

**PITT COMMUNITY COLLEGE
FOUNDATION, INC.**

Financial Statements

**For the Twelve Months Ended
June 30, 2019**

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PITT COMMUNITY COLLEGE FOUNDATION, INC.

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June 30, 2019

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Independent Auditor's Report

To the Board of Directors
Pitt Community College Foundation, Inc.
Greenville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Pitt Community College Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 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, 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 Pitt Community College Foundation, Inc. as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "H. Edwin Gray, CPA, P.A." The signature is written in a cursive style.

H. Edwin Gray, CPA, P.A.

December 13, 2019

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Financial Position
As of June 30, 2019

ASSETS

Current Assets	
Cash and Cash Equivalents	
Cash With State Treasurer	\$ 5,677,291.48
Cash in Private Institutions	1,000.00
Pledges Receivable, Current (Note 5)	54,600.00
Total Current Assets	<u>5,732,891.48</u>
Investments	
Cash and Cash Equivalents	221,102.35
Long-Term Investments	1,539,537.69
Total Investments	<u>1,760,640.04</u>
Property and Equipment	
Equipment	9,957.40
Software	4,360.00
Less: Accumulated Depreciation	(14,317.40)
Net Property and Equipment	<u>-</u>
Other Assets	
Net Pledges Receivable, Noncurrent (Note 5)	60,754.98
Grant Income Receivable (Note 7)	70,460.69
Total Other Assets	<u>131,215.67</u>
Total Assets	<u><u>\$ 7,624,747.19</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 20,912.42
Accrued Wages and Benefits	17,872.00
Total Liabilities	<u>38,784.42</u>
Net Assets	
Without Donor Restrictions	245,531.81
With Donor Restrictions	
Perpetual in Nature (Note 10)	2,171,015.67
Purpose Restrictions (Note 10)	5,169,415.29
Total With Donor Restrictions	<u>7,340,430.96</u>
Total Net Assets	7,585,962.77
Total Liabilities and Net Assets	<u><u>\$ 7,624,747.19</u></u>

The Accountant's Report and accompanying notes are integral parts of these financial statements.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Activities
For the Twelve Months Ended June 30, 2019

	<u>With Donor Restrictions</u>			<u>Total With Donor Restrictions</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Purpose Restrictions</u>	<u>Perpetual In Nature</u>		
Public Support and Revenues					
Support:					
Contributions	\$ 280,812.03	\$ 356,009.40	\$ 244,428.59	\$ 600,437.99	\$ 881,250.02
Contributions - In Kind		33,431.17	-	33,431.17	33,431.17
Discount on Pledges Receivable	-	(3,345.02)	-	(3,345.02)	(3,345.02)
				-	-
Revenue:					
Income Earned on Investments	4,364.77	151,211.15	(6,420.68)	144,790.47	149,155.24
Fundraising Income	292,660.12	-	-	-	292,660.12
				-	-
Net Assets Released From Restrictions	<u>648,776.02</u>	<u>(648,776.02)</u>	<u>-</u>	<u>(648,776.02)</u>	<u>-</u>
				-	-
Total Support and Revenue	<u>1,226,612.94</u>	<u>(111,469.32)</u>	<u>238,007.91</u>	<u>126,538.59</u>	<u>1,353,151.53</u>
Expenses					
Contributions to Pitt Community College for:					
Scholarships & Minigrants	290,069.66	-	-	-	290,069.66
General Support for PCC Programs	35,391.26	-	-	-	35,391.26
Program Services	346,502.53	-	-	-	346,502.53
General Expenses	180,841.23	-	-	-	180,841.23
Fundraising Expenses	<u>143,568.85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,568.85</u>
Total Expenses	996,373.53	-	-	-	996,373.53
Unrealized Gain (Loss) on Investments	-	-	37,496.13	37,496.13	37,496.13
				-	-
Return of Scholarship/Endowment (Note 11)		(886.89)	(29,113.11)	(30,000.00)	(30,000.00)
				-	-
Reclassifications (Note 12)	(219,496.54)	192,201.00	27,295.54	219,496.54	-
				-	-
Change in Net Assets	10,742.87	79,844.79	273,686.47	353,531.26	364,274.13
				-	-
Net Assets at Beginning of the Year	<u>234,788.94</u>	<u>5,089,570.50</u>	<u>1,897,329.20</u>	<u>6,986,899.70</u>	<u>7,221,688.64</u>
Net Assets at End of Year	<u>\$ 245,531.81</u>	<u>\$ 5,169,415.29</u>	<u>\$ 2,171,015.67</u>	<u>\$ 7,340,430.96</u>	<u>\$ 7,585,962.77</u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Statement of Cash Flows
For the Twelve Months Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 364,274.13
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Unrealized (Gain) Loss on Investment	\$ (37,496.13)
(Increase) Decrease in Pledges Receivable	1,394,230.50
(Increase) Decrease in Grants Receivable	(32,206.79)
Increase (Decrease) in Accounts Payable	(5.41)
Increase (Decrease) in Accrued Wages and Benefits	42.78
Contributions Restricted for Long-Term Purposes	(244,428.59)
Interest and Dividends Restricted for Reinvestment	(908.28)
Net cash provided by operating activities	<u>1,443,502.21</u>
 Cash flows from investing activities:	
Cash used for investment transactions (net)	(93,461.74)
Net cash used in investing activities	<u>(93,461.74)</u>
 Cash flows from financing activities:	
Proceeds from Contributions Restricted for:	
Investment in Endowments	244,428.59
Other Financing Activities:	
Interest and Dividends Restricted for Reinvestment	908.28
Net cash provided by financing activities	<u>245,336.87</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,595,377.34
Cash and cash equivalents at beginning of year	<u>\$ 4,082,914.14</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,678,291.48</u></u>
 Supplemental disclosure of cash flow information	
Interest Expense	<u><u>\$ -</u></u>
Income Tax Expense	<u><u>\$ -</u></u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Schedule of Functional Expenses
For the Twelve Months Ended June 30, 2019

	Program Services	Mgmt. & General	Fundraising	Total
Advertising	\$ 23,338.66	98,576.20	\$ 49,917.59	\$ 171,832.45
Awards	4,186.65	14,895.19	-	19,081.84
Donations to PCC - Other Programs	35,391.26	-	-	35,391.26
Donations to PCC - Scholarships	290,069.66	-	-	290,069.66
Food Expense	40,527.72	21,152.53	37,295.84	98,976.09
Investment Fees	16,320.76	-	-	16,320.76
Memberships and Dues	183.00	4,788.00	-	4,971.00
Miscellaneous	2,115.33	2,384.85	1,943.71	6,443.89
Printing	1,492.00	3,368.26	2,707.30	7,567.56
Professional/Contract Services	19,050.95	28,711.73	4,171.53	51,934.21
Rent Expense	-	-	44,471.22	44,471.22
Salaries & Benefits	220,409.90	-	-	220,409.90
Software	-	2,376.00	-	2,376.00
Supplies	9,328.51	3,051.81	2,951.66	15,331.98
Telephone	1,546.21	987.72	-	2,533.93
Travel	3,410.28	548.94	110.00	4,069.22
Uniforms	4,592.56	-	-	4,592.56
	<u>\$ 671,963.45</u>	<u>\$ 180,841.23</u>	<u>\$ 143,568.85</u>	<u>\$ 996,373.53</u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pitt Community College Foundation, Inc. (the Foundation) is a nonprofit entity incorporated in the state of North Carolina on April 12, 1973. The Foundation receives charitable contributions which are provided exclusively to Pitt Community College for scholarships and other beneficial activities for students attending the college. The Foundation is supported primarily through donations from the public. In addition, Pitt Community College Foundation, Inc. conducts major fundraising events such as the “Down East Holiday Show”, “Accelerating the Future”, and other events. All net proceeds from fundraising events benefit Pitt Community College.

Basis of Accounting

The financial statements of Pitt Community College Foundation, Inc. have been prepared on the accrual basis, which is in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Pitt Community College Foundation, Inc. presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-For-Profit Organizations*).

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

Accordingly, the standard requires the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, among other requirements.

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 objective of the organization. These net assets may be used at the discretion of Pitt Community College Foundation Inc.’s management and board of directors. The net assets without donor restrictions at June 30, 2019 were \$245,531.81.

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 Pitt Community College Foundation, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of activities. The net assets with donor restrictions at June 30, 2019 were \$7,340,430.96 (See Note 10).

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the Statement of Cash Flows exclude permanently restricted cash and cash equivalents. The Foundation places its cash and cash equivalents on deposit with the North Carolina State Treasurer Investment Fund and other local financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000.00 for substantially all depository accounts, and unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. At June 30, 2019, the Foundation did not exceed the insured amount.

Public Support

Contributions of cash and other assets are reported as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, Net Assets with Donor Restrictions are reclassified to Net Assets without Donor Restrictions and reported on the Statement of Activities as Net Assets Released from Restrictions.

Unconditional promises to give are recorded as pledges receivable and contribution revenue when a written promise is received by the Foundation. No allowances have been made for uncollectable amounts. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

Pitt Community College Foundation, Inc. has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124 investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment, and Leasehold Improvements

Maintenance and repairs are expensed as incurred. Property, equipment, and leasehold improvements whose acquisition cost exceeds \$5,000.00 are capitalized and carried at cost. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed and any gain or loss is included in income. Leasehold improvements are to be amortized over the shorter of the lease term or useful life.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Cost</u>	<u>Estimated Useful Life</u>
Software	\$4,360.00	3 years
Equipment	\$9,957.40	5 years

All assets were fully-depreciated prior to the current fiscal year. Accordingly, there was no Depreciation Expense for the year ended June 30, 2019.

Advertising

Advertising costs are generally charged to operations in the year incurred. The Foundation reported advertising costs of \$171,832.45 for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Pitt Community College Foundation, Inc. is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC). As such, the Foundation is not taxed on income derived from its exempt functions. However, the Foundation is subject to tax on unrelated business income, which is generated from investment income and other activities not related to their stated exempt purposes. The Foundation had no significant deferred income tax assets or liabilities as of June 30, 2019 nor was there any unrelated business income for the year ended June 30, 2019.

The Foundation has evaluated its tax positions for all open tax years. Currently, the tax years subject to examination by the Internal Revenue Service are June 30, 2016, 2017, and 2018. Pitt Community College Foundation, Inc. is not currently under audit nor has the Foundation been contacted by any jurisdictions. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended June 30, 2019.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

The Foundation’s employees are subject to the employment policies of Pitt Community College. Compensated absences are absences for which employees will be paid, such as vacation (and bonus) leave. The Foundation records unpaid leave for compensated absences as an expense and liability when incurred. The current year financial statements report accrued vacation and bonus time related to VISIONS program in the amount of \$17,872.00.

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash on deposit at year-end consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Average Interest Rate</u>
State Treasurer	\$5,677,291.48	\$5,677,291.48	1.9054%
Southern Bank	<u>1,000.00</u>	<u>1,000.00</u>	.0000%
	<u>\$5,678,291.48</u>	<u>\$5,678,291.48</u>	

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer’s Short-Term Investment Fund. These monies are invested in accordance with G.S. §147-69.1 and as required by law are “readily convertible into cash.” All investments of the fund are held either by the Department of State Treasurer or its agent in the State’s name.

The fund’s uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized by the state to secure all deposits in excess of the federal depository insurance coverage. Based on the authority provided in G.S. 147-69.3(e), the State Treasurer lends securities from its investment pools to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer’s securities custodian manages the securities lending program. During the year, the custodian lent U.S. government securities, corporate bonds, notes and common stock for collateral. The custodian is permitted to receive cash, U.S. government securities, or irrevocable letters of credit as collateral for the securities lent. The securities custodian is contractually obligated to the Treasurer for certain conditions, including indemnity on a default by the borrowers to return securities and on a failure by the borrowers to maintain collateral with the securities custodian agent equal to 100% of the market value to the securities lent.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents Pitt Community College Foundation Inc.'s financial assets at June 30, 2019:

Financial Assets at year-end:	<u>06/30/2019</u>
Cash and cash equivalents	\$ 5,678,291.48
Contributions receivable	185,815.67
Investments	<u>1,760,640.04</u>
Total financial assets	<u>7,624,747.19</u>
Less those unavailable for general expenditures within one year, due to:	
Donor restrictions by purpose – Construction of Building	4,230,351.81
Donor restrictions by purpose – Endowments	2,331,948.64
Donor restrictions by purpose – Scholarships	634,226.03
Donor restrictions by purpose – Other	<u>169,273.03</u>
Financial assets available to meet general expenditures within one year	<u>\$ 258,947.68</u>

Pitt Community College Foundation Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including the North Carolina State Treasurer Investment fund and certificates of deposit.

NOTE 4 – INVESTMENTS

Pitt Community College Foundation, Inc. records its financial instruments in accordance with the fair value guidance as established by the Financial Accounting Standard Board ("FASB"). In accordance with this guidance, fair value is defined as the price the Foundation would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in a principal market. This guidance establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Foundation's investments and liabilities. The inputs are summarized in three levels as outlined below:

Level 1 Inputs

Quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include fixed income mutual funds, equity mutual funds and money market funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 Inputs

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 4 – INVESTMENTS (continued)

Level 3 Inputs

Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

Pitt Community College Foundation, Inc. does not have any Level 2 or Level 3 assets or liabilities.

A professional investment advisor manages investments with periodic review by the Foundation's Board of Directors and the Finance and Investment Committee. The organization's governance does not believe the investments selected pose unusual market or credit risks. The Foundation maintains a written Investment Policy to ensure proper oversight.

The fair value of investments at June 30, 2019 was comprised of the following:

Cash and Equivalents	\$ 221,102.35
Fixed Income Mutual Funds	277,348.71
Equity Mutual Funds	1,006,173.53
Other Investment Funds	<u>256,015.45</u>
Total of Investments	<u>\$ 1,760,640.04</u>

Net investment return for the twelve months ended June 30, 2019 was as follows:

Interest, Dividends, Cap. Gains	\$ 67,133.70
Realized Gain (Loss)	\$ (8,685.82)
Unrealized Gain (Loss)	<u>\$ 37,496.13</u>
Total Return on Investment	<u>\$ 95,944.01</u>

Brokerage and management fees are included in Program Expenses. Total Brokerage fees paid to the investment advisor for the twelve months ended June 30, 2019 was \$16,320.76.

The Foundation's funds held in the State Treasurer's Short-Term Investment Fund earned interest totaling \$90,707.36 for the twelve months ended June 30, 2019.

NOTE 5 – IN-KIND CONTRIBUTIONS

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 5 – IN-KIND CONTRIBUTIONS (continued)

During the year ended June 30, 2019, Pitt Community College Foundation, Inc. received in-kind donations of tangible goods totaling \$11,978.79. Donated items received for auctions and other fundraising events were immediately sold, and the receipts were recorded as Fundraising Income. All in-kind donations of tangible goods that were not received for Fundraisers were transferred to Pitt Community College for use in various programs and/or activities. The fair market value of publicly-traded securities received during the years ended June 30, 2019 was \$21,452.38.

The Foundation did not receive any significant in-kind donations of services.

NOTE 6 – PLEDGES RECEIVABLE

Pledges are written, unconditional promises to make future contributions, and result in receivables that are recognized as gift income at the discounted present value based on the expected future collections. All eligibility requirements need to be satisfied as specified by SFAS 116, "Accounting for Contributions Received and Contributions Made." Eligibility requirements for recognition of pledges receivable and the associated contribution revenue are satisfied when the Foundation can comply with both the purpose and time requirements imposed by donors.

As of June 30, 2019 the Foundation had outstanding pledges receivable totaling \$118,700.00 with a present value discount of \$3,345.02 for a discounted value of \$115,354.98. Pledges are discounted using an effective interest rate of 1.9054%.

The discounted pledges are scheduled to be collected as follows:

Less than 1 Year	\$ 54,600.00
1 to 5 Years	<u>60,754.98</u>
	<u>\$ 115,354.98</u>

Due to the limited number of donors, and their perceived reliability, no allowance has been made for uncollectible amounts.

NOTE 7 – RELATED PARTIES

Pitt Community College Foundation, Inc. is an independent, nonprofit corporation. The Foundation has two related parties, Pitt Community College, to which it provides funding for various programs, projects, and activities, and Michael Weeks Agency, to which it purchases advertising for various programs, fundraisers, and activities.

Support to the college during the year ended June 30, 2019 was as follows:

Donations to PCC for Scholarships	\$ 290,069.66
Donations to PCC for Athletics & Other Programs	<u>35,391.26</u>
	<u>\$ 325,460.92</u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 7 – RELATED PARTIES (continued)

The Foundation also conducted business with Michael Weeks Agency and incurred advertising costs of \$135,381.00 during the year ended June 30, 2019. Michael Weeks Agency is owned by Mike Weeks who is a current director on the Foundation's board. These advertising costs are included in the total advertising costs listed in Note 1.

Pitt Community College provides office space, computer and technology systems, utilities, office supplies, and personnel services to the Foundation at no cost. The value of these items is not recognized by the Foundation on its financial statements due to the relationship between the entities and the Foundation's purpose.

Pitt Community College Board of Trustees and the Pitt Community College Foundation Board of Director have three common members. The remaining members of the College's Board of Directors and the Foundation's Board of Directors are independent.

NOTE 8 – GRANT INCOME RECEIVABLE

Grant Income Receivable consists of amounts awarded, but not yet paid, and are due within the next fiscal year. The grants are to be used for specific programs of the Foundation. Grant Income Receivable as of June 30, 2019 consists of the following:

Funds expended for the VISIONS program and reimbursable by the Eddie and Jo Allison Smith Family Foundation, Inc.	<u>\$ 70,460.69</u>
Total Grant Income Receivable at June 30, 2019	<u>\$ 70,460.69</u>

NOTE 9 – ENDOWMENT FUNDS

The endowments of Pitt Community College Foundation, Inc. consist of approximately 67 individual funds established primarily for the funding of scholarships. Endowments are comprised of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the State Management of Institutional Funds Act (SMIFA) 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, Pitt Community College Foundation, Inc. classifies these endowments as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 9 – ENDOWMENT FUNDS (continued)

The remaining portion of the donor-restricted endowment fund that are not perpetual in nature are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SMIFA.

In accordance with SMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, Beginning of year	\$ 0.00	\$ 2,204,248.17	\$ 2,204,248.17
Investment income	0.00	80,061.02	80,061.02
Investment fees	0.00	(16,320.76)	(16,320.76)
Net realized and unrealized gains	0.00	30,167.17	30,167.17
Total investment return	0.00	2,298,155.60	2,298,155.60
Contributions	0.00	254,333.38	254,333.38
Disbursements	0.00	(39,950.00)	(39,950.00)
Reclassifications	0.00	35,086.54	35,086.54
Endowment net assets, End of year	\$ 0.00	\$ 2,547,625.52	\$ 2,547,625.52

The Foundation's Board of Directors has developed investment and spending policies for endowment assets that attempt to provide a reasonable and relatively predictable stream of funding to support its mission and purpose. Under these policies, endowment assets will be invested utilizing a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 9 – ENDOWMENT FUNDS (continued)

The Foundation's Board of Directors develops a policy of appropriating endowment funds available for distribution each year. The distribution level is reviewed at least annually by the Board to prudently monitor market conditions and trends, investment performance, and funding needs.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets are released from donor restrictions by incurring expenses satisfying the purpose specified by donors. Net Assets totaling \$648,776.02 were released from restrictions during the year ended June 30, 2019, and were used primarily for scholarships and general purposes.

No endowed assets were released from restrictions during the year ended June 30, 2019 (with the exception of Note 11 below). These endowed assets are the endowment principle, which consists of the contributions received as endowments. The investment income and gains on sales of investments are reflected as revenues to net assets without donor restrictions.

Increases and decreases are reported on the Statement of Activities. The net assets with donor restrictions at June 30, 2019 were \$7,340,430.96 which are restricted for the following purposes:

Perpetual in Nature - Endowments	\$ 2,171,015.67
Purpose Restricted:	
Construction of Building	4,230,089.93
Scholarships	774,828.95
Other	<u>164,496.41</u>
Total	<u>5,169,415.29</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,340,430.96</u>

NOTE 11 – RETURN OF SCHOLARSHIP / ENDOWMENT FUND

In 2008, a donor contributed funds to the Pitt Community College Foundation, Inc. to establish the Timothy Oakley Memorial Endowed Scholarship. This scholarship was to be awarded only to a graduating senior from Ayden Grifton or D.H. Conley High School who is a volunteer firefighter and is pursuing a career in fire safety, and / or continuing to serve as a volunteer firefighter. With this narrow award criteria, only a few scholarships had been awarded since 2008.

In 2018, the donor requested that the balance of the Timothy Oakley Memorial Endowed Scholarship fund be transferred to the Community Foundation of N.C. East. This organization also held a Timothy Oakley Memorial Fund which could be used in a broader manner to support local firefighting equipment and training facilities.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
Notes to the Financial Statements
For the Twelve Months Ended June 30, 2019

NOTE 11 – RETURN OF SCHOLARSHIP / ENDOWMENT FUND (continued)

After Board of Director's approval of this request, the Timothy Oakley Memorial Endowed Scholarship fund (\$30,000) was transferred to the Community Foundation of N.C. East in January 2019.

NOTE 12 – RECLASSIFICATION OF NET ASSETS

A reclassification among Net Assets without Donor Restrictions and Net Assets with Donor Restrictions as of June 30, 2019 was required in accordance with accounting principles generally accepted in the United States of America. This reclassification, which corrected the placement of endowment funds, is reported on the Statement of Activities but had no effect on the current year Change in Net Assets.

NOTE 13 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2019, the Pitt Community College Foundation, Inc. implemented Financial Accounting Standards Board Update No. 2016-14, *Not-for-Profit entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update amends the requirements related to net asset classifications for not-for-profit entities. With this update, net assets on the face of the statement of financial position and changes in net assets on the face of the statement of activities are presented using two classes: *net assets with donor restrictions and net assets without donor restrictions*, in addition to the previously required total net assets and changes in total net assets.

NOTE 14 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through December 13, 2019, the date the financial statements were available to be issued.