Attachment AUD 1

NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
FY 2012-2013 AUDIT

SBCC
07/18/2014

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

Financial Statements

June 30, 2013

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The North Carolina Community Colleges Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of The North Carolina Community Colleges Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Community Colleges Foundation, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited The North Carolina Community Colleges Foundation, Inc.'s 2012 financial statements, and our report dated November 12, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Thomas, Judy & Tucker, P.A.

December 20, 2013

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

(With Comparative Totals at June 30, 2012)

	2013				
ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
Current Assets:					
Cash and Cash Equivalents	$ 667,033	$ 5,152	$	$ 672,185	$ 523,096
Prepaid Expenses	2,240			2,240	18,180
Investments, Net	4,558,074	2,164,337		6,722,411	6,374,145
Total Current Assets	5,227,347	2,169,489		7,396,836	6,915,421
Fixed Assets, Net	4,000			4,000	4,000
Other Assets:					
Perpetual Trust			110,097	110,097	103,281
Charitable Remainder Unitrust		78,606		78,606	72,785
Total Other Assets		78,606	110,097	188,703	176,066
Total Assets	$ 5,231,347	$ 2,248,095	$ 110,097	$ 7,589,539	$ 7,095,487
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts Payable	$ 20,223	$	$	$ 20,223	$ 645
Net Assets:					
Unrestricted:					
Undesignated	3,987,536			3,987,536	3,767,853
Board Designated	1,223,588			1,223,588	1,068,546
Temporarily Restricted		2,248,095		2,248,095	2,155,162
Permanently Restricted			110,097	110,097	103,281
Total Net Assets	5,211,124	2,248,095	110,097	7,569,316	7,094,842
Total Liabilities and Net Assets	$ 5,231,347	$ 2,248,095	$ 110,097	$ 7,589,539	$ 7,095,487

See Accompanying Notes

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

(With Comparative Totals For the Year Ended June 30, 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
Support and Revenues:					
Contributions	$ 191,106	$ 116,000	$	$ 307,106	$ 52,845
Contributed Services	12,756			12,756	12,756
Dividend Income	232,550			232,550	258,115
Interest Income	5,672			5,672	5,681
Unrealized Gain (Loss) on Investments	(134,844)			(134,844)	(269,467)
Increase (Decrease) in Value of Trusts		5,821	6,816	12,637	(8,945)
Realized Gain (Loss) on Investments	361,392			361,392	55,091
Total Support and Revenues	668,632	121,821	6,816	797,269	106,076
Net Assets Released from from Restrictions	28,888	(28,888)			
Total Support, Revenue and Net Assets Released from Restrictions	697,520	92,933	6,816	797,269	106,076
Expenses:					
Program Services:					
Scholarships and Awards	76,775			76,775	94,530
Department Projects	167,089			167,089	48,681
Grants	20,000			20,000	
Printing	154			154	224
Postage	93			93	
Travel	1,570			1,570	2,184
Management and General:					
Management Fees	30,670			30,670	31,681
Professional Fees	8,050			8,050	9,000
Payroll In-Kind	12,756			12,756	12,756
Bad Debt Expense					18,055
Miscellaneous	5,638			5,638	2,283
Total Expenses	322,795			322,795	219,394
Change in Net Assets	374,725	92,933	6,816	474,474	(113,318)
Net Assets, Beginning of Year	4,836,399	2,155,162	103,281	7,094,842	7,208,160
Net Assets, End of Year	$ 5,211,124	$ 2,248,095	$ 110,097	$ 7,569,316	$ 7,094,842

See Accompanying Notes

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

(With Comparative Totals For the Year Ended June 30, 2012)

	2013	2012
Cash Flows from Operating Activities:		
Change in Net Assets	$ 474,474	$ (113,318)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Realized Gains on Investments	(361,392)	(55,091)
Unrealized Loss on Investments	134,844	269,467
Changes in Assets and Liabilities:		
Decrease in Pledge Receivable		18,055
Decrease (Increase) in Prepaid Expenses	15,940	(18,180)
(Increase) Decrease in Endowments	(12,637)	8,945
Increase in Accounts Payable	19,578	645
Net Cash Provided by Operating Activities	270,807	110,523
Cash Flows from Investing Activities:		
Purchase of Investments	(5,020,780)	(2,456,541)
Purchase of Fixed Assets		(400)
Proceeds from Sale of Investments	4,899,062	2,603,577
Net Cash Provided (Used) in Investing Activities	(121,718)	146,636
Net Increase in Cash and Cash Equivalents	149,089	257,159
Cash and Cash Equivalents, Beginning of Year	523,096	265,937
Cash and Cash Equivalents, End of Year	$ 672,185	$ 523,096
Supplemental Disclosures of Noncash Transactions:		
Donated Services	$ 12,756	$ 12,756

See Accompanying Notes

1. Business Operations and Summary of Significant Accounting Policies

Business Operations
The North Carolina Community Colleges Foundation, Inc. (the "Foundation") was incorporated on September 11, 1986, and became operational in early 1987. The Foundation was established to support, promote, and assist the mission of the community college system through study and evaluation of the present and future role of community colleges, their impact on small businesses, and to support the continued training and development of the community college system.

Financial Statement Presentation
The Foundation has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Contributions
The Foundation has adopted FASB ASC 958-605 and subsections. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as net assets released from restriction. Unconditional promises to give are recorded as revenue when promised. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donated Facilities, Services and Materials
The Foundation records the value of donated facilities, services and materials when there is an objective basis available to measure their value.

Investments
The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair value and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statements of changes in nets assets.

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 fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Foundation considers short-term, highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

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

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and the supporting service benefited.

Net Assets

Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by action of the Foundation and/or passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Net Assets Released from Restrictions – The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the Foundation's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements of financial position and the reported amounts of revenues and expenses included in the statements of activities. Actual results could differ from those estimates.

Fixed Assets

Fixed assets are stated at original cost and are depreciated over their estimated useful life. Artwork is recorded at its fair value at the date of donation and is not depreciated.

Accounting for Uncertainty in Income Taxes

The Foundation is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3). During the years ended June 30, 2013 and 2012, 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.

The Foundation adopted the provisions of FASB ASC 740-10-25. Under ASC 740-10-25, an organization must recognized the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Foundation's financial statements.

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

Accounting for Uncertainty in Income Taxes (Continued)
The Foundation does not believe there are any material uncertain tax positions and, accordingly, no liability for unrecognized tax benefits will be recorded. No interest or penalties were accrued as of July 1, 2009, as a result of the adoption. For the year ended June 30, 2013, there were no interest or penalties recorded or included in its financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax years in progress. The Foundation believes it is no longer subject to income tax examination for years prior to 2010.

2. Concentration 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. FASB ASC 825, "Financial Instruments," identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The uninsured cash balance at June 30, 2013 was $437,515. The risk is managed by maintaining all deposits in high quality financial institutions.

3. Pledges Receivable

During the year ended June 30, 2012, the Foundation determined that $18,055 of pledge receivable was considered uncollectible and was written off. As of June 30, 2013 and 2012, the balance of pledge receivable was $0 and $0, respectively.

4. Fair Value Measurements

FASB ASC 820-10 and subsections, 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.

4. 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.

The following table sets forth the level within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Mutual Funds:				
Bond Funds	$ 2,794,868	$	$	$ 2,794,868
Mid-Cap Growth	677,261			677,261
Small Cap	203,543			203,543
Large Blend	1,727,656			1,727,656
World Stock	827,263			827,263
Other	491,820			491,820
Total	$ 6,722,411	$	$	$ 6,722,411

	2012			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Mutual Funds:				
Bond Funds	$ 2,900,888	$	$	$ 2,900,888
Mid-Cap Growth	414,054			414,054
Short-Term Blend	298,086			298,086
Small Cap	214,298			214,298
Large Blend	1,489,094			1,489,094
World Stock	442,237			442,237
Other	615,488			615,488
Total	$ 6,374,145	$	$	$ 6,374,145

5. Investments

Investments are reported at fair market values based on quotation from national securities exchanges or brokerage firms.

The fair value of investments at June 30, 2013 and 2012 is comprised of the following:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Mutual Funds	$ 6,722,411	$ 6,566,803	$ 6,374,145	$ 6,083,818

The Foundation realized gains of $361,392 and $55,091 from the sale of investments for the years ended June 30, 2013 and 2012, respectively. For purposes of determining the gain or loss on a 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. Unrealized depreciation related to investments was $134,844 and $269,467 for the years ended June 30, 2013 and 2012, respectively. Investment fees for the years ended June 30, 2013 and 2012 were $30,670 and $31,681, respectively.

6. Perpetual Trust and Charitable Remainder Unitrust:

On January 2, 2000, the donor of a charitable remainder unitrust passed away and the unitrust has been recognized as a perpetual trust for the Foundation. The fair value of the trust at June 30, 2013 and 2012 was $110,097 and $103,281, respectively. Distribution received from the trust for the period ended June 30, 2013 and 2012 totaled $5,361 and $5,212, respectively.

On March 26, 1997, the Foundation became a 50% beneficiary in an irrevocable charitable remainder unitrust. A bank is the trustee of the funds. Upon the death of the last surviving non-charitable income beneficiary, the trust shall distribute 50% of the principle and income of the trust to the Foundation. The Foundation has recognized $78,606 and $72,785 as its present value interest in the trust as of June 30, 2013 and 2012, respectively. The present value of the future cash flows is based on applicable federal rates as well as life expectancy tables to value the unitrust.

7. Board Designated Funds

The Foundation designated the following contributions and pledges to provide annual awards to teachers, staff, college presidents, and instructors in training. Investment earnings will be used to fund the awards on an annual basis.

7. Board Designated Funds (Continued)

The following contributions and pledges have been classified as board designated net assets as of June 30, 2013 and 2012 are included in the unrestricted net asset total:

	2013	2012
RJR Tobacco Excellence in Teaching Award	$ 296,436	$ 296,436
50th Anniversary	250,000	
Wachovia N.C. Community College President of the Year Award	249,714	249,714
BB&T N.C. Community College System Staff Award	247,655	247,655
Bank of America Award for Teacher Training in North Carolina	101,714	101,714
Blue Cross Blue Shield of North Carolina	100,000	100,000
Rex Healthcare	100,000	100,000
UNC Hospitals	100,000	100,000
Wake Medical Center	100,000	100,000
ACS	50,000	50,000
Craven Regional Medical Center	30,000	30,000
Mayview Convalescent Home	10,000	10,000
	1,635,519	1,385,519
Less: Expended through June 30:	(411,931)	(316,973)
	$ 1,223,588	$ 1,068,546

8. Restricted Net Assets

Temporarily restricted net assets are as follows at June 30, 2013 and 2012:

	2013	2012
Teacher Prep Programs	$ 1,855,696	$ 1,883,196
Dallas Herring Leadership	151,318	151,318
50th Anniversary Programs	116,000	
Charitable Remainder Unitrust	78,606	72,785
Technology Training	35,000	35,000
Biotech Initiatives	11,063	12,063
M. Lancaster Art Fund	412	800
	$ 2,248,095	$ 2,155,162

For the years ended June 30, 2013 and 2012, $28,888 and $38,900, respectively, was released from net assets from donor restrictions by incurring expenses and holding events satisfying the purpose or time restrictions specified by the donors.

Permanently restricted net assets are as follows at June 30, 2013:

	2013	2012
Perpetual Trust	$ 110,097	$ 103,281

9. Donated Facilities, Services and Materials

The Foundation received administrative support from the North Carolina Community College System Office through contributions of staff time, office space, equipment, supplies and services in accordance with North Carolina General Statute 115D-7. The estimated value of staff time was $12,756 and $12,756 for the years ended June 30, 2013 and 2012, respectively. Office space, equipment and supplies were not valued because no objective basis was available.

10. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 20, 2013, which is the date the financial statements were available to be issued. No significant items were identified by management.