

**SOWELA TECHNICAL COMMUNITY COLLEGE
FOUNDATION**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

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J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sowela Technical Community College Foundation
Lake Charles, Louisiana

We have audited the accompanying financial statements of Sowela Technical Community College Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Sowela Technical Community College Foundation as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

J. Walker & Company, APC

Lake Charles, Louisiana
May 10, 2019



BASIC FINANCIAL STATEMENTS

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position
December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents, unrestricted	\$ 428,165
Receivables, net	<u>202,305</u>
Total Current Assets	<u>630,470</u>

Noncurrent Assets:

Cash and cash equivalents, restricted	2,325,906
Investments	719,652
Property and equipment, net:	<u>6,987</u>
Total Noncurrent Assets	<u>3,052,545</u>

Total Assets	<u>\$ 3,683,015</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities

Accounts payable	\$ 331
Due to affiliate	<u>442,320</u>
Total Current Liabilities	<u>442,651</u>

Long-Term Liabilities

Deferred revenues	1,034,527
Amounts held in custody for others	<u>565,333</u>

Total Long-Term Liabilities	<u>1,599,860</u>
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Total Liabilities	<u>2,042,511</u>
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Net Assets:

Unrestricted	289,578
Temporarily restricted	976,161
Permanently restricted	<u>374,765</u>

Total Net Assets	<u>1,640,504</u>
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Total Liabilities and Net Assets	<u>\$ 3,683,015</u>
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The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Statement of Activities
For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions received in current period	\$ 11,772	\$ 955,669	\$ 107,328	\$ 1,074,769
Donation of professional services	90,403	-	-	90,403
Miscellaneous revenue	11,125	-	-	11,125
Interest income	2,070	93	-	2,163
Investment income, net of expenses	-	2,917	-	2,917
Net realized & unrealized gains & losses	<u>3,877</u>	<u>15,423</u>	<u>-</u>	<u>19,300</u>
Total Revenue and Support	119,247	974,102	107,328	1,200,677
 Net Assets Released from Restrictions	660,072	(547,972)	(112,100)	-
 Functional Expenses:				
Program services	597,003	-	-	597,003
Supporting services	<u>226,465</u>	<u>-</u>	<u>-</u>	<u>226,465</u>
Total Functional Expenses	<u>823,468</u>	<u>-</u>	<u>-</u>	<u>823,468</u>
 Change in Net Assets	(44,149)	426,130	(4,772)	377,209
 Net Assets at Beginning of Year	<u>333,727</u>	<u>550,031</u>	<u>379,537</u>	<u>1,263,295</u>
 Net Assets At End of Year	<u>\$ 289,578</u>	<u>\$ 976,161</u>	<u>\$ 374,765</u>	<u>\$ 1,640,504</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Statement of Cash Flows
For the Year Ended December 31, 2017**

Cash flows from operating activities:	
Cash donations received	\$ 999,180
Interest received	2,163
Other receipts	11,125
Payments for scholarships	(156,133)
Payments for general college support	(48,291)
Payments for grants to community college	(208,351)
Cash paid for supplies and services	<u>(95,261)</u>
Net cash provided by (used in) operating activities	<u>504,432</u>
Cash flows from investing activities:	
Purchases of investments	(256,752)
Proceeds from sales and maturities of investments	<u>54,404</u>
Net cash provided by (used in) investing activities	<u>(202,348)</u>
Cash flows from financing activities:	
Contributions restricted for endowments	107,328
Increase in amounts held in custody for others	<u>119,196</u>
Net cash provided by (used in) financing activities	<u>226,524</u>
Net increase (decrease) in cash and cash equivalents	528,608
Cash and cash equivalents, beginning of year	<u>2,225,463</u>
Cash and cash equivalents, end of year	<u>\$ 2,754,071</u>
Reconciliation of changes in net assets to cash provided by (used in) operating activities	
Increase in net assets	\$ 377,209
Depreciation	18,311
Net realized & unrealized gain/loss on investment	(19,300)
Investment income, net of expenses	(2,917)
Contributions restricted for endowments	(107,328)
Decrease in receivables	67,356
Decrease in deferred revenues	(35,617)
Increase to amounts held in custody	91,036
Decrease in accounts payable	(133)
Increase in due to affiliate	<u>115,815</u>
Cash provided by (used in) operating activities	<u>\$ 504,432</u>
<u>Disclosure of non-cash items:</u>	
In-kind donations to the Foundation	\$ 26,768

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

SOWELA Technical Community College Foundation (the Foundation) was organized on October 21, 1991 and is affiliated with SOWELA Technical Community College. The Foundation is a nonprofit organization incorporated under the laws of the State of Louisiana for the purpose of raising funds to support programs and activities designed to advance, promote, or otherwise benefit SOWELA Technical Community College. The Foundation is supported primarily through contributions from the community of Southwest Louisiana.

The Foundation is exempt from federal and state income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Foundation are qualified as charitable donations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets. As of December 31, 2017, the Foundation had \$289,578 in unrestricted net assets.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be fulfilled, either by actions of the Foundation pursuant to those stipulations or with the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2017, the Foundation had \$976,161 in temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2017, the Foundation had \$374,765 in permanently restricted net assets.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents include cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with restricted cash.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Endowment Investments

The Foundation maintains pooled investment accounts for the majority of its endowments. Investment income and realized and unrealized gains and losses, net of investment and management fees, from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts and are adjusted for additions to or deductions from those accounts.

Investments are stated at fair value as further discussed in Note 6. Investment returns include dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In certain cases, investment managers report realized and unrealized gains and losses net of investment fees; accordingly, the Foundation has reported the net amount in unrealized and realized gains and losses in the accompanying statement of activities. Investment returns are reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions on those earnings. Under the Foundation's spending policy, spending cannot exceed appreciation and interest earned from the investments.

The board of directors has interpreted state law as requiring the preservation of original corpus of the permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used. The long-term objective of the Foundation's investment policy is to preserve the purchasing power of the net assets and maintain an average annual total return at or above the level of spending and fees. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide distributions as stipulated in the endowment agreement.

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met.

Contributions

Contributions are recognized when the donor makes a pledge to contribute to the Foundation that is, in substance, 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful life of assets. The class lives of the more significant items within each property classification are as follows:

Vehicles	5 years
Equipment	10 – 30 years
Furniture & Fixtures	15 – 30 years
Buildings	18 – 39 years

Compensated Absences

The Foundation relies on the donated services of the College’s employees for any work that needs to be performed; therefore, there are no compensated absences to report.

Amounts Held in Custody for Others

The Foundation holds and invests certain funds, including state matching funds and unexpended earnings on these funds, on behalf of SOWELA Technical Community College. All Amounts Held in Custody for Others are recorded at fair market value.

Expense Recognition and Allocation

The cost of providing the Foundation’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

Deferred Revenue

Deferred revenue consists of revenue received in advance of the period in which it is earned. If the contribution is conditional, revenue is not recorded until it becomes unconditional (the contributor no longer has a right of return or right of release because the barrier has been met). If money is received before the contribution becomes unconditional, it is recorded as deferred revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations. However, the Foundation is subject to income tax on any unrelated business taxable income. Since the Foundation had no unrelated business income for the year ended December 31, 2017, no provision for income taxes is included in the accompanying financial statements.

The Foundation files Form 990, Return of Organization Exempt from Income Tax, in the U.S. federal jurisdiction and the State of Louisiana. As of May 10, 2019, the date these financial statements were available to be issued, the 2017 Form 990 has been filed timely and was accepted by the IRS. Should the Foundation's tax status be challenged in the future, the 2015, 2016, and 2017 tax years are open to tax examination by the IRS.

In July 2006, the Financial Accounting Standards Board (FASB) issued Accounting for Uncertainty in Income Taxes, which clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires entities to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

Management has evaluated the Foundation's tax positions and concluded the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 2 – Cash and Cash Equivalents

As of December 31, 2017, cash and cash equivalents consisted of the following:

Unrestricted	\$ 428,165
Restricted:	
Amounts held in custody for others	14,285
Deferred revenue - ACT 360	1,034,527
Endowments	110,878
Restricted departmental gifts	647,596
Scholarships	<u>518,620</u>
Total restricted cash	<u>2,325,906</u>
Total cash and cash equivalents	<u>\$ 2,754,071</u>

Note 3 – Receivables

As of December 31, 2017, receivables consisted of the following:

Accounts receivable	\$ 144,805
Unconditional pledges, net	<u>57,500</u>
Receivables, net	<u>\$ 202,305</u>

Unconditional pledges receivable is due as follows at December 31, 2017:

<u>Expected to be collected in:</u>	
Less than one year	\$ 18,500
One to five years	39,500
Greater than five years	-
Less: Allowance for uncollectible pledges	<u>(500)</u>
Unconditional pledges, net	<u>\$ 57,500</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2017

Note 4 – Investments

Investments consist of the following at December 31, 2017:

<u>Investments</u>	<u>Fair Value</u>
Exchange-traded Products	\$ 440,828
Mutual Funds	223,350
Fixed Income Bonds	15,624
Hedge Funds	16,837
Private Investments & Equity	14,772
Partnership Interests	1,964
Venture Capital	6,277
Total	<u>\$ 719,652</u>

As discussed in note 6 to these financial statements, the organization is required to report its fair value measurements in one of the three levels, which are based on the ability to observe in the marketplace the inputs to the organization's valuation techniques.

Note 5 – Endowments

In order to create an 'endowed fund' with the Foundation, a donor must give a minimum initial gift as defined in the endowment agreement. The Foundation's endowments consist of individual funds established for a variety of purposes. The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and providing a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under an agreement with the College for the College's benefit. These State matching endowed funds are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors on an annual basis, with consideration given to market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the three-year rolling average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations.

Effective July 1, 2010, the Louisiana Legislature enacted Act No. 168 (the "Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits,

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 5 – Endowments (Continued)

purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

In its interpretation of the law, the Foundation’s Board of Directors has determined that it is prudent for those funds with no donor restrictions to the contrary whose market value is in excess of corpus be made available for appropriation for expenditure within the provisions of the Board’s annual establishment of spending policy. The portion that has not been determined to be available for expenditure is considered by the Board to be funds of perpetual duration and is classified as Permanently Restricted Net Assets. That portion that has been determined under relevant law by the Board to be available for appropriation is classified as Temporarily Restricted Net Assets. In making such determination, the Board considered the following factors: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; general economic conditions; the possible effect of inflation or deflation; expected total return from income and appreciation of investments; other resources of the institution; and the investment policy of the institution.

The Louisiana Board of Regents spending policy dictates that the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. Losses reduce the previous gains recognized in temporarily restricted net assets. When the temporarily restricted net assets are exhausted, the losses reduce unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment fund to corpus will first be classified as an increase in unrestricted net assets to restore any losses claimed against unrestricted net assets. Gains beyond the required level would be treated as increases to temporarily restricted net assets. For the year ended December 31, 2017, gains of \$3,877 were reported as unrestricted net assets to partially restore the losses reported as unrestricted in a prior year.

The following table includes the composition of endowment investments held by the Foundation, including pledges receivable and excluding amounts held in custody for others, as of December 31, 2017. All endowments are classified as donor restricted.

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 23,654</u>	<u>\$ 374,765</u>	<u>\$ 398,419</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017**

Note 5 – Endowments (Continued)

Changes in endowment investments held by the Foundation for the year ended December 31, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets at December 31, 2016	\$ (3,877)	\$ 5,221	\$ 379,537	\$ 380,881
Investment income				
Investment income, net of expenses	-	3,010	-	3,010
Net realized and unrealized gains/(losses)	<u>3,877</u>	<u>15,423</u>	<u>-</u>	<u>19,300</u>
Total investment income	3,877	18,433	-	22,310
Additions	-	-	107,328	107,328
Transfer of Board of Regent matched funds	(112,100)	-	-	(112,100)
Reclassifications	<u>112,100</u>	<u>-</u>	<u>(112,100)</u>	<u>-</u>
Endowment assets at December 31, 2017	<u>\$ -</u>	<u>\$ 23,654</u>	<u>\$ 374,765</u>	<u>\$ 398,419</u>

Note 6 – Fair Value Measurements

The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximized the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 6 – Fair Value Measurements (Continued)

When available, the Foundation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Foundation is required to measure at fair value (for example, unconditional promises to give and in-kind contribution).

The primary uses of fair value measures in the Foundation's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short-term investments
- recurring measurement of endowment and long-term investments.

The Foundation has a number of financial instruments, none of which are held for trading purposes. The Foundation estimates that the fair value of all financial instruments as of December 31, 2017 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Foundation on a recurring basis using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. The recorded values of cash and cash equivalents, certificates of deposit, and accrued expenses approximate their fair values based on their short-term nature. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. All fair value measurements are considered Level 1 measurements as of December 31, 2017.

Note 7 – Property and Equipment

A summary of capital assets as of December 31, 2017 is as follows:

Automobiles	\$ 92,553
Less: accumulated depreciation	<u>(85,566)</u>
Property and Equipment, net	<u>\$ 6,987</u>

Depreciation expense for the year ended December 31, 2017 totaled \$18,311.

Note 8 – Deferred Revenue

Deferred revenue consists of revenue received in advance of the period in which it is earned. As of December 31, 2017, long-term deferred revenue was made up of the donations received for the fulfillment of a matching requirement of the ACT360 Funds in the amount of \$1,034,527.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31, 2017:

<u>Purpose Restriction:</u>	
Academic support – various departments	\$ 610,921
Equipment restricted for instruction	6,987
Scholarships	335,302
Unappropriated endowment earnings	<u>22,951</u>
Total temporarily restricted net assets	<u>\$ 976,161</u>

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended December 31, 2017:

Grants to College – academic scholarships	\$ 298,033
Grants to College – academic programs	29,632
Grants to College – HC Drew private grant	201,960
Depreciation – equipment restricted for instruction	18,311
Earnings on Board of Regents matched endowment	<u>36</u>
Total released from temporary restriction	<u>\$ 547,972</u>

Note 10 – Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at December 31, 2017:

Endowed scholarships	<u>\$ 374,765</u>
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Net assets of \$112,100 were released from donor restrictions upon receipt of matched funds from the Louisiana Board of Regents in the amount of \$40,000 to create three endowed scholarships. This endowment is held and invested by the Foundation on behalf of SOWELA Technical Community College.

Note 11 – Affiliation Agreement

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit SOWELA Technical Community College. Because of the close association of the Foundation with the College, an affiliation agreement was originally entered into by both parties on May 25, 2000 with a renewed agreement entered into on December 13, 2012. The renewed agreement will be valid until such a time as one of the parties terminates the agreement with 30 days written notice.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2017

Note 12 – Related Parties

Pursuant to the affiliation agreement between the Foundation and SOWELA Technical Community College, the College provides certain personnel services and usage of space and equipment for Foundation operations. The value of these services was \$90,403 in the year ended December 31, 2017. The College donates the use of the facilities to the Foundation. The fair value of such use cannot be objectively determined. In return, the Foundation provides, solicits and manages funds for the benefit of the College.

Note 13 – Board of Trustees Compensation

The Board of Trustees is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2017.

Note 14 – Concentrations of Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and cash equivalents and investments. As of December 31, 2017, fund on deposit with various financial institutions exceeded available Federal Deposit Insurance Coverage (“FDIC”) by \$2,467,381. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

Note 15 – Contingencies

Amounts received may be temporarily or permanently restricted per donor specification. Failure by the Foundation to comply with donor specifications may result in the donor requesting that the contribution be returned. As of December 31, 2017, the Foundation has met all donor specifications on all temporarily and permanently restricted contributions, and accordingly, no provision has been made for any liabilities that might arise from noncompliance.

The Foundation is supported by contributions from individuals as well as from local businesses. Contributions are fairly spread out among the local southwest Louisiana region; therefore, there is no concern of a concentration of risk from a few or small group of contributors or any one donor. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Grant Agreement between CITGO Petroleum Corporation and SOWELA Foundation

On July 1, 2017, the Foundation entered into a grant agreement with CITGO Petroleum Corporation (CITGO) in order to create a STEM Pipeline in Southwest Louisiana. CITGO donated \$25,000 to the Foundation to be used for the sole purpose of creating the STEM Pipeline in accordance with the terms and conditions of the agreement. It was agreed that the donation, once made to the Foundation in accordance with the agreement, would constitute an irrevocable gift to the Foundation. The Foundation is required to expend all funds by June 30, 2018. Any amounts of the donation not used for the purposes of the agreement shall be refunded to CITGO by the Foundation. As of December 31, 2017, the Foundation anticipates that all funds will be expended by June 30, 2018 in accordance with the agreement.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2017

Note 15 – Contingencies (Continued)

Cooperative Agreement between BG Lake Charles Operations, LLC and SOWELA Foundation

In September 26, 2016, the Foundation entered into a cooperative agreement with BG Lake Charles Operations, LLC (BG) in support of the College's Process Technology and Industrial Instrumentation Dual Enrollment Programs. BG provided a grant in the amount of \$262,486 to be expended by September 1, 2017 according to the terms and conditions of this agreement. Per the agreement, any unspent funds are to be returned to BG unless both parties agree in writing to use unused amounts for another purpose. Due to an unforeseen decision by the Calcasieu Parish School Board to temporarily suspend the transportation of students across the I-210 bridge, participation in the Dual Enrollment program decreased dramatically. This decrease in enrollment led to a decrease in spending and unspent funds. Therefore, an addendum to the September 26, 2016 agreement was executed in July 2017. This addendum allowed for spending of the grant to continue through July 31, 2018. As of December 31, 2017, the Foundation anticipates that all funds will be expended by July 31, 2018 in accordance with the addendum.

Note 16 – Grants to SOWELA Technical Community College

Pursuant to the affiliation agreement between the Foundation and the College, which states in part "the purpose of the Foundation shall be to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the college," the Foundation made grants to, or on behalf of, the College totaling \$480,298. The amount remaining as Due to Affiliate as of December 31, 2017 totaled \$442,320.

Note 17 – Amounts Held in Custody for Others

Amounts held in custody for others represent funds held by the Foundation on behalf of the College for long-term investment purposes. The fair value of these assets was \$565,333 as of December 31, 2017.

Note 18 – Subsequent Events

Management of the Foundation evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through May 10, 2019, the date which the financial statements were available to be issued.

Supplementary Information

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2017**

	Program Services	Supporting Services			Total Expenses
		Management and General	Fund Raising	Supporting Services	
Administrative expenses	-	585	877	1,462	1,462
Advertising & promotions	-	-	31,358	31,358	31,358
Board meeting expense	-	1,945	-	1,945	1,945
Depreciation	-	18,311	-	18,311	18,311
General college support	4,569	43,722	-	43,722	48,291
Grants to community college - academic scholarships	248,707	-	-	-	248,707
Grants to community college - academic programs	231,591	-	-	-	231,591
Legal & professional services	-	11,375	-	11,375	11,375
Miscellaneous expense	-	9	-	9	9
Professional services & supplies- donated	-	90,403	-	90,403	90,403
Software maintenance	-	10,029	-	10,029	10,029
Supplies	-	132	17,719	17,851	17,851
Transfer to college - Board of Regents match	112,136	-	-	-	112,136
Total Functional Expenses	<u>\$ 597,003</u>	<u>\$ 176,511</u>	<u>\$ 49,954</u>	<u>\$ 226,465</u>	<u>\$ 823,468</u>

The accompanying notes are an integral part of the financial statements



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

Report on Compliance with the Affiliation Agreement with Sowela Technical Community College

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

We have examined Sowela Technical Community College Foundation's compliance with the affiliation agreement with the Sowela Technical Community College for the year ended December 31, 2017. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, Sowela Technical Community College Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2017.

This report is intended solely for the information and use of board members and management of the Sowela Technical Community College Foundation and is not intended to be and should not be used by anyone other than these specified parties.

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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
May 10, 2019

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