

Trident Technical College Foundation, Inc.

Report on Financial Statements

For the Years Ended June 30, 2019 and 2018

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Trident Technical College Foundation, Inc.

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Independent Auditor's Report

To the Board of Trustees
Trident Technical College Foundation, Inc.
North Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Trident Technical College Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Foundation'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 Foundation'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 Trident Technical College Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Foundation adopted ASU 2016-14 during the year ended June 30, 2019, and it was applied retrospectively. The adoption of this standard did not have any impact on the Foundation's net assets or changes in net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a large, stylized initial 'E'.

Charleston, South Carolina
September 27, 2019

Trident Technical College Foundation, Inc.**Statements of Financial Position****As of June 30, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 276,066 | \$ 398,969 |
| Unconditional promises to give, net | 4,812,186 | 4,937,271 |
| Prepaid expenses | 27,542 | 28,249 |
| Investments | 9,167,509 | 9,124,799 |
| Cash value of life insurance | - | 12,144 |
| Total assets | <u>\$ 14,283,303</u> | <u>\$ 14,501,432</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 24,953 | \$ 14,116 |
| Total liabilities | <u>24,953</u> | <u>14,116</u> |
| Net assets | | |
| Without donor restrictions | 3,021,264 | 3,547,351 |
| With donor restrictions | 11,237,086 | 10,939,965 |
| Total net assets | <u>14,258,350</u> | <u>14,487,316</u> |
| Total liabilities and net assets | <u>\$ 14,283,303</u> | <u>\$ 14,501,432</u> |

See Notes to Financial Statements

Trident Technical College Foundation, Inc.

Statements of Activities

For the years ended June 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, gains and other support | | | | | | |
| Contributions, net | \$ 106,109 | \$ 1,245,141 | \$ 1,351,250 | \$ 151,416 | \$ 946,262 | \$ 1,097,678 |
| In-kind contribution | - | 265,412 | 265,412 | - | - | - |
| Grants | - | 105,000 | 105,000 | - | 78,100 | 78,100 |
| Interest and dividends, net | 306,740 | 60,241 | 366,981 | 205,072 | 38,096 | 243,168 |
| Net unrealized and realized gains on investments | 80,565 | 145,984 | 226,549 | 176,965 | 110,112 | 287,077 |
| Special events, net of \$118,300 and \$131,215 for direct benefits to donors in 2019 and 2018, respectively | 288,302 | - | 288,302 | 417,381 | - | 417,381 |
| Subtotal | 781,716 | 1,821,778 | 2,603,494 | 950,834 | 1,172,570 | 2,123,404 |
| Net assets released from program restrictions: | | | | | | |
| Transfers of funds | (866,863) | 866,863 | - | 3,090 | (3,090) | - |
| Program restrictions satisfied | 2,391,520 | (2,391,520) | - | 241,211 | (241,211) | - |
| Total revenue, gains and other support | 2,306,373 | 297,121 | 2,603,494 | 1,195,135 | 928,269 | 2,123,404 |
| Expenses | | | | | | |
| Program | 2,554,172 | - | 2,554,172 | 922,946 | - | 922,946 |
| Management and general | 250,730 | - | 250,730 | 232,371 | - | 232,371 |
| Fundraising | 27,558 | - | 27,558 | 28,935 | - | 28,935 |
| Total expenses | 2,832,460 | - | 2,832,460 | 1,184,252 | - | 1,184,252 |
| Change in net assets | (526,087) | 297,121 | (228,966) | 10,883 | 928,269 | 939,152 |
| Net assets, beginning of year | 3,547,351 | 10,939,965 | 14,487,316 | 3,536,468 | 10,011,696 | 13,548,164 |
| Net assets, end of year | <u>\$ 3,021,264</u> | <u>\$ 11,237,086</u> | <u>\$ 14,258,350</u> | <u>\$ 3,547,351</u> | <u>\$ 10,939,965</u> | <u>\$ 14,487,316</u> |

See Notes to Financial Statements

Trident Technical College Foundation, Inc.

Statements of Cash Flows

For the years ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Operating activities | | |
| Change in net assets | \$ (228,966) | \$ 939,152 |
| Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities: | | |
| Net unrealized and realized gains on investments | (226,549) | (287,077) |
| Reinvestment of interest and dividends, net | (366,981) | (243,168) |
| Change in discount - unconditional promises to give | (196,643) | (255,228) |
| Cash contributions permanently restricted for endowments | (53,090) | (100,007) |
| Changes in accrued and deferred amounts: | | |
| Unconditional promises to give | 321,728 | 552,344 |
| Prepaid expenses | 707 | 5,131 |
| Cash value of life insurance | 12,144 | - |
| Accounts payable and accrued expenses | 10,837 | (63,692) |
| Net cash (used for) provided by operating activities | <u>(726,813)</u> | <u>547,455</u> |
| Investing activities | | |
| Proceeds from sale of investments | 800,000 | - |
| Purchases of investments | (249,180) | (901,000) |
| Net cash provided by (used for) investing activities | <u>550,820</u> | <u>(901,000)</u> |
| Financing activities | | |
| Cash contributions permanently restricted for endowments | 53,090 | 100,007 |
| Net cash provided by financing activities | <u>53,090</u> | <u>100,007</u> |
| Net decrease in cash and cash equivalents | (122,903) | (253,538) |
| Cash and cash equivalents, beginning of year | 398,969 | 652,507 |
| Cash and cash equivalents, end of year | <u>\$ 276,066</u> | <u>\$ 398,969</u> |

See Notes to Financial Statements

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Nature of business:

Trident Technical College Foundation, Inc. (the "Foundation"), a component unit of Trident Technical College (the "College"), was incorporated in July 1975 under the laws of South Carolina as an educational and charitable foundation. The mission of the Foundation is to advocate and raise funds for the College in support of the region's economy. The assets of the Foundation total \$14,283,303 and \$14,501,432 as of June 30, 2019 and 2018, respectively. The various program services providing support to the College totaled \$2,554,172 and \$922,946 for the years ended June 30, 2019 and 2018, respectively.

If the Foundation is dissolved, its net assets shall be distributed exclusively to other charitable, religious, scientific, literacy, service, or educational organizations, which qualify under the provisions of section 501(c)(3) of the Internal Revenue Code ("IRC"), as shall be determined by the Board of Trustees. The Foundation is supported principally through contributions from individuals and corporations, grants and earnings on investments.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net assets:

The Foundation's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Programs and services:

Student Scholarships - The Foundation made 358 and 337 scholarship awards totaling \$452,817 and \$396,730 in the years ended June 30, 2019 and 2018, respectively. Scholarships help offset the cost of tuition, fees, books, childcare and transportation for eligible students. The scholarship funds, supported by individuals, businesses and other foundations, are competitive and based on criteria established by the donors and the Foundation. As of June 30, 2019, the Foundation administers a total of 134 scholarship funds, 35 of which are permanently restricted. As of June 30, 2018, the Foundation administered a total of 128 scholarship funds, 33 of which are permanently restricted.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Programs and services, continued:

Tuition Assistance/Credit Course Reimbursement Programs - The Foundation provides financial support, up to an annually budgeted amount, for full-time permanent employees of the college to take credit or continuing education courses at the College or other accredited institutions of higher education. All programs are based on availability of funds. For the fiscal years ended June 30, 2019 and 2018, \$166,460 and \$135,090 were awarded as part of these professional development programs, respectively. The Foundation will pay for tuition and required books for up to four semester credit hours per semester for any College course for which an employee is qualified and up to \$500 per fiscal year for any College Continuing Education Course for which an employee is qualified. Credit Course Assistance will reimburse full-time permanent employees \$200 per course (based on successful completion and grade of A or B) at an outside institution for tuition, books and fees. An employee may receive up to \$1,000 during a single fiscal year for reimbursement of a maximum of five courses. All programs require supervisor and Vice President approval.

Mini-Grants - The mini-grant program provides funds to faculty and staff for equipment, materials and special resources to enhance student success. Priority is given to requests that directly impact student learning. The program is designed to enhance the learning experience of College students while bridging the gap between instructional needs and departmental budget constraints. The Foundation Board determines the annual allocation for mini-grant awards. Individual awards cannot exceed \$1,600 and are awarded based on a competitive application process. Sources of financial support for the mini-grant program include the Foundation's annual campaign, trustee campaign, employee campaign and investment returns. For the fiscal years ended June 30, 2019 and 2018, a total of \$119,951 and \$119,634, respectively, was awarded in mini-grant support from the Foundation and College.

Student Emergency Grant Fund - The Student Emergency Grant fund was created to assist students in good standing who experience an unforeseen financial emergency which would otherwise prevent them from continuing to attend the College. The requests must be urgent in nature. In order to qualify for emergency grant funding, a student must meet all eligibility requirements and receive a majority vote of approval from the selection committee, which is made up of faculty, staff, and Foundation trustee representatives. The maximum grant amount per student is \$500 per semester and shall not typically be awarded to the same student in consecutive semesters. There is a lifetime maximum of \$1,000 per student. For the fiscal years ended June 30, 2019 and 2018, \$18,036 and \$9,611 was awarded in student emergency fund assistance from the Foundation, respectively.

Awards and Prizes - The Foundation provides a variety of awards and prizes designed to celebrate outstanding achievements, innovation, and leadership among College students, faculty, and staff. For the fiscal years ended June 30, 2019 and 2018, \$6,865 and \$6,221 in awards and prizes were provided from the Foundation, respectively.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Grant revenue is recognized when earned under the terms of the grant.

Cash and cash equivalents:

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except cash temporarily held in its long-term investment portfolio, which is excluded.

Availability of funds for general expenditures:

The Foundation has certain net assets that are available for general expenditures within one year of June 30, 2019 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Unconditional promises to give receivable:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Foundation uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of the collectability of the promises and historical experience. There is no allowance as of June 30, 2019 or 2018, as management believes all unconditional promises to give are collectible.

Unconditional promises to give are recorded at the net present value of their estimated future cash flows (i.e., net of a present value discount, using a discount rate of 3.25 percent).

Investments:

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

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Investment pools:

The Foundation maintains master investment accounts for its individual accounts. Realized and unrealized gains and losses and income from securities in the master investment accounts are allocated periodically to the individual accounts based on the relationship of the market value of each individual account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. Allocated investment income and gains with restrictions based on original donation are reported as increases in net assets with donor restrictions in the Statements of Activities.

Cash value of life insurance:

Donated life insurance policies are carried at their current respective cash surrender values. These policies are held by the Foundation until the deaths of the insured individuals. The donors make the payments of the insurance premiums.

Property and equipment:

Property and equipment purchased by the Foundation for use by the College is donated to the College for insurance and control purposes. These items are recorded as expenditures at the time of purchase. The Foundation had no property and equipment as of June 30, 2019 or 2018.

Donated property and equipment:

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions in the Statements of Activities. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Historically, donations of property and equipment are only accepted by the Foundation for resale at special events and/or direct benefit to the College. During the year ended June 30, 2019, the Foundation received, and subsequently donated to the College, equipment for the Aeronautical Training Center valued at \$265,412.

Donated services:

Donated services are recognized as contributions at their estimated fair value in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation benefits from the work of many volunteers, but their services did not meet the required criteria to be recorded. Accordingly, no donated services were recorded for the years ended June 30, 2019 or 2018.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Endowment funds:

During the year ended June 30, 2009, South Carolina adopted the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Board of Trustees of the Foundation has interpreted SPMIFA 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 net assets with donor restrictions subject to perpetual restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the 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 net assets with donor restrictions subject to perpetual restrictions is classified as net assets with donor restrictions subject to passage of time and specific purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to maximize returns within reasonable and prudent levels of risk 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 a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index or similar established broad market measures of return on investments. Overall, the Foundation expects the annual average rate of return to meet or exceed the spending policy of 4 percent.

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) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments and bond funds to achieve its long-term return objectives within prudent risk constraints.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Endowment funds, continued:

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's rolling average fair value over the five years preceding 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 five to eight percent annually. This is consistent with the Foundation's objective to seek long-term growth of capital to maintain the purchasing power of the investment assets in perpetuity and to meet the needs of the Foundation's distribution policy.

Use of estimates:

The preparation of financial statements in conformity with GAAP 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.

Material estimates that are particularly susceptible to significant change relate to the determinations of the allowance for uncollectible pledges and fair value of investments. It is at least reasonably possible that a change in these estimates will occur in the near term.

Transfers and releases of net assets:

Transfers or releases are made between net assets with donor restrictions and without donor restrictions when a donor requests that his past donations be redirected for specific purposes, when restrictions expire or when cash is received for promises to give. Any transfers are reported on the Statements of Activities when they occur.

Income taxes:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the IRC. However, any income from activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a). Tax exempt status arises from the fact that the Foundation's sole reason for existence is as a support organization for the College.

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, and disclosure.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes, continued:

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended June 30, 2019 or 2018. The Foundation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest income and to report penalties as other expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for fiscal years ended before June 30, 2016.

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and in Note 11. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of the Foundation include:

Program expenses - Program expenses include support for the College.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of the Foundation.

Fundraising and development expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

| <u>Expense Type</u> | <u>Method of Allocation</u> |
|---|--|
| Administrative services and facilities reimbursements | Time and effort |
| Other expenses | Direct costs to management/general and fundraising |

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Foundation has adopted this standard for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. As allowed under the standard, the liquidity footnote disclosure (see Note 2) has not been presented for the year ended June 30, 2018.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance in ASU 2014-09 will be effective for the Foundation for the fiscal year ending June 30, 2020. The Foundation is currently evaluating the impact of this new guidance on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The clarifying guidance will be effective for the fiscal year ending June 30, 2021. The Foundation is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Foundation's net assets or changes in net assets.

Subsequent events:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 27, 2019, the date the financial statements were available to be issued.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of June 30, 2019, are comprised of the following at June 30, 2019:

| | |
|--|---------------------|
| Financial assets at year end | \$ 14,283,303 |
| Less amounts not available to be used within one year due to illiquidity: | |
| Unconditional promises to give, net – due after one year | 4,229,210 |
| Prepaid assets | <u>27,542</u> |
| | <u>4,256,752</u> |
| Less amounts not available to be used within one year due to: | |
| Donor designations: | |
| Endowed funds, net of spendable amounts and administrative fees | <u>4,243,148</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,783,403</u> |

As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Foundation invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

Note 3. Unconditional Promises to Give, Net

The Foundation has recognized unconditional promises to give to be collected as follows as of June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Receivable in less than one year | \$ 582,976 | \$ 416,124 |
| Receivable in one to five years | 2,445,328 | 2,298,058 |
| Receivable in more than five years | <u>2,755,833</u> | <u>3,391,683</u> |
| | 5,784,137 | 6,105,865 |
| Less: discount to net present value | <u>(971,951)</u> | <u>(1,168,594)</u> |
| Net unconditional promises to give | <u>\$ 4,812,186</u> | <u>\$ 4,937,271</u> |

The discount to net present value was calculated using the interest rate of 3.25% as of June 30, 2019 and 2018. There were no bad debts for the years ended June 30, 2019 and 2018.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 4. Investments

Investments are comprised of the following at June 30:

| | 2019 | |
|------------------------------|---------------------|---------------------|
| | Cost | Fair Value |
| Money market funds | \$ 143,350 | \$ 143,350 |
| Fixed income | | |
| Government obligations | 210,693 | 212,234 |
| Corporate obligations | 238,034 | 240,018 |
| Domestic mutual funds | 441,936 | 436,665 |
| International mutual funds | 1,072,144 | 1,082,219 |
| Equities | | |
| Domestic mutual funds | 715,888 | 906,323 |
| International mutual funds | 1,630,224 | 1,532,228 |
| Other mutual funds | 2,478,249 | 2,927,010 |
| Alternative investment funds | 860,360 | 890,514 |
| Real estate asset funds | 790,708 | 796,948 |
| Total investments | <u>\$ 8,581,586</u> | <u>\$ 9,167,509</u> |

Investments are comprised of the following at June 30:

| | 2018 | |
|------------------------------|---------------------|---------------------|
| | Cost | Fair Value |
| Money market funds | \$ 417,039 | \$ 417,039 |
| Fixed income | | |
| Government obligations | 217,950 | 208,988 |
| Corporate obligations | 231,569 | 220,419 |
| Domestic mutual funds | 696,203 | 679,143 |
| International mutual funds | 423,350 | 410,556 |
| Equities | | |
| Domestic mutual funds | 949,660 | 1,194,838 |
| International mutual funds | 1,182,424 | 1,205,321 |
| Other mutual funds | 2,501,810 | 2,894,419 |
| Alternative investment funds | 1,063,593 | 1,085,544 |
| Real estate asset funds | 792,225 | 808,532 |
| Total investments | <u>\$ 8,475,823</u> | <u>\$ 9,124,799</u> |

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 4. Investments, Continued

Investment gains are comprised of the following for the years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------|-------------------|
| Dividends and interest | \$ 411,615 | \$ 283,816 |
| Investment fees | <u>(44,634)</u> | <u>(40,648)</u> |
| Interest and dividends, net | <u>366,981</u> | <u>243,168</u> |
| Realized gains, net | 289,602 | 172,428 |
| Unrealized (losses) gains, net | <u>(63,053)</u> | <u>114,649</u> |
| Net unrealized and realized gains | <u>226,549</u> | <u>287,077</u> |
| Net investment gain | <u>\$ 593,530</u> | <u>\$ 530,245</u> |

The following table shows the gross unrealized losses and fair value of the Foundation's investments, with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30:

| | <u>2019</u> | | | |
|-----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| | <u>12 Months or Less</u> | | <u>12 Months or Longer</u> | |
| | <u>Fair Value</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> | <u>Unrealized Losses</u> |
| Mutual funds – equities | \$ 343,874 | \$ (35,480) | \$ 276,598 | \$ (61,732) |
| Mutual funds – fixed income | 699,294 | (122,782) | 916,333 | (35,354) |
| Corporate obligations | 65,281 | (1,717) | 10,405 | (89) |
| Government obligations | 41,458 | (950) | 42,344 | (1,578) |
| Alternative investments | 180,597 | (966) | - | - |

| | <u>2018</u> | | | |
|-----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| | <u>12 Months or Less</u> | | <u>12 Months or Longer</u> | |
| | <u>Fair Value</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> | <u>Unrealized Losses</u> |
| Mutual funds – equities | \$ 714,381 | \$ (63,580) | \$ 115,430 | \$ (18,101) |
| Mutual funds – fixed income | 1,438,772 | (52,215) | 336,587 | (8,785) |
| Corporate obligations | 44,392 | (1,151) | 166,346 | (10,031) |
| Government obligations | 67,914 | (1,783) | 121,274 | (7,350) |

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 4. Investments, Continued

The Foundation has the ability and the intent to hold these investments until such time as the value recovers. The Foundation believes, based on industry analyst reports and credit ratings, that the deterioration in value is attributable to changes in market rates and is not in the credit quality of the issuer and, therefore, these losses are not considered other-than-temporary.

Note 5. Fair Value of Financial Instruments

The Foundation adopted *Fair Value Measurements* which provides a framework for measuring and disclosing fair value under GAAP. *Fair Value Measurements* requires disclosures about the fair value of assets and liabilities recognized in the Statements of Financial Position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

The framework for measuring fair value 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 observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 or 2018.

Money market funds - Valued at current market value.

Mutual funds, real estate asset funds, and alternative investment funds - Valued at the NAV of units held by the Foundation at year end using closing prices reported in the active market.

Cash value of life insurance - Value of the life insurance policies approximates the cash surrender value of these policies as provided by the insurance companies.

Fixed income funds - (Includes government bonds and securities, as well as corporate bonds) Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 5. Fair Value of Financial Instruments, Continued

Alternative investments and real estate assets - Carried at the net asset value provided by the external investment managers.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at June 30:

| | 2019 | | | |
|------------------------------|---------------------|-------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 143,350 | \$ - | \$ - | \$ 143,350 |
| Fixed income | | | | |
| Government obligations | - | 212,234 | - | 212,234 |
| Corporate obligations | - | 240,018 | - | 240,018 |
| Domestic mutual funds | 436,665 | - | - | 436,665 |
| International mutual funds | <u>1,082,219</u> | <u>-</u> | <u>-</u> | <u>1,082,219</u> |
| | <u>1,518,884</u> | <u>452,252</u> | <u>-</u> | <u>1,971,136</u> |
| Equities | | | | |
| Domestic mutual funds | 906,323 | - | - | 906,323 |
| International mutual funds | 1,532,228 | - | - | 1,532,228 |
| Other mutual funds | <u>2,927,010</u> | <u>-</u> | <u>-</u> | <u>2,927,010</u> |
| | <u>5,365,561</u> | <u>-</u> | <u>-</u> | <u>5,365,561</u> |
| Alternative investment funds | - | - | 890,514 | 890,514 |
| Real estate assets funds | - | - | 796,948 | 796,948 |
| Total | <u>\$ 7,027,795</u> | <u>\$ 452,252</u> | <u>\$ 1,687,462</u> | <u>\$ 9,167,509</u> |
| | | | | |
| | 2018 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 417,039 | \$ - | \$ - | \$ 417,039 |
| Fixed income | | | | |
| Government obligations | - | 208,988 | - | 208,988 |
| Corporate obligations | - | 220,419 | - | 220,419 |
| Domestic mutual funds | 679,143 | - | - | 679,143 |
| International mutual funds | <u>410,556</u> | <u>-</u> | <u>-</u> | <u>410,556</u> |
| | <u>1,089,699</u> | <u>429,407</u> | <u>-</u> | <u>1,519,106</u> |
| Equities | | | | |
| Domestic mutual funds | 1,194,838 | - | - | 1,194,838 |
| International mutual funds | 1,205,321 | - | - | 1,205,321 |
| Other mutual funds | <u>2,894,419</u> | <u>-</u> | <u>-</u> | <u>2,894,419</u> |
| | <u>5,294,578</u> | <u>-</u> | <u>-</u> | <u>5,294,578</u> |
| Alternative investment funds | - | - | 1,085,544 | 1,085,544 |
| Real estate assets funds | - | - | 808,532 | 808,532 |
| Cash value of life insurance | - | 12,144 | - | 12,144 |
| Total | <u>\$ 6,801,316</u> | <u>\$ 441,551</u> | <u>\$ 1,894,076</u> | <u>\$ 9,136,943</u> |

Trident Technical College Foundation, Inc.**Notes to Financial Statements****June 30, 2019 and 2018**

Note 5. Fair Value of Financial Instruments, Continued

The activity for Level 2 financial instruments for the year ended June 30 is as follows:

| | <u>Alternative Investments</u> | <u>Real Estate Assets</u> |
|--------------------------------|------------------------------------|-------------------------------|
| Fair value as of June 30, 2017 | \$ 750,416 | \$ 758,230 |
| Net realized/unrealized gains | <u>335,128</u> | <u>50,302</u> |
| Fair value as of June 30, 2018 | 1,085,544 | 808,532 |
| Net realized/unrealized losses | <u>(195,030)</u> | <u>(11,584)</u> |
| Fair value as of June 30, 2019 | <u>\$ 890,514</u> | <u>\$ 796,948</u> |

Note 6. Concentration of Credit Risk

The Foundation maintains its cash accounts at a local financial institution. Cash accounts are guaranteed in aggregate by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. From time to time, cash balances may exceed FDIC insured limits.

The Foundation maintains its investments at one brokerage firms. 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, 2019 and 2018, total cash and securities held at the brokerage firms were fully insured.

Management believes that the Foundation's investments do not represent significant concentrations of market risk. The Foundation's investments portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market decline.

The Foundation is also subject to concentration of credit risk related to its contributions since most donors are in the coastal South Carolina area. This risk is limited due to the large number of contributors comprising the Foundation's contributor base.

Note 7. Endowments

The Foundation's endowment consists of approximately 50 individual funds established for academic scholarships, grants, and other academic purposes as stipulated by donors. Net assets with donor restrictions subject to perpetual restrictions consist of the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by SPMIFA.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 7. Endowments, Continued

The Foundation includes as net assets with donor restrictions subject to perpetual restrictions (a) the original value of the cash gifts donated to the permanent endowment, (b) the original value of the subsequent cash 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 net assets subject to passage of time and specific purposes portion of perpetual endowment funds has purpose restrictions for the academic scholarships, grants, and other academic purposes as stipulated by donors. There are no funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount required to be maintained by the donor or by law. At times, the Foundation may have the individual donor-restricted endowment funds that are underwater. The Foundation has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

The following depicts the net asset composition of the institutional endowment funds as of the years ended June 30:

| | <u>2019</u> | | |
|---|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ - | \$ 4,105,295 | \$ 4,105,295 |
| Investment returns: | | | |
| Investment income, net | - | 60,242 | 60,242 |
| Realized/unrealized gains | - | 145,984 | 145,984 |
| Total investment returns | - | 206,226 | 206,226 |
| Contributions, net cash basis | - | 65,364 | 65,364 |
| Transfers | - | 82,974 | 82,974 |
| Release of restrictions | 94,911 | (94,911) | - |
| Board approved withdrawals, net | (94,911) | - | (94,911) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 4,364,948</u> | <u>\$ 4,364,948</u> |

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 7. Endowments, Continued

| | <u>2018</u> | | |
|---|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ - | \$ 3,868,929 | \$ 3,868,929 |
| Investment returns: | | | |
| Investment income, net | - | 38,096 | 38,096 |
| Realized/unrealized gains | - | <u>110,112</u> | <u>110,112</u> |
| Total investment returns | - | <u>148,208</u> | <u>148,208</u> |
| Contributions, net cash basis | - | 117,037 | 117,037 |
| Transfers | - | 54,197 | 54,197 |
| Release of restrictions | 83,076 | (83,076) | - |
| Board approved withdrawals, net | <u>(83,076)</u> | - | <u>(83,076)</u> |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 4,105,295</u> | <u>\$ 4,105,295</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no deficiencies as of June 30, 2019 and 2018.

In addition to the endowed funds above, the Foundation invests additional funds with or without donor restrictions. A reconciliation of the endowment to total investments per the Statements of Financial Position is as follows at June 30:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Investments held outside the endowment for | | |
| Funds with or without donor restrictions | \$ 4,802,561 | \$ 5,019,504 |
| Investments held for the endowment | <u>4,364,948</u> | <u>4,105,295</u> |
| | <u>\$ 9,167,509</u> | <u>\$ 9,124,799</u> |

Trident Technical College Foundation, Inc.**Notes to Financial Statements****June 30, 2019 and 2018**

Note 8. Net Assets with Donor Restrictions

The Foundation has net assets with donor restrictions comprised of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Subject to expenditures for specific purposes: | | |
| Scholarships and grants | \$ 3,868,779 | \$ 3,562,653 |
| Subject to passage of time: | | |
| For periods after June 30, 2019 | 502,992 | 545,316 |
| Subject to passage of time and specific purposes: | | |
| Scholarships and grants for periods after June 30, 2019 | 281,420 | 127,675 |
| Aeronautical training center fund for periods after June 30, 2019 | 4,027,774 | 4,264,281 |
| Subject to perpetual restrictions: | | |
| Scholarships and grants | <u>2,556,121</u> | <u>2,440,040</u> |
| Total net assets with donor restrictions | <u>\$ 11,237,086</u> | <u>\$ 10,939,965</u> |

Note 9. Related Parties

The Foundation received \$331,678 and \$356,214 in contributions and pledge payments from members of its Board of Trustees for years ended June 30, 2019 and 2018, respectively. The outstanding balance of promises to give from its Board members at June 30, 2019 and 2018 was \$771,075 and \$742,500, respectively.

The Board of Trustees participates in the annual wine event which is included in the above totals for the years ended June 30, 2019 and 2018.

At June 30, 2019 and 2018, the Foundation owed the College \$1,500 and \$11,261, respectively, as reimbursement for expenses paid by the College. These amounts are included in accounts payable and accrued expenses in the Statements of Financial Position.

Several Board of Trustees' members provide supplies and services to the Culinary Institute of Charleston, the accredited culinary arts program of the College, at or below market rates.

In addition, the Foundation paid professional fees of \$48,000 and \$43,333 for the years ended June 30, 2019 and 2018, respectively, to a legal firm at which a board member is employed.

Trident Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 10. Cooperative Agreement

In April 2017, the Foundation entered into a revised cooperative agreement with the College signed by the Chairman of the College's governing board and the Chairman of the Foundation's board. This agreement can be terminated by either party with a six month written notice. The agreement is intended to preserve the status of the Foundation as an independent contractor and does not create any agency relationship between the Foundation and the College.

The Foundation has agreed to reimburse the College for office space, personnel, and other related expenses, with annual adjustments. Reimbursements were \$78,842 and \$62,492 in the years ended June 30, 2019 and 2018, respectively. The Foundation also provides a stipend to supplement the salary of the President of the College. In fiscal years ended 2019 and 2018, stipends totaled \$122,694 and \$108,256, respectively.

Note 11. Expense Allocation

General and administrative expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Foundation. Grants to the College are for scholarships, enrichment activities, equipment, and other academic programs.

| | <u>For the year ended June 30, 2019</u> | | | |
|---|---|-----------------------------------|--------------------|---------------------|
| | <u>Programs</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
| Other program expenses | \$ 1,508,061 | \$ - | \$ - | \$ 1,508,061 |
| Scholarships and grants | 625,814 | - | - | 625,814 |
| Asset contribution to ATC | 265,412 | - | - | 265,412 |
| Stipend | 122,694 | - | - | 122,694 |
| Professional services | - | 106,280 | - | 106,280 |
| Administrative services and facilities reimbursements | 20,191 | 32,617 | 26,034 | 78,842 |
| Other expenses | - | 61,168 | 1,524 | 62,692 |
| Meals and meeting expenses | - | 39,109 | - | 39,109 |
| Lobbying expenses | 12,000 | - | - | 12,000 |
| Director/officer liability insurance | - | 6,105 | - | 6,105 |
| Bank charges | - | 5,041 | - | 5,041 |
| President's meeting | - | 410 | - | 410 |
| Total | <u>\$ 2,554,172</u> | <u>\$ 250,730</u> | <u>\$ 27,558</u> | <u>\$ 2,832,460</u> |

Trident Technical College Foundation, Inc.**Notes to Financial Statements****June 30, 2019 and 2018**

Note 11. Expense Allocation, Continued

| | For the year ended June 30, 2018 | | | |
|--|---|---------------------------------------|--------------------|---------------------|
| | <u>Programs</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
| Scholarships and grants | \$ 433,765 | \$ - | \$ - | \$ 433,765 |
| Other program expenses | 355,110 | - | - | 355,110 |
| Professional services | - | 141,895 | - | 141,895 |
| Stipend | 108,256 | - | - | 108,256 |
| Administrative services and facilities reimbursements | 14,982 | 19,813 | 27,697 | 62,492 |
| Other expenses | - | 34,252 | 1,238 | 35,490 |
| Bank charges | - | 13,920 | - | 13,920 |
| Meals and meeting expenses | - | 15,310 | - | 15,310 |
| Lobbying expenses | 10,833 | - | - | 10,833 |
| Director/officer liability insurance | - | 6,202 | - | 6,202 |
| President's meeting | - | 979 | - | 979 |
| Total | <u>\$ 922,946</u> | <u>\$ 232,371</u> | <u>\$ 28,935</u> | <u>\$ 1,184,252</u> |