

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Technical College of the Lowcountry Foundation, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements 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 of 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 auditors' 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 Technical College of the Lowcountry Foundation, Inc. as of June 30, 2013, 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.



Carey & Company, P.A.
Hilton Head, South Carolina
October 9, 2013

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 54,393	
Unconditional promises to give	9,710	
TOTAL CURRENT ASSETS		\$ 64,103

NON-CURRENT ASSETS

Long-term unconditional promises to give	1,886	
Fixed assets, net of accumulated depreciation and amortization of \$1,597	710	
Investments	926,855	
Teaching collection	36,805	
TOTAL NON-CURRENT ASSETS		966,256

TOTAL ASSETS		<u>\$1,030,359</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses	\$ 1,308	
TOTAL CURRENT LIABILITIES		<u>\$ 1,308</u>

TOTAL LIABILITIES	1,308	
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NET ASSETS

Unrestricted net assets	399,722	
Temporarily restricted net assets	243,370	
Permanently restricted net assets	385,959	
TOTAL NET ASSETS		<u>1,029,051</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$1,030,359</u>
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See notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

CHANGES IN UNRESTRICTED NET ASSETS

Unrestricted revenues, gains, and other support	
Contributions and grants	\$ 51,770
In-kind contributions	9,000
Miscellaneous-fees income	9,307
Interest and dividend income	24,180
Uncollectible pledges	796
Change in investments	37,482
Total unrestricted revenues and gains	<u>132,535</u>
Net assets released from restrictions	
Satisfaction of program restrictions	78,184
Total net assets released from restrictions	<u>78,184</u>
Total unrestricted revenues, gains, and other support	210,719
Expenses	
Program services	
Scholarship and support	123,808
Assistance to Technical College	43,090
Total program expenses	<u>166,898</u>
Supporting services	
Management and general	50,695
Fundraising	22,756
Total supporting services	<u>73,451</u>
TOTAL EXPENSES	
	<u>240,349</u>
Increase (decrease) in unrestricted net assets	(29,630)
Unrestricted net assets, beginning of period	429,352
Unrestricted net assets, end of period	<u>\$ 399,722</u>

See notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2013

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues, gains, and other support	\$ 125,238
Special events net of expenses of \$18,260	7,870
Net assets released from restrictions	
Scholarships, grants, and other	<u>(78,184)</u>
Total net assets released from restrictions	(78,184)
Increase in temporarily restricted net assets	54,924
Temporarily restricted net assets, beginning of period	<u>188,446</u>
Temporarily restricted net assets, end of period	<u>\$ 243,370</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Revenues, gains, and other support	
Endowment contributions	\$ 1,100
Permanently restricted net assets, beginning of period	<u>384,859</u>
Permanently restricted net assets, end of period	<u>\$ 385,959</u>

(Decrease) in unrestricted net assets	\$ (29,630)
Increase in temporarily restricted net assets	54,924
Increase in permanently restricted net assets	<u>1,100</u>
NET TOTAL INCREASE (DECREASE) IN NET ASSETS	26,394

Net assets, beginning of period	<u>1,002,657</u>
Net assets, end of period	<u>\$ 1,029,051</u>

See notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services			Supporting Services			Total
	Scholarship Assistance to Technical College	Total Program Expenses	Management and General	Fund Raising	Total Supporting Services		
Salaries	\$ 12,367	\$ 12,367	\$ 12,367	\$ 8,245	\$ 20,612	\$ 32,979	
Payroll taxes	912	912	912	456	1,368	2,280	
Pension expense	1,966	1,966	1,966	983	2,949	4,915	
Employee benefits	2,640	2,640	2,640	1,320	3,960	6,600	
Subtotal	17,885	17,885	17,885	11,004	28,889	46,774	
Accounting fees	3,646	3,646	5,410	2,705	8,115	11,761	
Administrative fees			9,307		9,307	9,307	
Trustee and bank fees	3,742	3,742	5,553	2,776	8,329	12,071	
Grants-equipment/other		43,090				43,090	
General insurance	705	705	1,046	523	1,569	2,274	
Miscellaneous	5,615	5,615	8,332	4,166	12,498	18,113	
Postage	412	412	611	306	917	1,329	
Printing	1,121	1,121	1,663	831	2,494	3,615	
Scholarships	90,081	90,081				90,081	
Staff training	601	601	888	445	1,333	1,934	
Total functional expenses	\$ 123,808	\$ 43,090	\$ 50,695	\$ 22,756	\$ 73,451	\$ 240,349	

See notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2013

Cash Flows from Operating Activities

Increase in net assets	\$ 26,394
Adjustments to reconcile (decrease) in net assets to net cash provided (used) by operating activities	
Depreciation and amortization	177
Uncollectible pledges	(796)
Net increase in investments	(37,482)
Decrease in unconditional promises to give	13,919
Decrease in accrued expenses	(2,345)
Net cash provided (used) by operating activities	<u>(133)</u>

Cash Flows from Investing Activities

Acquisition of fixed assets	(887)
Proceeds from sales of securities	789,227
Net purchases of securities	(817,439)
Net cash contributed (used) by investing activities	<u>(29,099)</u>
Net decrease in cash and cash equivalents	(29,232)
Cash and cash equivalents, beginning of period	83,625
Cash and cash equivalents, end of period	<u>\$ 54,393</u>

Supplemental disclosures of cash flow information

Income taxes paid	\$ -
Interest paid	\$ -

See accompanying notes and accountants' report

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Nature of Activities

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.

Summary of Significant Accounting Policies

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Principles of Accounting

The financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Promises to Give

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates. Promises to give are received from a small base of contributors as a result of the annual campaign.

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. Investment earnings available for distributions 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.

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

Promises to Give-continued

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are stated at cost or at the asset's fair market value at the date contributed. Assets are depreciated over their estimated useful lives using the straight-line method of depreciation. The useful lives of the assets range from three to seven years.

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

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Fair Value Measurements-continued

means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Income Taxes

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).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 1/2% of the average market value over the preceding twelve quarters shall be expended in any fiscal year.

Functional Allocation of Expenses

Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated or allocated on space utilization.

Donated Services

During the period ended June 30, 2013, the value of donated services meeting the requirements for recognition in the financial statements was not material and has not been recorded. The Foundation has a number of volunteers that assist in carrying out its programs. These services do not meet the criteria for recognition as donated services.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high-credit quality financial institutions. The balances, at times, may exceed federally insured limits. At June 30, 2013, the Foundation did not exceed the insured limit.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE B-UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists of the following at June 30, 2013:

Unrestricted		
Receivable in one year	\$	10,000
Receivable in two years		2,000
Less discount to net present value		<u>(404)</u>
Total	\$	<u>11,596</u>

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 3%.

NOTE C-FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in methodologies during the year ended June 30, 2013.

Unconditional promises to give: Valued at their estimated net realizable value based on management's evaluation of collectibility.

Investments: Valued at the closing price reported on the active market on which the individual securities are traded.

Teaching collection-donated art: Valued at estimated net realizable value based on donation values.

Fair Value Measurements at June 30, 2013:	Assets		
	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give	\$ -	\$ -	\$ 11,596
Investments-marketable securities	926,855	-	-
Teaching collection	-	-	36,805
Totals	<u>\$ 926,855</u>	<u>\$ -</u>	<u>\$ 48,401</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

NOTE C-FAIR VALUE MEASUREMENTS-CONTINUED

Fair Value Measurements Using
 Significant Unobservable Inputs
 (Level 3)
 Year Ended June 30, 2013:

	<u>Pledge Receivable</u>
Balance, beginning of year	\$ 25,919
Current year pledges	-
Pledges received	(13,919)
Less discount to net present value	(404)
Balance, end of year	<u>\$ 11,596</u>

There were no gains, losses, purchases, sales, contributions, or transfers related to teaching collection assets.

NOTE D-INVESTMENTS

	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Appreciation</u>
Government and agency securities	\$ 340,280	\$ 342,749	\$ (2,469)
Corporate bonds	185,731	182,054	3,677
Accrued interest	3,291	3,291	-
Equity securities	397,553	368,457	29,096
Totals	<u>\$ 926,855</u>	<u>\$ 896,551</u>	<u>\$ 30,304</u>

Income from investments is summarized as follows;

Interest and dividends	\$ 24,063
Realized gains	59,548
Change in unrealized gains	37,482
	<u>\$ 121,093</u>

NOTE E-RELATED PARTY TRANSACTIONS

During the year ended June 30, 2013 the Foundation paid scholarships, grants, and other assistance of approximately \$133,171 to the Technical College of the Lowcountry. The Foundation is provided an office on the campus of the Technical College at no charge. Management has not estimated the value of these facilities. Technical College of the Lowcountry currently pays seventy five percent of the salary and benefits of the executive director, and fifty percent of the salary and benefits of the administrative coordinator.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE F-TEMPORARILY RESTRICTED NET ASSETS

A summary of the status of temporarily restricted contributions and grants at June 30, 2013 follows:

Scholarships	\$ 89,598
Academic Program Support	60,133
Equipment/Technology Grants	73,665
Capital Campaign	<u>19,974</u>
Total	<u>\$ 243,370</u>

NOTE G-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, 2013 follows:

Hodges Endowment Fund	\$ 11,925
Verity Memorial Fund	85,221
Wilson Memorial Fund	150,019
Public Contributions	15,194
Kilpatrick Memorial Fund	33,735
Family Resources Fund	50,000
Angus Cotton Endowment	<u>39,865</u>
Total	<u>\$ 385,959</u>

NOTE H-RETIREMENT PLAN

Foundation employees participate in retirement plans through the Technical College of the Lowcountry. Foundation contributions for the year ended June 30, 2013 were \$4,914.

NOTE I-ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

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, 2013.

NOTE J-SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 9, 2013, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.