

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

Consolidated Financial Statements

June 30, 2023
(With Comparative Totals as of June 30, 2022)

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Wake Technical Community College Foundation, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of an Error

As described in Note 19 to the consolidated financial statements, errors resulting in a misstatement of amounts which should have been reported or excluded as undesignated net assets without donor restrictions and purpose-restricted net assets with donor restrictions as of June 30, 2022, were discovered by management during the current year. Accordingly, amounts reported for undesignated net assets without donor restrictions and purpose-restricted net assets with donor restrictions have been restated as of June 30, 2022 in the 2023 consolidated financial statements now presented. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wake Technical Community College Foundation, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wake Technical Community College Foundation, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wake Technical Community College Foundation, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 25 to 27 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.

Report on Summarized Comparative Information

We have previously audited Wake Technical Community College Foundation, Inc. and Subsidiaries' 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2022. In our opinion, except as noted in Note 19, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Thomas, Judy & Duck, P.A.

Raleigh, North Carolina
September 18, 2023

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals as of June 30, 2022)

	2023			(As Restated) 2022
	Without Restrictions	With Restrictions	Total	Total
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,396,626	\$ 113,397	\$ 3,510,023	\$ 3,443,227
Sales Tax Receivable	9,505		9,505	11,150
Investments	1,839,927	16,181,185	18,021,112	16,048,545
Pledges Receivable - Current, Net		1,308,650	1,308,650	984,333
Charitable Lead Annuity Trust - Current		170,992	170,992	143,092
Total Current Assets	5,246,058	17,774,224	23,020,282	20,630,347
Property and Equipment:				
Equipment	336,164		336,164	
Software	128,319		128,319	128,319
Accumulated Depreciation	(156,333)		(156,333)	(128,319)
Net Property and Equipment	308,150		308,150	
Other Assets:				
Pledges Receivable - Net		2,491,185	2,491,185	1,734,399
Land Held for Sale	267,412	296,713	564,125	1,016,231
Charitable Lead Annuity Trust - Net		1,203,080	1,203,080	1,309,229
Charitable Split Interest Annuity Trust		164,112	164,112	168,373
Deferred Income Taxes	12,800		12,800	
Total Other Assets	280,212	4,155,090	4,435,302	4,228,232
Total Assets	\$ 5,834,420	\$ 21,929,314	\$ 27,763,734	\$ 24,858,579
<u>LIABILITIES, EQUITY, AND NET ASSETS</u>				
Liabilities:				
Income Taxes Payable	\$ 1,903	\$	\$ 1,903	\$ 6,705
Accounts Payable				21
Related Party Accounts Payable	4,000		4,000	
Liabilities under Charitable Split Interest Annuity - Current Portion	16,419		16,419	16,419
Total Current Liabilities	22,322		22,322	23,145
Liabilities under Charitable Split Interest Annuity - Net	44,861		44,861	48,980
Total Liabilities	67,183		67,183	72,125
Equity:				
Retained Earnings	171,276		171,276	132,270
Total Equity	171,276		171,276	132,270
Net Assets:				
Without Donor Restrictions:				
Undesignated	4,210,147		4,210,147	3,925,168
Designated by the Board	1,385,814		1,385,814	1,327,080
With Donor Restrictions:				
Perpetual in Nature		13,370,670	13,370,670	10,591,754
Purpose Restrictions		8,558,644	8,558,644	8,810,182
Total Net Assets	5,595,961	21,929,314	27,525,275	24,654,184
Total Liabilities, Equity, and Net Assets	\$ 5,834,420	\$ 21,929,314	\$ 27,763,734	\$ 24,858,579

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues:				
Contributions	\$ 153,601	\$ 4,513,257	\$ 4,666,858	\$ 3,860,579
Investment Earnings (Losses)	883,260	556,181	1,439,441	(2,916,406)
Contributions of Nonfinancial Assets	1,011,763	2,115,299	3,127,062	3,376,199
Product Sales		19,333	19,333	21,742
Interest Income	25,250		25,250	3,029
Other Income		7,927	7,927	15,735
Total Support and Revenues	2,073,874	7,211,997	9,285,871	4,360,878
Net Assets Released from Restrictions	4,684,619	(4,684,619)		
Loss on Sale of Fixed Assets	(320,811)		(320,811)	
Program Expenses:				
Scholarship Support	917,665		917,665	704,253
Fostering Bright Futures	144,522		144,522	44,645
College Support	2,547,865		2,547,865	2,792,257
College Initiatives	1,232,095		1,232,095	672,519
General and Administrative	782,008		782,008	659,216
Fundraising	469,814		469,814	453,928
Total Expenses	6,093,969		6,093,969	5,326,818
Change in Net Assets	343,713	2,527,378	2,871,091	(965,940)
Sales and Revenue:				
Energy Rebate	73,697		73,697	78,732
Other Income	10		10	6
Total Sales and Revenue	73,707		73,707	78,738
Expenses:				
Management and General	47,501		47,501	55,632
Total Expenses	47,501		47,501	55,632
Net Income Before Income Taxes	26,206		26,206	23,106
Income Tax Expense (Benefit)	(12,800)		(12,800)	4,046
Net Income	39,006		39,006	19,060
Retained Earnings, Beginning of Year	132,270		132,270	113,210
Retained Earnings, End of Year	171,276		171,276	132,270
Net Assets, Beginning of Year, As Previously Reported	4,941,626	19,712,558	24,654,184	25,620,124
Prior Period Adjustment	310,622	(310,622)		
Net Assets, Beginning of Year, As Restated	5,252,248	19,401,936	24,654,184	
Net Assets, End of Year	\$ 5,595,961	\$ 21,929,314	\$ 27,525,275	\$ 24,654,184

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023					2022			
	Program		Administrative and General			Fundraising		Total	Total
	Scholarships	Fostering Bright Futures	College Support	Program Support	Total Program				
Utilization of Nonfinancial Assets	\$	\$ 473	\$ 1,723,181	\$ 393,506	\$ 2,117,160	\$ 553,344	\$ 458,418	\$ 3,128,922	\$ 3,387,624
General Program Support		8,552	37,940	101,154	147,646	29,061		176,707	162,752
Scholarships	886,939				886,939			886,939	648,436
Student Financial Assistance and Grants	30,726	56,156			86,882			86,882	82,137
Tuition Assistance			90,178		90,178			90,178	64,395
Faculty Recognition						49,930		49,930	10,359
Event Expenses		925	166,886	76	167,887	6,406		174,293	146,279
Professional Service Contracts		2,390	67,585	103,424	173,399	11,400		184,799	122,977
Travel and Meeting Expense		520	38,217	24,567	63,304	4,902		68,206	14,563
Audit and Tax Compliance Fees						18,825		18,825	13,095
Support and Training		7,500	4,925	12,859	25,284	4,400		29,684	161,895
Supplies		5,820	260,429	347,076	613,325	16,508		629,833	169,442
Meals/Food		4,175	37,341	33,778	75,294	16,071	4,690	96,055	45,573
Repairs and Maintenance						1,950		1,950	9,854
Salaries		57,703	87,611	208,943	354,257	36,595		390,852	260,907
Dues, Subscriptions, and Memberships			12,812	5,115	17,927	29,204		47,131	48,946
Printing, Postage, and Publications		57	57	231	345	1,908	1,242	3,495	6,290
Donor Recognition			19,550		19,550	13,874	5,464	38,888	29,555
Bad Debt Expense, Net of Recoveries						(19,000)		(19,000)	(69,785)
Legal						30		30	
Banking Fees		251	1,113	116	1,480	5,855		7,335	7,943
Rent Expense						4,000		4,000	4,000
Lease Expense						12,434		12,434	38,916
Depreciation						28,014		28,014	
Other			40	1,250	1,290	3,798		5,088	16,297
	<u>\$ 917,665</u>	<u>\$ 144,522</u>	<u>\$ 2,547,865</u>	<u>\$ 1,232,095</u>	<u>\$ 4,842,147</u>	<u>\$ 829,509</u>	<u>\$ 469,814</u>	<u>\$ 6,141,470</u>	<u>\$ 5,382,450</u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Change in Net Assets and Net Income	\$ 2,910,097	\$ (946,880)
Adjustments to Reconcile Change in Net Assets and Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	28,014	
Deferred Income Tax Benefit	(12,800)	
Amortization of Charitable Lead Annuity Trust	(67,763)	(7,025)
Net (Appreciation) Depreciation in Fair Value of Investments	(1,592,111)	3,863,844
Net Realized (Gain) Loss on Sale of Investments	780,368	(381,301)
Realized Loss on Sale of Land	320,811	
Change in Discount on Long Term Pledges Receivable	85,000	140,000
Change in Allowance for Doubtful Accounts	(20,000)	(83,000)
Changes in Assets and Liabilities:		
Sales Tax Receivable	1,645	(3,838)
Pledges Receivable	(1,146,103)	(718,298)
Charitable Lead Annuity Trust	146,012	121,676
Charitable Split Interest Annuity Trust	4,261	(168,373)
Income Taxes Payable	(4,802)	4,045
Accounts Payable	(21)	21
Related Party Accounts Payable	4,000	
Charitable Split Interest Annuity Payable	(4,119)	65,399
Contributions Restricted for Long Term Purposes	(2,775,218)	(1,361,846)
Net Cash Provided (Used) by Operating Activities	<u>(1,342,729)</u>	<u>524,424</u>
Cash Flows from Investing Activities:		
Proceeds on Sale of Investments	8,300,001	16,149,565
Purchase of Investments	(9,460,825)	(18,617,379)
Proceeds from Land Held for Sale	131,295	
Purchases of Fixed Assets	(336,164)	
Net Cash Used by Investing Activities	<u>(1,365,693)</u>	<u>(2,467,814)</u>
Cash Flows from Financing Activities:		
Collections of Contributions Restricted for Long Term Purposes	2,775,218	1,361,846
Net Cash Provided by Financing Activities	<u>2,775,218</u>	<u>1,361,846</u>
Net Increase (Decrease) in Cash and Cash Equivalents	66,796	(581,544)
Cash and Cash Equivalents, Beginning of Year	<u>3,443,227</u>	<u>4,024,771</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,510,023</u></u>	<u><u>\$ 3,443,227</u></u>

See Accompanying Notes

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

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 was wholly-owned by Wake Technical Community College Foundation, Inc. prior to its dissolution in October 2022.

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.

Program Support: 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:

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

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

Financial Statement Presentation (Continued)

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.

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.

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 restrictions, 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, 2023 and 2022, the Foundation had \$2,079,386 and \$1,608,902 of cash equivalents, respectively.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

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
Utilization of Nonfinancial Assets	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 years ended June 30, 2023 and 2022, 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 years ended June 30, 2023 and 2022, there were no interest or penalties recorded or included in the consolidated financial statements related to income taxes.

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

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 years ended June 30, 2023 and 2022 was \$28,014 and \$0, respectively.

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.

Contributions of Nonfinancial Assets

The Foundation has adopted FASB ASC 958-605 and subsections as it relates to *Revenue Recognition and Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under these provisions, 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. Contributions of nonfinancial assets are valued based upon estimates of fair market value at date of receipt.

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 (Topic 958): 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(With Comparative Totals as of June 30, 2022)

2. Availability and Liquidity

The following represents the Foundation's financial assets as of June 30, 2023:

Financial assets at year-end:	
Cash and Cash Equivalents	\$ 3,510,023
Sales Tax Receivable	9,505
Investments	18,021,112
Pledges Receivable – Current	1,308,650
Charitable Lead Annuity Trust - Current	<u>170,992</u>
Total financial assets	23,020,282
Less amounts not available to be used within one year:	
Donor-Restricted Funds for Purpose	4,700,267
Perpetual Endowments	13,370,670
Board Designated Funds	<u>1,385,814</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,563,531</u>

The Foundation's board-designated funds as of June 30, 2023 were \$1,385,814 and are 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 100% of the prior year's cash requirements.

3. Concentrations of Credit Risk

The Foundation occasionally maintains cash deposits in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Accounts at each brokerage firm are insured by the Securities Investor Protection Corporation up to \$500,000. At June 30, 2023, the Foundation's uninsured cash balances totaled \$1,579,387.

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, 2023 and 2022, the Foundation had a balance of \$1,111,183 and \$1,086,825, respectively, on deposit with the State Treasurer.

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4. 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, 2023, the Foundation's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

5. Investments

The fair value of investments at June 30, 2023 and 2022 is comprised of the following:

	2023		
	Fair Value	Cost	Unrealized Gain (Loss)
<i>Financial Assets:</i>			
Mutual Funds	\$ 16,081,594	\$ 15,745,574	\$ 336,020
U.S. Government and Agency Bonds	680,557	693,648	(13,091)
Municipal Obligations	298,954	308,597	(9,643)
Corporate Obligations	960,007	1,009,937	(49,930)
Total	<u>\$ 18,021,112</u>	<u>\$ 17,757,756</u>	<u>\$ 263,356</u>
	2022		
	Fair Value	Cost	Unrealized Gain (Loss)
<i>Financial Assets:</i>			
Mutual Funds	\$ 15,126,795	\$ 16,388,217	\$ (1,261,422)
U.S. Government and Agency Bonds	201,467	205,827	(4,360)
Municipal Obligations	163,541	172,208	(8,667)
Corporate Obligations	556,743	600,699	(43,956)
Total	<u>\$ 16,048,546</u>	<u>\$ 17,366,951</u>	<u>\$ (1,318,405)</u>

The Foundation's investment income (losses) consisted of the following items for the years ended June 30, 2023 and 2022:

	2023	2022
Realized Gains (Losses) on Investments	\$ (780,368)	\$ 381,301
Interest and Dividends	694,146	635,968
Unrealized Gains (Losses) on Investments	1,592,111	(3,863,844)
Investment Fees	<u>(66,448)</u>	<u>(69,831)</u>
Total	<u>\$ 1,439,441</u>	<u>\$ (2,916,406)</u>

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5. Investments (Continued)

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.

6. 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.

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6. Fair Value Measurements (Continued)

As of June 30, 2023 and 2022, all of the Foundation's financial instruments are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2023</u>				
<i>Financial Assets:</i>				
Mutual Funds	\$ 16,081,594	\$	\$	\$ 16,081,594
U.S. Government and Agency Bond		680,557		680,557
Municipal Obligations		298,954		298,954
Corporate Obligations		<u>960,007</u>		<u>960,007</u>
	<u>\$ 16,081,594</u>	<u>\$ 1,939,518</u>	<u>\$</u>	<u>\$ 18,021,112</u>
<i>Beneficial Interest in:</i>				
Charitable Trusts Held by Others	<u>\$</u>	<u>\$</u>	<u>\$ 1,538,184</u>	<u>\$ 1,538,184</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2022</u>				
Mutual Funds	\$ 15,126,795	\$	\$	\$ 15,126,795
U.S. Government and Agency Bond		201,467		201,467
Municipal Obligations		163,541		163,541
Corporate Obligations		<u>556,743</u>		<u>556,743</u>
	<u>\$ 15,126,795</u>	<u>\$ 921,751</u>	<u>\$</u>	<u>\$ 16,048,546</u>
<i>Beneficial Interest in:</i>				
Charitable Trusts Held by Others	<u>\$</u>	<u>\$</u>	<u>\$ 1,620,694</u>	<u>\$ 1,620,694</u>

Investments are reported at fair market values based on quotation from national securities exchanges or brokerage firms. Beneficial interest in charitable trusts are reported at fair market values of underlying securities as reported by the trusts.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 1,620,694	\$ 1,566,972
Purchases/Contributions		202,407
Investment Return	79,921	(17,602)
Distributions	<u>(162,431)</u>	<u>(131,083)</u>
Ending Balance	<u>\$ 1,538,184</u>	<u>\$ 1,620,694</u>

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7. Endowment Fund

The Foundation's endowment consists of approximately 90 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 generally accepted accounting principles of the United States of America ("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 of investment earnings 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:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Board Designated Funds	\$ 1,163,814	\$	\$ 1,163,814
Donor Restricted Endowment Funds:			
Funds to be Kept in Perpetuity		13,370,670	13,370,670
Accumulated Investment Gains		2,629,628	2,629,628
Total	<u>\$ 1,163,814</u>	<u>\$ 16,000,298</u>	<u>\$ 17,164,112</u>
	2022 (As Restated)		
	Without Donor Restriction	With Donor Restriction	Total
Board Designated Funds	\$ 1,163,814	\$	\$ 1,163,814
Donor Restricted Endowment Funds:			
Funds to be Kept in Perpetuity		10,591,754	10,591,754
Accumulated Investment Gains		1,371,121	1,371,121
Total	<u>\$ 1,163,814</u>	<u>\$ 11,962,875</u>	<u>\$ 13,126,689</u>

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7. Endowment Fund (Continued)

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. The fixed income portfolio will have an overall Standard and Poor's rating or a Moody's rating of Investment Grade or higher, and the duration will not exceed the Bloomberg Barclays Aggregate Bond Index by 1 ½ years. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's or Moody's.

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

The Foundation's goal is to yield investment return over a five-year period such that each endowment may fund payouts of 4% of a three-year rolling average of an endowment's market value as of year-end, 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.

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7. Endowment Fund (Continued)

Changes in the endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2021:	\$ 1,403,960	\$ 11,313,295	\$ 12,717,255
Investment Loss (As Restated)	(274,177)	(911,600)	(1,185,777)
Contributions		1,494,070	1,494,070
Transfer of Funds	34,031	83,000	117,031
Payout of endowment assets for expenditure	<u> </u>	<u>(15,890)</u>	<u>(15,890)</u>
Endowment net assets (As Restated), June 30, 2022:	1,163,814	11,962,875	13,126,689
Investment Income		556,181	556,181
Contributions		2,869,264	2,869,264
Transfers of Funds		668,015	668,015
Payout of endowment assets for expenditure	<u> </u>	<u>(56,037)</u>	<u>(56,037)</u>
Endowment net assets, June 30, 2023:	<u>\$ 1,163,814</u>	<u>\$ 16,000,298</u>	<u>\$ 17,164,112</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, 2023 and 2022, 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:

	2023	2022
Receivable in less than one year	\$ 1,308,650	\$ 984,333
Receivable in one to ten years	<u>2,994,185</u>	<u>2,172,399</u>
Total unconditional promises to give	4,302,835	3,156,732
Less: discounts to net present value	(460,000)	(375,000)
Less: allowance for doubtful pledges	<u>(43,000)</u>	<u>(63,000)</u>
Net unconditional promises to give	<u>\$ 3,799,835</u>	<u>\$ 2,718,732</u>

The Foundation used a risk rate of 5% for the years ended June 30, 2023 and 2022 to calculate the net present value.

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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 which increase 120% annually 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 \$67,763 and \$7,025 as a contribution for the years ended June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, the Foundation determined the discount rate used should be 5% due to market conditions.

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

	<u>2023</u>	<u>2022</u>
Remaining annual payments	\$ 1,614,320	\$ 1,760,332
Less: Discount at 5 percent	<u>(240,248)</u>	<u>(308,011)</u>
Present value of amounts receivable	1,374,072	1,452,321
Less: Current portion of present value	<u>(170,992)</u>	<u>(143,092)</u>
Long term portion of present value	<u>\$ 1,203,080</u>	<u>\$ 1,309,229</u>

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

Within one year	\$ 170,992
Two to five years	1,439,106
Thereafter	<u>4,222</u>
	<u>\$ 1,614,320</u>

10. Charitable Split Interest Annuity

The Foundation is the beneficiary of a charitable split interest annuity created in 2021. The agreement states that the Foundation will receive immediate and unrestricted title to contributed assets and in exchange will make fixed recurring payments over a stipulated period. Contributed assets are recorded at the fair value of the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and a rate-adjusted discount rate of 1.4%. The excess of contributed assets over the annuity liability is recorded as contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. As of June 30, 2023 and 2022, assets held under the gift are \$164,112 and \$168,373, and the liability is \$61,280 and \$65,399, respectively.

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11. Designated Net Assets

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

	<u>2023</u>	<u>2022</u>
Business Services Facilities	\$ 433,123	\$ 414,623
Stephen Scott Applied Benchmarking	<u>952,691</u>	<u>912,216</u>
	<u>\$ 1,385,814</u>	<u>\$ 1,326,839</u>

12. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>(As Restated) 2022</u>
Subject to expenditure for specified purpose:		
Student Success and Support	\$ 30,424	\$ 517,000
College Educational Support	2,121,764	3,124,853
Grant Programs	571,358	664,020
Programs and Special Operations	<u>3,212,687</u>	<u>3,133,188</u>
	<u>5,936,233</u>	<u>7,439,061</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Student Support (Scholarships, Foster Care Program, Curriculum)	<u>2,622,411</u>	<u>1,371,121</u>
Subject to endowment spending policy and appropriation:		
Student Support (Scholarships, Foster Care Program, Curriculum)	<u>13,370,670</u>	<u>10,591,754</u>
Total Net Assets with Donor Restrictions	<u>\$ 21,929,314</u>	<u>\$ 19,401,936</u>

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12. Net Assets with Donor Restrictions (Continued)

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 years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions:		
Gift in Kind	\$ 2,117,160	\$ 2,425,218
Scholarships	742,406	517,221
Equipment and Supplies	613,327	153,669
General Program Support	224,825	152,228
Event and Meal Expenses	243,180	166,108
Other Expenses	<u>743,721</u>	<u>593,093</u>
	<u>\$ 4,684,619</u>	<u>\$ 4,007,537</u>

13. Related Party Transactions

During the years ended June 30, 2023 and 2022, the College provided office space, utilities, hardware, software, and other office equipment to the Foundation without charge. The Foundation recognized operating costs of \$47,800 and \$17,018 for the years ended June 30, 2023 and 2022, respectively.

Under an operating agreement between the College and the Foundation for the years ended June 30, 2023 and 2022, 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 personnel costs of \$943,057 and \$928,460 for the years ended June 30, 2023 and 2022, respectively.

The Foundation received gifts-in-kind from board members for services rendered during the years ended June 30, 2023 and 2022 totaling \$13,838 and \$14,900, respectively.

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

The Foundation paid a board member for tax services rendered for the years ended June 30, 2023 and 2022 totaled \$4,000 and \$2,050, respectively.

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14. 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 that was leased under a separate lease with a bank until November 2022, at which time the equipment was purchased.

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, which terminated in November 2022. The transaction was accounted for as a sale-leaseback transaction by the Foundation. The lease was considered an operating lease. The solar equipment that was purchased after the lease terminated generates energy rebates which are paid for by the utility company.

Total rent expense for the rooftop space for the years ended June 30, 2023 and 2022 was \$4,000. Total lease expense for the solar energy equipment for the years ended June 30, 2023 and 2022 was \$11,592 and \$34,776, respectively.

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

<u>Year Ending June 30</u>	<u>Rent Amount</u>
2024	\$ 4,000
2025	4,000
2026	4,000
2027	4,000
2028	4,000
Thereafter	<u>12,000</u>
Total	<u>\$ 32,000</u>

15. Income Taxes

The provision for income taxes for Wake Tech Innovations, Inc. is as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Federal	\$	\$ 4,046
Deferred Taxes	<u>(12,800)</u>	<u></u>
Provision for Income Taxes Expense (Benefit)	<u>\$ (12,800)</u>	<u>\$ 4,046</u>

The Foundation has a net operating loss carryforward of approximately \$284,000 available to offset future federal and state taxable income due to differences in book and tax depreciation. The net operating loss carryforward begins to expire in 2038 and 2033 for federal and state purposes, respectively.

The Foundation's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from net operating losses and from differences in depreciation expense for book and tax purposes.

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15. Income Taxes (Continued)

Significant components of the Foundation's deferred tax assets and liabilities as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Deferred Tax Liabilities:		
Net Operating Loss	\$ (59,700)	\$
Deferred Tax Assets:		
Federal Depreciation	<u>72,500</u>	<u> </u>
Net Deferred Tax Assets	<u>\$ 12,800</u>	<u>\$</u>

16. Concentrations

Sixty percent (60%) of pledges receivable at June 30, 2023 were due from two donors. Forty two percent (42%) of pledges receivable at June 30, 2022 were due from two donors. The Foundation received support in the form of a gift-in-kind of approximately 78% from three donors for the year ended June 30, 2023. The Foundation received support in the form of a gift-in-kind of approximately 67% from three donors for the year ended June 30, 2022. 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.

17. Contributed Nonfinancial Assets

Contributed specialized services and property and equipment for the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Payroll Services	\$ 943,057	\$ 928,460
Faculty, Clinical, Labs and Nursing Educators	1,716,409	1,518,040
Professional Services Supplies	135,000	632,040
Student Training Supplies		153,369
Other	<u>332,596</u>	<u>144,290</u>
	<u>\$ 3,127,062</u>	<u>\$ 3,376,199</u>

Payroll Services

The Foundation receives donated services of employees of the College that would typically be paid for. These services are recognized as contributions of nonfinancial assets as they fall under ASU 2013-06. The in-kind contribution and offsetting expense are recognized as the services are rendered. In valuing payroll services, the Foundation estimated the fair value of these services based on actual costs to the College.

Faculty, Clinical, Labs and Nursing Educators

The Foundation receives the services of faculty, clinical, labs and nursing educators that are considered professional services. These services, which require specialized skills, are recognized as contributions of nonfinancial assets and offsetting expense at fair value when the services are rendered. In valuing faculty, clinical, labs, and nursing educators, the Foundation estimated fair value of these services as provided by the service provider, who estimated the fair value based on the date, time, and market in which each service is rendered.

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17. Contributed Nonfinancial Assets (Continued)

Supplies

The Foundation receives supplies for professional services and student training. These supplies are recognized as contributions of nonfinancial assets and offsetting expenses as they are consumed. In valuing supplies, the Foundation estimated fair value of these supplies as provided by the donor, who estimated the fair value based on the date received and nature of the item.

Other

The Foundation receives other materials and services. These materials and services are recognized as contributions of nonfinancial assets and offsetting expenses at fair value as the materials are consumed or when the services are rendered. In valuing other materials and services, the Foundation estimated fair value of these materials and services as provided by the donor or service provided, who estimated the fair value based on the date received and nature of the item (materials) or based on the date, time, and market in which each service was rendered (services).

18. Prior Year Information

The consolidated statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset class and functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

19. Prior Period Adjustment

The Foundation determined that amounts for undesignated net assets without donor restrictions and purpose-restricted net assets with donor restrictions were not properly stated due to a change in allocating investment income and loss and should be adjusted. The adjustments resulted in the following changes to the Foundation's June 30, 2022 statements:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Net Assets – Without Donor Restrictions:			
Undesignated	\$ 3,614,787	\$ 310,381	\$ 3,925,168
Designated by the Board	\$ 1,326,839	\$ 241	\$ 1,327,080
Net Assets – With Donor Restrictions:			
Perpetual in Nature	\$ 10,598,971	\$ (7,217)	\$ 10,591,754
Purpose Restrictions	\$ 9,113,587	\$ (303,405)	\$ 8,810,182

20. 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 18, 2023, 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, 2023

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,441,219	\$ 68,804	\$	\$ 3,510,023
Related Party Receivable	448,000		(448,000)	
Sales Tax Receivable	9,505			9,505
Investments	18,021,112			18,021,112
Pledges Receivable - Current, Net	1,308,650			1,308,650
Charitable Lead Annuity Trust - Current	170,992			170,992
Total Current Assets	23,399,478	68,804	(448,000)	23,020,282
Property and Equipment:				
Equipment		336,164		336,164
Software	128,319			128,319
Accumulated Depreciation	(128,319)	(28,014)		(156,333)
Net Property and Equipment		308,150		308,150
Other Assets:				
Pledges Receivable - Net	2,491,185			2,491,185
Land Held for Sale	564,125			564,125
Charitable Lead Annuity Trust - Net	1,203,080			1,203,080
Charitable Split Interest Annuity Trust	164,112			164,112
Investments	(4,451)		4,451	
Deferred Income Taxes		12,800		12,800
Total Other Assets	4,418,051	12,800	4,451	4,435,302
Total Assets	\$ 27,817,529	\$ 389,754	\$ (443,549)	\$ 27,763,734
LIABILITIES, EQUITY, AND NET ASSETS				
Liabilities:				
Income Taxes Payable	\$	\$ 1,903	\$	\$ 1,903
Related Party Accounts Payable		4,000		4,000
Liabilities under Charitable Split Interest Annuity - Current Portion	16,419			16,419
Related Party Loan		448,000	(448,000)	
Total Current Liabilities	16,419	453,903	(448,000)	22,322
Liabilities under Charitable Split Interest Annuity - Net	44,861			44,861
Total Liabilities	61,280	453,903	(448,000)	67,183
Equity:				
Retained Earnings		(64,149)	235,425	171,276
Total Equity		(64,149)	235,425	171,276
Net Assets:				
Without Donor Restrictions:				
Undesignated	4,441,121		(230,974)	4,210,147
Designated by the Board	1,385,814			1,385,814
With Donor Restrictions:				
Perpetual in Nature	13,370,670			13,370,670
Purpose Restrictions	8,558,644			8,558,644
Total Net Assets	27,756,249		(230,974)	27,525,275
Total Liabilities, Equity, and Net Assets	\$ 27,817,529	\$ 389,754	\$ (443,549)	\$ 27,763,734

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Wake Technical Community College Foundation, Inc.	Wake Tech Innovations, Inc.	Eliminations	Total
Support and Revenues:				
Contributions	\$ 4,666,858	\$	\$	\$ 4,666,858
Investment Earnings	1,439,441			1,439,441
Contributions of Nonfinancial Assets	3,127,062			3,127,062
Product Sales	19,333			19,333
Interest Income	45,635		(20,385)	25,250
Other Income	86,246		(78,319)	7,927
Total Support and Revenues	<u>9,384,575</u>	<u></u>	<u>(98,704)</u>	<u>9,285,871</u>
Loss on Sale of Fixed Assets	<u>(320,811)</u>	<u></u>	<u></u>	<u>(320,811)</u>
Program Expenses:				
Scholarship Support	917,665			917,665
Fostering Bright Futures	144,522			144,522
College Support	2,547,865			2,547,865
College Initiatives	1,232,095			1,232,095
General and Administrative	782,008			782,008
Fundraising	469,814			469,814
Total Expenses	<u>6,093,969</u>	<u></u>	<u></u>	<u>6,093,969</u>
Change in Net Assets	<u>2,969,795</u>	<u></u>	<u>(98,704)</u>	<u>2,871,091</u>
Sales and Revenue:				
Energy Rebate		73,697		73,697
Other Income		10		10
Total Sales and Revenue	<u></u>	<u>73,707</u>	<u></u>	<u>73,707</u>
Expenses:				
Management and General		73,886	(26,385)	47,501
Total Expenses	<u></u>	<u>73,886</u>	<u>(26,385)</u>	<u>47,501</u>
Net Income				
Before Taxes		(179)	26,385	26,206
Income Tax Expense (Benefit)	<u></u>	<u>(12,800)</u>	<u></u>	<u>(12,800)</u>
Net Income	<u></u>	<u>12,621</u>	<u>26,385</u>	<u>39,006</u>
Retained Earnings (Deficit), Beginning of Year	<u></u>	<u>(76,770)</u>	<u>209,040</u>	<u>132,270</u>
Retained Earnings (Deficit), End of Year	<u></u>	<u>(64,149)</u>	<u>235,425</u>	<u>171,276</u>
Net Assets, Beginning of Year	<u>24,786,454</u>	<u></u>	<u>(132,270)</u>	<u>24,654,184</u>
Net Assets, End of Year	<u>\$ 27,756,249</u>	<u>\$</u>	<u>\$ (230,974)</u>	<u>\$ 27,525,275</u>

WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC. AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Wake Technical Community College Foundation, Inc.						Wake Tech Innovations, Inc.	
	Program						Administrative and General	Total
	Scholarships	Fostering Bright Futures	College Support	Program Support	Total Program Support	Administrative and General	Fundraising	
Utilization of Nonfinancial Assets	\$	\$ 473	\$ 1,723,181	\$ 393,506	\$ 2,117,160	\$ 553,344	\$ 458,418	\$ 3,128,922
General Program Support		8,552	37,940	101,154	147,646	29,061		176,707
Scholarships	886,939				886,939			886,939
Student Financial Assistance and Grants	30,726	56,156			86,882			86,882
Tuition Assistance			90,178		90,178			90,178
Faculty Recognition						49,930		49,930
Event Expenses		925	166,886	76	167,887	6,406		174,293
Professional Service Contracts		2,390	67,585	103,424	173,399	11,400		184,799
Travel and Meeting Expense		520	38,217	24,567	63,304	4,902		68,206
Audit and Tax Compliance Fees						18,825		18,825
Support and Training		7,500	4,925	12,859	25,284	4,400		29,684
Supplies		5,820	260,429	347,076	613,325	16,508		629,833
Meals/Food		4,175	37,341	33,778	75,294	16,071	4,690	96,055
Repairs and Maintenance								1,950
Salaries		57,703	87,611	208,943	354,257	36,595		390,852
Dues, Subscriptions, and Memberships			12,812	5,115	17,927	29,204		47,131
Printing, Postage, and Publications		57	57	231	345	1,908	1,242	3,495
Donor Recognition			19,550		19,550	13,874	5,464	38,888
Bad Debt Expense, Net of Recoveries						(19,000)		(19,000)
Legal						30		30
Banking Fees		251	1,113	116	1,480	5,855		7,335
Rent Expense								4,000
Lease Expense								12,434
Depreciation								28,014
Other			40	1,250	1,290	2,695		5,088
	<u>\$ 917,665</u>	<u>\$ 144,522</u>	<u>\$ 2,547,865</u>	<u>\$ 1,232,095</u>	<u>\$ 4,842,147</u>	<u>\$ 782,008</u>	<u>\$ 469,814</u>	<u>\$ 6,141,470</u>