

YORK TECHNICAL COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

WITH

INDEPENDENT AUDITORS' REPORT

YORK TECHNICAL COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

CONTENTS

Independent Auditors' Report..... 1

Audited Financial Statements:

Statement of Financial Position 3
Statement of Activities 4
Statement of Cash Flows 5
Notes to Financial Statements..... 6

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INDEPENDENT AUDITORS' REPORT

Board of Directors
York Technical College Foundation, Inc.
452 South Anderson Road
Rock Hill, SC 29730

We have audited the accompanying financial statements of York Technical College Foundation, Inc., (the "Foundation"), a non-profit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The Foundation is a component unit of York Technical College.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the York Technical College Foundation, Inc. as of June 30, 2017, 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.

The Brittingham Group LLP

West Columbia, South Carolina
September 19, 2017

YORK TECHNICAL COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

Assets

Cash and cash equivalents	\$ 510,146
Investments	9,004,371
Accounts receivable	11,286
Contributions receivable	985,424
Funds held in trust by others	196,787
Other assets	23,312
Property and equipment net of accumulated depreciation	971,903
Total assets	<u>\$ 11,703,229</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 87,572
Total liabilities	<u>87,572</u>

Net assets:

Unrestricted - invested in property and equipment	680,751
Unrestricted - other	327,250
Temporarily restricted - invested in property and equipment	291,152
Temporarily restricted - other	6,794,869
Permanently restricted	3,521,635
Total net assets	<u>11,615,657</u>

Total liabilities and net assets	<u>\$ 11,703,229</u>
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See accompanying notes.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenue, gains, and other support:				
Contributions, net	\$ 3,212	\$ 943,039	\$ 43,464	\$ 989,715
Investment income	904	622,784	-	623,688
Rental income	82,635	-	-	82,635
Other income	3,124	-	-	3,124
Net assets released from restrictions:				
Satisfaction of program restrictions	165,378	(165,378)	-	-
Total revenue, gains and other support	<u>255,253</u>	<u>1,400,445</u>	<u>43,464</u>	<u>1,699,162</u>
Expenses:				
Program services:				
Capital outlay	76,523	-	-	76,523
College support	120,468	-	-	120,468
Scholarships	96,851	-	-	96,851
Support services:				
Management and general	65,683	-	-	65,683
Fund raising	20,602	-	-	20,602
Total expenses	<u>380,127</u>	<u>-</u>	<u>-</u>	<u>380,127</u>
Changes in net assets	(124,874)	1,400,445	43,464	1,319,035
Net assets at beginning of year	<u>1,132,875</u>	<u>5,685,576</u>	<u>3,478,171</u>	<u>10,296,622</u>
Net assets at end of year	<u>\$ 1,008,001</u>	<u>\$ 7,086,021</u>	<u>\$ 3,521,635</u>	<u>\$ 11,615,657</u>

See accompanying notes.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Cash received from contributors	\$ 1,217,741
Investment income received	993,415
Rental income received	82,636
Cash paid to service providers and suppliers	(232,681)
Cash paid for scholarships	(96,851)
Net cash provided by operating activities	<u>1,964,260</u>
Cash flows from investing activities:	
Purchase of investments	(10,780,815)
Sales and maturities of investments	8,621,563
Net cash used in investing activities	<u>(2,159,252)</u>
Cash flows from financing activities:	
Proceeds from contributions restricted for endowment	43,464
Net cash provided by financing activities	<u>43,464</u>
Net decrease in cash and cash equivalents	(151,528)
Cash and cash equivalents at beginning of year	661,674
Cash and cash equivalents at end of year	<u><u>\$ 510,146</u></u>
Reconciliation of change in net assets to cash flows from operating activities:	
Change in net assets	\$ 1,319,035
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Unrealized (gains)/losses on investments	369,727
Depreciation expense	24,918
Contributions restricted for endowments	(43,207)
Changes in operating assets and liabilities:	
Contributions receivable	296,874
Funds held in trust by others	(17,221)
Accounts receivable	(11,286)
Other assets	(2,984)
Accounts payable	28,661
Net cash provided by operating activities	<u><u>\$ 1,964,517</u></u>

See accompanying notes.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. General

The York Technical College Foundation, Inc. (the Foundation) was incorporated under the laws of South Carolina on May 17, 1983, for the purpose of seeking funds and resources to further the educational mission of York Technical College. The Foundation is exclusively a charitable and educational corporation within the meaning of section 501(c)(3) of the Internal Revenue Service Code. The Foundation is considered a component unit of York Technical College.

2. Summary of Significant Accounting Policies

Classes of Net Assets

The financial statements report amounts separately by class of net assets:

Unrestricted Net Assets - Unrestricted Net Assets are those currently available for use by the Foundation.

Temporarily Restricted Net Assets - Temporarily Restricted Net Assets are contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations.

Permanently Restricted Net Assets - Permanently Restricted Net Assets are contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the organization's actions.

Donor-Imposed Restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

For the fiscal year 2016-2017, temporarily restricted net assets are restricted for scholarships to York Technical College students, as well as, equipment, building improvements, buildings and teacher incentives. Permanently restricted net assets are named endowments of which the earnings from the corpus are to be used for scholarships.

— CONTINUED —

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. **Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash or highly liquid investments with a maturity of three months or less when purchased.

The cash balance at June 30, 2017 was \$510,146 and the bank balance was \$511,045 of which \$258,640 was not insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses on its cash equivalents.

Investments – Investments are presented in the financial statements in the aggregate at fair market value. Investments consist of two separate trusts under agreements with a financial management company. The trustee, by agreement, can invest in stocks, bonds, negotiable securities and property (real and personal) as the trustee deems advisable. All investments are in the name of the Foundation.

	<u>Fair Value</u>
Money funds	\$ 329,134
Fixed income:	
US Government and agency	698,561
Corporate	907,268
Equities and mutual funds	7,069,408
	<u>\$ 9,004,371</u>

The Foundation accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of activities. The total unrealized losses at June 30, 2017 are \$369,727.

Funds Held in Trust by Others - Trust agreements under which the Foundation has no control over the investment of assets are at the fair value of the investments held as reported by the custodians. Changes in the value of the assets are included in the statement of activities as increases and decreases to contributions received. Distributions to the Foundation during the life of the agreement are recognized as contributions received in the appropriate net asset classification in accordance with the donor's wishes.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Summary of Significant Accounting Policies (Continued)

Public Support, Revenue and Expenses – The Foundation recognizes contributions and investment income on the accrual basis. Interest income earned on the endowments are allocated to the endowments in the endowment fund. All other interest income is recorded in the unrestricted category. Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Endowment - The Foundation's endowment includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

3. Property and Equipment

Property and equipment are carried at cost. The Foundation reports depreciation using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are generally as follows:

Land improvements	20 years
Buildings and improvements	28 years
Furniture	3 years

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

3. Property and Equipment (Continued)

The Foundation capitalizes all property and equipment with a 1 year or longer life and with a cost or donated fair value of \$1,000 or more. Property and equipment details are as follows:

<u>Cost</u>	June 30, 2016	Additions	Deletions	June 30, 2017
Land	\$ 597,899	\$ -	\$ -	\$ 597,899
Land improvements	28,000	-	-	28,000
Building	583,810	-	-	583,810
Building improvements	74,668	-	-	74,668
	<u>1,284,377</u>	<u>-</u>	<u>-</u>	<u>1,284,377</u>
 <u>Accumulated Depreciation</u>				
Land improvements	(26,600)	(1,400)	-	(28,000)
Building and improvements	(260,957)	(23,518)	-	(284,475)
	<u>(287,557)</u>	<u>(24,918)</u>	<u>-</u>	<u>(312,474)</u>
 Net book value	 <u>\$ 996,820</u>	 <u>\$ (24,918)</u>	 <u>\$ -</u>	 <u>\$ 971,903</u>

Depreciation expense recorded for 2016/2017 was \$24,918.

4. Taxes

The Foundation meets the requirements of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3) of the Code. As of the date of this report, the tax years ending June 30, 2017, 2016, 2015 and 2014 remain open and subject to review by the Internal Revenue Service. Management of the Foundation does not expect any tax liability to result from these tax periods. The Foundation is not classified as a private foundation.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Contributions Receivable, Net

The contributions receivable in the temporarily restricted fund are related to pledges for capital projects and the Annual Fund. The amounts receivable in more than one year are discounted at 2% by management. Management does not expect any losses, thus no allowance for uncollectible amounts has been recorded. The contributions receivable details are as follows:

	Total
Receivable in less than one year	\$ 237,998
Receivable in one to five years	606,479
Receivable thereafter	250,000
Total pledges and contributions receivable	<u>1,094,477</u>
Less, discounts to net present value	<u>(109,053)</u>
Net pledges and contributions receivable at June 30, 2017	<u><u>\$ 985,424</u></u>

6. Investment Income

Investment income consists of the following:

Interest and dividends	\$ 142,707
Gains and losses	531,097
Investment fees	<u>(50,116)</u>
	<u><u>\$ 623,688</u></u>

7. Related Party Transactions

Due to the purpose of the Foundation, York Technical College (the “College”) is a related party. The Foundation seeks funds and resources to further the educational mission of the College. It provides to the College’s students, scholarships, while the College provides to the Foundation, the personnel to manage the Foundation’s activities. All transactions are conducted at arms-length.

Amounts paid and accrued to the College during 2017 were \$96,851 for scholarships, \$3,000 for rent, \$35,000 for salaries, and \$55,438 for supplies and other costs. As of June 30, 2017 the Foundation owed the College \$77,427.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Related Party Transactions (Continued)

Additionally, the Foundation paid a salary supplement directly to the College President in the amount of \$55,000 and a one-time bonus of \$5,000.

The College also leases, through operating leases that expire from December 2017 through December 2019, three instructional facilities from the Foundation. The monthly lease rates are \$4,690 for the Wilson Street property and \$1,667 for the Heavy Equipment Building. The Foundation collected \$82,635 for these leases during the year ended June 30, 2017. Estimated future lease revenue for the years ended June 30, 2018 and 2019 is \$52,785 and \$19,290, respectively.

8. Employee Compensated Absences

The Foundation has no employees as all persons providing services to the Foundation are either College employees or independent contractors. As such, any College employee's rights to receive compensation for future absences, such as vacation, are not recognized in these financial statements.

9. Contingencies and Commitments

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may be the result of litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonable possible. Guarantees of other's debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

10. Fair Value

Information about the fair value of financial instruments for which it is practical to estimate that value, whether or not recognized in the Statement of Financial Position, is required to be disclosed. Fair value is determined using various methods and assumptions.

The following methods and assumptions were used to estimate the fair value for the classification within the financial statements:

- *Investments* – fair value is approximated by the balance reported by the custodian based on market values of the investment assets.
- *Contributions receivable* – fair value is approximated by discounting the expected future cash flows.
- *Funds held by others* - fair value is approximated by the balance reported by the custodian based on market values of the investment assets.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

The following levels of input for measurement of fair value have been defined to assist the user in evaluating the fair value disclosure information:

Level 1	Quoted prices in an active market for identical assets or liabilities.
Level 2	Other quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active for transactions or availability of information, other observable sources of information, and information derived principally from or corroborated from observable sources of information.
Level 3	Unobservable sources of information, primarily management's assumptions about potential market participants.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

10. Fair Value (Continued)

The estimated fair values of the Foundation’s financial instruments are as follows and are included in the statement of financial position under similar descriptions:

	Level	Carrying Value	Fair Value
<u>Financial assets:</u>			
Investments	1	\$ 9,004,371	\$ 9,004,371
Funds held by others	2	\$ 196,787	\$ 196,787
Contributions receivable	3	\$ 985,424	\$ 985,424

The Foundation recognized a decrease in the amount of \$296,874 in level 3 for the decrease in contributions receivable during the year.

Certain financial instruments and all nonfinancial instruments are excluded from the fair value disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the value of the Foundation. The Foundation recognized \$369,727 in unrealized losses resulting from changes in fair value during the period.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Endowment Fund

In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Foundation and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Foundation.
- 7) The investment policies of the Foundation.

Change in endowment net assets consists of the following as of June 30, 2017:

	Endowment Fund			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, June 30, 2016	\$ -	\$ 1,757,744	\$ 3,478,171	\$ 5,235,915
Investment return	-	414,808	-	414,808
Contributions	-	-	43,464	43,464
Program releases	65,766	(65,766)	-	-
Board approved payouts	(65,766)	-	-	(65,766)
Endowment net assets, June 30, 2017	\$ -	\$ 2,106,786	\$ 3,521,635	\$ 5,628,421
Endowment net assets, June 30, 2017	\$ -	\$ 2,106,786	\$ 3,521,635	\$ 5,628,421
Non endowment net assets	1,008,001	4,979,235	-	5,987,236
Total net assets	\$ 1,008,001	\$ 7,086,021	\$ 3,521,635	\$ 11,615,657

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns at least equal to inflation as measured by the Consumer Price Index plus a 4% pay out and 1% for associated fees while assuming a moderate level of investment risk.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Endowment Fund (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains and losses) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 months through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 8 to 10 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

12. Temporarily Restricted Net Assets

At June 30, 2017, temporarily restricted net assets of \$7,086,021 are available for scholarships, equipment, building improvements, buildings, teacher incentives, and other support of York Technical College.

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors in the amount of \$165,378 for the year ended June 30, 2017.

13. Permanently Restricted Net Assets

Permanently restricted net assets of \$3,521,635 at June 30, 2017 are restricted to investment in perpetuity, the income from which is expendable to support the Foundation's objectives.

14. Subsequent Events

Subsequent events were evaluated through September 19, 2017, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.