

**SOUTHWESTERN COMMUNITY
COLLEGE FOUNDATION, INC.**

Independent Auditor's Report
And Financial Statements

June 30, 2005

STEPHEN C. CORLISS
CERTIFIED PUBLIC ACCOUNTANT
PLLC

Southwestern Community College Foundation, Inc.

June 30, 2005

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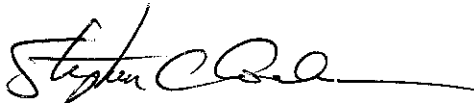
Independent Auditor's Report

To the Board of Directors
Southwestern Community College Foundation, Inc.
Sylva, North Carolina

I have audited the accompanying statement of financial position of Southwestern Community College Foundation, Inc. (the Foundation) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Foundation. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Foundation's 2004 financial statements and, in my report dated January 20, 2005, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Southwestern Community College Foundation, Inc. at June 30, 2005, and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



Stephen C. Corliss, CPA
Certified Public Accountant
December 28, 2005

Southwestern Community College Foundation, Inc.

Statement of Financial Position

As of June 30, 2005

(With comparative totals as of June 30, 2004)

<u>Assets</u>	<u>2005</u>	<u>2004</u>
<u>Cash and Cash Equivalents:</u>		
Cash Held by College	\$ 261,897	\$ 480,866
Cash in Investment Account	1,904	9,891
Total Cash and Cash Equivalents	263,801	490,757
<u>Current Receivables:</u>		
Accounts Receivable	2,250	2,460
Total Current Receivables	2,250	2,460
<u>Investments:</u>		
Marketable Securities	967,805	950,592
<u>Endowment Assets:</u>		
Cash Held by College	110,684	89,311
Marketable Securities	964,667	820,069
Note Receivable	-	80,000
Total Endowment Assets	1,075,351	989,380
Total Assets	\$ 2,309,207	\$ 2,433,189
<u>Liabilities and Net Assets</u>		
<u>Liabilities:</u>		
Accounts Payable	12,723	23,775
<u>Net Assets:</u>		
Unrestricted	18,405	71,310
Temporarily Restricted	1,202,729	1,357,311
Permanently Restricted	1,075,350	980,793
Total Net Assets	2,296,484	2,409,414
Total Liabilities and Net Assets	\$ 2,309,207	\$ 2,433,189

The accompanying notes are an integral part of these financial statements

Southwestern Community College Foundation, Inc.

Statement of Activities

For the Year Ended June 30, 2005

(With comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2005</u>	<u>Total 2004</u>
<u>Support and Revenue:</u>					
Contributions	\$ 9,893	\$ 74,059	\$ 8,605	\$ 92,557	\$ 269,237
Support Our Students Grant	-	147,900	-	147,900	140,830
Grants-Other	-	16,666	-	16,666	51,830
Special Events Revenue	18,878	23,988	-	42,866	42,939
Investment Income and Gains	4,499	77,727	71,599	153,825	125,129
Interest Income	1,068	13,900	40	15,008	32,699
Other Income	-	650	-	650	2,335
Subtotal	<u>34,338</u>	<u>354,890</u>	<u>80,244</u>	<u>469,472</u>	<u>664,999</u>
Net Assets Released from Restriction and Reclassifications:					
Released by Expenditure	495,159	(495,159)	-	-	-
Transferred to Endowment	-	(14,313)	14,313	-	-
Total Support and Revenue	<u>529,497</u>	<u>(154,582)</u>	<u>94,557</u>	<u>469,472</u>	<u>664,999</u>
 <u>Expenses:</u>					
Program Expenses:					
Scholarships and Grants	90,954	-	-	90,954	63,233
Support our Students Program	216,280	-	-	216,280	125,134
Technology for College	124,213	-	-	124,213	-
Evening/Weekend Nursing Program	54,996	-	-	54,996	-
Other Program Support	50,014	-	-	50,014	21,780
Total Program Expenses	<u>536,457</u>	<u>-</u>	<u>-</u>	<u>536,457</u>	<u>210,147</u>
Supporting Services:					
Management and General	34,154	-	-	34,154	10,622
Fundraising	11,791	-	-	11,791	10,265
Total Supporting Services	<u>45,945</u>	<u>-</u>	<u>-</u>	<u>45,945</u>	<u>20,887</u>
Total Expenses	<u>582,402</u>	<u>-</u>	<u>-</u>	<u>582,402</u>	<u>231,034</u>
Change in Net Assets	(52,905)	(154,582)	94,557	(112,930)	433,965
Net Assets at Beginning of Year	<u>71,310</u>	<u>1,357,311</u>	<u>980,793</u>	<u>2,409,414</u>	<u>1,975,449</u>
Net Assets at End of Year	<u>\$ 18,405</u>	<u>\$ 1,202,729</u>	<u>\$ 1,075,350</u>	<u>\$ 2,296,484</u>	<u>\$ 2,409,414</u>

The accompanying notes are an integral part of these financial statements

Southwestern Community College Foundation, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2005

(With comparative totals for the prior year)

<u>Cash Flows from Operating Activities:</u>	<u>2005</u>	<u>2004</u>
Change in Net Assets	\$ (112,930)	\$ 433,965
Adjustment to reconcile change in net assets to change in cash:		
(Increase)/Decrease in Operating Assets:		
Accounts Receivable	210	(2,460)
Accrued Interest Receivable	-	4,165
Investment Income and Gains	(82,226)	(78,560)
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	(11,052)	6,326
Net Cash Provided/(Used) by Operating Activities	<u>(205,998)</u>	<u>363,436</u>
<u>Cash Flows from Investing Activities:</u>		
Investment in Marketable Securities	(6,441)	(451,500)
Receipt of Endowment Contributions	(8,605)	(159,168)
Reinvestment of Endowment Income and Gains	(71,599)	(46,569)
Reclassifications to Endowment	(14,313)	(38,863)
Collection of Note Receivable	80,000	-
Net Cash Provided/(Used) by Investing Activities	<u>(20,958)</u>	<u>(696,100)</u>
Net Change in Cash and Cash Equivalents	(226,956)	(332,664)
Cash and Cash Equivalents - Beginning of Year	<u>490,757</u>	<u>823,421</u>
Cash and Cash Equivalents - End of Year	<u>\$ 263,801</u>	<u>\$ 490,757</u>

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

Southwestern Community College Foundation, Inc.

Notes to Financial Statements

June 30, 2005

1. A. General Information:

Purpose of the Organization

Southwestern Community College Foundation, Inc. (the Foundation) supports the programs of Southwestern Community College (the College) by offering scholarships to students and mini-grants to faculty and other staff members, and by providing learning resources and instructional materials and equipment, opportunities for employee development, as well as capital improvements for the College

Corporate and Tax-Exempt Status

The Foundation was established in 1976 as a nonprofit corporation under the laws of North Carolina and is a legally separate entity from the College. The Foundation qualifies for exemption from federal income taxes under section 501(c)(3) of the Internal Revenue code and is classified as a publicly supported organization under Section 509(a)(1).

Funding

The Foundation is supported primarily by contributions from the general public and foundation grants.

Relationship with College

The Foundation is governed by a 25-member board of directors of which four are employees of the College. Consistent with the Community College Laws of North Carolina for nonprofit corporations whose sole purpose is to support the community college system, the College provides various resources and services to the Foundation. The management and administration of the Foundation are carried out by employees of the College. Consequently, the Foundation has no employees of its own. In addition, the transactions of the Foundation are processed through the College's Administrative Services department. Office facilities for Foundation activities are also provided by the College

B. Summary of Significant Accounting Policies:

Basis of Accounting

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories

according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets—Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets—Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all unrestricted, highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, unless Board designated or donor-restricted to long-term purposes. Unrestricted and temporarily restricted amounts invested in the State Treasurer's Short-Term Investment Fund by the College on behalf of the Foundation are considered to be cash equivalents, as are money funds in an investment account.

Investments

The Foundation follows SFAS No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations " Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the statement of activities.

Contributions

The Foundation follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as "Net assets released from restrictions."

Endowments

A donor's stipulation that requires a gift to be invested in perpetuity creates a permanently restricted endowment fund. The endowment principal consists of the fair value of the gift when received. It is the Foundation's policy to add increases in investment value to the permanently restricted corpus of the endowment fund. Scholarships related to each endowment are paid out of accumulated interest accounts, which are reflected in temporarily restricted net assets. Endowment funds are invested according to the Foundation's investment policies and are pooled for management purposes, unless the donor has stipulated otherwise. Endowments are subject to N.C. General Statute 36B "Uniform Management of Institutional Funds Act."

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The organization reports its expenses in the functional areas of Program, Management and General and Fundraising. Expenses that can be identified with a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

2. Cash Held by College

Foundation cash held by the College is invested in the State Treasurer's Short-Term Investment Fund (STIF). These monies are invested in accordance with GS 147-69 1, and, as required by law, are readily convertible into cash. At June 30, 2005, the STIF fund was paying interest at 3.25%.

3. Investments

The Foundation's investments were comprised of the following investment types. Investment fees during the audit year were \$11,674.

<u>At June 30:</u>	2005	2004
Equity Securities	\$ 1,365,903	\$ 1,240,536
Taxable Fixed Income Funds	538,135	530,125
Money Funds	28,434	-
Total Investments	<u>\$ 1,932,472</u>	<u>\$ 1,770,661</u>

4 Note Receivable

In the audit year, the Foundation received a payment of \$80,000, representing the final amount due on its note receivable. The note had originated with a 2001 bequest from an individual, which included an installment note of \$200,000 for the creation of a scholarship endowment.

5 Support our Students Program

The Foundation is recipient for annual N.C. Department of Juvenile Justice grants which fund the Support our Students (SOS) program. Funds are passed on to sub-recipients, Jackson and Swain County Schools, on reimbursement basis. SOS is a referral-based program designed to provide young people with educational and social activities during after-school hours. For the audit year, the Foundation received grants of \$76,500 for the Jackson County program and \$71,400 for the Swain County program.

6 New Century Scholars Program

The Foundation receives and manages funds contributed to the New Century Scholars program -- a joint effort among Jackson, Macon and Swain County public schools and the College to

provide incentives in the form of scholarships to students on the basis of citizenship and leadership criteria. Under this program, the College offers selected students in the three counties full tuition for two years if they meet program requirements. The Foundation manages 35 funds representing contributions and special event revenue that has been received for scholarships for students from public schools in each county who have entered college, or will be entering college, in the years 2001 thru 2012. Contributions to this program by year and by county were as follows:

<u>Year Ended June 30:</u>	<u>Jackson</u>	<u>Macon</u>	<u>Swain</u>
2004	\$ 16,270	\$ 23,121	\$ 13,877
2005	15,895	25,486	15,395
Total	<u>\$ 32,165</u>	<u>\$ 48,607</u>	<u>\$ 29,272</u>

In addition to the annual scholarship funds above, each of the three counties established New Century Scholar endowments funds in 2003. Balances in these permanently restricted funds are reflected in Note 8 below.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<u>As of June 30:</u>	<u>2005</u>	<u>2004</u>
New Century Scholars Program (35 Funds)	\$ 891,184	\$ 790,285
Scholarships from Non-Endowed Funds (14 Funds)	108,596	111,301
Scholarships from Endowed Funds (18 Funds)	100,110	96,120
Support our Students program (2 Funds)	12,601	80,981
Community Link System-Cherokee	3,552	84,867
Scholarships-N.C. Community College Trust Fund	-	25,000
Weekend Nursing Program	-	45,830
William Groves Home	46,118	42,498
Ultrasonography Program	3,241	47,114
Student Development Grant -Verizon	6,448	3,348
E-Commerce Program-Wachovia	1,916	2,192
Kiwanis Book Fund	5,742	5,745
Other Restricted Funds (13 Funds)	23,221	22,030
Total Temporarily Restricted Net Assets	<u>\$ 1,202,729</u>	<u>\$ 1,357,311</u>

8. Permanently Restricted Net Assets

Permanently restricted net assets consists of the following scholarship endowment funds:

<u>As of June 30:</u>	<u>2005</u>	<u>2004</u>
Edward Wilson Scholarship Fund	\$ 279,471	\$ 257,276
Pamela Shirley Memorial Scholarship	411,091	383,694

Permanently Restricted Net Assets (cont)

Nancy Sutton Winecoff Endowment Fund	28,024	26,716
Robert L. and Freda Hopper Scholarship Fund	41,546	39,238
David Sneed Scholarship Fund	6,441	6,441
Fred B. Holcombe Scholarship Endowment Fund	7,108	7,108
Toi Walters Charlton Scholarship Fund	6,750	6,750
Jane Perry Scholarship Fund	6,276	6,276
Jackson County Chamber Scholarship Fund	22,835	21,489
Jackson County NCS Endowment	19,721	19,721
Macon County NCS Endowment	16,253	15,791
Swain County NCS Endowment	17,877	16,492
James Herron Endowment	16,527	15,214
Don Craig Memorial Endowment	15,068	15,068
El Bayadi Family Scholarship Endowment	24,483	15,213
Craig Memorial Scholarship Endowment	110,186	101,424
Pat Holt Scholarship Endowment	29,153	26,882
Moody Scholarship Endowment	16,540	-
Total Permanently Restricted Net Assets	<u>\$ 1,075,350</u>	<u>\$ 980,793</u>

9. Special Events

The Foundation conducted the following fundraising events during the year. Unrestricted proceeds from the annual events are used to fund scholarships and grants and for expenses incurred by the Foundation. In addition, the Foundation holds events to benefit the New Century Scholars (NCS) programs in Jackson, Swain and Macon counties. Income and expenses for these events are summarized as follows:

<u>Year Ended June 30, 2005:</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Proceeds</u>
2004 Golf Tournament (Unrestricted)	\$ 13,713	\$ 4,591	\$ 9,122
Dinner Theater (Unrestricted)	5,165	716	4,449
Ducks on the Tuck (Jackson NCS)	19,815	5,224	14,591
Bucks for Ducks (Swain NCS)	2,405	160	2,245
Great Ducky Dash (Macon NCS)	1,768	600	1,168
Totals	<u>\$ 42,866</u>	<u>\$ 11,291</u>	<u>\$ 31,575</u>

10. Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2004, from which the summarized information was derived. In addition, certain reclassifications have been made to the prior year data to conform to the current year presentation.