

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Technical College of the Lowcountry Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 Technical College of the Lowcountry Foundation, Inc. as of June 30, 2014, 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.

Crosby Weichlor & Associates LLC

Beaufort, South Carolina
September 30, 2014

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ASSETS	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL (MEMORANDUM ONLY)
Current Assets				
Cash and Cash Equivalents	\$ 53,417	\$ 83,264	\$ -	\$ 136,681
Accrued Interest	1,086	-	-	1,086
Total Current Assets	<u>54,503</u>	<u>83,264</u>	<u>-</u>	<u>137,767</u>
Non-Current Assets				
Investments	326,515	240,716	401,135	968,366
Property and Equipment, Net of Depreciation	14,240	-	-	14,240
Teaching Collection	36,805	-	-	36,805
Total Non-Current Assets	<u>377,560</u>	<u>240,716</u>	<u>401,135</u>	<u>1,019,411</u>
Total Assets	<u>\$ 432,063</u>	<u>\$ 323,980</u>	<u>\$ 401,135</u>	<u>\$ 1,157,178</u>
LIABILITIES AND NET ASSETS				
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets	<u>432,063</u>	<u>323,980</u>	<u>401,135</u>	<u>1,157,178</u>
Total Liabilities and Net Assets	<u>\$ 432,063</u>	<u>\$ 323,980</u>	<u>\$ 401,135</u>	<u>\$ 1,157,178</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, 2014**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES AND SUPPORT				
Donations	\$ 67,467	\$ 175,590	\$ 15,176	\$ 258,233
In-kind Contributions	102,938	-	-	102,938
Special Event	-	30,411	-	30,411
Investment Income	20,325	101,773	-	122,098
Net Assets Released from Restrictions	190,359	(190,359)	-	-
Total Revenues and Support	<u>381,089</u>	<u>117,415</u>	<u>15,176</u>	<u>513,680</u>
FUNCTIONAL EXPENSES				
Scholarships	171,605	-	-	171,605
Assistance to Technical College	79,166	-	-	79,166
General and Administrative	50,259	-	-	50,259
Fundraising	84,523	-	-	84,523
Total Functional Expenses	<u>385,553</u>	<u>-</u>	<u>-</u>	<u>385,553</u>
Increase (Decrease) in Net Assets	<u>(4,464)</u>	<u>117,415</u>	<u>15,176</u>	<u>128,127</u>
Net Assets, Beginning of Year	399,722	243,370	385,959	1,029,051
Prior Period Adjustment	36,805	(36,805)	-	-
Net Assets, End of Year	<u>\$ 432,063</u>	<u>\$ 323,980</u>	<u>\$ 401,135</u>	<u>\$ 1,157,178</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, 2014

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL (MEMORANDUM ONLY)
	SCHOLARSHIPS	ASSISTANCE TO TECHNICAL COLLEGE	GENERAL AND ADMINISTRATIVE	FUND RAISING	
TCL Employees' Compensation	\$ 53,191	-	\$ 35,461	\$ 53,191	\$ 141,843
Accounting Fees	4,144	-	2,762	4,144	11,050
General Insurance	1,047	-	699	1,047	2,793
Grants	-	79,166	-	-	79,166
Office Expense	1,898	-	1,264	1,898	5,060
Postage and Shipping	727	-	484	727	1,938
Printing	3,435	-	2,291	3,435	9,161
Rent	3,600	-	2,400	3,600	9,600
Scholarships	83,809	-	-	-	83,809
Special Events	-	-	-	13,960	13,960
Staff Development	399	-	265	399	1,063
Trustees and Bank Fees	17,233	-	3,041	-	20,274
Travel and Meeting	2,122	-	1,414	2,122	5,658
Total Expenses Before Depreciation	171,605	79,166	50,081	84,523	385,375
Depreciation	-	-	178	-	178
Total Functional Expenses	\$ 171,605	\$ 79,166	\$ 50,259	\$ 84,523	\$ 385,553

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, 2014

Cash Flows From Operating Activities	
Cash Received from Unrestricted	\$ 76,289
Cash Received from Temporarily Restricted Contributons	217,597
Cash Received from Permanently Restricted Contributons	15,176
Cash Paid for Operating Expenses	<u>(283,744)</u>
Net Cash Provided (Used) by Operating Activities	<u>25,318</u>
Cash Flows From Investing Activities	
Proceeds from Disposal of Securities	1,157,000
Purchase of Securities	<u>(1,100,030)</u>
Net Cash Provided (Used) by Investing Activities	<u>56,970</u>
NET INCREASE (DECREASE) IN CASH	<u>82,288</u>
CASH AT BEGINNING OF YEAR	<u>54,393</u>
CASH AT END OF YEAR	<u>\$ 136,681</u>
Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ 128,127
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	178
Non Cash Donations	(13,708)
Realized (Gains) Losses	(19,152)
(Increase) Decrease in Accounts Receivable	11,596
(Increase) Decrease in Interest Receivable	2,205
(Increase) Decrease in Unrealized Gains	(82,621)
Increase (Decrease) in Accounts Payable	<u>(1,307)</u>
Total Adjustments	<u>(102,809)</u>
Net Cash Provided (Used) by Operatng Activities	<u>\$ 25,318</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, 2014

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, 2014. 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, 2014

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.

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 CAPITAL ASSETS

Property and equipment consists of the following at June 30, 2014:

Purchased Equipment	\$ 887
Donated Equipment	13,708
less accumulated depreciation	<u>(355)</u>
	<u><u>\$ 14,240</u></u>

Depreciation for the year ended June 30, 2014 was \$178.

NOTE 3 TEACHING COLLECTION

The Foundations has rights to an art collection currently being used by the Technical College of the Lowcountry. The Teaching collection is valued using a level 3 fair market value explained in Note 1 based on the estimated net realizable value on date of donation. There were no gains, losses, purchases, sales, contributions, or transfers related to teaching collection assets for the year ended June 30, 2014. As of June 30, 2014 the Teaching Collection is valued at \$36,805.

NOTE 4 FAIR VALUE MEASUREMENT

The following is a summary of the levels within the fair value hierarchy for donated equipment, teaching collection, and 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
Teaching Collection	\$ -	\$ -	\$ 36,805	\$ 36,805
Donated Equipment	-	-	13,708	13,708
In-Kind Contributed Rent	-	-	9,600	9,600
In-Kind Rent (Expense)	-	-	(9,600)	(9,600)
Totals	\$ -	\$ -	\$ 50,513	\$ 50,513

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

A summary of the status of temporarily restricted contributions and grants at June 30, 2014 follows:

Scholarships Funds	\$ 254,484
TCL Academic Programs	34,058
Grants	35,438
	<u>\$ 323,980</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, 2014:

Scholarships	\$ 83,809
Grants	79,166
Special Events	13,960
Trustees Fees	13,424
	<u>\$ 190,359</u>

NOTE 6 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, 2014 follows:

Hodges Endowment Fund	\$ 12,125
Kilpatrick Memorial Fund	33,735
Public Contributions	15,194
Wilson Memorial Fund	150,019
Verity Memorial Fund	85,221
Family Resources Fund	63,976
Angus Cotton Endowment	40,865
Total	<u>\$ 401,135</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 INVESTMENTS

Fair value measurement of investments as of June 30, 2014 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
Government Securities	\$ 183,537	\$ -	\$ -	\$ 183,537
Corporate Bonds	99,283	-	-	99,283
Equities Securities	685,546	-	-	685,546
Totals	<u>\$ 968,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,366</u>

Unrealized Gains from investments as of June 30, 2014 is summarized as follows:

	Fair Value	Cost Basis	Unrealized Gains
Government and Securities	\$ 183,537	\$ 183,205	\$ 332
Corporate Bonds	99,283	99,203	80
Equity Securities	685,546	573,034	112,512
Totals	<u>\$ 968,366</u>	<u>\$ 855,442</u>	<u>\$ 112,924</u>

Investment income for the year ended June 30, 2014 is as follows:

Interest and dividends	\$ 20,325
Realized gains	19,152
Change in unrealized gains	82,621
	<u>\$ 122,098</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014 the Foundation paid scholarships, grants, and other assistance of \$162,975 to the Technical College of the Lowcountry (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 from two of the College's employees. The Foundation reimburses the College for twenty five percent of the salary and benefits of the executive director and fifty percent of the salary and benefits of the administrative coordinator. The non-reimbursable portion of salaries and benefits for the year ended June 30, 2014 was \$93,338. The following is a summary of the amounts recorded as in-kind revenue and expenses for the year ended June 30, 2014:

	Unrestricted Revenues	Functional Expenses		
		Scholarships	General and Administrative	Fundraising
Salaries and Benefits	\$ 93,338	\$ 35,002	\$ 23,334	\$ 35,002
Rent	9,600	3,600	2,400	3,600
	<u>\$ 102,938</u>	<u>\$ 38,602</u>	<u>\$ 25,734</u>	<u>\$ 38,602</u>

NOTE 9 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, 2014. The Foundation is no longer subject to income tax examination by the federal or state authorities for years before 2010.

NOTE 10 PRIOR PERIOD ADJUSTMENT

Teaching Collection of \$36,805 has been reclassified from Temporary Restricted to Unrestricted due to a misclassification in prior year.

NOTE 11 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 30, 2014, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.