



STATE OF NORTH CAROLINA

**ROANOKE-CHOWAN COMMUNITY COLLEGE FOUNDATION,
INC.**

AHOSKIE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of Roanoke-Chowan Community College

ROANOKE-CHOWAN COMMUNITY COLLEGE FOUNDATION, INC.

AHOSKIE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

BOARD OF TRUSTEES

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ADMINISTRATIVE OFFICERS

DR. HAROLD MITCHELL, INTERIM COLLEGE PRESIDENT

MS. KELLY VANN, COLLEGE DEAN OF FINANCE AND FACILITIES



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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Raleigh, NC 27699-0601
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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Roanoke-Chowan Community College Foundation, Inc.

We have completed a financial statement audit of Roanoke-Chowan Community College Foundation, Inc. for the year ended June 30, 2012, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the *Audit Findings and Responses* section of this report. The Foundation's response is included following the finding.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Roanoke-Chowan Community College Foundation, Inc.
Ahoskie, North Carolina

We have audited the accompanying basic financial statements of Roanoke-Chowan Community College Foundation, Inc., a component unit of Roanoke-Chowan Community College, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

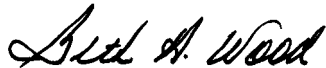
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Roanoke-Chowan Community College Foundation, Inc. as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report May 3, 2013 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Beth A. Wood, CPA
State Auditor

May 3, 2013

ROANOKE-CHOWAN COMMUNITY COLLEGE FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Roanoke-Chowan Community College Foundation's Financial Statement Audit Report presents Management's Discussion and Analysis of the Foundation's financial activity during the fiscal year ended June 30, 2012. The Foundation has no staff and its day-to-day affairs are managed by College employees. Consequently, the financial statements, notes to the financial statements, and this discussion are the responsibility of management at Roanoke-Chowan Community College. College management has prepared this discussion along with the financial statements and notes to the financial statements. This section should be read in conjunction with and is qualified in its entirety by, the financial statements and notes to the financial statements.

Financial Statement Presentation

The Foundation's basic financial statements include three financial statements: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. They are designed to emulate the corporate presentation model, whereby all Foundation activities are consolidated into one column. The Statement of Net Assets includes all assets (current) and net assets (assets minus liabilities) of the Foundation as of the end of the fiscal year. The increase or decrease in net assets is an indicator of the improvement or erosion of the Foundation's financial condition. The focus of the Statement of Revenues, Expenses, and Changes in Net Assets is designed to be similar to the bottom line results for the Foundation. This statement focuses on the both the gross and net costs of Foundation activities that are supported by donor contributions. This approach is intended to simplify the user's analysis of the cost of various Foundation services to students and the public. The Statement of Cash Flows presents information detailing the sources and uses of cash from both operating activities and financing activities.

The Foundation is blended into the financial statements for Roanoke-Chowan Community College. The Foundation is a separate organization and the financial statements are audited annually.

Statement of Net Assets

The Statement of Net Assets presents assets and net assets of the Foundation for the fiscal year ended June 30, 2012. From the data presented, readers of the Statement of Net Assets are able to determine the assets (current) available to continue the operations of the Foundation. Ultimately, the Statement of Net Assets provides users of these statements a snapshot of the net assets and their availability for expenditures by the Foundation.

Net assets are divided into two major categories. The first category, restricted net assets, represent resources that are subject to certain restrictions set by the donor and can only be spent for purposes for which they were donated. The second category, unrestricted net assets, is available to the Foundation for any lawful purpose of the organization.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As seen in the comparison of current fiscal year and prior fiscal year information, there was an increase in total assets and total net assets of approximately \$12,627. This was due, in part, to a scholarship donation made to the Foundation by Electronic Systems, Inc. (ESI) for \$10,000 to assist students in need, particularly continuing education students.

Condensed Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>(Decrease)</u>
Assets			
Current Assets	\$ 200,887.45	\$ 188,259.89	\$ 12,627.56
Net Assets			
Restricted			
Scholarships and Fellowships	138,706.03	124,919.88	13,786.15
Unrestricted	<u>62,181.42</u>	<u>63,340.01</u>	<u>(1,158.59)</u>
Total Net Assets	<u>\$ 200,887.45</u>	<u>\$ 188,259.89</u>	<u>\$ 12,627.56</u>

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on activity offered in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues and expenses of the Foundation.

Contributions increased this fiscal year, in part, due to the \$10,000 scholarship donation by Electronic Systems, Inc. (ESI). Total expenses, as well as scholarship expenses, decreased this fiscal year as compared to last fiscal year. This is due to the inactivity of the Foundation Board.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Revenues			
Contributions	\$ 15,937.67	\$ 7,361.00	\$ 8,576.67
Interest Income	<u>1,058.30</u>	<u>1,542.28</u>	<u>(483.98)</u>
Total Revenues	<u>16,995.97</u>	<u>8,903.28</u>	<u>8,092.69</u>
Expenses			
Supplies and Materials	1,119.90	407.92	711.98
Services	1,683.63	1,900.00	(216.37)
Scholarships and Fellowships	1,564.88	3,000.00	(1,435.12)
Total Expenses	<u>4,368.41</u>	<u>5,307.92</u>	<u>(939.51)</u>
Changes in Net Assets	12,627.56	3,595.36	9,032.20
Net Assets, Beginning of Year	<u>188,259.89</u>	<u>184,664.53</u>	<u>3,595.36</u>
Net Assets, End of Year	<u>\$ 200,887.45</u>	<u>\$ 188,259.89</u>	<u>\$ 12,627.56</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Economic Outlook

The level of local support and contributions is the key factor influencing the Foundation's financial condition and its ability to support the College, its students and programs, undertake new initiatives, and meet its core mission and on-going operational needs.

The Foundation has not been as active since the College lost the Foundation Director position, the individual that served as the liaison between the College and the Foundation. The College is currently searching for a new President and the goal is to ask him/her to consider reinstating the Foundation Director position. The Interim President of the College is currently working with the Foundation Board to try and make it active again.

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Roanoke-Chowam Community College Foundation, Inc.
Statement of Net Assets
June 30, 2012

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	62,167.42
Restricted Cash and Cash Equivalents		138,706.03
Receivables		14.00
		<hr/>
Total Current Assets		200,887.45

Noncurrent Assets:

0.00

Total Assets

\$ 200,887.45

NET ASSETS

Restricted for:

Expendable:

Scholarships and Fellowships 138,706.03

Unrestricted

62,181.42

Total Net Assets

\$ 200,887.45

The accompanying notes to the financial statements are an integral part of this statement.

Roanoke-Chowan Community College Foundation, Inc.
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

Exhibit A-2

OPERATING REVENUES	\$ 0.00
<hr/>	
EXPENSES	
Operating Expenses:	
Supplies and Materials	1,119.90
Services	1,683.63
Scholarships and Fellowships	1,564.88
	<hr/>
Total Operating Expenses	4,368.41
	<hr/>
Operating Loss	(4,368.41)
	<hr/>
NONOPERATING REVENUES	
Contributions	15,937.67
Investment Income	1,058.30
	<hr/>
Nonoperating Revenues	16,995.97
	<hr/>
Increase in Net Assets	12,627.56
	<hr/>
NET ASSETS	
Net Assets, July 1, 2011	188,259.89
	<hr/>
Net Assets, June 30, 2012	\$ 200,887.45
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement.

Roanoke-Chowan Community College Foundation, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for Goods and Services	\$ (2,803.53)
Payments for Scholarships and Fellowships	<u>(1,564.88)</u>
Cash Used by Operating Activities	<u>(4,368.41)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions	<u>15,937.67</u>
Cash Provided by Noncapital Financing Activities	<u>15,937.67</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>1,058.30</u>
Cash Provided by Investing Activities	<u>1,058.30</u>

Increase in Cash and Cash Equivalents	12,627.56
Cash and Cash Equivalents, July 1, 2011	<u>188,245.89</u>
Cash and Cash Equivalents, June 30, 2012	<u><u>\$ 200,873.45</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 62,167.42
Restricted Cash and Cash Equivalents	<u>138,706.03</u>

Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 200,873.45</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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ROANOKE-CHOWAN COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The Roanoke-Chowan Community College Foundation, Inc. (the Foundation), a component unit of Roanoke-Chowan Community College, is a North Carolina nonprofit corporation organized to benefit the College through administration of contributions. The College's governing board appoints the directors of the Foundation. The Foundation is governed by a five-member board. The Foundation's purpose is to aid, support, promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the directors of the Foundation are appointed by the members of the Roanoke-Chowan Community College Board of Trustees, and the Foundation's sole purpose is to benefit the College, its basic financial statements are blended with those of the College in the College's financial report.
- B. Basis of Presentation** – The accompanying basic financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 35, Basic Financial Statement – and Management's Discussion and Analysis – for Public Colleges and Universities, the full scope of the Foundation's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Foundation does not apply FASB pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the Foundation have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the Foundation receives (or gives) value without directly giving (or receiving) equal value in exchange, include contributions revenue. Revenue is recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** – This classification includes cash on deposit with private bank accounts and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Restricted Assets** – Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted by external parties or by law through constitutional provisions.
- F. Net Assets** – The Foundations net assets are classified as follows:
- **Restricted Net Assets – Expendable:** Expendable restricted net assets include resources for which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.
 - **Unrestricted Net Assets:** Unrestricted net assets include resources used for transactions relating to the general operations of the Foundation and may be used to meet current expenses for any purpose.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is made by individual transaction.

- G. Revenue and Expense Recognition** - The Foundation classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets; however, there were no operating revenues this year. Operating revenues would include all commissions, sponsorships, and registration fees collected for Foundation events. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the Foundation, as well as investment income, are considered nonoperating since these are either investing or noncapital financing activities.

H. Income Taxes - The Foundation is qualified as a tax exempt organization under section 501(c)(3) of the U.S. Internal Revenue Code; therefore, no expense for income tax is reflected in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$150,511.04 deposited with the State Treasurer in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, and external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating), had a weighted average maturity of 1.5 years of June 30, 2012. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

The Foundations deposits with a private bank had a carrying amount of \$40,406.89 and a bank balance of \$40,406.89. Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a deposit policy for custodial credit risk. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2012, none of the Foundation's bank balance was exposed to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 3 - OPERATING EXPENSES BY FUNCTION

The Foundation's operating expenses by functional classification for the year ended June 30, 2012 are presented as follows:

	Supplies and Materials	Services	Scholarships and Fellowships	Total
Student Services	\$ 0.00	\$ 0.00	\$ 1,564.88	\$ 1,564.88
Institutional Support	1,119.90	1,683.63		2,803.53
Total Operating Expenses	<u>\$ 1,119.90</u>	<u>\$ 1,683.63</u>	<u>\$ 1,564.88</u>	<u>\$ 4,368.41</u>

NOTE 4 - CONTRIBUTED FACILITIES AND SERVICES

The Foundation, without cost, occupies and uses certain premises, furnishings, and equipment owned by the College. The estimated fair values of these premises, furnishings, and equipment have not been included in the financial statements. In addition, the Foundation receives, without cost, services provided by officers and directors who contribute time to develop the Foundation's programs. The value of this contributed time has not been included in the accompanying financial statements.

NOTE 5 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts, theft of assets, errors and omissions, injuries to volunteers, and natural disasters. Since the Foundation is housed in College facilities and staffed by College employees, the Foundation is covered by the College's insurance policies. The College handles these exposures to loss by a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Details of the College's risk management programs are disclosed in the College's separate financial statements, which may be obtained from the Roanoke-Chowan Community College, Controller's Office, 109 Community College Road, Ahoskie, NC 27910, or by calling 252-862-1316.



Beth A. Wood, CPA
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Roanoke-Chowan Community College Foundation, Inc.
Ahoskie, North Carolina

We have audited the financial statements of Roanoke-Chowan Community College Foundation, Inc., a component unit of the Roanoke-Chowan Community College, as of and for the year ended June 30, 2012, and have issued our report thereon May 3, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Foundation's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described the finding in the Audit Findings and Responses section of this report to be a significant deficiency.

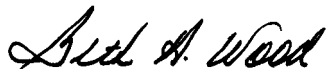
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Foundation's response to the finding identified in our audit is described in the Audit Findings and Responses section of this report. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Foundation, the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Beth A. Wood, CPA
State Auditor



May 3, 2013

AUDIT FINDINGS AND RESPONSES

MATTERS RELATED TO FINANCIAL REPORTING

The following audit finding was identified during the current audit and describes conditions that represent a deficiency in internal control.

DEFICIENCIES IN FINANCIAL REPORTING

The financial statements for the Roanoke-Chowan Community College Foundation (the Foundation) were not prepared using the appropriate accounting and financial reporting model. As a result, the statements contained a number of misstatements and omissions.

The Foundation is considered a governmental component unit because the governing board is appointed by Roanoke-Chowan Community College. As a governmental component unit, the Foundation should present its financial statements in accordance with governmental accounting and reporting standards. However, the Foundation's statements and notes were prepared using not-for-profit reporting standards, and as a result, the following deficiencies were noted:

- a. The Foundation did not use the proper net asset descriptions. Governmental accounting standards require net assets to be reported as restricted or unrestricted. However, the Foundation presented \$138,703 as "Temporarily Restricted" net assets. Auditors proposed an adjusting entry to present the amount as "Net Assets Restricted for Scholarships and Fellowships – Expendable."
- b. The Foundation prepared a Statement of Activities rather than a Statement of Revenues, Expenses, and Change in Net Assets. In the statement provided, the revenues and expenses were not properly presented as operating or nonoperating.
- c. The Foundation did not present the cash flows from operating activities, noncapital financing activities, and investing activities in the Statement of Cash Flows.
- d. The Foundation did not initially prepare the management discussion and analysis (MD&A) that is required as supplementary information. Even after the MD&A was drafted, a number of edits were made to ensure consistency with the related statements and note disclosures.
- e. The Foundation omitted various required disclosures from the summary of significant accounting policies note (Note 1) and the cash and investment note (Note 2). In addition, they did not include the required risk management disclosures (Note 5).

Recommendation: The Foundation should apply governmental accounting and financial reporting standards when preparing its financial statements. Further, the financial statement presentation should match that of the Roanoke-Chowan Community College to the extent possible so that the statements can be readily blended with the College's statements in the consolidated financial report.

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

Foundation Response: We concur with the Auditors finding. We prepared our financial statements based on the reporting model used by the previous CPA and were unaware that it was incorrect. We have made changes to our processes to ensure that the financial statements adhere to the correct standards.

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
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<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

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