

**SANDHILLS COMMUNITY COLLEGE  
FOUNDATION, INC.**

Financial Statements

June 30, 2023 and 2022

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 7
FINANCIAL STATEMENTS	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10 - 11
NOTES TO THE FINANCIAL STATEMENTS	12 - 27
SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28 - 29



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sandhills Community College Foundation, Inc.  
Pinehurst, North Carolina

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Sandhills Community College Foundation, Inc. as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Sandhills Community College Foundation, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sandhills Community College Foundation, Inc. as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sandhills Community College Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sandhills Community College Foundation, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sandhills Community College Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sandhills Community College Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 October 30, 2023, on our consideration of Sandhills Community College Foundation, Inc.'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 solely 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 effectiveness of Sandhills Community College Foundation, Inc.'s 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 Sandhills Community College Foundation, Inc.'s internal control over financial reporting and compliance.

*Thomas, Judy & Duck, P.A.*

Durham, North Carolina  
October 30, 2023

# ***Sandhills Community College Foundation, Inc.***

## **Management's Discussion and Analysis**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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Sandhills Community College Foundation, Inc. (Foundation) was established to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of Sandhills Community College.

This section of Sandhills Community College Foundation, Inc.'s financial statements presents Management's Discussion and Analysis of the Foundation's financial activity during the fiscal year ended June 30, 2023, as compared to fiscal year ended June 30, 2022. This section is to be read in conjunction with the Foundation's financial statements and the related notes.

### **Financial Statements**

The financial statements include the *Statements of Net Position*, *Statements of Revenues, Expenses, and Changes in Net Position*, and *Statements of Cash Flows*. The financial statements are accompanied by notes to the financial statements that explain some of the information in the financial statements and provide more detail.

*Statements of Net Position:* The statements of net position present a fiscal snapshot of the Foundation as of June 30, 2023 and 2022 and includes all assets and liabilities of the Foundation. The focus of the statements of net position is designed to be similar to bottom line results of the Foundation. Assets and liabilities are divided into current and non-current portions to give the users of these statements insight into the financial position of the Foundation.

*Statements of Revenues, Expenses, and Changes in Net Position:* Changes in total net position as presented in the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. Revenues and expenses are presented in a classified format to distinguish between operating and non-operating revenues and expenses.

*Statements of Cash Flows:* The statements of cash flows provides detail on the cash activity for the year. The Foundation has chosen to use the direct method to present cash flows.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided.

### **Condensed Financial Statements and Financial Analysis**

This segment of the Management's Discussion and Analysis provides additional information about the financial statements.

# ***Sandhills Community College Foundation, Inc.***

## **Management's Discussion and Analysis**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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### **Statements of Net Position**

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
<b>Assets</b>			
Current Assets	\$ 3,396,355.31	\$ 2,070,079.56	\$ 1,326,275.75
Noncurrent Assets	43,635,263.73	41,825,615.61	1,809,648.12
<b>Total Assets</b>	<b>\$ 47,031,619.04</b>	<b>\$43,895,695.17</b>	<b>\$ 3,135,923.87</b>
<b>Liabilities</b>			
Current Liabilities	\$ 129,483.85	\$ 178,072.51	\$ (48,588.66)
Noncurrent Liabilities	925,211.02	808,747.07	116,463.95
<b>Total Liabilities</b>	<b>\$ 1,054,694.87</b>	<b>\$ 986,819.58</b>	<b>\$ 67,875.29</b>
<b>Net Position</b>			
Restricted - Nonexpendable	\$ 22,412,356.94	\$22,006,563.53	\$ 405,793.41
Restricted - Expendable	21,650,005.48	18,727,166.00	2,922,839.48
Unrestricted	1,914,561.75	2,175,146.06	(260,584.31)
<b>Total Net Position</b>	<b>\$ 45,976,924.17</b>	<b>\$42,908,875.59</b>	<b>\$ 3,068,048.58</b>

As shown in the statements of net position the Foundation's total assets at June 30, 2023, were \$47,031,619.04. This was an increase of \$3,135,923.87 from June 30, 2022 due to improved investment market performance.

The Foundation has a net position of \$45,976,924.17, an increase of \$3,068,048.58 which correlates with the increase in total assets when compared with the previous year. Of the Foundation's net assets, 48.75% are classified as nonexpendable, 47.09% are classified as expendable, and the remaining 4.16% are classified as unrestricted.

### **Statements of Revenues, Expenses, and Changes in Net Position**

The purpose of the statements of revenues, expenses, and changes in net position is to present the revenues received and expenses paid by the Foundation, both operating and nonoperating.

#### **Revenues**

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
Operating Revenues	\$ 2,849,921.31	\$ 3,232,300.99	\$ (382,379.68)
Nonoperating Revenues	4,712,176.52	(1,808,794.72)	6,520,971.24
<b>Total Revenues</b>	<b>\$ 7,562,097.83</b>	<b>\$ 1,423,506.27</b>	<b>\$ 6,138,591.56</b>

# ***Sandhills Community College Foundation, Inc.***

## **Management's Discussion and Analysis**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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**Operating Revenue** - Operating revenues include noncapital gifts received from donors and grant funds. Operating revenues for the year ended June 30, 2023 was \$2,849,921.31 which includes support received from the College in the amount of \$656,684.40. Support from the College represents the personnel (salaries and benefits), supplies, and utilities that are paid directly by the College for the operation of the Foundation; this can be seen in the Statements of Revenues, Expenses, and Changes in Net Position. Total operating revenue in the 2023 fiscal year decreased by \$382,379.68 when compared to 2022 and this was due to a reduced number of gifts and grants received by the Foundation.

**Nonoperating Revenue** - The main components of nonoperating revenue are realized and unrealized investment income. In 2023, the Foundation experienced a much improved market performance of long-term investments resulting in a \$4,362,550.20 gain, nearly fully recovering the loss of \$4,446,614.61 in 2022. Other components of nonoperating revenue are additions to endowments and changes in annuity values. Additions to endowments are funds received throughout the year to either create new endowments or add to existing endowments. The changes in annuity values reflects the market and present values of the Foundation's Gift Annuities and are shown as Special Items – Changes in Annuity Values on the Statements of Revenues, Expenses, and Changes in Net Position. Annuity values decreased by \$56,768.14 in 2023 which was predominantly due to changes of the annuities' present value, a value that is determined by the annuities' individual payout schedule and suggested gift annuity rates set by the American Council on Gift Annuities (ACGA). More information on current gift annuity rates can be found at <https://www.acga-web.org/current-gift-annuity-rates>.

### **Operating Expenses**

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
Salaries and Benefits	\$ 659,859.23	\$ 585,473.97	\$ 74,385.26
Supplies and Services	234,989.37	184,697.58	50,291.79
Utilities	11,370.00	11,370.00	-
College Support	3,587,830.65	3,449,151.49	138,679.16
<b>Total Operating Expenses</b>	<b>\$ 4,494,049.25</b>	<b>\$ 4,230,693.04</b>	<b>\$ 263,356.21</b>

For the years ended June 30, 2023 and 2022, the direct expenditures of the Foundation were \$906,218.60 and \$781,541.55 respectively. These expenses include the salaries and benefits, supplies, and other services that support the primary operations of the Foundation's Development Office and the expenditures of unrestricted funds controlled by the Foundation.



# ***Sandhills Community College Foundation, Inc.***

## **Management's Discussion and Analysis**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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The \$3,587,830.65 expenditures towards college support are directly associated with donor restricted funds to support College activities in the form of scholarships or specific program support. Scholarship expenditures included in that total were \$1,510,864.03, an increase of \$564,488.93 when compared to the prior year. The increase in scholarship expenditures is due to a reduced level of Federal Higher Education Emergency Relief Fund financial aid provided to the College directly. Overall college support expenses increased by \$138,679.16 in 2023.

### **Future Financial Influences**

It has always been the Foundation's mission to provide opportunity and excellence to the students, faculty and staff of the college. In addition to this, the Foundation is fortunate to have the ability to provide additional support for the college's operations, professional development, and instructional program support to supplement what is provided within the appropriated annual state budget.

### **Contacting the College's Financial Management**

The financial statements are designed to provide the residents of North Carolina with a general overview of the Foundation's finances and show accountability of all funds received. If you have any questions, or need additional financial information, please contact Libba Thomas, Chief Financial Officer of Sandhills Community College, at (910) 246-4971, by email at [thomase@sandhills.edu](mailto:thomase@sandhills.edu), or by mail at 3395 Airport Road, Pinehurst, North Carolina 28374.

# ***Sandhills Community College Foundation, Inc.***

## **Statements of Net Position**

**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 25,422.51	\$ 44,246.03
Receivables, Net (Note 5)	18,229.47	17,833.09
Restricted Cash and Cash Equivalents	3,352,703.33	2,008,000.44
Total Current Assets	3,396,355.31	2,070,079.56
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	234,049.71	155,426.78
Restricted Investments	41,138,296.11	39,149,516.18
Other Investments	2,262,917.91	2,520,672.65
Total Noncurrent Assets	43,635,263.73	41,825,615.61
Total Assets	47,031,619.04	43,895,695.17
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Primary Government - Sandhills Community College	-	49,017.23
Annuities Payable	129,483.85	129,055.28
Total Current Liabilities	129,483.85	178,072.51
Noncurrent Liabilities:		
Due to Primary Government - Sandhills Community College	-	7,255.68
Annuities Payable	925,211.02	801,491.39
Total Noncurrent Liabilities	925,211.02	808,747.07
Total Liabilities	1,054,694.87	986,819.58
<b>NET POSITION</b>		
Restricted (Note 7 A):		
Nonexpendable		
Scholarships and Fellowships	15,448,175.22	14,872,621.06
Specific Programs, Net	6,964,181.72	7,133,942.47
Total Restricted-Nonexpendable Net Position	22,412,356.94	22,006,563.53
Expendable (Note 7 B):		
Loans	7,209.15	6,509.70
Scholarships and Fellowships	7,327,471.80	5,927,441.00
Specific Programs, Net	14,315,324.53	12,793,215.30
Total Restricted-Expendable Net Position	21,650,005.48	18,727,166.00
Unrestricted	1,914,561.75	2,175,146.06
Total Net Position	\$ 45,976,924.17	\$ 42,908,875.59

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

***Sandhills Community College Foundation, Inc.***  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES</b>		
Noncapital Gifts	\$ 2,042,775.18	\$ 2,287,274.79
Noncapital Grants	4,414.57	146,001.41
Other Operating Revenues	146,047.16	130,922.99
Support from College	656,684.40	668,101.80
Total Operating Revenues	<u>2,849,921.31</u>	<u>3,232,300.99</u>
<b>OPERATING EXPENSES</b>		
Personnel Services	659,859.23	585,473.97
Supplies and Services	234,989.37	184,697.58
Utilities and Rent	11,370.00	11,370.00
Support to College		
Scholarships and Fellowships	1,510,864.03	946,375.10
College Operations	382,823.45	881,279.74
Personnel Services	522,980.43	447,193.12
Supplies and Services	1,171,162.74	1,174,303.53
Total Operating Expenses	<u>4,494,049.25</u>	<u>4,230,693.04</u>
Operating Loss	<u>(1,644,127.94)</u>	<u>(998,392.05)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income (Loss), Net	4,362,550.20	(4,446,614.61)
Income (Loss) Before Contributions	<u>2,718,422.26</u>	<u>(5,445,006.66)</u>
Additions to Endowments	546,993.26	2,778,418.69
Special Items - Changes in Annuity Values	(197,366.94)	(140,598.80)
Total Restricted Additions to Endowments	<u>349,626.32</u>	<u>2,637,819.89</u>
Increase (Decrease) in Net Position	3,068,048.58	(2,807,186.77)
<b>NET POSITION</b>		
Net Position - July 1, 2022	<u>42,908,875.59</u>	<u>45,716,062.36</u>
Net Position - June 30, 2023	<u><u>\$ 45,976,924.17</u></u>	<u><u>\$ 42,908,875.59</u></u>

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

**Sandhills Community College Foundation, Inc.**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Donors	\$ 2,145,888.63	\$ 2,610,559.25
Cash Paid to Vendors and Suppliers	(1,401,099.07)	(1,357,656.00)
Cash Paid to or on Behalf of Employees for Services	(551,898.68)	(459,637.00)
Cash Paid for Scholarships and Fellowships	(1,893,687.48)	(1,827,655.00)
<b>Net Cash Used by Operating Activities</b>	(1,700,796.60)	(1,034,388.75)
<b>Cash Flows from Noncapital Financing Activities</b>		
Noncapital Gifts and Endowments Received	349,626.32	2,637,820.00
<b>Net Cash Provided by Noncapital Financing Activities</b>	349,626.32	2,637,820.00
<b>Cash Flows from Investing Activities</b>		
Proceeds (Payments) on Annuity Contracts	124,147.57	(129,681.00)
Proceeds from Sales and Maturities of Investments	2,594,317.30	3,158,756.00
Proceeds from Investment Income	1,186,770.78	535,129.70
Purchase of Investments and Related Fees	(1,149,563.07)	(3,390,945.00)
<b>Net Cash Provided by Investing Activities</b>	2,755,672.58	173,259.70
<b>Net Increase in Cash and Cash Equivalents</b>	1,404,502.30	1,776,690.95
<b>Cash and Restricted Cash Equivalents - Beginning</b>	2,207,673.25	430,982.30
<b>Cash and Restricted Cash Equivalents - Ending</b>	<u>\$ 3,612,175.55</u>	<u>\$ 2,207,673.25</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (1,644,127.94)	\$ (998,392.05)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</b>		
<b>Changes in Assets and Liabilities:</b>		
Decrease (Increase) in Receivables, Net	(396.38)	6,208.25
Decrease in Due to Primary Government - Sandhills Community College	(56,272.28)	(42,204.95)
<b>Total Adjustments</b>	(56,668.66)	(35,996.70)
<b>Net Cash Used by Operating Activities</b>	<u>\$ (1,700,796.60)</u>	<u>\$ (1,034,388.75)</u>

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

***Sandhills Community College Foundation, Inc.***  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2023 and 2022**  
**(Continued)**

	<u>2023</u>	<u>2022</u>
<b>Supplemental Disclosure of Cash, Cash Equivalents, and Restricted Cash Accounts:</b>		
Cash and Cash Equivalents	\$ 25,422.51	\$ 44,246.03
Current Restricted Cash and Cash Equivalents	3,352,703.33	2,008,000.44
Restricted Cash and Cash Equivalents	<u>234,049.71</u>	<u>155,426.78</u>
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<u><u>\$ 3,612,175.55</u></u>	<u><u>\$ 2,207,673.25</u></u>

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

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Sandhills Community College Foundation, Inc. (Foundation) is a component unit of Sandhills Community College (College) and an integral part of Sandhills Community College's Financial Statements.

The accompanying financial statements present all funds of the Foundation and its component units for which the Foundation's Board of Directors are financially accountable. The Foundation's component units are blended in the financial statements. See below for further discussion of the Foundation's component units. Other related foundations and similar nonprofit corporations for which the Foundation is not financially accountable are not part of the accompanying financial statements.

**B. Blended Component Units** – Although legally separate, the Francis F. Rainey Education Foundation, Ethel M. Heina Educational Fund, Charles F. Herman Educational Fund, Sheldon Scholarship Fund, and the William Edward Starnes Educational Fund are reported as if they were part of the Foundation. Each of these five trusts are governed by the Foundation as co-trustee. Because the Foundation is the co-trustee, it controls the activity and expenditures of these trusts and their sole purpose is to benefit the College, their financial statements have been blended with those of the Foundation.

Separate financial statements for each of the five trusts may be obtained from the Sandhills Community College Foundation Office, 3395 Airport Road, Pinehurst, North Carolina 28374, or by calling (910) 695-3706.

Condensed combining information regarding blended component units is provided in Note 11.

**C. 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* and GASB Statement No. 84, *Fiduciary Activities*, 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.

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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- D. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Nonexchange transactions, in which the Foundation receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, certain grants, and donations. 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.

- E. Cash and Cash Equivalents** – This classification includes cash on deposit with fiscal agents and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF 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.

- F. 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.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the Foundation for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

- G. Receivables** – Receivables consist of tuition and fees charged to students, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied.

- H. 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, and endowment and other restricted investments.

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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**I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes annuities payable and compensated absences for College personnel whose positions are supported by the Foundation.

**J. Net Position** – The Foundation's net position is classified as follows:

**Restricted Net Position – Nonexpendable** – Nonexpendable restricted net position includes endowments and similar 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.

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.

**K. Revenue and Expense Recognition** – The Foundation classifies its revenues and expenses as operating or nonoperating in the accompanying Statements 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 revenues include activities that have characteristics of exchange transactions, such as (1) charitable gifts and (2) college support revenues. 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 gifts to the Foundation, as well as investment income, are considered nonoperating since these are either investing or noncapital financing activities.



# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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- L. Funds Held in Trust by Others** – Funds held in trust by others are resources neither in the possession nor the control of the Foundation, but held and administered by an outside organization, with the Foundation deriving income from such funds. Such funds established under irrevocable trusts where the Foundation has legally enforceable rights or claims in the future have not been recorded on the accompanying financial statements. These amounts are recorded as an asset and revenue when received by the Foundation. At year end, the amount held in irrevocable trusts by others for the Foundation was \$1,000,000. Funds established under revocable trusts or where the trustees have discretionary power over distributions are recorded as revenue when distributions are received and resource provider conditions are satisfied.
- M. Income Taxes** – The Foundation is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation received a tax determination letter dated February 1971. Accordingly, the accompanying financial statements do not include a provision for income taxes.
- N. Use of Estimates** – The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the accrual of investment earnings, fair market values of investments, in-kind contributions and annuity contracts, and the liability for annuities payable, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

- A. Deposits** - All funds of the Foundation are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the Foundation may establish time deposit accounts, money market accounts, and certificates of deposit. The carrying amount of the Foundation's deposits not with the State Treasurer was \$3,555,136.68 and \$2,151,725.81 as of June 30, 2023 and 2022, respectively.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2023, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

- B. Investments** – In addition to donated securities, the Foundation is authorized to invest idle funds as provided by General Statute 115D-58.6. In accordance with this statute, the Foundation and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the Foundation may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or the form of investments pursuant to General Statute 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2023 and 2022, the amount shown on the Statements of Net Position as cash and cash equivalents includes \$57,038.87 and \$55,947.44, respectively, which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.7 and 0.9 years as of June 30, 2023 and 2022, respectively. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report.

This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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Except as specified by the donor, endowment funds belonging to the Foundation may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specific ratings.

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, 2023 and 2022, 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.

A summary of the Foundation's investments at June 30, 2023 is presented below:

	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Investment Type</b>				
Debt Securities				
Annuity Contracts	\$ 683,577.87	\$ -	\$ -	\$ 683,577.87
Other Securities				
Balanced Mutual Funds	42,717,636.15			
<b>Total Investments</b>	<b>\$43,401,214.02</b>			

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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A summary of the Foundation's investments at June 30, 2022 is presented below:

	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Investment Type</b>				
Debt Securities				
Annuity Contracts	\$ 719,521.30	\$ -	\$ -	\$ 719,521.30
Other Securities				
Balanced Mutual Funds	40,950,667.53			
<b>Total Investments</b>	<b>\$41,670,188.83</b>			

The Foundation invests in a combination of mutual funds and life income annuities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Foundation's investment balance reported in the statements of net position.

Alternative investments at June 30, 2023 and 2022 represent the Foundation's investment in life income annuities. Management relies on various factors to estimate the fair value of these investments. Management believes its processes and procedures for valuing investments are reasonable. However, the factors used by management are subject to change in the near term, and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the financial statements.

**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, 2023, the Foundation's alternative investments were rated as follows:

	Fair Value	AA Aa
<b>Annuity Contracts</b>	\$ 683,577.87	\$ 683,577.87

Rating Agency: Hartford, Moody's, S&P, A.M. Best, and Fitch

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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As of June 30, 2022, the Foundation's alternative investments were rated as follows:

	<b>Fair Value</b>	<b>AA Aa</b>
<b>Annuity Contracts</b>	\$ 719,521.30	\$ 719,521.30

Rating Agency: Hartford, Moody's, S&P, A.M. Best, and Fitch

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Foundation places no limit on the amount that may be invested in any one issuer. The Foundation holds 100% of its investments in the Vanguard Admiral Balanced Index Fund Institutional Shares (VBAIX) respectfully. This is a balanced fund that utilizes indexing in order to provide diversified exposures to U.S. stocks and bonds in weightings deemed appropriate by the Foundation Board. The demonstrated historic stability of Vanguard, the indexed low-cost approach used and diversification within these funds minimize risk to investments while helping to preserve the long-term spending power needed for endowment budgets. These funds, and all Foundation investments, are reviewed semi-annually by the Foundation Board and may be changed as deemed appropriate given evolving market conditions.

### **NOTE 3 - FAIR VALUE MEASUREMENTS**

To the extent available, the Foundation's investments are recorded at fair value as of June 30, 2023 and 2022. 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.

# **Sandhills Community College Foundation, Inc.**

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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.

The following tables summarize the Foundation's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30:

<b>2023</b>			
<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>
<b>Investments by Fair Value Level</b>			
Debt Securities			
Annuity Contracts	\$ 683,577.87	\$ -	\$ 683,577.87
Other Securities			
Balanced Mutual Fund	42,717,636.15	42,717,636.15	-
<b>Total Investments by Fair Value Level</b>	<u>43,401,214.02</u>	<u>\$ 42,717,636.15</u>	<u>\$ 683,577.87</u>
<b>Investments as a Position in an External Investment Pool</b>			
Short-Term Investment Fund	57,038.87		
<b>Total Investments Measured at Fair Value</b>	<u>\$ 43,458,252.89</u>		

<b>2022</b>			
<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Level 1 Inputs</b>	<b>Level 2 Inputs</b>
<b>Investments by Fair Value Level</b>			
Debt Securities			
Annuity Contracts	\$ 719,521.30	\$ -	\$ 719,521.30
Other Securities			
Balanced Mutual Fund	40,950,667.53	40,950,667.53	-
<b>Total Investments by Fair Value Level</b>	<u>41,670,188.83</u>	<u>\$ 40,950,667.53</u>	<u>\$ 719,521.30</u>
<b>Investments as a Position in an External Investment Pool</b>			
Short-Term Investment Fund	55,947.44		
<b>Total Investments Measured at Fair Value</b>	<u>\$ 41,726,136.27</u>		

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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**Short-Term Investment Fund** - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Foundation's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

**Annuity Contracts** – Annuity contracts classified as Level 2 of the fair value hierarchy are valued at present value using discounted future cash flows.

**Mutual Funds** – Mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

### **NOTE 4 - ENDOWMENT INVESTMENTS**

The Foundation has many endowment funds, the income of which may be expended for specific purposes as designated by fund authorities. Investments of the Foundation's endowment funds are pooled, unless required to be separately invested by the donor. During 2012, the Foundation adopted the UPMIFA Standard with respect to the accounting for the corpus and income recognition on endowment funds as follows:

**Corpus** – Endowment funds include: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the donor or applicable donor gift instrument/fund authority at the time the accumulation is added to the endowment.

**Income** – Income earned on endowment funds that is not required by the donor to be added to the corpus of the endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the Foundation's spending policy and standard of prudence prescribed in UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Foundation and donor restricted endowment fund,
- General economic conditions,
- The expected total return from income and appreciation of investments,
- Other resources of the Foundation, and
- The investment policy of the Foundation

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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**Investment Objectives and Strategies** – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Foundation Board, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standards to minimize the risk of large losses.

**Spending Policy** – The Foundation Board has approved an annual appropriation and expenditure of income and net appreciation (realized and unrealized) from a given fund an amount equaling up to five percent (5%) of the fair market value of the fund. The Foundation's appropriation or spending policy is consistent with its objective to preserve the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**Deficiencies** – From time to time, the fair value of assets in endowment funds may fall below the required level stipulated by the donor. In accordance with the UPMIFA Standard, deficiencies of this nature are reported in net assets. If future investment returns do not alleviate the deficiency, the Foundation may be required to contribute additional amounts to the fund. As of June 30, 2023, the Foundation had no deficiencies.

**Net Appreciation** – At June 30, 2023 and 2022, net appreciation of \$6,167,834.51 and \$7,913,909.90 was available to be spent, of which \$6,055,357.87 and \$6,122,899.14 was restricted to specific purposes, respectively.

### **NOTE 5 - RECEIVABLES**

Receivables at June 30 were as follows:

	<u>2023</u>	<u>2022</u>
<b>Current Receivables:</b>		
Pledges	\$ 3,435.48	\$ 4,921.68
Notes Receivable	6,523.47	8,223.01
Accounts Receivable	8,270.52	4,688.40
<b>Total Current Receivables</b>	<b><u>\$ 18,229.47</u></b>	<b><u>\$ 17,833.09</u></b>



# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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### **NOTE 6 - LONG-TERM LIABILITIES**

**A. Changes in Long-Term Liabilities** - Summaries of changes in the long-term liabilities are presented as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Due to Primary Government - SCC	\$ 56,272.91	\$ -	\$ 56,272.91	\$ -	\$ -
Annuities Payable	930,546.67	253,203.48	129,055.28	1,054,694.87	129,483.85
<b>Total Long-Term Liabilities</b>	<b>\$ 986,819.58</b>	<b>\$ 253,203.48</b>	<b>\$ 185,328.19</b>	<b>\$ 1,054,694.87</b>	<b>\$ 129,483.85</b>

  

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Due to Primary Government - SCC	\$ 98,476.32	\$ 56,272.91	\$ 98,476.32	\$ 56,272.91	\$ 49,017.23
Annuities Payable	1,060,226.36	129,055.28	258,734.97	930,546.67	129,055.28
<b>Total Long-Term Liabilities</b>	<b>\$ 1,158,702.68</b>	<b>\$ 185,328.19</b>	<b>\$ 357,211.29</b>	<b>\$ 986,819.58</b>	<b>\$ 178,072.51</b>

**B. Annuities Payable** – The Foundation participates in split-interest agreements with donors that require benefit payments for a specified period to a designated beneficiary out of assets held in an annuity for this purpose. At the end of the predetermined period (e.g. the lifetime of the beneficiary specified by the donor), the remaining assets of the annuity revert to the Foundation for its use or for a purpose specified by the donor. At the end of each fiscal year, annuities and life income payable to the beneficiaries is calculated using the IRS tables, taking into consideration beneficiary's age and the amount of the gift, and using IRS-issued Life Tables. Annuities payable obligations relating to 15 annuities at June 30, 2023 are recorded as current long-term liabilities for the annuity payments that are due within the next year, and as long-term liabilities for the amount payable more than a year later. As of June 30, 2023 and 2022, the current liability amount for the annuities payable was \$129,483.85 and \$129,055.28, respectively. The investment carrying value, or long-term liability value, of the annuities as of June 30, 2023 and 2022 was \$925,211.02 and \$801,491.39, respectively. Gift annuities are normally based on one or two life expectancies. An agreed upon quarterly percentage is calculated and paid over these life expectancies.

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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### **Note 7 - Net Position**

**A. Restricted Net Position – Nonexpendable** – The Foundation had net position which was nonexpendable for scholarships and fellowships in the amount of \$15,448,175.22 and \$14,872,621.06 at June 30, 2023 and 2022, respectively. The Foundation also had a net position which was nonexpendable and categorized as restricted for specific programs. The specific programs are broken down into the following categories and amounts:

	<b>2023</b>	<b>2022</b>
General Administration	\$ 195,886.46	\$ 195,886.46
Staff & Faculty Development	435,019.11	435,019.11
Foundation	3,182,938.51	3,359,129.26
Associate Degree Programs	2,543,339.29	2,543,339.29
Adult High School/GED Programs	235,334.47	235,154.47
Library & Learning Center	127,000.00	127,000.00
Student Services	244,663.88	238,413.88
<b>Nonexpendable Restricted for Specific Programs</b>	<b>\$ 6,964,181.72</b>	<b>\$ 7,133,942.47</b>

**B. Restricted Net Position – Expendable** – The Foundation had net position which was expendable for scholarships and fellowships in the amount of \$7,327,471.80 and \$5,927,441.00 at June 30, 2023 and 2022, respectively. The Foundation also had a net position which was expendable and categorized as other for the support of various programs. The Loans of \$7,209.15 and \$6,509 as of June 30, 2023 and 2022, respectively are the total of small individual student debts from the Nursing Program's micro-loan program to assist with books and testing fees. The other support for various programs is broken down into the following categories and amounts:

	<b>2023</b>	<b>2022</b>
General Administration	\$ 31,276.64	\$ 101,844.88
Staff & Faculty Development	1,408,437.16	1,277,375.08
Foundation	501,730.77	378,676.91
General Program Support	11,661,794.61	10,447,758.60
Continuing Education	168,488.23	173,532.20
Adult High School/GED	208,305.81	176,444.67
Library & Learning Center	41,451.24	26,304.96
Student Services	190,284.54	129,709.26
Awards/Grants	77,281.72	57,843.87
Equipment	26,273.81	23,724.87
<b>Expendable Restricted for Specific Programs</b>	<b>\$ 14,315,324.53</b>	<b>\$ 12,793,215.30</b>

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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**C. Unrestricted Net Position** – Unrestricted net position as of June 30, 2023 was \$1,914,561.75 as compared to \$2,175,146.06 as of June 30, 2022.

### **NOTE 8 - OPERATING EXPENSES BY FUNCTION**

The Foundation's operating expenses by functional classification are presented as follows:

2023	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities and Rent	College Operations	Total
Donor Stipulations	\$ 659,859.23	\$ 234,989.37	\$ -	\$ 11,370.00	\$ -	\$ 906,218.60
College Support	522,980.43	1,171,162.74	1,510,864.03	-	382,823.45	3,587,830.65
Total Operating Expenses	<u>\$ 1,182,839.66</u>	<u>\$ 1,406,152.11</u>	<u>\$ 1,510,864.03</u>	<u>\$ 11,370.00</u>	<u>\$ 382,823.45</u>	<u>\$ 4,494,049.25</u>

2022	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities and Rent	College Operations	Total
Donor Stipulations	\$ 585,473.97	\$ 184,697.58	\$ -	\$ 11,370.00	\$ -	\$ 781,541.55
College Support	447,193.12	1,174,303.53	946,375.10	-	881,279.74	3,449,151.49
Total Operating Expenses	<u>\$ 1,032,667.09</u>	<u>\$ 1,359,001.11</u>	<u>\$ 946,375.10</u>	<u>\$ 11,370.00</u>	<u>\$ 881,279.74</u>	<u>\$ 4,230,693.04</u>

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**Pending Litigation and Claims** - The Foundation is, from time to time, a party to a variety of legal proceedings, claims and assessments arising in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. Foundation management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the Foundation.

**Contingent Receivables** - The Foundation has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of the contingent receivables at year-end are as follows:

Purpose	2023	2022
Restricted Pledges Receivable	\$ 1,916,540.88	\$ 684,669.18

# ***Sandhills Community College Foundation, Inc.***

## **Notes to the Financial Statements**

**For the Fiscal Years Ended June 30, 2023 and 2022**

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### **NOTE 10- RELATED PARTIES**

**College** – The Foundation serves as the primary fundraising arm of Sandhills Community College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment.

In the normal course of business, the Foundation receives contributions from Board members and employees of the College. Included in the annuities payable is \$220,645.40 and \$189,665.70 as of June 30, 2023 and 2022, respectively, that is due in future years to Board members of the Foundation.

### **NOTE 11- BLENDED COMPONENT UNITS**

Condensed combining information for the Foundation's blended component units for the year ended June 30, 2023, is presented as follows:

#### ***Condensed Statement of Net Position June 30, 2023***

	<b>SCC Foundation, Inc.</b>	<b>Rainey Foundation, Inc.</b>	<b>Heina Educational Fund</b>	<b>Herman Educational Fund</b>	<b>Sheldon Scholarship Fund</b>	<b>Starnes Educational Fund</b>	<b>Total</b>
<b>ASSETS</b>							
Current Assets	\$ 3,392,171.85	\$ 88.45	\$ 4,095.01	\$ -	\$ -	\$ -	\$ 3,396,355.31
Noncurrent Assets	43,121,997.34	15,088.49	307,357.96	50,010.58	116,876.60	23,932.76	43,635,263.73
Total Assets	\$ 46,514,169.19	\$ 15,176.94	\$ 311,452.97	\$ 50,010.58	\$ 116,876.60	\$ 23,932.76	\$ 47,031,619.04
<b>LIABILITIES</b>							
Current Liabilities	\$ 129,396.65	\$ -	\$ -	\$ -	\$ -	\$ 87.20	\$ 129,483.85
Noncurrent Liabilities	925,211.02	-	-	-	-	-	925,211.02
Total Liabilities	\$ 1,054,607.67	\$ -	\$ -	\$ -	\$ -	\$ 87.20	\$ 1,054,694.87
<b>NET POSITION</b>							
Restricted - Nonexpendable	\$ 22,412,356.94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,412,356.94
Restricted - Expendable	21,132,642.83	15,176.94	311,452.97	50,010.58	116,876.60	23,845.56	21,650,005.48
Unrestricted	1,914,561.75	-	-	-	-	-	1,914,561.75
Total Net Position	\$ 45,459,561.52	\$ 15,176.94	\$ 311,452.97	\$ 50,010.58	\$ 116,876.60	\$ 23,845.56	\$ 45,976,924.17

# Sandhills Community College Foundation, Inc.

## Notes to the Financial Statements

For the Fiscal Years Ended June 30, 2023 and 2022

### Condensed Statement of Revenues, Expenses, and Changes in Net Position June 30, 2023

	SCC Foundation, Inc.	Rainey Foundation, Inc.	Heina Educational Fund	Herman Educational Fund	Sheldon Scholarship Fund	Starnes Educational Fund	Total
<b>OPERATING REVENUES</b>							
Noncapital Gifts	\$ 2,042,775.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,042,775.18
Other Operating Revenues	807,146.13	-	-	-	-	-	807,146.13
Total Operating Revenues	\$ 2,849,921.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,849,921.31
<b>OPERATING EXPENSES</b>							
Operating Expenses	\$ 2,980,024.22	\$ -	\$ 819.00	\$ 778.00	\$ 789.00	\$ 775.00	\$ 2,983,185.22
Scholarship Expenses	1,510,064.03	800.00	-	-	-	-	1,510,864.03
Total Operating Expenses	\$ 4,490,088.25	\$ 800.00	\$ 819.00	\$ 778.00	\$ 789.00	\$ 775.00	\$ 4,494,049.25
Operating Loss	\$ (1,640,166.94)	\$ (800.00)	\$ (819.00)	\$ (778.00)	\$ (789.00)	\$ (775.00)	\$ (1,644,127.94)
<b>NONOPERATING REVENUES</b>							
Investment Income, Net	\$ 4,313,115.69	\$ 1,500.74	\$ 29,480.52	\$ 4,847.21	\$ 11,260.31	\$ 2,345.73	\$ 4,362,550.20
Gain Before Contributions	\$ 2,672,948.75	\$ 700.74	\$ 28,661.52	\$ 4,069.21	\$ 10,471.31	\$ 1,570.73	\$ 2,718,422.26
Additions to Endowments	\$ 349,626.32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,626.32
Increase in Net Position	\$ 3,022,575.07	\$ 700.74	\$ 28,661.52	\$ 4,069.21	\$ 10,471.31	\$ 1,570.73	\$ 3,068,048.58
<b>NET POSITION</b>							
Net Position, July 1, 2022	\$ 42,436,986.45	\$ 14,476.20	\$ 282,791.45	\$ 45,941.37	\$ 106,405.29	\$ 22,274.83	\$ 42,908,875.59
Net Position, June 30, 2023	\$ 45,459,561.52	\$ 15,176.94	\$ 311,452.97	\$ 50,010.58	\$ 116,876.60	\$ 23,845.56	\$ 45,976,924.17

### NOTE 12- SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through October 30, 2023 the date the financial statements were available to be issued.



**INDEPENDENT AUDITORS' 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**

To the Board of Trustees  
Sandhills Community College Foundation, Inc.  
Pinehurst, 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 the business-type activities of Sandhills Community College Foundation, Inc., as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sandhills Community College Foundation, Inc.'s basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sandhills Community College Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Sandhills Community College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sandhills Community College Foundation, Inc.'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 entity'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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sandhills Community College Foundation, Inc.'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thomas, Judy & Duck, P.A.*

Durham, North Carolina  
October 30, 2023