

**PITT COMMUNITY COLLEGE  
FOUNDATION, INC.**

**Financial Statements**

**For the Twelve Months Ended  
June 30, 2017**

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# PITT COMMUNITY COLLEGE FOUNDATION, INC.

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June 30, 2017

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# H. Edwin Gray, CPA, P.A.

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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, 2017, 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.

### **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, 2017, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



H. Edwin Gray, CPA, P.A.

December 1, 2017

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Statement of Financial Position**  
**As of June 30, 2017**

**ASSETS**

Current Assets	
Cash and Cash Equivalents	
Cash With State Treasurer	\$ 2,826,699.79
Cash in Private Institutions	1,451.61
Pledges Receivable, Current (Note 5)	147,600.00
Total Current Assets	<u>2,975,751.40</u>
Investments	
Cash and Cash Equivalents	67,662.45
Long-Term Investments	1,043,564.13
Total Investments	<u>1,111,226.58</u>
Property and Equipment	
Equipment	9,957.40
Software	4,360.00
Less: Accumulated Depreciation	<u>(14,317.40)</u>
Net Property and Equipment	-
Other Assets	
Net Pledges Receivable, Noncurrent (Note 5)	145,516.91
Grant Income Receivable (Note 7)	47,359.42
Total Other Assets	<u>192,876.33</u>
Total Assets	<u><u>\$ 4,279,854.31</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts Payable	\$ 19,829.90
Accrued Wages and Benefits	13,659.01
Total Liabilities	<u>33,488.91</u>
Net Assets	
Unrestricted Net Assets	480,492.65
Temporarily Restricted Net Assets (Note 9)	1,995,324.87
Permanently Restricted Net Assets (Note 10)	1,770,547.88
Total Net Assets	<u>4,246,365.40</u>
Total Liabilities and Net Assets	<u><u>\$ 4,279,854.31</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenues</b>				
Support:				
Contributions	\$ 380,237.51	\$ 461,814.10	\$ 25,500.00	\$ 867,551.61
Contributions - In Kind	-	101,756.20	-	101,756.20
Discount on Pledges Receivable	-	(4,783.09)	-	(4,783.09)
Revenue:				
Income Earned on Investments	4,533.52	57,126.08	676.55	62,336.15
Fundraising Income	257,988.97	-	-	257,988.97
Net Assets Released From Restrictions	<u>740,730.89</u>	<u>(740,730.89)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,383,490.89</u>	<u>(124,817.60)</u>	<u>26,176.55</u>	<u>1,284,849.84</u>
<b>Expenses</b>				
Contributions to Pitt Community College for:				
Scholarships & Minigrants	291,600.01	-	-	291,600.01
General Support for PCC Programs	131,142.39	-	-	131,142.39
Program Services	335,525.49	-	-	335,525.49
General Expenses	185,009.62	-	-	185,009.62
Fundraising Expenses	<u>105,512.73</u>	<u>-</u>	<u>-</u>	<u>105,512.73</u>
Total Expenses	1,048,790.24	-	-	1,048,790.24
Unrealized Gain (Loss) on Investment	-	-	78,077.98	78,077.98
Reclassifications (Note 11)	(625,322.05)	520,478.05	104,844.00	-
Change in Net Assets	(290,621.40)	395,660.45	209,098.53	314,137.58
Net Assets at Beginning of the Year	<u>771,114.05</u>	<u>1,599,664.42</u>	<u>1,561,449.35</u>	<u>3,932,227.82</u>
Net Assets at End of Year	<u>\$ 480,492.65</u>	<u>\$ 1,995,324.87</u>	<u>\$ 1,770,547.88</u>	<u>\$ 4,246,365.40</u>

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

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Statement of Cash Flows**  
**For the Twelve Months Ended June 30, 2017**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 314,137.58
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Unrealized (Gain) Loss on Investment	\$ (78,077.98)
(Increase) Decrease in Prepaid Expenses	-
(Increase) Decrease in Pledges Receivable	237,613.60
(Increase) Decrease in Grants Receivable	16,867.06
Increase (Decrease) in Accounts Payable	8,540.12
Increase (Decrease) in Accrued Wages and Benefits	9,257.25
Contributions Restricted for Long-Term Purposes	(25,500.00)
Interest and Dividends Restricted for Reinvestment	(676.55)
<b>Net cash provided by operating activities</b>	<u>482,161.08</u>
<b>Cash flows from investing activities:</b>	
Cash used for investment transactions (net)	<u>(25,554.56)</u>
<b>Net cash used in investing activities</b>	<u>(25,554.56)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from Contributions Restricted for: Investment in Endowments	25,500.00
Other Financing Activities:	
Interest and Dividends Restricted for Reinvestment	676.55
<b>Net cash provided by financing activities</b>	<u>26,176.55</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 482,783.07</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>\$ 2,345,368.33</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 2,828,151.40</u></b>
<b>Supplemental disclosure of cash flow information</b>	
Interest Expense	<u>\$ -</u>
Income Tax Expense	<u>\$ -</u>

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**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”, “Drivin’ for Dreams Golf Tournament”, 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*). Accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets*

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating activities of the Foundation. Board-designated net assets represent amounts the Foundation has set aside for a specific purpose.

*Temporarily restricted net assets*

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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.” The temporarily restricted net assets at June 30, 2017 were \$1,995,324.87 (see Note 9).

*Permanently restricted net assets*

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or



**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

specific purposes, in accordance with donor stipulations. The permanently restricted net assets at June 30, 2017 were \$1,770,547.88 (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 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, 2017, the Foundation did not exceed the insured amount.

**Public Support**

Contributions of cash and other assets are reported as temporarily 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 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. Allowances are provided for promises estimated by management to be uncollectible. 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.

**Property, Equipment, and Leasehold Improvements**

Maintenance and repairs are expensed as incurred. Property, equipment, and leasehold improvements whose acquisition cost exceeds \$500.00 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.

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2017.

**Advertising**

Advertising costs are generally charged to operations in the year incurred. The Foundation reported advertising costs of \$130,524.37 for the year ended June 30, 2017.

**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, 2017, nor was there any unrelated business income for the year ended June 30, 2017.

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, 2014, 2015, and 2016. 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, 2017.

**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. However, the current year financial statements report accrued vacation and bonus time related to VISIONS program in the amount of \$10,887.65.

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**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	\$2,826,699.79	\$2,826,699.79	.9840%
Southern Bank	<u>1,451.61</u>	<u>1,451.61</u>	.0000%
	<u>\$2,828,151.40</u>	<u>\$2,828,151.40</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.

**NOTE 3 – 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.

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 3 – INVESTMENTS (continued)**

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.

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, 2017 was comprised of the following:

Cash and Equivalents	\$ 67,662.45
Fixed Income Mutual Funds	223,807.37
Equity Mutual Funds	521,604.58
Other Investment Funds	<u>298,152.18</u>
Total of Investments	<u>\$ 1,111,226.58</u>

Net investment return for the twelve months ended June 30, 2017 was as follows:

Interest, Dividends, Cap. Gains	\$ 36,084.74
Unrealized Gain (Loss)	<u>\$ 78,077.98</u>
Total Return on Investment	<u>\$ 114,162.72</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, 2017 was \$10,530.18

The Foundation's funds held in the State Treasurer's Short-Term Investment Fund earned interest totaling \$26,251.41 for the twelve months ended June 30, 2017.

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 4 – 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.

During the year ended June 30, 2017, Pitt Community College Foundation, Inc. received in-kind donations of tangible goods totaling \$101,756.20. Donated items received for auctions and other fundraising events were immediately sold, and the receipts were recorded as Fundraising Income. All in-kind donations that were not received for Fundraisers were transferred to Pitt Community College for use in various programs and/or activities.

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

**NOTE 5 – 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, 2017 the Foundation had outstanding pledges receivable totaling \$297,900 with a present value discount of \$4,783.09 for a discounted value of \$293,116.91. Pledges are discounted using an effective interest rate of 0.9840%.

The discounted pledges are scheduled to be collected as follows:

Less than 1 Year	\$ 147,600.00
1 to 5 Years	<u>\$ 145,516.91</u>
	<u>\$ 293,116.91</u>

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

**NOTE 6 – RELATED PARTIES**

Pitt Community College Foundation, Inc. is an independent, nonprofit corporation. The Foundation has one related party, Pitt Community College, to which it provides funding for various programs, projects, and activities.

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 6 – RELATED PARTIES (continued)**

Support to the college during the year ended June 30, 2017 was as follows:

Donations to PCC for Scholarships	\$ 291,600.01
Donations to PCC for Athletics & Other Programs	<u>131,142.39</u>
	<u>\$ 422,742.40</u>

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 each board are independent.

**NOTE 7 – 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, 2017 consists of the following:

Funds expended for the VISIONS program and reimbursable by the Eddie and Jo Allison Smith Family Foundation, Inc.	<u>\$ 47,359.42</u>
Total Grant Income Receivable at June 30, 2017	<u>\$ 47,359.42</u>

**NOTE 8 – ENDOWMENT FUNDS**

The endowments of Pitt Community College Foundation, Inc. consist of approximately 57 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 as permanently restricted net assets (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

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 8 – ENDOWMENT FUNDS (continued)**

applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ 0.00	\$ 93,042.78	\$ 1,561,449.35	\$ 1,654,492.13
Investment income	0.00	42,991.52	676.55	43,668.07
Investment fees	0.00	( 10,530.18)	0.00	( 10,530.18)
Net realized and unrealized gains	<u>0.00</u>	<u>0.00</u>	<u>78,077.98</u>	<u>78,077.98</u>
Total investment return	0.00	125,504.12	1,640,203.88	1,765,708.00
Contributions	0.00	8,536.75	25,500.00	34,036.75
Disbursements	0.00	( 15,250.00)	0.00	( 15,250.00)
Reclassifications	<u>0.00</u>	<u>22,753.86</u>	<u>104,844.00</u>	<u>127,597.86</u>
Endowment net assets, End of year	<u>\$ 0.00</u>	<u>\$ 141,544.73</u>	<u>\$ 1,770,547.88</u>	<u>\$ 1,912,092.61</u>

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

**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**For the Twelve Months Ended June 30, 2017**

**NOTE 8 – ENDOWMENT FUNDS (continued)**

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.

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 9 – TEMPORARILY RESTRICTED NET ASSETS**

Net Assets are released from donor restrictions by incurring expenses satisfying the purpose specified by donors. Net Assets totaling \$740,730.89 were released from restrictions during the year ended June 30, 2017, and were used primarily for scholarships and general purposes.

Increases and decreases are reported on the Statement of Activities. The temporarily restricted net assets at June 30, 2017 were \$1,995,357.30.

**NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS**

No permanently restricted net assets were released from restrictions during the year ended June 30, 2017. The permanently restricted net assets are the endowment principal, which consists of the contributions received as endowments. The investment income and gains on sales of investments are reflected as revenues to the unrestricted net assets, unless the donor restricts its use.

Increases and decreases are reported on the Statement of Activities. The permanently restricted net assets at June 30, 2017 were \$1,770,547.88.

**NOTE 11 – RECLASSIFICATION OF NET ASSETS**

A reclassification among Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets as of June 30, 2017 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 12 – SUBSEQUENT EVENTS**

These financial statements considered subsequent events through December 1, 2017, the date the financial statements were available to be issued.



**PITT COMMUNITY COLLEGE FOUNDATION, INC.**  
**Schedule of Functional Expenses**  
**For the Twelve Months Ended June 30, 2017**

	<b>Program Services</b>	<b>Mgmt. &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Advertising	\$ 7,598.05	\$ 86,907.82	\$ 36,018.50	\$ 130,524.37
Awards	3,099.71	767.04	-	3,866.75
Donations to PCC - Other Programs	131,142.39	-	-	131,142.39
Donations to PCC - Scholarships	291,600.01	-	-	291,600.01
Food Expense	34,392.41	20,594.25	12,083.34	67,070.00
Insurance	-	2,929.00	1,493.00	4,422.00
Investment Fees	10,530.18	-	-	10,530.18
Memberships and Dues	120.00	549.80	-	669.80
Miscellaneous	2,062.63	327.38	1,467.70	3,857.71
Printing	6,111.89	3,746.92	4,540.72	14,399.53
Professional/Contract Services	26,042.97	65,611.64	6,449.57	98,104.18
Rent Expense	-	-	39,414.31	39,414.31
Salaries & Benefits	218,607.37	-	-	218,607.37
Supplies	13,731.16	1,835.35	3,941.69	19,508.20
Telephone	2,053.36	1,021.25	-	3,074.61
Travel	6,186.76	719.17	103.90	7,009.83
Uniforms	4,989.00	-	-	4,989.00
	<u>\$ 758,267.89</u>	<u>\$ 185,009.62</u>	<u>\$ 105,512.73</u>	<u>\$ 1,048,790.24</u>