

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



HALIFAX COMMUNITY COLLEGE FOUNDATION, INC.

WELDON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

A COMPONENT UNIT OF HALIFAX COMMUNITY COLLEGE



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Directors, Halifax Community College Foundation, Inc.

We have completed a financial statement audit of Halifax Community College Foundation, Inc. for the year ended June 30, 2017, 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.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

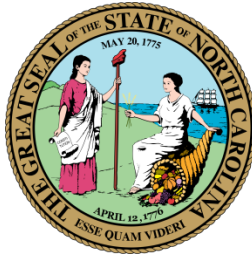


Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Halifax Community College Foundation, Inc.
Weldon, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Halifax Community College Foundation, Inc. (Foundation), a component unit of Halifax Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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 Halifax Community College Foundation, Inc., as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 our audit of the basic financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 15, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is intended to provide a general overview of the Halifax Community College Foundation, Inc.'s (Foundation) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information.

Overview of the Financial Statements

The Foundation's discussion and analysis provides a summary of its basic financial statements which include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Halifax Community College Foundation, Inc. had a total net position of \$1,436,414.41 at June 30, 2017.

The Statement of Net Position presents information on all of the Foundation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position shows how the Foundation's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

The Statement of Cash Flows provides information regarding the Foundation's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2016, to the ending cash on hand as of June 30, 2017.

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the data provided.

Financial Analysis

As noted earlier, net position can serve as a useful indicator of the Foundation's financial position. Net position for the Foundation increased by \$79,107.06 for the fiscal year ended June 30, 2017, to \$1,436,414.41.

Total assets increased by 5.83% from the prior year. Other Noncurrent assets increased by \$106,319.10. The increase resulted from an increase in realized and unrealized gains on investments and an increase in noncurrent cash due to additions to endowments. These increases were offset by increased expenditures associated with a capital project totaling \$100,000.

Most of the Foundation's net position, 83%, is invested in equity and debt mutual funds.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Increase</u>
Assets			
Current	\$ 149,396.40	\$ 176,608.44	\$ (27,212.04)
Other Noncurrent	<u>1,287,018.01</u>	<u>1,180,698.91</u>	<u>106,319.10</u>
Total Assets	<u>1,436,414.41</u>	<u>1,357,307.35</u>	<u>79,107.06</u>
Net Position			
Restricted	<u>1,436,414.41</u>	<u>1,357,307.35</u>	<u>79,107.06</u>
Total Net Position	<u>\$ 1,436,414.41</u>	<u>\$ 1,357,307.35</u>	<u>\$ 79,107.06</u>

The Statement of Revenues, Expenses, and Changes in Net Position presents information that reports how the Foundation's net position changed. The information presented is for fiscal years ending June 30, 2017 and June 30, 2016.

Operating revenues for fiscal year 2017 were \$88,126.03 which is increase of \$33,487.58 over the prior year. This increase is a result of increased fundraising efforts that resulted in more contributions being received from donors.

Operating expenses for fiscal year 2017 were \$213,961.12. Scholarships awarded to the students of Halifax Community College represented \$59,888.94 of this total. The \$105,899.62 increase in services was the result of HVAC control replacements that was funded by a \$100,000 grant received in the prior year. The \$12,795.45 increase in supplies and materials resulted from increases in fundraising expenses such as postage and the Fifty for 50 Gala.

Nonoperating revenues increased \$221,403.89 from the prior year. This increase was the result of increases in capital gains, dividend and interest income, and favorable market conditions. The Foundation also had an increase in additions to endowments of \$88,811.00.

Statement of Revenues, Expenses, and Changes in Net Position

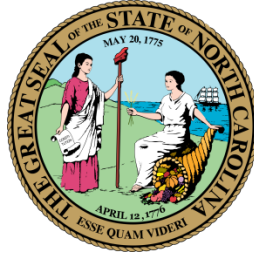
	2017	2016	Increase (Decrease)
Operating Revenues:			
Contributions	\$ 88,126.03	\$ 54,638.45	\$ 33,487.58
Total Operating Revenues	88,126.03	54,638.45	33,487.58
Operating Expenses:			
Supplies and Materials	23,842.02	11,046.57	12,795.45
Services	130,230.36	24,330.74	105,899.62
Scholarships and Fellowships	59,888.74	48,565.94	11,322.80
Total Operating Expenses	213,961.12	83,943.25	130,017.87
Operating Loss	(125,835.09)	(29,304.80)	96,530.29
Nonoperating Revenues:			
Investment Income (Loss)	116,131.15	(16,461.74)	132,592.89
Additions to Endowments	88,811.00		88,811.00
Nonoperating Revenues	204,942.15	(16,461.74)	221,403.89
Increase (Decrease) in Net Position	79,107.06	(45,766.54)	124,873.60
Net Position-Beginning of Year	1,357,307.35	1,403,073.89	(45,766.54)
Net Position-End of Year	\$ 1,436,414.41	\$ 1,357,307.35	\$ 79,107.06
Total Revenues	\$ 293,068.18	\$ 54,638.45	\$ 238,429.73
Total Expenses	213,961.12	100,404.99	113,556.13
Total Increase (Decrease) in Net Position	\$ 79,107.06	\$ (45,766.54)	\$ 124,873.60

Economic Forecast

Halifax Community College Foundation, Inc. is optimistic about the future. It is currently engaged in a campaign named "Brick by Brick". Sales for the bricks have not met expectations, but it is still an active pursuit. Other fundraising efforts for FYE 2018 include an Internal Campaign with 100% staff and faculty participation, Founder's Day, a Donor Luncheon, and a Golf Tournament. These fundraisers are to raise funds to be used for general expenses. Tuition at Halifax Community College is modest by some standards, but for many of our students, it presents a barrier to completing their educational goals. Our donors realize this and have one important thing in common - they care deeply about the future of the Roanoke Valley and invest their resources into the lives of others. They know that dollars invested into an education at Halifax Community College will earn big dividends. Recipients complete their education, join the workforce, become taxpayers and stay off public assistance.

Request for Information

This financial report is designed to provide an overview of Halifax Community College Foundation's finances. Questions concerning any of this information should be addressed to the Director of the Foundation, Halifax Community College Foundation, 100 College Drive, Weldon, NC 27890, (252) 536-7239.



FINANCIAL STATEMENTS

Halifax Community College Foundation, Inc.
Statement of Net Position
June 30, 2017

Exhibit A-1

ASSETS

Current Assets:

Restricted Cash and Cash Equivalents	\$ 149,396.40
Total Current Assets	149,396.40

Noncurrent Assets:

Restricted Cash and Cash Equivalents	91,483.50
Endowment Investments	770,421.30
Other Restricted Investments	425,113.21
Total Noncurrent Assets	1,287,018.01
Total Assets	1,436,414.41

DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	0.00
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DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	0.00
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NET POSITION

Restricted for:

Nonexpendable:	
Scholarships and Fellowships	859,232.30
Expendable:	
Scholarships and Fellowships	577,182.11

Total Net Position	\$ 1,436,414.41
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The accompanying notes to the financial statements are an integral part of this statement.

Halifax Community College Foundation, Inc.
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Exhibit A-2

REVENUES

Operating Revenues:

Contributions	\$ 88,126.03
Total Operating Revenues	88,126.03

EXPENSES

Operating Expenses:

Supplies and Materials	23,842.02
Services	130,230.36
Scholarships and Fellowships	59,888.74
Total Operating Expenses	213,961.12
Operating Loss	(125,835.09)

NONOPERATING REVENUES (EXPENSES)

Investment Income (Net of Investment Expense of \$6,781.87)	116,131.15
Net Nonoperating Revenues	116,131.15
Loss Before Other Revenues	(9,703.94)
Additions to Endowments	88,811.00
Increase in Net Position	79,107.06

NET POSITION

Net Position, July 1, 2016	1,357,307.35
Net Position, June 30, 2017	\$ 1,436,414.41

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

Halifax Community College Foundation, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 89,327.03
Payments to Vendors and Suppliers	(154,072.38)
Payments for Scholarships and Fellowships	(59,888.74)
Net Cash Used by Operating Activities	(124,634.09)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Additions to Endowments	88,811.00
Cash Provided by Noncapital Financing Activities	88,811.00

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	853,232.73
Investment Income	21,074.68
Purchase of Investments and Related Fees	(894,839.86)
Net Cash Provided by Investing Activities	(20,532.45)
Net Decrease in Cash and Cash Equivalents	(56,355.54)
Cash and Cash Equivalents, July 1, 2016	297,235.44
Cash and Cash Equivalents, June 30, 2017	\$ 240,879.90

**RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (125,835.09)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets:	
Receivables, Net	1,201.00
Net Cash Used by Operating Activities	\$ (124,634.09)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Restricted Cash and Cash Equivalents	\$ 149,396.40
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	91,483.50
Total Cash and Cash Equivalents - June 30, 2017	\$ 240,879.90

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	34,326.66
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The accompanying notes to the financial statements are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The Halifax Community College Foundation, Inc. (the Foundation), a component unit of Halifax Community College (College), is a North Carolina nonprofit corporation organized to benefit the College through administration of contributions. The Foundation is governed by an 11 member board consisting of 3 ex facto directors and 8 elected directors. 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 Halifax 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 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 Statements - 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.

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.

Nonexchange transactions occur when the Foundation receives (or gives) value without directly giving (or receiving) equal value in exchange. 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.

E. Investments - To the extent available, investments are reported at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the

investments. The net change in the fair value of investments is recognized as a component of investment income. Money market funds are reported at cost.

F. 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 whose use is limited by external parties, as well as endowment and other restricted investments.

G. Net Position - The Foundation's net position is classified as follows:

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources 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 based on management of the Foundation.

H. 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 Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Foundation's principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or 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 investment income, are considered nonoperating since these are either investing activities or noncapital financing activities.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - At June 30, 2017, the Foundation's total deposits with a private banking institution had a carrying value of \$240,879.90 and a bank balance of \$240,904.19.

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. As of June 30, 2017, all of the Foundation's bank balance was secured by the Federal Depository Insurance Corporation (FDIC).

- B. Investments** - Investments of the Foundation are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2017, for the Foundation's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No.3*, as the risk a government may face should interest rate variances affect the value of investments. The Foundation does not have a formal investment policy that addresses interest rate risk.

Investments

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Debt Mutual Funds	\$ 433,263.24	\$ 0.00	\$ 12,446.57	\$ 420,816.67
Money Market Mutual Funds	41,709.29	41,709.29		
Total Debt Securities	474,972.53	\$ 41,709.29	\$ 12,446.57	\$ 420,816.67
Other Securities				
International Mutual Funds	230,498.17			
Equity Mutual Funds	490,063.81			
Total Investments	\$ 1,195,534.51			

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a formal policy that addresses credit risk. As of June 30, 2017, the Foundation's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 433,263.24	\$ 266,388.45	\$ 18,416.30	\$ 57,511.58	\$ 68,918.68	\$ 21,177.33	\$ 850.90
Money Market Mutual Funds	41,709.29	41,709.29					
Totals	\$ 474,972.53	\$ 308,097.74	\$ 18,416.30	\$ 57,511.58	\$ 68,918.68	\$ 21,177.33	\$ 850.90

Rating Agency: Morningstar

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the Foundation to the basic financial statements as of June 30, 2017, is as follows:

Carrying Amount of Deposits with Private Financial Institutions	\$ 240,879.90
Investments	<u>1,195,534.51</u>
Total Deposits and Investments	<u>\$ 1,436,414.41</u>
Deposits	
Current:	
Restricted Cash and Cash Equivalents	\$ 149,396.40
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>91,483.50</u>
Total Deposits	<u>240,879.90</u>
Investments	
Noncurrent:	
Endowment Investments	770,421.30
Other Restricted Investments	<u>425,113.21</u>
Total Investments	<u>1,195,534.51</u>
Total Deposits and Investments	<u>\$ 1,436,414.41</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Foundation's investments are recorded at fair value as of June 30, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

The following table summarizes the Foundation's investments within the fair value hierarchy at June 30, 2017:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 433,263.24	\$ 433,263.24	\$ 0.00	\$ 0.00
Total Debt Securities	433,263.24	433,263.24		
Other Securities				
International Mutual Funds	230,498.17	230,498.17		
Equity Mutual Funds	490,063.81	490,063.81		
Total Investments by Fair Value Level	\$ 1,153,825.22	\$ 1,153,825.22	\$ 0.00	\$ 0.00

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the Foundation's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Directors to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the Foundation's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

are not available for expenditure. Annual payouts from the Foundation's endowment funds are based on a fixed percentage of the three year rolling average of the market value of the endowment at fiscal year-end. The payout rate is currently 3% of the three year rolling average.

The Foundation provided scholarships that exceeded the related endowment's available annual payouts in prior years. As a result, the Foundation has spent all unrestricted funds, to the point that total assets are not sufficient to cover restrictions. This has resulted in a reduction to the restricted expendable scholarships and fellowships balance. At June 30 2017, the amount of the deficit reported against the restricted expendable scholarships balances was \$158,349.05. This is a decrease from the prior year of \$4,350.35.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2017 members of the Foundation's Board of Directors made contributions to the Foundation totaling \$380.50. The Halifax Community College's Board of Trustees contributed \$4,117.50.

NOTE 6 - 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 also receives, without cost, management and accounting services provided by the College. The value of these contributed services has not been included in the accompanying financial statements.

NOTE 7 - 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 College Controller's Office, Halifax Community College, Inc., P.O. Box 809, Weldon, NC 27890 or by calling (252) 536-7269.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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 Directors
Halifax Community College Foundation, Inc.
Weldon, North Carolina

We have audited, in accordance with the 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, the financial statements of Halifax Community College Foundation, Inc. (Foundation), a component unit of Halifax Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated May 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 15, 2018

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For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This audit required 90 hours at an approximate cost of \$9,270.00.