

**TECHNICAL COLLEGE OF THE
LOWCOUNTRY FOUNDATION, INC.**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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CROWLEY WECHSLER & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Technical College of the Lowcountry Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Technical College of the Lowcountry Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Technical College of the Lowcountry Foundation, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crowley Wechsler & Associates LLC

Beaufort, South Carolina
September 21, 2016

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL (MEMORANDUM ONLY)
Current Assets				
Cash and Cash Equivalents	\$ 248,891	\$ 79,852	\$ -	\$ 328,743
Accrued Interest	1,050	-	-	1,050
Accounts Receivable	22,506	41,490	-	63,996
Total Current Assets	<u>272,447</u>	<u>121,342</u>	<u>-</u>	<u>393,789</u>
Non-Current Assets				
Investments	71,667	447,062	513,385	1,032,114
Property and Equipment, Net of Depreciation	178	-	-	178
Total Non-Current Assets	<u>71,845</u>	<u>447,062</u>	<u>513,385</u>	<u>1,032,292</u>
 Total Assets	 <u>\$ 344,292</u>	 <u>\$ 568,404</u>	 <u>\$ 513,385</u>	 <u>\$ 1,426,081</u>
 LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 92,005	\$ -	\$ -	\$ 92,005
Total Current Liabilities	<u>92,005</u>	<u>-</u>	<u>-</u>	<u>92,005</u>
Total Liabilities	<u>92,005</u>	<u>-</u>	<u>-</u>	<u>92,005</u>
 Net Assets	 <u>252,287</u>	 <u>568,404</u>	 <u>513,385</u>	 <u>1,334,076</u>
 Total Liabilities and Net Assets	 <u>\$ 344,292</u>	 <u>\$ 568,404</u>	 <u>\$ 513,385</u>	 <u>\$ 1,426,081</u>

The notes to the financial statements are an integral part of this statement.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES AND SUPPORT				
Donations	\$ 67,335	\$ 188,131	\$ 10,000	\$ 265,466
In-kind Contributions	114,778	-	-	114,778
Investment Income	29,524	-	-	29,524
Special Event	-	89,944	-	89,944
Net Assets Released from Restrictions	98,768	(98,768)	-	-
Total Revenues and Support	<u>310,405</u>	<u>179,307</u>	<u>10,000</u>	<u>499,712</u>
FUNCTIONAL EXPENSES				
Scholarships	170,810	-	-	170,810
Assistance to Technical College	93,548	-	-	93,548
General and Administrative	56,354	-	-	56,354
Fundraising	122,826	-	-	122,826
Total Functional Expenses	<u>443,538</u>	<u>-</u>	<u>-</u>	<u>443,538</u>
Increase (Decrease) in Net Assets	(133,133)	179,307	10,000	56,174
Net Assets, Beginning of Year	422,225	389,097	503,385	1,314,707
Prior Period Adjustment	(36,805)	-	-	(36,805)
Net Assets, End of Year	<u>\$ 252,287</u>	<u>\$ 568,404</u>	<u>\$ 513,385</u>	<u>\$ 1,334,076</u>

The notes to the financial statements are an integral part of this statement.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL (MEMORANDUM ONLY)
	SCHOLARSHIPS	ASSISTANCE TO TECHNICAL COLLEGE	GENERAL AND ADMINISTRATIVE	FUND RAISING	
Accounting Fees	\$ 4,410	\$ -	\$ 2,940	\$ 4,410	\$ 11,760
General Insurance	918	-	611	918	2,447
Grants	-	83,540	-	-	83,540
Office Expense	3,464	-	2,308	3,464	9,236
Postage and Shipping	587	-	390	587	1,564
Printing	1,225	-	817	1,225	3,267
Rent	4,181	-	2,788	4,181	11,150
Scholarships	75,681	-	-	-	75,681
Special Events	-	-	-	43,110	43,110
Staff Development	671	-	447	671	1,789
TCL Employee Compensation	61,356	-	40,905	61,356	163,617
Student Assistance	-	478	-	-	478
TCL President- Supplement	-	7,750	-	-	7,750
Travel and Meeting	2,904	-	1,937	2,904	7,745
Trustees and Bank Fees	15,413	1,780	3,034	-	20,227
Total Expenses Before Depreciation	170,810	93,548	56,177	122,826	443,361
Depreciation	-	-	177	-	177
 Total Functional Expenses	 \$ 170,810	 \$ 93,548	 \$ 56,354	 \$ 122,826	 \$ 443,538

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The notes to the financial statements are an integral part of this statement.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities

Cash Received from Unrestricted	\$ 104,727
Cash Received from Temporarily Restricted Contributons	236,585
Cash Received from Permanently Restricted Contributons	10,000
Cash Paid for Operating Expenses	<u>(263,136)</u>
Net Cash Provided (Used) by Operating Activities	<u>88,176</u>

Cash Flows From Investing Activities

Proceeds from Disposal of Securities	459,211
Purchase of Securities	<u>(365,725)</u>
Net Cash Provided (Used) by Investing Activities	<u>93,486</u>

NET INCREASE (DECREASE) IN CASH 181,662

CASH AT BEGINNING OF YEAR 147,081

CASH AT END OF YEAR \$ 328,743

Reconciliation of Change in Net Assets to Net Cash

Provided by Operating Activities:

Change in Net Assets	<u>\$ 56,174</u>
Adjustments to Reconcile Change in Net Assets to Net Cash	
Depreciation	177
Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(63,996)
(Increase) Decrease in Donated Equipment	13,708
(Increase) Decrease in Unrealized Losses	30,374
Increase (Decrease) in Accounts Payable	<u>51,739</u>
Total Adjustments	<u>32,002</u>
Net Cash Provided (Used) by Operatng Activities	<u><u>\$ 88,176</u></u>

The notes to the financial statements are an integral part of this statement.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Technical College of the Lowcountry Foundation, Inc. (the "Foundation") is a South Carolina not-for-profit organization incorporated in 1983. The Foundation is constituted for charitable and educational purposes, specifically to solicit, receive, administer and donate funds and property for the encouragement, support and furtherance of the educational and professional goals of the Technical College of the Lowcountry located in Beaufort, South Carolina.

Basis of Presentation: The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Financial Accounting Standards Board (FASB) establishes the FASB Accounting Standards Codification as the source of authoritative United States generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. This authoritative guidance has been applied in the preparation of the Foundation's financial statements as of June 30, 2016. The following accounting policies are presented to facilitate the understanding of information presented in the financial statements.

Net Assets: The financial statements are presented in accordance with authoritative guidance as required by the FASB Accounting Standards Codification for Not-for-Profit Entities ASC 958, which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions: Contributions received, including unconditional pledges, are recognized as revenue when donors' commitments are received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Grants and other 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Interest and dividends are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents: The Foundation considers cash in operating bank accounts, cash on hand, certificates of deposit, U.S. Treasury bills, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Fair Value Measurements: The Financial Accounting Standards Board (FASB) guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially that full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Equipment: Donated property and equipment is recorded at fair value at the date of the donation using a Level 3 fair value measurement. All other equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets set at 5 years.

Functional Allocation of Expenses: Functional expenses are specifically allocated whenever practical or are allocated based on program and service utilization.

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

Spending Policy: The Board has adopted a formal spending policy governing the Endowment and Special Scholarship Funds. Up to 4.5% for scholarships and 0.5% for administrative expenses of the average market value over the preceding three years may be expended in any fiscal year.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Computer Equipment	\$ 887
Less Accumulated Depreciation	(709)
Total Property and Equipment, net of depreciation	<u>\$ 178</u>

Depreciation for the year ended June 30, 2016 was \$177.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 FAIR VALUE MEASUREMENT

The following is a summary of the levels within the fair value hierarchy for the in-kind contributions:

	Assets Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
In-Kind Contributed Rent	\$ -	\$ -	\$ 9,600	\$ 9,600
In-Kind Rent (Expense)	-	-	(9,600)	(9,600)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

A summary of the status of temporarily restricted contributions at June 30, 2016 follows:

Presidents Fund	\$ 47,633
Scholarships Funds	444,150
Grants	11,681
TCL Academic Programs	64,940
Total temporarily restricted net assets	<u>\$ 568,404</u>

Temporary restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following temporary restricted net assets were released for the year ended June 30, 2016:

Scholarships	\$ 89,035
Special Events	9,733
Total net assets released from restriction	<u>\$ 98,768</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 PERMANENTLY RESTRICTED NET ASSETS

The Foundation has several endowment funds, the principal of which is permanently restricted. Realized and unrealized earnings on these funds are available to provide scholarships. A summary of the Foundation's endowment funds at June 30, 2016 follows:

Angus Cotton Endowment	\$ 42,865
Family Resources Fund	63,976
G. Thomas Upshaw Endowed Scholarship Fund	50,000
Hodges Endowment Fund	12,375
Kilpatrick Memorial Fund	33,735
Lou Gast Endowed Educational Scholarship	50,000
Public Contributions	15,194
Verity Memorial Fund	85,221
Helen McCan Thompson	10,000
Wilson Memorial Fund	150,019
Total permanently restricted net assets	<u><u>\$ 513,385</u></u>

NOTE 6 INVESTMENTS

Fair value measurement of investments as of June 30, 2016 is as follows:

	Assets Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate Bonds	\$ 118,247	\$ -	\$ -	\$ 118,247
Equities Securities	693,935	-	-	693,935
Government Securities	219,932	-	-	219,932
Total	<u><u>\$ 1,032,114</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,032,114</u></u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 INVESTMENTS - Continued

Unrealized Gains from investments as of June 30, 2016 is summarized as follows:

	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Gains</u>
Corporate Bonds	\$ 118,247	\$ 117,655	\$ 592
Equity Securities	693,935	594,564	99,371
Government Securities	219,932	218,737	1,195
Total	<u>\$ 1,032,114</u>	<u>\$ 930,956</u>	<u>\$ 101,158</u>

Investment income for the year ended June 30, 2016 is as follows:

Change in Unrealized Gains	\$ (30,374)
Interest and Dividends	20,667
Realized Gains	39,231
Total investment income	<u>\$ 29,524</u>

NOTE 7 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, the Foundation paid and accrued expenses to scholarships, grants, and other assistance of \$167,449 to the Technical College of the Lowcountry (the College). At June 30, 2015, \$88,211 was included in accounts payable to the College. The Foundation is provided an office on the campus of the College at no charge. The College has estimated the fair value of rent received to be \$9,600 per year using a level 3 fair market valuation. The Foundation received managerial and accounting services for two positions from the College's employees. The College pays the entire salary of the executive director and administrative assistant. The College bills the Foundation for 25% of the executive director's salary and 50% of the administrative assistant's salary. The portion of salaries and benefits that was not paid by the Foundation for the year ended June 30, 2016 was \$105,178. The following is a summary of the amounts recorded as in-kind revenue and expenses for the year ended June 30, 2016:

	<u>Unrestricted Revenues</u>	<u>Functional Expenses</u>		
		<u>Scholarships</u>	<u>General and Administrative</u>	<u>Fundraising</u>
Rent	\$ 9,600	\$ 3,600	\$ 2,400	\$ 3,600
Salaries and Benefits	105,178	39,442	26,294	39,442
Total	<u>\$ 114,778</u>	<u>\$ 43,042</u>	<u>\$ 28,694</u>	<u>\$ 43,042</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 TAX STATUS

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization other than a private foundation under Section 509(e).

In accordance with financial accounting standards, the Foundation evaluated all tax positions that could have a significant effect on the financial statements and determined the Foundation had no uncertain tax positions at June 30, 2016. The Foundation is no longer subject to income tax examination by the federal or state authorities for years before 2012.

NOTE 9 PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$36,805 was related to the removal of the teaching collection from the balance sheet.

NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 21, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No events have occurred that would require adjustment to or disclosure in the financial statements.