<b>78,101</b>	<b>(21,476)</b>	<b>56,625</b>
<b>Net Income</b>				
Before Taxes		(5,009)	21,476	16,467
<b>Income Taxes</b>		<b>10,613</b>		<b>10,613</b>
<b>Net Income</b>		<b>(15,622)</b>	<b>21,476</b>	<b>5,854</b>
<b>Retained Earnings (Deficit), Beginning of Year</b>				
		(62,480)	135,339	72,859
<b>Retained Earnings (Deficit), End of Year</b>				
		(78,102)	156,815	78,713
<b>Net Assets, Beginning of Year</b>	<b>16,495,777</b>		<b>(72,859)</b>	<b>16,422,918</b>
<b>Net Assets, End of Year</b>	<b>\$ 17,992,178</b>	<b>\$</b>	<b>\$ (78,713)</b>	<b>\$ 17,913,465</b>

**WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019

	Wake Technical Community College Foundation, Inc.					Wake Tech Innovations, Inc.		Total
	Program					Administrative and General	Fundraising	
	Scholarships	Fostering Bright Futures	College Support	College Initiatives	Total Program Support			
Gifts - in - Kind	\$	\$ 18,155	\$ 375,846	\$ 1,626,779	\$ 2,020,780	\$ 562,028	\$ 458,024	\$ 3,040,832
General Program Support			153,832	6,886	160,718	13,692		174,410
Scholarships	515,653				515,653			515,653
Foster Care Program		114,664			114,664			114,664
Student Financial Assistance and Grants	39,305				39,305			39,305
Faculty Recognition			43,160		43,160			43,160
Event Expenses			36,003	17,279	53,282	78,212		131,494
Professional Contract of Services			1,034	6,022	7,056	33,258		40,314
Travel and Meeting Expense				23,923	23,923	639	1,658	26,220
Audit and Tax Compliance Fees						15,031		15,031
Support and Training			32,749	3,831	36,580	780	40,598	77,958
Supplies			167,327	19,698	187,025	9,621		196,646
Meals/Food			39,948	23,997	63,945	8,324	4,943	77,212
Repairs and Maintenance							11,719	11,719
Salaries			8,262	108,890	117,152	36,261	75	153,488
Dues, Subscriptions, and Memberships			1,005	4,215	5,220	8,649		13,869
Printing, Postage, and Publications			1,246	644	1,890	2,807	1,054	5,751
Donor Recognition						3,256	3,752	7,008
Bad Debt Expense, Net of Recoveries						7,000		7,000
Banking Fees			517	1,158	1,675	3,174		4,849
Rent Expense								4,000
Lease Expense								37,303
Other		65	78		143	1,423		3,603
	\$ 554,958	\$ 132,884	\$ 861,007	\$ 1,843,322	\$ 3,392,171	\$ 784,155	\$ 510,104	\$ 4,743,055