

# 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, 2019

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

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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, 2019, 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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# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
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## **INDEPENDENT AUDITOR'S REPORT**

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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, 2019, 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, 2019, 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 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 January 8, 2020 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

January 8, 2020



# **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 \$1,609,236.59 at June 30, 2019.

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, 2018, to the ending cash on hand as of June 30, 2019.

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 \$79,884.83 for the fiscal year ended June 30, 2019, to \$1,609,236.59.

Total assets increased by \$84,598.27 or 5.53% from the prior year. Other noncurrent assets increased by \$99,866.55 or 7.21%. The increase is a result of realized gains on investments, dividend income, and an increase in noncurrent cash due to additions to endowments. Most of the Foundation's net position, 88.54%, is invested in equity and debt mutual funds.



## Condensed Statement of Net Position

	2019	2018	Increase (Decrease)
<b>Assets</b>			
Current	\$ 128,986.47	\$ 144,254.75	\$ (15,268.28)
Other Noncurrent	1,484,963.56	1,385,097.01	99,866.55
<b>Total Assets</b>	<b>1,613,950.03</b>	<b>1,529,351.76</b>	<b>84,598.27</b>
<b>Liabilities</b>			
Current	4,713.44		4,713.44
<b>Net Position</b>			
Restricted	1,609,236.59	1,529,351.76	79,884.83
<b>Total Net Position</b>	<b>\$ 1,609,236.59</b>	<b>\$ 1,529,351.76</b>	<b>\$ 79,884.83</b>

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, 2019 and June 30, 2018.

Operating revenues for fiscal year 2019 were \$92,962.78 which is a decrease of \$4,347.17 from the prior year amount. This decrease is a result of fewer contributions received from donors.

Operating expenses for fiscal year 2019 were \$109,158.72. Scholarships awarded to the students of Halifax Community College represented \$54,488.31 of this total. Services of \$34,267.90 decreased by \$15,401.47 due to a computer system, computer training and other conference expenses were incurred in the prior year. Supplies and materials were \$20,402.51, an increase of \$10,212.91, and resulted from increased fundraising expenses.

Nonoperating revenues of \$96,080.77 decreased by \$13,998.23 from the prior year. This net decrease was the result of a decrease in additions to endowments of \$18,017.33 due to fewer contributions being received. Investment income increased \$4,019.10 due to an increase in capital gains, dividend and interest income, and favorable market conditions.

## Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	Increase (Decrease)
<b>Operating Revenues:</b>			
Contributions	\$ 92,962.78	\$ 97,309.95	\$ (4,347.17)
<b>Operating Expenses:</b>			
Supplies and Materials	20,402.51	10,189.60	10,212.91
Services	34,267.90	49,669.37	(15,401.47)
Scholarships and Fellowships	54,488.31	54,592.63	(104.32)
<b>Total Operating Expenses</b>	<b>109,158.72</b>	<b>114,451.60</b>	<b>(5,292.88)</b>
<b>Operating Loss</b>	<b>(16,195.94)</b>	<b>(17,141.65)</b>	<b>945.71</b>
<b>Nonoperating Revenues:</b>			
Noncapital Grants	12,000.00	12,000.00	
Investment Income	59,595.38	55,576.28	4,019.10
Additions to Endowments	24,485.39	42,502.72	(18,017.33)
<b>Net Nonoperating Revenues</b>	<b>96,080.77</b>	<b>110,079.00</b>	<b>(13,998.23)</b>
<b>Increase in Net Position</b>	<b>79,884.83</b>	<b>92,937.35</b>	<b>(13,052.52)</b>
<b>Net Position-Beginning of Year</b>	<b>1,529,351.76</b>	<b>1,436,414.41</b>	<b>92,937.35</b>
<b>Net Position-End of Year</b>	<b>\$ 1,609,236.59</b>	<b>\$ 1,529,351.76</b>	<b>\$ 79,884.83</b>
<b>Total Revenues</b>	<b>\$ 189,043.55</b>	<b>\$ 207,388.95</b>	<b>\$ (18,345.40)</b>
<b>Total Expenses</b>	<b>109,158.72</b>	<b>114,451.60</b>	<b>(5,292.88)</b>
<b>Total Increase in Net Position</b>	<b>\$ 79,884.83</b>	<b>\$ 92,937.35</b>	<b>\$ (13,052.52)</b>

**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 2019 have been underway including an Internal Campaign which 100% of the staff and faculty participated, Founder's Day, a Donor Luncheon, and a Golf Tournament. 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, Inc.'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, 2019**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 4,713.44
Restricted Cash and Cash Equivalents	123,073.03
Pledge Receivables	<u>1,200.00</u>
Total Current Assets	<u>128,986.47</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	60,094.67
Endowment Investments	923,196.88
Restricted Investments	<u>501,672.01</u>
Total Noncurrent Assets	<u>1,484,963.56</u>
Total Assets	<u>1,613,950.03</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Total Deferred Outflows of Resources	<u>0.00</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable	<u>4,713.44</u>
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**DEFERRED INFLOWS OF RESOURCES**

Total Deferred Inflows of Resources	<u>0.00</u>
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**NET POSITION**

Restricted for:

Nonexpendable:	
Scholarships and Fellowships	980,619.05
Expendable:	
Scholarships and Fellowships	<u>628,617.54</u>

Total Net Position	<u>\$ 1,609,236.59</u>
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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, 2019***

***Exhibit A-2***

**OPERATING REVENUES**

Contributions	\$ 92,962.78
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**OPERATING EXPENSES**

Supplies and Materials	20,402.51
Services	34,267.90
Scholarships and Fellowships	54,488.31
	<hr/>
Total Operating Expenses	109,158.72
	<hr/>
Operating Loss	(16,195.94)
	<hr/>

**NONOPERATING REVENUES**

Noncapital Grants	12,000.00
Investment Income (Net of Investment Expense of \$8,193.82)	59,595.38
	<hr/>
Net Nonoperating Revenues	71,595.38
	<hr/>
Income Before Other Revenues	55,399.44
	<hr/>
Additions to Endowments	24,485.39
	<hr/>
Increase in Net Position	79,884.83

**NET POSITION**

Net Position - July 1, 2018	1,529,351.76
	<hr/>
Net Position - June 30, 2019	\$ 1,609,236.59
	<hr/> <hr/>

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, 2019**

**Exhibit A-3**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 91,762.78
Payments to Vendors and Suppliers	(49,956.97)
Payments for Scholarships and Fellowships	(54,488.31)
	<hr/>
Net Used by Operating Activities	(12,682.50)
	<hr/>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Noncapital Grants	12,000.00
Additions to Endowments	24,485.39
	<hr/>
Cash Provided by Noncapital Financing Activities	36,485.39
	<hr/>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	985,312.15
Investment Income	98,365.03
Purchase of Investments and Related Fees	(1,083,677.18)
	<hr/>
Net Cash Provided by Investing Activities	0.00
	<hr/>

Net Increase in Cash and Cash Equivalents	23,802.89
Cash and Cash Equivalents - July 1, 2018	164,078.25
	<hr/>
Cash and Cash Equivalents - June 30, 2019	\$ 187,881.14
	<hr/>

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

Operating Loss	\$ (16,195.94)
Changes in Assets:	
Receivables	(1,200.00)
Changes in Liabilities:	
Accounts Payable	4,713.44
	<hr/>
Net Cash Used by Operating Activities	\$ (12,682.50)
	<hr/>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	\$ (30,566.79)
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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 a 11 member board consisting of 2 ex-facto directors and 9 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, in which the Foundation receives (or gives) value without directly giving (or receiving) equal value in exchange. Revenues are 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 recorded 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 value of investments is recognized as a component of investment income.

- F. Receivables** - Receivables consist of pledges that are verifiable, measurable, and expected to be collected and available for expenditures. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.
- G. 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 or statute, as well as endowment and other restricted investments.
- H. 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 unrestricted gifts and interest income.

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 transactional based within the departmental management system in place at the Foundation.

- I. 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 subsidies or investment income, are considered nonoperating since these are either investing or noncapital financing activities.

## NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - At June 30, 2019, the Foundation's total deposits with a private banking institution had a carrying value of \$187,881.14 and the bank balance of \$196,908.77.

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, 2019, 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, 2019, 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.

<b>Investments</b>				
	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Investment Type</b>				
Debt Securities				
Debt Mutual Funds	\$ 533,547.35	\$ 0.00	\$ 116,703.88	\$ 416,483.47
Money Market Mutual Funds	27,067.82	27,067.82		
<b>Total Debt Securities</b>	<b>560,615.17</b>	<b>\$ 27,067.82</b>	<b>\$ 116,703.88</b>	<b>\$ 416,483.47</b>
Other Securities				
International Mutual Funds	291,788.00			
Equity Mutual Funds	572,465.72			
<b>Total Investments</b>	<b>\$ 1,424,868.89</b>			

In addition to the interest rate risk disclosed above, the Foundation's investments include investments highly sensitive to interest rate changes.

**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, 2019, the Foundation's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 533,547.35	\$ 288,629.95	\$ 29,198.21	\$ 118,986.45	\$ 89,592.88	\$ 2,470.95	\$ 4,668.91
Money Market Mutual Funds	27,067.82	27,067.82					
Totals	<u>\$ 560,615.17</u>	<u>\$ 315,697.77</u>	<u>\$ 29,198.21</u>	<u>\$ 118,986.45</u>	<u>\$ 89,592.88</u>	<u>\$ 2,470.95</u>	<u>\$ 4,668.91</u>

Rating Agency: Morningstar

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Foundation's investments are recorded at fair value as of June 30, 2019. 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, 2019:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 533,547.35	\$ 533,547.35	\$ 0.00	\$ 0.00
Money Market Mutual Funds	<u>27,067.82</u>	<u>27,067.82</u>		
Total Debt Securities	560,615.17	560,615.17	0.00	0.00
Other Securities				
International Mutual Funds	291,788.00			
Equity Mutual Funds	<u>572,465.72</u>			
Total Investments by Fair Value Level	\$ 1,424,868.89			

**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.

Investment return of the Foundation's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and 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 2019, the amount of the deficit reported against the restricted expendable scholarships balances was \$142,563.27. This is a decrease from the prior year of \$10,658.00.

### **NOTE 5 - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2019 members of the Foundation's Board of Directors made contributions to the Foundation totaling \$1,690.00. The Halifax Community College's Board of Trustees contributed \$885.00.

### **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, damage to, and destruction of assets; errors and omissions; injuries to employees; 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 Foundation'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, P.O. Drawer 809, Weldon, NC 27890 or by calling (252) 538-4304.



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

2 S. Salisbury Street  
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Raleigh, NC 27699-0600  
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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**

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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, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 8, 2020.

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

January 8, 2020



# ORDERING INFORMATION

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For additional information, contact the  
North Carolina Office of the State Auditor at 919-807-7666.



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This audit required 97 hours at an approximate cost of \$10,088.