

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

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.  
ANNUAL FINANCIAL REPORT  
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**CERTIFIED PUBLIC ACCOUNTANTS**

Richard D. Crowley, CPA, CVA  
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Member:  
American Institute of CPAs  
South Carolina Association of CPAs

**INDEPENDENT AUDITOR'S REPORT**

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

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, 2019, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Technical College of the Lowcountry Foundation, Inc as of June 30, 2019, 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  
August 30, 2019

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 100,113	\$ 256,133	\$ 356,246
Interfund Receivables/Payables	(10,683)	10,683	-
Accounts Receivable	1,014	-	1,014
Total Current Assets	<u>90,444</u>	<u>266,816</u>	<u>357,260</u>
<b>Non-Current Assets</b>			
Investments	<u>375,640</u>	<u>1,034,360</u>	<u>1,410,000</u>
Total Non-Current Assets	<u>375,640</u>	<u>1,034,360</u>	<u>1,410,000</u>
 Total Assets	 <u>\$ 466,084</u>	 <u>\$ 1,301,176</u>	 <u>\$ 1,767,260</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable	<u>\$ 8,011</u>	<u>\$ -</u>	<u>\$ 8,011</u>
Total Current Liabilities	<u>8,011</u>	<u>-</u>	<u>8,011</u>
Total Liabilities	<u>8,011</u>	<u>-</u>	<u>8,011</u>
 <b>Net Assets</b>	 <u>458,073</u>	 <u>1,301,176</u>	 <u>1,759,249</u>
 Total Liabilities and Net Assets	 <u>\$ 466,084</u>	 <u>\$ 1,301,176</u>	 <u>\$ 1,767,260</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, 2019**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>REVENUES AND SUPPORT</b>			
Donations	\$ 109,959	\$ 155,482	\$ 265,441
In-kind Contributions	263,485	-	263,485
Investment Income	-	109,577	109,577
Special Event	15,664	37,297	52,961
Less Direct Costs of Fundraising	(21,663)	-	(21,663)
Net Assets Released from Restrictions	172,196	(172,196)	-
Total Revenues and Support	<u>539,641</u>	<u>130,160</u>	<u>669,801</u>
<b>FUNCTIONAL EXPENSES</b>			
Scholarships	227,950	-	227,950
Assistance to Technical College	99,087	-	99,087
General and Administrative	80,575	-	80,575
Fundraising	145,701	-	145,701
Total Functional Expenses	<u>553,313</u>	<u>-</u>	<u>553,313</u>
Increase (Decrease) in Net Assets	(13,672)	130,160	116,489
Net Assets, Beginning of Year	471,744	1,171,016	1,642,760
Net Assets, End of Year	<u>\$ 458,073</u>	<u>\$ 1,301,176</u>	<u>\$ 1,759,249</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, 2019**

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<b>TOTAL (MEMORANDUM ONLY)</b>
	<u>SCHOLARSHIPS</u>	<u>ASSISTANCE TO TECHNICAL COLLEGE</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUND RAISING</u>	
Accounting Fees	\$ 5,073	\$ -	\$ 3,382	\$ 5,073	\$ 13,528
General Insurance	866	-	577	866	2,309
Grants	-	2,394	-	-	2,394
Office Expense	9,401	-	6,267	9,401	25,069
Postage and Shipping	327	-	218	327	872
Printing	969	-	646	969	2,584
Rent	3,600	-	2,400	3,600	9,600
Scholarships	107,091	-	-	-	107,091
Staff Development	640	-	427	640	1,707
Special Events	-	-	-	25,015	25,015
TCL Employee Compensation	97,184	-	64,788	97,184	259,156
Student Assistance	-	13,525	-	-	13,525
College Assistance	-	51,669	-	-	51,669
TCL President- Supplement	-	31,000	-	-	31,000
Travel and Meeting	2,626	-	1,751	2,626	7,003
Trustees and Bank Fees	173	499	119	-	791
Total Functional Expenses	<u>\$ 227,950</u>	<u>\$ 99,087</u>	<u>\$ 80,575</u>	<u>\$ 145,701</u>	<u>\$ 553,313</u>

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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, 2019**

<b>Cash Flows From Operating Activities</b>	
Cash Received without Donor Restriction	\$ 102,946
Cash Received with Donor Restriction	302,356
Cash Paid for Operating Expenses	<u>(397,593)</u>
Net Cash Provided (Used) by Operating Activities	<u>7,710</u>
 <b>Cash Flows From Investing Activities</b>	
Interest and Dividends Reinvested	(33,612)
Investment Fees	9,892
Withdrawals from Investment Account	64,000
Unrealized Gains/Losses Reinvested	<u>(85,857)</u>
Net Cash Provided (Used) by Investing Activities	<u>(45,577)</u>
 NET INCREASE (DECREASE) IN CASH	 <u>(37,868)</u>
 CASH AT BEGINNING OF YEAR	 <u>394,113</u>
 CASH AT END OF YEAR	 <u>\$ 356,246</u>
 <b>Reconciliation of Change in Net Assets to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Change in Net Assets	<u>\$ 116,489</u>
Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(1,014)
Increase (Decrease) in Accounts Payable	<u>(107,765)</u>
Total Adjustments	<u>(108,779)</u>
 Net Cash Provided (Used) by Operatng Activities	 <u>\$ 7,710</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, 2019**

**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, 2019. The following accounting policies are presented to facilitate the understanding of information presented in the financial statements.

The financial statements of the Organization have been prepared according to the FASB issued Accounting Standards Update 2016-14, Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This was meant to improve the presentation of financial statements and disclosures of not-for profit organizations by providing more relevant information about their resources, and changes in those resources, to their donors, grantors, creditors and other users. The new guidance requires not-for-profit entities to present the amount for each of two classes of net assets – net assets with donor restrictions and net assets without donor 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 with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions based on the nature of the restrictions.

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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. 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, 2019:

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

Depreciation for the year ended June 30, 2019 was \$0.

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 NET ASSETS WITH DONOR RESTRICTION**

A summary of the status of contributions with donor restriction at June 30, 2019 follows:

Scholarships Funds	\$ 631,714
TCL Academic Programs	156,077
Endowment Funds	513,385
Total temporarily restricted net assets	<u>\$ 1,301,176</u>

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 net assets with donor restriction were released for the year ended June 30, 2019:

Scholarships	\$ 103,839
TCL Academic Programs	68,357
Total net assets released from restriction	<u>\$ 172,196</u>

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 ENDOWMENT FUNDS**

The Foundation has several endowment funds, the principal of which is with donor restriction. Realized and unrealized earnings on these funds are available to provide scholarships. A summary of the Foundation's endowment funds at June 30, 2019 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>\$ 513,385</u>

**NOTE 6 INVESTMENTS**

Fair value measurement of investments as of June 30, 2019 is as follows:

	Assets Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Deposit Accounts	\$ 93,303	\$ -	\$ -
Fixed Income	69,271	-	-
Equity Securities	933,363	-	-
Bond Funds	176,146		
Exchange Traded Funds	137,917	-	-
Total	<u>\$ 1,410,000</u>	<u>\$ -</u>	<u>\$ -</u>

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 INVESTMENTS - Continued**

Unrealized Gains from investments as of June 30, 2019 is summarized as follows:

	Fair Value	Cost Basis	Unrealized Gains
Cash and Deposit Accounts	\$ 93,303	\$ 93,303	\$ -
Fixed Income	69,271	69,099	172
Equity Securities	933,363	672,426	260,937
Bond Funds	176,146	170,933	5,213
Exchange Traded Funds	137,917	141,818	(3,901)
Total	<u>\$ 1,410,000</u>	<u>\$ 1,147,579</u>	<u>\$ 262,421</u>

Investment income for the year ended June 30, 2019 is as follows:

Change in Unrealized Gains/Losses	\$ 85,858
Interest and Dividends	33,611
Investment Fees	(9,892)
Total investment income	<u>\$ 109,577</u>

**NOTE 7 RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2019, the Foundation paid and accrued expenses to scholarships, grants, special events, and other assistance of \$131,608 to the Technical College of the Lowcountry (the College). At June 30, 2019, \$4,370 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. Effective September 2016, the College pays the entire salary of the executive director and administrative assistant. The salaries and benefits that were not paid by the Foundation for the year ended June 30, 2019 was \$238,661. The following is a summary of the amounts recorded as in-kind revenue and expenses for the year ended June 30, 2019:

	Unrestricted Revenues	Functional Expenses		
		Scholarships	General and Administrative	Fundraising
Rent	\$ 9,600	\$ 3,600	\$ 2,400	\$ 3,600
Salaries and Benefits	253,885	95,207	63,471	95,207
Total	<u>\$ 263,485</u>	<u>\$ 98,807</u>	<u>\$ 65,871</u>	<u>\$ 98,807</u>

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization has \$466,084 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$89,430, accounts receivable of \$1,014, and investments of \$375,640. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The amount of financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date are \$1,301,176. The Organization sets a goal of having financial assets on hand to meet 60 days of normal operating expenses, which are, on average, around \$25,000 a month. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs in investment accounts.

**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, 2019. The Foundation is no longer subject to income tax examination by the federal or state authorities for years before 2015.

**NOTE 10 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through August 30, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

The Foundation entered into an agreement with the Technical College of the Lowcountry to act as a conduit for the construction and financing of a Culinary Arts Institute and Interpretive Center in Bluffton, South Carolina in the amount of \$11,243,000. The financing of which has been secured by an \$8 million South Carolina Jobs-Economic Development Agreement (JEDA) Economic Development Revenue Bond through BB&T, along with (1) approximately \$1,243,000 of local hospitality taxes contributed from Beaufort County and (2) approximately \$2,000,000 of the College's capital reserves. The Bond is payable in ten annual installments of approximately level payments, and is payable from and secured by (a) amounts annually provided by Beaufort County, the Town of Bluffton and the Beaufort County School District (as described below) and (b) approximately \$2,000,000 of local hospitality taxes previously contributed from Beaufort County and deposited to a bond reserve fund.

Beaufort County, on behalf of itself and as fiscal agent for the Town of Bluffton and the Beaufort County School District, has committed to annually provide \$800,000 in available revenues over a ten-year period (for a total of \$8 million), subject to annual appropriations, to the College. Pursuant to a lease between the College and the TCL Foundation, the College has agreed to make ten annual lease payments equal to \$800,000 (for a total of \$8 million), subject to annual appropriation, which lease payments are intended to be used by the TCL Foundation for repayment of the Bond. The College has agreed to undertake the construction and the financial administration of the project.