

**THE WALLACE STATE COMMUNITY COLLEGE
FUTURE FOUNDATION, INC.**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets – June 30, 2019 and 2018	4
Statements of Functional Expense	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 – 17



DiPiazza LaRocca Heeter & Co, LLC
510 Office Park Drive • Suite 100
Birmingham, AL 35223
205.871.9973
www.dlhcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Wallace State Community College
Future Foundation, Inc.

We have audited the accompanying financial statements of The Wallace State Community College Future Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 The Wallace State Community College Future Foundation, Inc., as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DiPiazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

December 18, 2019

**THE WALLACE STATE COMMUNITY COLLEGE
FUTURE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash	\$ 429,033	\$ 284,190
Pledges receivable, net	442,348	626,194
Investments	3,374,607	2,858,927
Dividend receivable	443	443
Prepaid insurance	699	699
Total Current Assets	4,247,130	3,770,453
 LAND	 125,000	 125,000
 Total Assets	 \$ 4,372,130	 \$ 3,895,453
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 140,700	\$ -
Total Liabilities	140,700	-
 NET ASSETS		
Without donor restrictions	112,682	91,760
With donor restrictions	4,118,748	3,803,693
Total Net Assets	4,231,430	3,895,453
 Total Liabilities and Net Assets	 \$ 4,372,130	 \$ 3,895,453

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

**THE WALLACE STATE COMMUNITY COLLEGE
FUTURE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018**

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE						
Contributions	\$ 320,459	\$ 405,745	\$ 726,204	\$ 237,549	\$ 1,234,948	\$ 1,472,497
Net investment return	-	223,480	223,480	-	93,227	93,227
Net assets released from restrictions	314,170	(314,170)	-	166,829	(166,829)	-
Total Revenue	634,629	315,055	949,684	404,378	1,161,346	1,565,724
EXPENSES						
Program services	543,133	-	543,133	374,083	-	374,083
Fundraising	10,969	-	10,969	9,241	-	9,241
Management and general	59,605	-	59,605	119,672	-	119,672
Total Expenses	613,707	-	613,707	502,996	-	502,996
Change in net assets	20,922	315,055	335,977	(98,618)	1,161,346	1,062,728
Net assets - beginning of year	91,760	3,803,693	3,895,453	190,378	2,642,347	2,832,725
Net assets - end of year	<u>\$ 112,682</u>	<u>\$ 4,118,748</u>	<u>\$ 4,231,430</u>	<u>\$ 91,760</u>	<u>\$ 3,803,693</u>	<u>\$ 3,895,453</u>

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

**THE WALLACE STATE COMMUNITY COLLEGE
FUTURE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019				2018			
	<u>Program Services</u> University Support Expenses	<u>Supporting Services</u> Management and General		<u>Total</u> Expenses	<u>Program Services</u> University Support Expenses	<u>Supporting Services</u> Management and General		<u>Total</u> Expenses
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,215	\$ -	\$ 42,215
Scholarships and awards	333,105	-	-	333,105	213,247	-	-	213,247
Alumni events	129,370	-	-	129,370	98,282	-	-	98,282
Special project and events	57,840	14,460	-	72,300	21,453	21,454	-	42,907
Community outreach and relations	8,315	3,564	-	11,879	13,269	7,145	-	20,414
Employee related expenses	971	416	-	1,387	6,729	2,885	-	9,614
Meetings	408	-	-	408	1,210	-	-	1,210
Financial audit and tax preparation	4,635	4,635	-	9,270	4,200	4,200	-	8,400
Supplies and postage	1,794	1,219	2,966	5,979	1,907	476	-	2,383
Insurance	-	1,340	-	1,340	-	1,340	-	1,340
Bank charges	-	4,195	-	4,195	-	3,991	-	3,991
Advertising and marketing	-	-	5,725	5,725	-	-	9,241	9,241
Miscellaneous expense	6,695	29,776	2,278	38,749	13,786	35,966	-	49,752
Total Expenses by Function	\$ 543,133	\$ 59,605	\$ 10,969	\$ 613,707	\$ 374,083	\$ 119,672	\$ 9,241	\$ 502,996

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

**THE WALLACE STATE COMMUNITY COLLEGE
FUTURE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 335,977	\$ 1,062,728
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Present value of pledges receivable	(7,457)	19,846
Realized net investment gain	(22,460)	(2,534)
Unrealized net investment gain	(28,094)	(18,046)
Change in pledges receivable	191,303	(110,389)
Change in dividends receivable	-	440
Change in accounts payable	140,700	-
Net cash provided by operating activities	<u>609,969</u>	<u>952,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases, net of sales proceeds	<u>(465,126)</u>	<u>(1,097,389)</u>
Net cash used in investing activities	<u>(465,126)</u>	<u>(1,097,389)</u>
Net (decrease) increase in cash and cash equivalents	144,843	(145,344)
Cash and cash equivalents - beginning of the year	<u>284,190</u>	<u>429,534</u>
Cash and cash equivalents - end of the year	<u>\$ 429,033</u>	<u>\$ 284,190</u>

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

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Wallace State Community College Future Foundation, Inc. (the Foundation) is a nonprofit corporation that assists Wallace State Community College (the College), a public institution of higher education, in the advancement of the educational objectives of the College, including the encouragement and subsidization of its students and faculty.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting which conforms to accounting principles generally accepted in the United States of America (U.S. GAAP).

Change in Accounting Principle – Financial Statement Presentation

In August 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*, which made targeted changes to the not-for-profit financial reporting model. Under the new standard, the existing three-category classification of net assets are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The standard also imposed several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The Foundation implemented ASU 2016-14 in fiscal year 2019 and has adjusted the presentation of these financial statements accordingly.

Net assets have been reclassified due to the adoption of ASU 2016-14 as of June 30, 2018 as follows:

Net Asset Classification June 30, 2018	Reclassification		
	Without Donor Restriction	With Donor Restriction	Total Net Assets
Unrestricted	\$ 91,760	\$ -	\$ 91,760
Temporarily restricted	-	1,309,388	1,309,388
Permanently restricted	-	2,494,305	2,494,305
Net assets as reported after adoption of ASU 2016-14	<u>\$ 91,760</u>	<u>\$ 3,803,693</u>	<u>\$ 3,895,453</u>

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Change in Accounting Principle – Statement of Cash Flows Presentation (Continued)

In November 2017, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted using a retrospective transition method applied to each period presented. The Foundation implemented ASU 2016-18 in fiscal year 2019 and is reflected in these financial statements accordingly.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires. That is, when the stipulated time has elapsed; when the stipulated purpose for which the resource was restricted has been fulfilled; or both.

Donated Services, Materials and Facilities

Donated goods are reflected as contributions at their estimated fair market value at the date of donation. The Foundation receives donated services from a variety of unpaid volunteers assisting the Foundation in fundraising and other programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts under U.S. GAAP has not been satisfied.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions and Pledges Receivable

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor-restricted revenue that increases net assets with donor restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Pledges receivable represent unconditional promises to give and are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recorded as pledges receivable until such time as the conditions are substantially met.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or pledges receivable. There was no valuation allowance for pledges receivable at June 30, 2019 and 2018.

Investment Valuation and Income Recognition

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* as well as subsequent guidance in Accounting Standards Update (ASU) 2015-12 *Plan Accounting Defined Contribution: (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, and (Part III) Measurement Date Expedient*.

The year to year increase or decrease in value of investments is reflected in the accompanying statements of activities and changes in net assets. Realized gains and losses on the sale of investments are calculated based on the specific identification method.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Land

Land is carried at the estimated fair value at the date of the gift less depreciation, where applicable.

Functional Expenses

Program services and activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the Foundation exists. Those services are the major purpose for and the major output of the Foundation.

Supporting services are all activities other than program including management and general and fundraising activities. The allocations have been based on related financial data. The expense allocation methods are reviewed by management and revised when necessary to reflect significant changes in the nature or level of the personnel, the use of space and the consumption of supplies.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service (IRS) has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. The Foundation has no income from an unrelated trade or business and therefore there is no income tax provision provided for such activities.

The Foundation follows the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of June 30, 2018, the Foundation had no uncertain tax positions that qualify for disclosure in financial statements. The Foundation files an annual Form 990 with the IRS and its tax returns for previous open tax years may be subject to examination by taxing authorities.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01 *Financial Instruments (Topic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new guidance is effective for the Foundation's fiscal periods beginning after December 15, 2018. Management is currently assessing the impact, if any, of the adoption of ASU 2016-01 on the Foundation's financial statements.

In August 2016, the FASB issued ASU 2016-15 *Classification of Certain Cash Receipts and Cash Payments* which clarifies the classification of eight specific cash flow issues in an entity's statement of cash flows where it was determined by the FASB that there is a diversity in practice. The new guidance is effective for the Foundation's fiscal periods beginning after December 15, 2018. Retrospective transition is required for each period presented in the statement of cash flows. Management is currently assessing the impact, if any, of the adoption of ASU 2016-15 on the Foundation's financial statements.

In November 2017, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted using a retrospective transition method applied to each period presented. Management is currently assessing the impact, if any, of the adoption of ASU 2016-18 on the Foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The new guidance is effective for fiscal years beginning after June 15, 2018, for contributions received and December 15, 2019, for contributions made. Management is currently assessing the impact, if any, of the adoption of ASU 2018-08 on the Foundation's financial statements.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those in the current year. Except as noted, such reclassifications had no effect on previously reported net assets or changes in net assets.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Liquidity required to award scholarships is provided by non-endowment donor contributions generally made to specific scholarship funds and returns on the Foundation’s investment portfolio. The bulk of the investment portfolio is comprised of marketable securities that can be redeemed as needed.

Operating liquidity is funded by contributions made by individuals and businesses. This source of income can be used to fund operations to the extent that the contributions have no restrictions. The table below presents the Foundation’s financial assets available for general expenses within one year of the statement of financial position date:

Financial assets:	
Cash and cash equivalents	\$ 429,033
Promises to give due in one year, net	188,043
Investments	3,374,607
Dividends receivable	443
Total financial assets available at June 30, 2019	<u>3,992,126</u>
Less amounts not available to be used within one year due to:	
Net assets with donor restrictions	(4,118,748)
Accounts payable	<u>(140,700)</u>
	<u>(4,259,448)</u>
Deficit of financial assets available to meet general expenses within one year	<u>\$ (267,322)</u>

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 3 – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Money market funds	\$ 59,738	\$ 59,738	\$ -
Mutual funds	3,142,257	3,314,869	172,612
Total	<u>\$ 3,201,995</u>	<u>\$ 3,374,607</u>	<u>\$ 172,612</u>

Investments are stated at fair value and are summarized as follows as of June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Money market funds	\$ 85,957	\$ 85,957	\$ -
Mutual funds	2,627,128	2,772,970	145,842
Total	<u>\$ 2,713,085</u>	<u>\$ 2,858,927</u>	<u>\$ 145,842</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation follows ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, fair value is defined as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of investments)

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its calculation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy, the Foundation’s assets that are measured at fair value on a recurring basis as of June 30, 2019 and 2018:

	June 30, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market funds	\$ 59,738	\$ 59,738	\$ -	\$ -
Mutual funds	3,314,869	3,314,869	-	-
Total investments	\$ 3,374,607	\$ 3,374,607	\$ -	\$ -

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

	<u>June 30, 2018</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Money market funds	\$ 85,957	\$ 85,957	\$ -	\$ -
Mutual funds	<u>2,772,970</u>	<u>2,772,970</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,858,927</u>	<u>\$ 2,858,927</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

Level 1 measurements

Mutual funds: Comprised of pools of money received from many investors which is managed by an investment company. Investments include stocks, bonds or other assets. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access.

NOTE 5 – PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30, 2019:

Receivable in less than one year	\$ 200,000
Receivable in one to five years	<u>277,565</u>
Total unconditional promises to give	477,565
Less discounts to net present value at 4.0%	<u>(35,217)</u>
Net unconditional promises to give	<u>\$ 442,348</u>

Unconditional promises to give are as follows at June 30, 2018:

Receivable in less than one year	\$ 178,168
Receivable in one to five years	<u>490,700</u>
Total unconditional promises to give	668,868
Less discounts to net present value at 4.25%	<u>(42,674)</u>
Net unconditional promises to give	<u>\$ 626,194</u>

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 6 – ENDOWMENT

The Foundation’s endowment consists of donor-restricted funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has concluded that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the “historic dollar value” of donor-restricted endowment funds. “Historic dollar value” as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to the such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Foundation classifies the historic dollar value of a donor-restricted endowment fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in Alabama Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Notwithstanding the foregoing accounting classifications, unless the gift instrument creating a donor-restricted endowment fund expressly provides otherwise, the board of the Foundation may, as provided in Alabama UPMIFA, from time to time, appropriate for expenditure such portion of the permanently restricted net assets that it determines is prudent.

The Foundation has adopted investment and spending policies approved by the Board of Directors for endowment assets to be held with the intent to provide support for the Foundation’s mission over the long term. The primary investment objectives are to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to beneficiaries in accordance with the Foundation’s spending policy. In order to achieve these objectives, the long-term rate of return required is the inflation rate plus the Foundation’s current spending rate. Actual returns in any given year may vary from these established rates of return.

Under the terms of the Foundation’s governing documents, the Board of Directors has established an Investment Committee to ensure that endowment assets are invested with skill, care, prudence and diligence. This committee selects an external investment manager to manage endowment investments. The investment manager is subject to a standard of fiduciary prudence and responsibility and discretion over the investment of the funds they manage.

The Foundation’s spending policy mandates that the first 4% of endowment earnings be allocated to each endowment beneficiary and the next 2% be allocated to a corpus fund to offset inflation. Any amount over 6% goes into unrestricted funds. Regardless of the annual investment account performance, the current budget for the endowment income will be funded and the amount required to maintain corpus growth at the rate of inflation will be accrued.

**The Wallace State Community College
Future Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 6 – ENDOWMENT – Continued

Interpretation of Relevant Law (Continued)

The following analysis shows the changes in the endowment net assets for the year ended June 30, 2019:

Endowment net assets, beginning of year	\$	2,494,305
Contributions		<u>43,039</u>
Endowment net assets, end of year	\$	<u><u>2,537,344</u></u>

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Foundation places its cash balances with financial institutions insured by the FDIC. At times, cash investments may exceed the insured limits.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Foundation utilizes office space and employees of the College. No rent or salary is paid to the College by the Foundation and no value has been recognized in the financial statements.