

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



CROWLEY WECHSLER & ASSOCIATES LLC

Richard D. Crowley, CPA, CVA
Lisa T. Wechsler, CPA, CFE
Robert J. Nagy, CPA, CGMA
Raquel Blascochea, JD, CPA
Jordan Graham, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Member:
American Institute of CPAs
South Carolina Association of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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, 2021, and the related statements of activities 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, 2021, 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

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 21, 2021

PO Box 481
1411 Queen Street
Beaufort, SC 29901
TEL (843) 379-1065 FAX (843) 379-1066

www.CWACPs.com

PO Box 80177
706 Orleans Rd, Suite 102
Charleston, SC 29416
TEL (843) 971-0882 FAX (843) 723-0870

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
Current Assets			
Cash and Cash Equivalents	\$ 33,277	\$ 687,877	\$ 721,154
Cash Restricted	4,846,139	-	4,846,139
Interfund Receivables/Payables	164,413	(164,413)	-
Accounts Receivable	15,000	-	15,000
Total Current Assets	5,058,829	523,464	5,582,293
Non-Current Assets			
Investments	392,205	1,435,680	1,827,885
Lease Receivable	3,232,332	-	3,232,332
Total Non-Current Assets	3,624,537	1,435,680	5,060,217
Total Assets	\$ 8,683,366	\$ 1,959,144	\$ 10,642,510
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 208,895	\$ -	\$ 208,895
Project Funds Due to College	771,469	-	771,469
Current Portion of Long-Term Liabilities	715,000	-	715,000
Total Current Liabilities	1,695,364	-	1,695,364
Noncurrent Liabilities			
Bond Payable	6,592,000	-	6,592,000
Total Noncurrent Liabilities	6,592,000	-	6,592,000
Total Liabilities	8,287,364	-	8,287,364
Net Assets	396,002	1,959,144	2,355,146
Total Liabilities and Net Assets	\$ 8,683,366	\$ 1,959,144	\$ 10,642,510

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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES AND SUPPORT			
Donations	\$ 76,050	\$ 366,890	\$ 442,940
In-kind Contributions	259,001	-	259,001
Investment Income	19,389	266,370	285,759
Net Assets Released from Restrictions	276,259	(276,259)	-
Total Revenues and Support	<u>630,699</u>	<u>357,001</u>	<u>987,700</u>
FUNCTIONAL EXPENSES			
Scholarships	238,673	-	238,673
Assistance to Technical College	205,591	-	205,591
General and Administrative	82,837	-	82,837
Fundraising	145,769	-	145,769
Total Functional Expenses	<u>672,870</u>	<u>-</u>	<u>672,870</u>
Increase (Decrease) in Net Assets	(42,171)	357,001	314,830
Net Assets, Beginning of Year	438,173	1,602,143	2,040,316
Net Assets, End of Year	<u>\$ 396,002</u>	<u>\$ 1,959,144</u>	<u>\$ 2,355,146</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, 2021**

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL (MEMORANDUM ONLY)
	SCHOLARSHIPS	ASSISTANCE TO TECHNICAL COLLEGE	GENERAL AND ADMINISTRATIVE	FUND RAISING	
Accounting Fees	\$ 4,800	-	\$ 3,201	\$ 4,800	\$ 12,801
General Insurance	799	-	532	799	2,130
Grants	-	1,076	-	-	1,076
Office Expense	6,703	-	4,468	6,703	17,874
Postage and Shipping	273	-	182	273	728
Printing	383	-	256	383	1,022
Rent	3,600	-	2,400	3,600	9,600
Scholarships	112,698	-	-	-	112,698
Special Events	-	-	-	22,133	22,133
TCL Employee Compensation	105,438	-	70,293	105,438	281,169
Student Assistance	-	40,883	-	-	40,883
College Assistance	-	147,464	-	-	147,464
TCL President- Supplement	-	16,168	-	-	16,168
Travel and Meeting	1,640	-	1,092	1,640	4,372
Trustees and Bank Fees	2,339	-	413	-	2,752
Total Functional Expenses	\$ 238,673	\$ 205,591	\$ 82,837	\$ 145,769	\$ 672,870

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, 2021

Cash Flows From Operating Activities	
Cash Received without Donor Restriction	\$ 83,089
Cash Received with Donor Restriction	633,260
Cash Paid for Operating Expenses	<u>(253,813)</u>
Net Cash Provided (Used) by Operating Activities	<u>462,536</u>
Cash Flows From Investing Activities	
Interest and Dividends Reinvested	(32,642)
Investment Fees	11,645
Unrealized Gains/Losses Reinvested	<u>(264,762)</u>
Net Cash Provided (Used) by Investing Activities	<u>(285,759)</u>
Cash Flows From Financing Activities	
Project Funds Due to the College	(771,469)
Lease Receivable for Culinary Institute	3,232,332
Principal Paid on Bond	693,000
Capital Contributions for Project	4,248,637
Investment Earnings on Project Account	1,799
Project Disbursements	<u>(7,404,299)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>
 NET INCREASE (DECREASE) IN CASH	 <u>176,777</u>
 CASH AT BEGINNING OF YEAR	 <u>544,377</u>
 CASH AT END OF YEAR	 <u>\$ 721,154</u>
Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	<u>\$ 314,830</u>
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(12,350)
Increase (Decrease) in Accounts Payable	160,056
Total Adjustments	<u>147,706</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 462,536</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, 2021

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 a legally separate, tax-exempt component unit of the Technical College of the Lowcountry (the "College"). 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. Because the resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College.

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. 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.

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.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Income 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, 2021. Generally, the Foundation's tax returns remain open for three years subsequent to filing for examination by government authorities.

NOTE 2 CASH AND INVESTMENTS

Concentration of Credit Risk: The Foundation maintains its cash accounts with local financial institutions. Bank balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, cash balances exceeded FDIC insurance limits.

Restricted cash of \$4,846,139 was collateralized by the South Carolina Public Funds deposit program.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS - Continued

The Foundation maintains its investments at one brokerage firm. Accounts maintained at the brokerage firm are insured up to \$500,000 for securities, including a limit of \$250,000 on claims for cash, under the securities investor protection corporation ("SIPC"). At June 30, 2021, total cash and securities were \$1,827,885. Management believes that the Foundation's investments do not represent significant concentrations of market risk. The Foundation's investments portfolio is adequately diversified among issuer's and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market decline.

Investments – Investments in marketable equity securities with readily determinable fair values and all investment in debt securities are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Fair value measurement of investments as of June 30, 2021 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	\$ 262,177	\$ -	\$ -
Fixed Income	17,539	-	-
Equity Securities	1,049,254	-	-
Bond Funds	192,413	-	-
Exchange Traded Funds	229,966	-	-
Other Assets	76,536	-	-
Total	\$ 1,827,885	\$ -	\$ -

Unrealized Gains from investments as of June 30, 2021 is summarized as follows:

	Fair Value	Cost Basis	Unrealized Gains
Cash and Deposit Accounts	\$ 262,177	\$ 262,177	\$ -
Fixed Income	17,539	17,116	423
Equity Securities	1,049,254	658,301	390,953
Bond Funds	192,413	182,959	9,454
Exchange Traded Funds	229,966	241,664	(11,698)
Other Assets	76,536	60,822	15,714
Total	\$ 1,827,885	\$ 1,423,039	\$ 404,846

Investment income for the year ended June 30, 2021 is as follows:

Change in Unrealized Gains/(Losses)	\$ 264,762
Interest and Dividends	32,642
Investment Fees	(11,645)
Total investment income	\$ 285,759

**TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

A summary of the status of contributions with donor restrictions at June 30, 2021 follows:

Scholarships Funds	\$ 892,944
TCL Academic Programs	382,815
Endowment Funds	<u>683,385</u>
Total net assets with donor restriction	<u>\$ 1,959,144</u>

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, 2021 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
Beaufort Trust Fund	<u>170,000</u>
Total permanently restricted net assets	<u>\$ 683,385</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, 2021:

Scholarships	\$ 91,542
TCL Academic Programs	<u>184,717</u>
Total net assets released from restriction	<u>\$ 276,259</u>

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Foundation paid and accrued expenses to scholarships, grants, special events, and other assistance of \$301,045 to the Technical College of the Lowcountry (the College). At June 30, 2021, \$107,748 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 contributed to the Foundation for the year ended June 30, 2021 was \$249,401. The following is a summary of the amounts recorded as in-kind revenue and expenses for the year ended June 30, 2021:

	Unrestricted Revenues	Functional Expenses		
		Scholarships	General and Administrative	Fundraising
Rent	\$ 9,600	\$ 3,600	\$ 2,400	\$ 3,600
Salaries and Benefits	249,401	93,525	62,350	93,525
Total	\$ 259,001	\$ 97,125	\$ 64,750	\$ 97,125

The Foundation entered into an agreement with the Technical College of the Lowcountry (College) to act as a conduit for the construction and financing of a Culinary Arts Institute and Interpretive Center ("Culinary 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 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 Foundation for repayment of the Bond. The College agreed to undertake the construction and the financial administration of the project. At June 30, 2021, the Foundation has a lease receivable of \$3,232,332 from the College.

During the year ended June 30, 2021, the TCL Bond Reserve and the TCL Project Account had investment earnings of \$1,799. Culinary Center Project disbursements of \$7,404,299 were paid out during the year to the College. Additionally, at the end of the fiscal year a payable of \$771,469 was due to the College. On June 30, 2021, the Foundation was holding \$4,846,139 in funds for the Culinary Center Project.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 RELATED PARTY TRANSACTIONS - Continued

The South Carolina Jobs-Economic Development Authority (JEDA) construction bond in the amount of \$8,000,000 for the construction of the TCL Culinary Institute has a term of 10 years with an interest rate of 3.14%. The balance of the loan on June 30, 2021 is \$7,307,000 and has a maturity date of the following:

<u>Year Ended June 30,</u>	<u>JEDA Bond</u>
2022	\$ 715,000
2023	737,000
2024	761,000
2025	785,000
2026	809,000
Thereafter	3,500,000
Total	\$ 7,307,000

NOTE 9 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$604,895 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$197,690, accounts receivable of \$15,000, and investments of \$392,205. 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 \$1,959,144. The Organization sets a goal of having financial assets on hand to meet 60 days of normal operating expenses, which are, on average, around \$35,000 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 10 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 21, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

The COVID-19 outbreak developed rapidly in 2020 and continued into 2021 with a significant number of infections. Measures taken around the world to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our employees and the general well-being of the public we serve. At this stage, the impact on our financial results has been limited. We will continue to follow the various national guidelines and in parallel will do our utmost to continue our operations in the best and safest ways possible without jeopardizing public health.