

*DAVIDSON COUNTY COMMUNITY COLLEGE
FOUNDATION, INC.*

Lexington, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

June 30, 2018 and 2017

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

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RICK ALLRED, CPA, PA

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Davidson County Community College Foundation, Inc.
Lexington, North Carolina

I have audited the accompanying financial statements of Davidson County Community College Foundation, Inc. (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Davidson County Community College Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rick Allred, CPA, PA

September 24, 2018

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 728,923	\$ 1,268,932
Accounts receivable	-	83,001
Contributions receivable	162,123	198
Investments	17,298,418	19,860,244
Equipment, land, and buildings	3,703,152	3,626,184
TOTAL ASSETS	<u>\$ 21,892,616</u>	<u>\$ 24,838,559</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,313
Grants payable	83,444	217,523
TOTAL LIABILITIES	<u>83,444</u>	<u>218,836</u>
NET ASSETS		
Unrestricted	10,498,365	11,762,212
Temporarily restricted	1,408,472	3,078,845
Permanently restricted	9,902,335	9,778,666
TOTAL NET ASSETS	<u>21,809,172</u>	<u>24,619,723</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,892,616</u>	<u>\$ 24,838,559</u>

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended June 30, 2018 and 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
BALANCE AT JUNE 30, 2016	\$ 11,198,517	\$ 2,843,827	\$ 9,664,152	\$ 23,706,496
Increase (decrease) in net assets	(723,318)	1,033,017	603,528	913,227
Transfers	<u>1,287,013</u>	<u>(797,999)</u>	<u>(489,014)</u>	<u>-</u>
BALANCE AT JUNE 30, 2017	11,762,212	3,078,845	9,778,666	24,619,723
Increase (decrease) in net assets	(3,827,429)	409,521	607,357	(2,810,551)
Transfers	<u>2,563,582</u>	<u>(2,079,894)</u>	<u>(483,688)</u>	<u>-</u>
BALANCE AT JUNE 30, 2018	<u><u>\$ 10,498,365</u></u>	<u><u>\$ 1,408,472</u></u>	<u><u>\$ 9,902,335</u></u>	<u><u>\$ 21,809,172</u></u>

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2018 and 2017

	2018			2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT							
Contributions	\$ 92,477	\$ 44,641	\$ 115,476	\$ 42,840	\$ 1,249,304	\$ 105,708	\$ 1,397,852
Grant revenue	-	351,264	-	-	-	-	-
Investment income, net of investment advisory fees of \$48,869 in 2018 and \$64,889 in 2017	219,649	-	182,607	209,406	-	180,714	390,120
Realized gains (losses) in investments	347,690	-	289,057	99,687	-	86,029	185,716
Net unrealized gains (losses) on investments	293,655	-	244,134	612,322	-	528,424	1,140,746
Fundraising income, net of fundraising expenses of \$64,237 in 2018 and \$66,877 in 2017	(7,260)	-	(6,036)	(11,806)	-	(10,188)	(21,994)
Health Sciences building contributions	-	231,288	-	-	-	-	-
Miscellaneous income	27,715	-	23,041	3,981	-	3,436	7,417
Net assets released from restrictions: Restrictions satisfied by payment of scholarships	456,094	(215,172)	(240,922)	506,882	(216,287)	(290,595)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,430,020	412,021	607,357	1,463,312	1,033,017	603,528	3,099,857
EXPENSES							
Program services:							
Scholarships and student support	457,634	-	-	517,332	-	-	517,332
Total program services	457,634	-	-	517,332	-	-	517,332
Support services:							
Foundation office - administrative	222,044	-	-	209,602	-	-	209,602
Grant expense	-	2,500	-	-	-	-	-
Health Sciences building	4,536,641	-	-	1,419,935	-	-	1,419,935
Management and professional fees	41,130	-	-	39,761	-	-	39,761
Total support services	4,799,815	2,500	-	1,669,298	-	-	1,669,298
TOTAL EXPENSES	5,257,449	2,500	-	2,186,630	-	-	2,186,630
INCREASE (DECREASE) IN NET ASSETS	\$ (3,827,429)	\$ 409,521	\$ 607,357	\$ (723,318)	\$ 1,033,017	\$ 603,528	\$ 913,227

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (2,810,551)	\$ 913,227
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	38,922	31,602
Net realized and unrealized (gains) losses on investments	(1,174,536)	(1,326,462)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	83,001	14,070
(Increase) decrease in contributions receivable	(161,925)	(140)
Increase (decrease) in accounts payable	(1,313)	1,313
Increase (decrease) in grant payable	(134,080)	(23,606)
NET CASH PROVIDED (USED)BY OPERATING ACTIVITIES	(4,160,482)	(389,996)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	7,110,389	781,310
Purchase of investments	(3,374,026)	(766,283)
Purchase of fixed assets	(115,890)	(999,999)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,620,473	(984,972)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(540,009)	(1,374,968)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,268,932	2,643,900
CASH AND CASH EQUIVALENTS - End of Year	\$ 728,923	\$ 1,268,932

SUPPLEMENTAL DISCLOSURES

Noncash investing transactions - none.

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Davidson County Community College Foundation, Inc. (the "Foundation") was organized on September 13, 1968 and is engaged in the granting of scholarships and other forms of support for Davidson County Community College (the "College") based on criteria established by the donors or the Board of Directors. The Foundation is supported primarily through donor contributions, grants, and investment earnings.

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards ASC 958. Under ASC 958, 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.

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 stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by action of the Foundation and/or the 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 statements of activities as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (continued)

about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. A significant portion of the contributions received by the Foundation are from donors located in the Piedmont Triad area of North Carolina.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Unrealized losses on the investments of a donor-restricted endowment fund (permanently restricted net assets) shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets. Subsequent unrealized gains should increase unrestricted net assets until the gains offset the amount of losses previously recorded as decreases in unrestricted net assets.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' useful life.

Income Taxes

The Foundation has been determined to be exempt from income taxes under Internal Revenue Code Section 501(c)(3). Annual information returns are filed as required by law. The Foundation has determined that it has no uncertain income tax positions as of June 30, 2018. Also, the Foundation does not anticipate any increase or decrease in unrecognized tax benefits during the next twelve months that would result in a material change to its financial position. Information returns for years ended after June 30, 2015 remain open for examination.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE B – CONTRIBUTIONS RECEIVABLE

These contributions receivable are due in the following periods:

	2018	2017
One year or less	\$ 40,208	\$ 198
Over one year to five years	140,000	-
Total contributions	180,208	198
Less discount to present value - 4%	(18,085)	-
	\$ 162,123	\$ 198

NOTE C – INVESTMENT IN SECURITIES

The Foundation uses several investment companies to manage its investments. At June 30, 2018 and 2017, the following investments were held by the Foundation:

	2018		
	Cost	Net Unrealized Gains (Losses)	Fair Value
Fixed income	\$ 4,175,606	\$ (147,717)	\$ 4,027,889
Equities	10,411,647	1,615,106	12,026,753
Alternatives	444,601	(41,089)	403,512
Real estate	750,000	90,264	840,264
	\$ 15,781,854	\$ 1,516,564	\$ 17,298,418
	2017		
	Cost	Net Unrealized Gains (Losses)	Fair Value
Fixed income	\$ 7,360,246	\$ (58,115)	\$ 7,302,131
Equities	8,938,702	1,166,970	10,105,672
Alternatives	1,727,313	(23,918)	1,703,395
Real estate	749,046	-	749,046
	\$ 18,775,307	\$ 1,084,937	\$ 19,860,244

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE D – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant unobservable inputs (Level 3)</u>
Fixed Income	\$ 4,027,889	\$ 4,027,889	\$ -
Equities	12,026,753	12,026,753	-
Alternatives	403,512	403,512	-
Real estate	840,264	-	840,264
	<u>\$ 17,298,418</u>	<u>\$ 16,458,154</u>	<u>\$ 840,264</u>
<u>June 30, 2017</u>			
Fixed Income	\$ 7,302,131	\$ 7,302,131	\$ -
Equities	10,105,672	10,105,672	-
Alternatives	1,703,395	1,703,395	-
Real estate	749,046	-	749,046
	<u>\$ 19,860,244</u>	<u>\$ 19,111,198</u>	<u>\$ 749,046</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Investments (Level 1) – The carrying amount approximates fair value which is determined based on quoted market prices.

Investments (Level 3) – The carrying amount is based on unobservable inputs not corroborated by market data.

NOTE E – EQUIPMENT, LAND, AND BUILDINGS

Equipment, land, and buildings consist of the following:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 64,000	\$ 64,000
Land	2,882,900	2,853,812
Leasehold	86,802	-
Buildings	912,965	912,965
	<u>3,946,667</u>	<u>3,830,777</u>
Accumulated depreciation	(243,515)	(204,593)
	<u>\$ 3,703,152</u>	<u>\$ 3,626,184</u>
Depreciation expense	<u>\$ 38,922</u>	<u>\$ 31,602</u>

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE F – RELATED PARTY TRANSACTIONS

A manager in a CPA firm that has been engaged to perform quarterly bookkeeping services, also serves as the Foundation's treasurer. Also, a partner at this CPA firm oversees the results of the bookkeeping services provided. During the years ended June 30, 2018 and 2017, the Foundation paid the CPA firm \$36,930 and \$35,561, respectively, for accounting services. No amounts were owed the the CPA firm at June 30, 2018 and 2017.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	2018	2017
Granting of scholarships and other forms of support	\$ 1,408,472	\$ 3,078,845

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 of \$9,902,335 and \$9,778,666 respectively, consist of endowment fund investments to be held in perpetuity, the income from which is expendable to support the spending plan of the Foundation for the support of the students and the College.

The Foundation follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The State of North Carolina enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

NOTE I – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits. At June 30, 2018 and 2017, \$343,987 and \$245,121 of the Foundation's bank balances were not covered by FDIC.

NOTE J – GRANTS PAYABLE

The John Belk Endowment Board awarded Davidson County Community College \$200,000 to create The Next Generation Outreach program in 2016. This grant is to be used for professional marketing services, materials and supplies, and evaluation. As of June 30, 2018 and 2017, remaining amounts of the grant were \$75,368 and \$192,523, respectively.

DAVIDSON COUNTY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE J – GRANTS PAYABLE (continued)

The North Carolina GlaxoSmithKline Foundation awarded \$25,000 grant to the Davidson County Community College Foundation on April 20, 2017. The purpose of the grant is to support Females in Math and Science (FeMS), providing tutoring and other supports, scholarships for students, and stipends for student mentors. As of June 30, 2018 and 2017, remaining amounts of the grant were \$8,075 and \$25,000, respectively.

NOTE K – IN-KIND CONTRIBUTIONS

The fair value of donated services and office space were as follows. These amounts were recorded as unrestricted contributions on the Statement of Activities.

	2018	2017
Office expenses	\$ 8,518	\$ 8,409
Telephone	1,521	1,521
	\$ 10,039	\$ 9,930
Allocation:		
Administration	\$ 5,019	\$ 4,965
Fundraising	1,506	1,490
Student Support	3,514	3,475
	\$ 10,039	\$ 9,930

NOTE L – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 24, 2018, which is the date the financials were available to be issued.