

**THE NORTH CAROLINA COMMUNITY COLLEGES
FOUNDATION, INC.**

Financial Statements

June 30, 2015

(With Comparative Totals
as of June 30, 2014)

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Attachment AUD 6

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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, 2015, 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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited The North Carolina Community Colleges Foundation, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Thomas, Judy & Dicks, P.A." The signature is written in black ink on a light-colored background.

January 28, 2016

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Comparative Totals at June 30, 2014)

ASSETS	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Current Assets:					
Cash and Cash Equivalents	\$ 315,015	\$ 5,425	\$	\$ 320,440	\$ 429,611
Prepaid Expenses	2,393			2,393	
Investments, Net	5,529,036	2,137,162		7,666,198	7,568,792
Total Current Assets	<u>5,846,444</u>	<u>2,142,587</u>		<u>7,989,031</u>	<u>7,998,403</u>
Fixed Assets, Net	<u>5,306</u>			<u>5,306</u>	<u>4,000</u>
Other Assets:					
Perpetual Trust			107,810	107,810	115,182
Charitable Remainder Unitrust		84,807		84,807	87,758
Total Other Assets		<u>84,807</u>	<u>107,810</u>	<u>192,617</u>	<u>202,940</u>
Total Assets	<u>\$ 5,851,750</u>	<u>\$ 2,227,394</u>	<u>\$ 107,810</u>	<u>\$ 8,186,954</u>	<u>\$ 8,205,343</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts Payable	\$	\$	\$	\$	\$ 12,500
Net Assets:					
Unrestricted:					
Undesignated	4,779,434			4,779,434	4,740,851
Board Designated	1,072,316			1,072,316	1,142,265
Temporarily Restricted		2,227,394		2,227,394	2,194,545
Permanently Restricted			107,810	107,810	115,182
Total Net Assets	<u>5,851,750</u>	<u>2,227,394</u>	<u>107,810</u>	<u>8,186,954</u>	<u>8,192,843</u>
Total Liabilities and Net Assets	<u>\$ 5,851,750</u>	<u>\$ 2,227,394</u>	<u>\$ 107,810</u>	<u>\$ 8,186,954</u>	<u>\$ 8,205,343</u>

See Accompanying Notes

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues:					
Contributions	\$ 11,441	\$ 78,300	\$	\$ 89,741	\$ 212,225
Contributed Services	12,898			12,898	12,898
Dividend Income	324,051			324,051	196,372
Interest Income	4,328			4,328	7,058
Unrealized Gain (Loss) on Investments	(202,634)			(202,634)	737,445
Increase (Decrease) in Value of Trusts		(2,951)	(7,372)	(10,323)	14,237
Realized Gain (Loss) on Investments	11,062			11,062	(55,057)
Total Support and Revenues	<u>161,146</u>	<u>75,349</u>	<u>(7,372)</u>	<u>229,123</u>	<u>1,125,178</u>
Net Assets Released from from Restrictions	<u>42,500</u>	<u>(42,500)</u>			
Total Support, Revenue and Net Assets Released from Restrictions	<u>203,646</u>	<u>32,849</u>	<u>(7,372)</u>	<u>229,123</u>	<u>1,125,178</u>
Expenses:					
Program Services:					
Scholarships and Awards	95,108			95,108	288,340
Department Projects	61,954			61,954	126,376
Grants					20,000
Printing					252
Postage	94			94	10,199
Travel	3,986			3,986	1,429
Management and General:					
Management Fees	34,176			34,176	31,470
Professional Fees	23,167			23,167	9,000
Payroll In-Kind	12,898			12,898	12,898
Miscellaneous	3,629			3,629	1,687
Total Expenses	<u>235,012</u>			<u>235,012</u>	<u>501,651</u>
Change in Net Assets	(31,366)	32,849	(7,372)	(5,889)	623,527
Net Assets, Beginning of Year	<u>5,883,116</u>	<u>2,194,545</u>	<u>115,182</u>	<u>8,192,843</u>	<u>7,569,316</u>
Net Assets, End of Year	<u>\$ 5,851,750</u>	<u>\$ 2,227,394</u>	<u>\$ 107,810</u>	<u>\$ 8,186,954</u>	<u>\$ 8,192,843</u>

See Accompanying Notes

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

(With Comparative Totals For the Year Ended June 30, 2014)

	2015	2014
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (5,889)	\$ 623,527
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized Loss (Gain) on Investments	(11,062)	55,057
Unrealized (Gain) Loss on Investments	202,634	(737,445)
Changes in Assets and Liabilities:		
Decrease (Increase) in Prepaid Expenses	(2,393)	2,240
Decrease (Increase) in Endowments	10,323	(14,237)
Decrease in Accounts Payable	(12,500)	(7,723)
Net Cash Provided (Used) by Operating Activities	<u>181,113</u>	<u>(78,581)</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(1,306)	
Purchase of Investments	(800,819)	(806,236)
Proceeds from Sale of Investments	511,841	642,243
Net Cash Used in Investing Activities	<u>(290,284)</u>	<u>(163,993)</u>
Net Decrease in Cash and Cash Equivalents	(109,171)	(242,574)
Cash and Cash Equivalents, Beginning of Year	<u>429,611</u>	<u>672,185</u>
Cash and Cash Equivalents, End of Year	<u>\$ 320,440</u>	<u>\$ 429,611</u>
Supplemental Disclosures of Noncash Transactions:		
Donated Services	<u>\$ 12,898</u>	<u>\$ 12,898</u>

See Accompanying Notes

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(With Comparative Totals as of June 30, 2014)

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 Financial Accounting Standards Board ("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.

The Foundation has adopted FASB 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 North Carolina Community College System and the services are to be recognized at fair market 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 values and all investments in debt securities be measured at fair value in the statement 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 statement 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.

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (With Comparative Totals as of June 30, 2014)

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 statement of financial position and the reported amounts of revenues and expenses included in the statement 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, 2015 and 2014, 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 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 implementation had no impact on the Foundation's financial statements.

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015
 (With Comparative Totals as of June 30, 2014)

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. For the years ended June 30, 2015 and 2014, 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.

2. Concentration of Credit Risk

The Foundation occasionally maintains deposits in excess of federally insured limits. FASB ASC 825, "*Financial Instruments*," identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured cash balance at June 30, 2015 was \$83,972. The risk is managed by maintaining all deposits in high quality financial institutions.

3. 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. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"> • 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, 2015 and 2014, all investments are assessed at level 1.

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(With Comparative Totals as of June 30, 2014)

3. Fair Value Measurements (Continued)

The following table sets forth the Foundation's assets at fair value as of June 30, 2015 and 2014:

<i>Financial Assets:</i>	<u>2015</u>	<u>2014</u>
Mutual Funds:		
Bond Funds	\$ 2,936,476	\$ 2,949,861
Mid-Cap Growth	932,281	884,510
Small Cap	270,943	257,461
Large Blend	2,216,131	2,099,076
World Stock	926,659	994,734
Other	<u>383,708</u>	<u>383,150</u>
 Total	 <u>\$ 7,666,198</u>	 <u>\$ 7,568,792</u>

4. 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, 2015 and 2014 is comprised of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual Funds	<u>\$ 7,666,198</u>	<u>\$ 6,974,076</u>	<u>\$ 7,568,792</u>	<u>\$ 6,674,036</u>

The Foundation realized gains of \$11,062 and losses of \$(55,057) from the sale of investments for the years ended June 30, 2015 and 2014, 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 gains and (losses) related to investments was \$(202,634) and \$737,445 for the years ended June 30, 2015 and 2014, respectively. Investment fees for the years ended June 30, 2015 and 2014 were \$34,176 and \$31,470, respectively.

5. 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, 2015 and 2014 was \$107,810 and \$115,182, respectively. Distributions received from the trust for the period ended June 30, 2015 and 2014 totaled \$4,182 and \$6,782, 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 \$84,807 and \$87,758 as its present value interest in the trust as of June 30, 2015 and 2014, 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.

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(With Comparative Totals as of June 30, 2014)

6. 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.

The following contributions and pledges have been classified as board designated net assets as of June 30, 2015 and 2014 are included in the unrestricted net asset total:

	<u>2015</u>	<u>2014</u>
RJR Tobacco Excellence in Teaching Award	\$ 296,436	\$ 296,436
50 th Anniversary	250,000	250,000
Wells Fargo 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
	<u>1,635,519</u>	<u>1,635,519</u>
Less: Expended through June 30:	<u>(563,203)</u>	<u>(493,254)</u>
	<u>\$ 1,072,316</u>	<u>\$ 1,142,265</u>

7. Restricted Net Assets

Temporarily restricted net assets are as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Teacher Prep Programs	\$ 1,820,696	\$ 1,838,196
Dallas Herring Leadership	151,318	151,318
50 th Anniversary Programs	124,510	71,210
Charitable Remainder Unitrust	84,807	87,758
Technology Training	35,000	35,000
Biotech Initiatives	11,063	11,063
	<u>\$ 2,227,394</u>	<u>\$ 2,194,545</u>

For the years ended June 30, 2015 and 2014, \$42,500 and \$237,702, 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.

THE NORTH CAROLINA COMMUNITY COLLEGES FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(With Comparative Totals as of June 30, 2014)

7. Restricted Net Assets (Continued)

Permanently restricted net assets are as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Perpetual Trust	<u>\$ 107,810</u>	<u>\$ 115,182</u>

8. 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 \$12,898 and \$12,898 for the years ended June 30, 2015 and 2014, respectively. Office space, equipment and supplies were not valued because no objective basis was available.

9. Prior Year Information

The statements of activities and changes in net assets, 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 financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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 January 28, 2016, which is the date the financial statements were available to be issued. No significant items were identified by management.