

**PITT COMMUNITY COLLEGE
FOUNDATION, INC.**

Financial Statements

**For the Twelve Months Ended
June 30, 2023**

**Gray & King, CPAs, P.A.
Certified Public Accountants /
Accredited in Business Valuations
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PITT COMMUNITY COLLEGE FOUNDATION, INC.

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June 30, 2023

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Independent Auditor's Report

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

Opinion

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, 2023, and the related statement of activities, statement of cash flows, and statement of functional expenses for the twelve months then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the twelve months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pitt Community College Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pitt Community College Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
Greenville-Pitt County Chamber of Commerce, Inc.
Greenville, North Carolina

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pitt Community College Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pitt Community College Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gray & King, CPAs, P.A.
Gray & King, CPAs, P.A.

January 19, 2024

PITT COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Financial Position

As of June 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	
Cash With State Treasurer	\$ 129,682.51
Cash in Private Institutions	1,000.00
Restricted Cash with State Treasurer	1,380,722.81
Accounts Receivable	856.92
Pledges Receivable, Current (Note 6)	322,833.34
Total Current Assets	<u>1,835,095.58</u>

Investments

Cash and Cash Equivalents	2,125,785.75
Long-Term Investments	<u>3,078,838.09</u>
Total Investments	<u>5,204,623.84</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 6)	763,844.93
Grant Income Receivable (Note 9)	44,132.37
Total Other Assets	<u>807,977.30</u>

Total Assets

\$ 7,847,696.72

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 12,599.00
Accrued Wages and Benefits	8,273.08
Deferred Revenue - Fundraising	83,707.00
Total Liabilities	<u>104,579.08</u>

Net Assets

Without Donor Restrictions	46,642.26
With Donor Restrictions	
Perpetual in Nature (Note 10)	5,773,762.64
Purpose Restrictions (Note 10)	<u>1,922,712.74</u>
Total With Donor Restrictions	<u>7,696,475.38</u>

Total Net Assets

7,743,117.64

Total Liabilities and Net Assets

\$ 7,847,696.72

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, 2023

	With Donor Restrictions			Total With Donor Restrictions	Total
	Without Donor Restrictions	Purpose Restrictions	Perpetual In Nature		
Revenues, gains, and other support:					
Support:					
Contributions	\$ 54,629.82	\$ 690,712.63	\$ 1,015,065.95	\$ 1,705,778.58	\$ 1,760,408.40
In-Kind Contributions - Securities	-	4,108.32	-	4,108.32	4,108.32
In-Kind Contributions - Non-Financial Assets	-	130,975.49	-	130,975.49	130,975.49
In-Kind Contributions - Services	-	3,775.00	-	3,775.00	3,775.00
Discount on Pledges Receivable	-	(5,282.91)	(70,872.16)	(76,155.07)	(76,155.07)
Revenue:					
Income Earned on Investments	2,906.12	108,964.29	-	108,964.29	111,870.41
Net realized and unrealized gains on investments	-	310,600.27	-	310,600.27	310,600.27
Fundraising Income	257,540.30	-	-	-	257,540.30
Net Assets Released From Restrictions	5,468,144.59	(5,468,144.59)	-	(5,468,144.59)	-
Total Support and Revenue	5,783,220.83	(4,224,291.50)	944,193.79	(3,280,097.71)	2,503,123.12
Expenses					
Program Services:					
Athletics, Clubs, and Other Programs	355,776.32	-	-	-	355,776.32
PCC - Scholarships & Minigrants	252,701.76	-	-	-	252,701.76
PCC - General Support for PCC Programs	140,189.57	-	-	-	140,189.57
PCC - Building Construction	4,716,551.94	-	-	-	4,716,551.94
Total program services	5,465,219.59	-	-	-	5,465,219.59
General Expenses	70,875.44	-	-	-	70,875.44
Fundraising Expenses	90,199.03	-	-	-	90,199.03
Total Expenses	5,626,294.06	-	-	-	5,626,294.06
Reclassification (Note 11)	(177,432.02)	37,854.93	139,577.09	177,432.02	-
Change in Net Assets	(20,505.25)	(4,186,436.57)	1,083,770.88	(3,102,665.69)	(3,123,170.94)
Net Assets at Beginning of the Year	67,147.51	6,109,149.31	4,689,991.76	10,799,141.07	10,866,288.58
Net Assets at End of Year	\$ 46,642.26	\$ 1,922,712.74	\$ 5,773,762.64	\$ 7,696,475.38	\$ 7,743,117.64

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, 2023

Cash flows from operating activities:

Change in net assets	\$ (3,123,170.94)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Net realized and unrealized (gain) loss on investments	(310,600.27)
(Increase) Decrease in Pledges Receivable	293,987.03
(Increase) Decrease in Accounts Receivable	(518.50)
Increase (Decrease) in Grants Receivable	(44,132.37)
Increase (Decrease) in Accounts Payable	(509.19)
Increase (Decrease) in Accrued Wages and Benefits	(10,721.71)
Increase (Decrease) in Deferred Revenue	549.00
Contributions Restricted for Long-Term Purposes	(944,193.79)
Net cash provided by operating activities	<u>(4,139,310.74)</u>

Cash flows from investing activities:

Cash used for investment transactions (net)	<u>(1,313,868.86)</u>
Net cash used in investing activities	<u>(1,313,868.86)</u>

Cash flows from financing activities:

Proceeds from Contributions Restricted for:	
Investment in Endowments	<u>944,193.79</u>
Net cash provided by financing activities	<u>944,193.79</u>

Net increase (decrease) in cash, cash equivalents, and restricted cash \$ (4,508,985.81)

Cash, cash equivalents, and restricted cash at beginning of year 6,020,391.13

Cash, cash equivalents, and restricted cash at end of year \$ 1,511,405.32

Supplemental disclosure of cash flow information

Interest Expense	<u>\$ -</u>
Income Tax Expense	<u>\$ -</u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.

Schedule of Functional Expenses

For the Twelve Months Ended June 30, 2023

	<u>Program Services</u>	<u>Mgmt. & General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 12,588.93	-	\$ 27,395.94	\$ 39,984.87
Awards	4,185.29	-	-	4,185.29
Donations to PCC - Other Programs	140,189.57	-	-	140,189.57
Donations to PCC - Scholarships	252,701.76	-	-	252,701.76
Donations to PCC - Bldg. Const.	4,716,551.94	-	-	4,716,551.94
Food Expense	50,493.27	4,564.32	6,639.46	61,697.05
Memberships and Dues	-	3,468.00	-	3,468.00
Miscellaneous	9,443.44	11,295.36	1,643.91	22,382.71
Printing	1,330.96	1,680.82	1,082.24	4,094.02
Professional/Contract Services	43,162.22	18,264.00	639.00	62,065.22
Rent	16,138.00	-	43,937.07	60,075.07
Salaries & Benefits	148,517.81	329.96	3,191.75	152,039.52
Software	213.99	24,371.65	-	24,585.64
Supplies	35,034.68	6,481.33	5,523.41	47,039.42
Telephone	1,050.00	420.00	-	1,470.00
Travel	24,201.12	-	146.25	24,347.37
Uniforms	9,416.61	-	-	9,416.61
	<u>\$ 5,465,219.59</u>	<u>\$ 70,875.44</u>	<u>\$ 90,199.03</u>	<u>\$ 5,626,294.06</u>

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

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, construction, 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”, and other events. All net proceeds from fundraising events benefit Pitt Community College.

Basis of Presentation

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 standard requires the Foundation to classify its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

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, 2023 were \$46,642.26.

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.

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, 2023 were \$7,696,475.38 (See Note 10).

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 include 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 for substantially all depository accounts, and unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. At June 30, 2023, 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, and investment fees) is included in the statement of activities as increases or decreases in net assets without restrictions 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, 2023

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, 2023.

Advertising

Advertising costs are generally charged to operations in the year incurred. The Foundation reported advertising costs of \$39,984.87 for the year ended June 30, 2023.

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, 2023 nor was there any unrelated business income for the year ended June 30, 2023.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, 2021, and 2022. 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, 2023.

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 \$8,273.08.

Deferred Income

The Foundation receives advance deposits for event booth space related to Down East Holiday Show annual fundraising event. The amount is calculated based on vendor payments received prior to this fiscal year end for the upcoming event. The deferred revenue is recognized in the fiscal year applicable to the date of the occurring event.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

Cash, Cash Equivalents, and Restricted Cash

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

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Average Interest Rate</u>
State Treasurer	\$ 129,682.51	\$ 129,682.51	2.2243%
Southern Bank	<u>1,000.00</u>	<u>1,000.00</u>	0.0000%
Total Cash and Cash Equivalents	<u>\$ 130,682.51</u>	<u>\$ 130,682.51</u>	

Restricted Cash as of June 30, 2023 consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Average Interest Rate</u>
State Treasurer	\$1,380,722.81	\$1,380,722.81	2.2243%
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$1,511,405.32</u>	<u>\$1,511,405.32</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, 2023

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents Pitt Community College Foundation Inc.’s financial assets at June 30, 2023:

Financial Assets at year-end:	<u>06/30/2023</u>
Cash and cash equivalents	\$ 1,512,262.24
Contributions receivable	1,130,810.64
Investments	<u>5,204,623.84</u>
Total financial assets	7,847,696.72
Less those unavailable for general expenditures within one year, due to:	
Donor restrictions by purpose – Construction of Building	(121,977.83)
Donor restrictions by purpose – Endowments	(5,773,762.64)
Donor restrictions by purpose – Scholarships, VISIONS Prog.	(1,491,290.77)
Donor restrictions by purpose – Athletics, Various Clubs, Other	<u>(329,982.97)</u>
Financial assets not available for general use within one year	<u>(7,717,014.21)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 130,682.51</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.

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.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 4 – 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, 2023 was comprised of the following:

Cash and Equivalents	\$ 104,027.89
Fixed Income Mutual Funds	2,021,757.86
Equity Mutual Funds	<u>3,078,838.09</u>
Total of Investments	<u>\$ 5,204,623.84</u>

Net investment return for the twelve months ended June 30, 2023 was as follows:

Interest, Dividends, Cap. Gains	\$ 96,252.31
Investment Fees	(20,940.88)
Net realized and unrealized gains	<u>310,600.27</u>
Total Return on Investment	<u>\$ 385,911.70</u>

The Foundation’s funds held in the State Treasurer’s Short-Term Investment Fund earned interest totaling \$36,558.98 for the twelve months ended June 30, 2023.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

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.

During the year ended June 30, 2023, Pitt Community College Foundation, Inc. received contributed non-financial donations of tangible goods and recognized revenue of \$130,975.49 including:

Dress Clothing	\$ 38,045.00
Equipment	27,750.00
Fencing	3,250.00
Food	1,129.29
Miscellaneous	6,706.20
Music Equipment	16,680.00
Vehicles	<u>37,415.00</u>
	<u>\$ 130,975.49</u>

Pitt Community College Foundation, Inc. also received contributed financial assets, publicly-traded securities, during the year ended June 30, 2023 with a fair market value of \$4,108.32.

Contributed clothing will be utilized for students of Pitt Community College. Contributed food was utilized during the Down East Holiday Show and Scholarship Auction fundraising events. Contributed miscellaneous items were utilized during the fundraising events. The organization estimated the fair value based on the comparable retail price to purchase similar items.

Contributed equipment and fencing will be utilized in the construction and industrial technology programs of Pitt Community College. Music equipment contributed will be utilized in the fine arts programs. Additionally, contributed vehicles were transferred to Pitt Community College to support the automotive programs. Items were estimated with a fair value on the basis of its condition.

The Foundation received contributed in-kind services in the amount of \$3,775 in correlation with its tracking/recording of endowment funds and donor management software.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

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, 2023 the Foundation had outstanding pledges receivable totaling \$1,162,833.34 with a present value discount of \$76,155.07 for a discounted value of \$1,086,678.27. Pledges are discounted using an effective interest rate of 2.2243%.

The discounted pledges are scheduled to be collected as follows:

Less than 1 Year	\$ 322,833.34
1 to 5 Years	<u>763,844.93</u>
	<u>\$ 1,086,678.27</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 one related party, Pitt Community College, to which it provides funding for various programs, projects, and activities.

Support to the college during the year ended June 30, 2023 was as follows:

Donations to PCC for Building Construction	\$ 4,716,551.94
Donations to PCC for Scholarships	252,701.76
Donations to PCC for Athletics & Other Programs	<u>140,189.57</u>
	<u>\$ 5,109,443.27</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 FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 7 – RELATED PARTIES (continued)

Pitt Community College and the Pitt Community College Foundation, Inc. have three common members on their Boards of Directors. The remaining members of the College's Board of Directors and the Foundation's Board of Directors are independent.

NOTE 8 – ENDOWMENT FUNDS

The endowments of Pitt Community College Foundation, Inc. consist of approximately 78 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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.

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 UPMIFA.

In accordance with UPMIFA, 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.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 8 – ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ 0.00	\$ 5,080,132.85	\$ 5,080,132.85
Investment income	0.00	99,458.85	99,458.85
Investment fees	0.00	(30,590.88)	(30,590.88)
Net realized and unrealized gains	<u>0.00</u>	<u>310,600.27</u>	<u>310,600.27</u>
Total investment return	0.00	379,468.24	379,468.24
Contributions	0.00	965,683.11	965,683.11
Disbursements	0.00	(149,068.61)	(149,068.61)
Reclassifications	<u>0.00</u>	<u>60,821.09</u>	<u>60,821.09</u>
Endowment net assets, End of year	<u>\$ 0.00</u>	<u>\$ 6,337,036.68</u>	<u>\$ 6,337,036.68</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 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 PCC Foundation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current and capital needs. This policy is designed to insulate endowment spending from capital market fluctuations and increase the amount of return that is reinvested in order to enhance its long-term value.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 8 – ENDOWMENT FUNDS (continued)

The Board-approved standard spending formula for the endowment provides for the expenditure of up to five percent (5%) of the 12-quarter moving average of endowment market values determined as of the end of the College’s fiscal year. If the endowment has not been invested long enough to award a scholarship at the time of investment disbursement, the funds will remain in the endowment until the following year’s disbursement. The distribution level is reviewed at least annually by the Board to prudently monitor market conditions and trends, investment performance, and funding needs.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires Pitt Community College Foundation, Inc. to retain as a fund of perpetual donation. Deficiencies of this nature exist in 7 donor-restricted endowment funds, which together have an original gift value of \$251,654, a current fair value of \$242,188, and a deficiency of \$9,466 as of June 30, 2023. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds.

NOTE 9 – 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, 2023 consists of the following:

Funds expended for the VISIONS program and reimbursable by the Eddie and Jo Allison Smith Family Foundation, Inc.	<u>\$ 44,132.37</u>
Total Grant Income Receivable at June 30, 2023	<u>\$ 44,132.37</u>

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 \$5,468,144.59 were released from restrictions during the year ended June 30, 2023, and were used primarily for scholarships, PCC programs support, PCC building construction, and general purposes.

No endowed assets were released from restrictions during the year ended June 30, 2023. 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 with donor restrictions.

PITT COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Twelve Months Ended June 30, 2023

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Increases and decreases are reported on the Statement of Activities. The net assets with donor restrictions at June 30, 2023 were \$7,696,475.38 which are restricted for the following purposes:

Perpetual in Nature - Endowments	\$ 5,773,762.64
Purpose Restricted:	
Construction of Building	121,977.83
Scholarships, VISIONS Prog.	1,477,730.88
Athletics, Various Clubs, Other	<u>323,004.03</u>
Total	<u>1,922,712.74</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,696,475.38</u>

NOTE 11 – RECLASSIFICATION OF NET ASSETS

A reclassification among Net Assets without Donor Restrictions and Net Assets with Donor Restrictions as of June 30, 2023 was required in accordance with accounting principles generally accepted in the United States of America. This reclassification, which corrected the placement of endowment/restricted funds, is reported on the Statement of Activities but had no effect on the current year Change in Net Assets.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2023, it was determined that fundraising revenue was received for an event, Down East Holiday Show, applicable to the next fiscal year 2023-2024. The revenue was generated from deposits received for event booth space. In conjunction, it was determined that fundraising revenue for the Down East Holiday Show occurring during fiscal year 2022-2023 was received prior to July 1, 2022. The prior period adjustment recorded a decrease in beginning net assets without donor restrictions in the amount of \$83,158. The effect on the current year change in net assets was a decrease of \$549.

NOTE 13 – SUBSEQUENT EVENTS

Management evaluated subsequent events through January 19, 2024, the date these financial statements were available to be issued. There were no events or transactions occurring after June 30, 2023, but prior to the date these financial statements were available to be issued that provided additional evidence about conditions that existed at June 30, 2023.