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COLLEGE FOUNDATION, INC.

June 30, 2015 and 2014

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Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of College Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 College Foundation, Inc. as of June 30, 2015 and 2014, 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.

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Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 6 through 11 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Foundation, Inc.'s internal control over financial reporting and compliance.

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
September 28, 2015

STATEMENTS OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Statements of Financial Position
June 30, 2015 and 2014

ASSETS

	2015	
	Unrestricted	Temporarily Restricted
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	\$ 15,948,138	\$
Service Fees Receivable (Note 1G)	6,223,357	
Other Accounts Receivable (Note 1H)	2,911,570	
Accrued Interest Receivable	15,014	
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 8)	117,702	
N.C. College Savings and Investment Program Accounts (Note 1K)	100,000	3,602
Unamortized Lease Commission (Notes 1M and 14)	26,169	
Prepaid Expenses	1,382,600	
Total Current Assets	26,724,550	3,602
 PROPERTY AND EQUIPMENT (Notes 1L and 6)	 17,302,918	
 OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated (Notes 1F, 12, and 23)	124,092	
Other Investments: Board Designated (Notes 1J, 12, and 23)	1,802,678	
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 8)	900,000	
Single Premium Income Annuity (Note 19)	11,673	
N.C. College Savings and Investment Program Accounts (Note 1K)	413,488	
Deferred Compensation (Note 16)	99,852	
Accrued Postretirement Benefit Asset (Note 17)	683,181	
Unamortized Lease Commission (Notes 1M and 14)		
Prepaid Expenses	301,938	
Total Other Assets	4,336,902	
Total Assets	\$ 48,364,370	\$ 3,602
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,444,622	\$
Excess Revenue Payable to N.C. SEAA (Note 1N)		
Accrued Salary and Annual Leave	759,668	
Deferred Service Fee Revenue (Note 1O)	4,718,128	
Deferred Compensation Payable (Note 16)	114,233	
Other (Note 3)	1,372,129	
Total Current Liabilities	8,408,780	
 LONG-TERM LIABILITIES:		
Deferred Compensation Payable (Note 16)	14,688	
Contingency for Uninsured Loans (Notes 1P and 5B)	4,200,000	
Total Long-Term Liabilities	4,214,688	
Total Liabilities	12,623,468	
 NET ASSETS (Note 11)	 35,740,902	 3,602
Total Liabilities and Net Assets	\$ 48,364,370	\$ 3,602

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

2014					
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	\$ 15,948,138	\$ 16,539,049	\$	\$	\$ 16,539,049
	6,223,357	6,354,955			6,354,955
	2,911,570	2,006,870			2,006,870
	15,014	15,273			15,273
	117,702	132,086			132,086
	103,602	88,762	14,801		103,563
	26,169	26,169			26,169
	<u>1,382,600</u>	<u>1,465,167</u>			<u>1,465,167</u>
	<u>26,728,152</u>	<u>26,628,331</u>	<u>14,801</u>		<u>26,643,132</u>
	<u>17,302,918</u>	<u>17,546,459</u>			<u>17,546,459</u>
	124,092	2,210,275			2,210,275
	1,802,678				
	900,000	1,010,000			1,010,000
	11,673	11,506			11,506
555,000	968,488	361,895		555,000	916,895
	99,852	77,898			77,898
	683,181	822,307			822,307
		26,169			26,169
	<u>301,938</u>	<u>235,144</u>			<u>235,144</u>
<u>555,000</u>	<u>4,891,902</u>	<u>4,755,194</u>		<u>555,000</u>	<u>5,310,194</u>
<u>\$ 555,000</u>	<u>\$ 48,922,972</u>	<u>\$ 48,929,984</u>	<u>\$ 14,801</u>	<u>\$ 555,000</u>	<u>\$ 49,499,785</u>
\$	\$ 1,444,622	\$ 1,574,221	\$	\$	\$ 1,574,221
		691,964			691,964
	759,668	670,226			670,226
	4,718,128	2,739,004			2,739,004
	114,233	91,982			91,982
	<u>1,372,129</u>	<u>1,711,979</u>			<u>1,711,979</u>
	<u>8,408,780</u>	<u>7,479,376</u>			<u>7,479,376</u>
	14,688	29,071			29,071
	<u>4,200,000</u>	<u>4,800,000</u>			<u>4,800,000</u>
	<u>4,214,688</u>	<u>4,829,071</u>			<u>4,829,071</u>
	<u>12,623,468</u>	<u>12,308,447</u>			<u>12,308,447</u>
<u>555,000</u>	<u>36,299,504</u>	<u>36,621,537</u>	<u>14,801</u>	<u>555,000</u>	<u>37,191,338</u>
<u>\$ 555,000</u>	<u>\$ 48,922,972</u>	<u>\$ 48,929,984</u>	<u>\$ 14,801</u>	<u>\$ 555,000</u>	<u>\$ 49,499,785</u>

STATEMENTS OF ACTIVITIES

COLLEGE FOUNDATION, INC.
 Statements of Activities
 For The Years Ended June 30, 2015 and 2014

	2015	
	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS:		
Revenues, Gains, and Other Support:		
Service Fees (Notes 1A and 2)	\$ 23,991,553	\$
Interest Income (Notes 1J, 1K, 3, 4, and 13)	44,431	7,014
Rental Income (Note 15)	154,610	
Reduction in Contingency for Uninsured Loans (Notes 1P and 5B)	569,336	
Miscellaneous	20,022	
Net Assets Released from Restrictions	18,213	(18,213)
Total Revenues, Gains, and Other Support	24,798,165	(11,199)
 Total Expenses (Note 21)	 25,539,674	
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(741,509)	(11,199)
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	(139,126)	
CHANGES IN NET ASSETS	(880,635)	(11,199)
NET ASSETS--Beginning of Year	36,621,537	14,801
NET ASSETS--End of Year	\$ 35,740,902	\$ 3,602

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

2014					
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	\$ 23,991,553	\$ 28,961,353	\$	\$	\$ 28,961,353
	51,445	37,253	7,019		44,272
	154,610	196,784			196,784
	569,336	588,849			588,849
	20,022	34,848			34,848
	33,484	(33,484)			(33,484)
	<u>24,786,966</u>	<u>29,852,571</u>	<u>(26,465)</u>		<u>29,826,106</u>
	<u>25,539,674</u>	<u>32,062,912</u>			<u>32,062,912</u>
	(752,708)	(2,210,341)	(26,465)		(2,236,806)
	<u>(139,126)</u>	<u>2,239,462</u>			<u>2,239,462</u>
	(891,834)	29,121	(26,465)		2,656
<u>555,000</u>	<u>37,191,338</u>	<u>36,592,416</u>	<u>41,266</u>	<u>555,000</u>	<u>37,188,682</u>
<u>\$ 555,000</u>	<u>\$ 36,299,504</u>	<u>\$ 36,621,537</u>	<u>\$ 14,801</u>	<u>\$ 555,000</u>	<u>\$ 37,191,338</u>

COLLEGE FOUNDATION, INC.
 Statements of Cash Flows
 For The Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (891,834)	\$ 2,656
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,966,225	2,057,714
Amortization of Lease Commission	26,169	26,169
Changes In:		
Service Fees Receivable	281,318	1,772,131
Other Receivables	(1,054,420)	(287,982)
Accrued Interest Receivable	259	3,332
Education Loans	124,384	146,028
Prepaid Expenses	15,773	190,272
Accrued Postretirement Benefit Asset	139,126	(2,514,868)
Accounts Payable	(129,599)	(171,991)
Excess Revenue Payable to N.C. SEAA	(691,964)	282,642
Accrued Salary and Annual Leave	89,442	(79,735)
Deferred Service Fee Revenue	1,979,124	757,540
Deferred Compensation Payable	(14,086)	(13,791)
Other Current Liabilities	(339,850)	1,448,793
Contingency for Uninsured Loans	(600,000)	(600,000)
Net Cash Provided by Operating Activities	900,067	3,018,910
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note Receivable		100,000
Cash Value of Single Premium Income Annuity	(167)	(160)
Purchase of Other Investments	(1,802,678)	
Deposits to N.C. College Savings and Investment Program Accounts	(104,724)	(125,775)
Distributions from N.C. College Savings and Investment Program Accounts	53,092	33,484
Proceeds from Sale of Property and Equipment	3,000	
Purchase of Property and Equipment	(1,725,684)	(1,586,533)
Net Cash Used by Investing Activities	(3,577,161)	(1,578,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,677,094)	1,439,926
CASH AND CASH EQUIVALENTS--Beginning of Year	18,749,324	17,309,398
CASH AND CASH EQUIVALENTS--End of Year	\$ 16,072,230	\$ 18,749,324

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

DETAILED SCHEDULE OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Detailed Schedule of Financial Position
June 30, 2015

ASSETS

	Unrestricted	
	Operating Fund	Special Scholarship Fund
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	\$ 14,659,460	\$ 175,000
Service Fees Receivable (Note 1G)	6,223,357	
Other Accounts Receivable (Note 1H)	1,690,502	
Accrued Interest Receivable		15,014
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 8)		117,702
N.C. College Savings and Investment Program Accounts (Note 1K)		100,000
Unamortized Lease Commission (Notes 1M and 14)	26,169	
Prepaid Expenses	1,382,600	
Interfund Receivables (Payables)	(81,918)	570,421
Total Current Assets	23,900,170	978,137
 PROPERTY AND EQUIPMENT (Notes 1L and 6)	 17,302,918	
 OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated (Notes 1F, 12, and 23)		124,092
Other Investments: Board Designated (Notes 1J, 12, and 23)		1,802,678
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 8)		900,000
Single Premium Income Annuity (Note 19)	11,673	
N.C. College Savings and Investment Program Accounts (Note 1K)		413,488
Deferred Compensation (Note 16)	99,852	
Accrued Postretirement Benefit Asset (Note 17)	683,181	
Prepaid Expenses	301,938	
Total Other Assets	1,096,644	3,240,258
Total Assets	\$ 42,299,732	\$ 4,218,395
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,444,622	\$
Accrued Salary and Annual Leave	759,668	
Deferred Service Fee Revenue (Note 1O)	4,718,128	
Deferred Compensation Payable (Note 16)	114,233	
Other (Note 3)	86,282	4,248
Total Current Liabilities	7,122,933	4,248
 LONG-TERM LIABILITIES		
Deferred Compensation Payable (Note 16)	14,688	
Contingency for Uninsured Loans (Notes 1P and 5B)	4,200,000	
Total Long-Term Liabilities	4,214,688	
Total Liabilities	11,337,621	4,248
 NET ASSETS (Note 11)	 30,962,111	4,214,147
Total Liabilities and Net Assets	\$ 42,299,732	\$ 4,218,395

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

Special Nonassigned Loan Fund	Total Unrestricted	Temporarily Restricted Special Nonassigned Loan Fund	Permanently Restricted Special Nonassigned Loan Fund	Total
\$ 1,113,678	\$ 15,948,138	\$	\$	\$ 15,948,138
	6,223,357			6,223,357
1,221,068	2,911,570			2,911,570
	15,014			15,014
	117,702			117,702
	100,000	3,602		103,602
	26,169			26,169
	1,382,600			1,382,600
(488,503)				
1,846,243	26,724,550	3,602		26,728,152
	17,302,918			17,302,918
	124,092			124,092
	1,802,678			1,802,678
	900,000			900,000
	11,673			11,673
	413,488		555,000	968,488
	99,852			99,852
	683,181			683,181
	301,938			301,938
	4,336,902		555,000	4,891,902
\$ 1,846,243	\$ 48,364,370	\$ 3,602	\$ 555,000	\$ 48,922,972
\$	\$ 1,444,622	\$	\$	\$ 1,444,622
	759,668			759,668
	4,718,128			4,718,128
	114,233			114,233
1,281,599	1,372,129			1,372,129
1,281,599	8,408,780			8,408,780
	14,688			14,688
	4,200,000			4,200,000
	4,214,688			4,214,688
1,281,599	12,623,468			12,623,468
564,644	35,740,902	3,602	555,000	36,299,504
\$ 1,846,243	\$ 48,364,370	\$ 3,602	\$ 555,000	\$ 48,922,972

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2015

	Operating Fund	Special Scholarship Fund	Unrestricted Special Nonassigned Loan Fund
OPERATING:			
Revenues, Gains, and Other Support:			
Service Fees (Notes 1A and 2):			
Trust, Bond and Escheat Loan Programs	\$ 10,821,716	\$	\$
General Loan Program	27,714		
Special Loan Program	138,621		
UNC Need-Based Grant Program	186,641		
N.C. Community College Grant Program	37,052		
N.C. College Savings and Investment Program	2,873,368		
College Foundation of North Carolina	4,450,001		
EXTRA Education Loan Program	613,791		
EXTRA MBA Loan Program	26,051		
College Funds Installment Payment Plan	27,945		
N.C. Education Lottery Scholarship Program	54,374		
School Services	1,865,579		
N.C. Need-Based Scholarship Program	100,308		
Direct Loan Program	81,627		
EX\$EL Program	365,307		
Management and Computer Services	904,911		
Other Program Services	1,439,819		
Total Service Fees	<u>24,014,825</u>	<u> </u>	<u> </u>
Interest Income:			
Cash and Cash Equivalents		3,171	
Other Investments (Note 1J)		3,134	
Education Loan Borrowers		50,062	
U.S. Department of Education Interest Benefits (Note 3)		5,170	
U.S. Department of Education Special Allowance (Note 3)		684	
Excess Borrower Interest Remitted to U.S. Department of Education (Note 3)		(23,500)	
N.C. College Savings and Investment Program Accounts (Notes 1K and 13)		5,710	
Total Interest Income		<u>44,431</u>	
Rental Income (Note 15)	154,610		
Reduction in Contingency for Uninsured Loans (Notes 1P and 5B)	569,336		
Miscellaneous	20,022		
Net Assets Released from Restrictions		11,238	6,975
Total Revenues, Gains, and Other Support	<u>24,758,793</u>	<u>55,669</u>	<u>6,975</u>

(Continued)

Eliminations	Total Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		Special Scholarship Fund	Special Nonassigned Loan Fund	Total Temporarily Restricted	Special Nonassigned Loan Fund	
\$	\$ 10,821,716	\$	\$	\$	\$	\$ 10,821,716
	27,714					27,714
23,272	115,349					115,349
	186,641					186,641
	37,052					37,052
	2,873,368					2,873,368
	4,450,001					4,450,001
	613,791					613,791
	26,051					26,051
	27,945					27,945
	54,374					54,374
	1,865,579					1,865,579
	100,308					100,308
	81,627					81,627
	365,307					365,307
	904,911					904,911
	1,439,819					1,439,819
<u>23,272</u>	<u>23,991,553</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>23,991,553</u>
	3,171					3,171
	3,134					3,134
	50,062					50,062
	5,170					5,170
	684					684
	(23,500)					(23,500)
	5,710		7,014	7,014		12,724
	44,431		7,014	7,014		51,445
	154,610					154,610
	569,336					569,336
	20,022					20,022
	18,213	(11,238)	(6,975)	(18,213)		
<u>23,272</u>	<u>24,798,165</u>	<u>(11,238)</u>	<u>39</u>	<u>(11,199)</u>	<u> </u>	<u>24,786,966</u>

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2015

	Operating Fund	Special Scholarship Fund	Unrestricted Special Nonassigned Loan Fund
Expenses:			
Staff Salaries--Full-time or Half-time	\$ 11,000,862	\$	\$
Part-time Assistance	564,340		
Payroll Taxes	820,873		
Staff Insurance Benefits	1,797,333		
Staff Retirement Benefits (Note 16)	363,773		
Net Periodic Postretirement Benefits (Note 17)	13,417		
Postretirement Contribution Expense (Note 17)	17,668		
Deferred Compensation Benefits (Note 16)	916		
Staff Training and Development	72,026		
Membership Fees and Other Expenses for Staff Benefit	43,999		
Staff Travel, Transportation and Subsistence	30,226		
Office Materials and Supplies	403,037		
Mail Delivery and Handling	1,035,190		
Telephone and Electronic Communications	324,353		
Heat, Lights and Water	166,022		
Building Operation	191,095		
Equipment Maintenance	528,904		
Software Maintenance and License Fees	1,437,929		
Legal Fees	18,949		
External Accounting and Auditing Fees	186,265		
Consultants' Fees	491,242		
Computerized Services	583,016		
Other Contracted Operational Services	1,035,728		1,530
Property Protection and Liability Insurance (Notes 18 and 19)	182,588		
Disaster Recovery Program	115,741		
Marketing and Advertising (Note 20)	2,083,411		
Miscellaneous Expenses	151,833	2,761	
Service Fees		23,272	
Scholarship Grants		46,117	6,975
Depreciation and Amortization (Note 1L)	1,821,555		
Total Expenses (Note 21)	<u>25,482,291</u>	<u>72,150</u>	<u>8,505</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(723,498)	(16,481)	(1,530)
NONOPERATING:			
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	<u>(139,126)</u>		
CHANGES IN NET ASSETS BEFORE NET ASSETS TRANSFER	(862,624)	(16,481)	(1,530)
NET ASSETS TRANSFER (NOTE 12)	<u>(203,033)</u>	203,033	
CHANGES IN NET ASSETS	(1,065,657)	186,552	(1,530)
NET ASSETS--Beginning of Year	<u>32,027,768</u>	<u>4,027,595</u>	<u>566,174</u>
NET ASSETS--End of Year	<u>\$ 30,962,111</u>	<u>\$ 4,214,147</u>	<u>\$ 564,644</u>

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

Eliminations	Total Unrestricted	Temporarily Restricted			Permanently Restricted	Total
		Special Scholarship Fund	Special Nonassigned Loan Fund	Total Temporarily Restricted	Special Nonassigned Loan Fund	
\$	\$ 11,000,862	\$	\$	\$	\$	\$ 11,000,862
	564,340					564,340
	820,873					820,873
	1,797,333					1,797,333
	363,773					363,773
	13,417					13,417
	17,668					17,668
	916					916
	72,026					72,026
	43,999					43,999
	30,226					30,226
	403,037					403,037
	1,035,190					1,035,190
	324,353					324,353
	166,022					166,022
	191,095					191,095
	528,904					528,904
	1,437,929					1,437,929
	18,949					18,949
	186,265					186,265
	491,242					491,242
	583,016					583,016
	1,037,258					1,037,258
	182,588					182,588
	115,741					115,741
	2,083,411					2,083,411
	154,594					154,594
23,272	53,092					53,092
	1,821,555					1,821,555
<u>23,272</u>	<u>25,539,674</u>					<u>25,539,674</u>
	(741,509)	(11,238)	39	(11,199)		(752,708)
	(139,126)					(139,126)
	(880,635)	(11,238)	39	(11,199)		(891,834)
	(880,635)	(11,238)	39	(11,199)		(891,834)
	36,621,537	11,238	3,563	14,801	555,000	37,191,338
<u>\$ 0</u>	<u>\$ 35,740,902</u>	<u>\$ 0</u>	<u>\$ 3,602</u>	<u>\$ 3,602</u>	<u>\$ 555,000</u>	<u>\$ 36,299,504</u>

DETAILED SCHEDULE OF CASH FLOWS

COLLEGE FOUNDATION, INC.
Detailed Schedule of Cash Flows
For The Year Ended June 30, 2015

	Operating Fund	Special Scholarship Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (1,065,657)	\$ 175,314
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,966,225	
Amortization of Lease Commission	26,169	
Changes In:		
Service Fees Receivable	281,318	
Other Receivables	67,826	(531,593)
Accrued Interest Receivable		259
Education Loans		124,384
Prepaid Expenses	15,773	
Accrued Postretirement Benefit Asset	139,126	
Accounts Payable	(129,599)	
Excess Revenue Payable to N.C. SEAA	(691,964)	
Accrued Salary and Annual Leave	89,442	
Deferred Service Fee Revenue	1,979,124	
Deferred Compensation Payable	(14,086)	
Other Current Liabilities	(5,352)	(276)
Contingency for Uninsured Loans	(600,000)	
Net Cash Provided (Used) by Operating Activities	2,058,345	(231,912)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(167)	
Purchase of Other Investments		(1,802,678)
Deposits to N.C. College Savings and Investment Program Accounts		(97,710)
Distributions from N.C. College Savings and Investment Program Accounts		46,117
Proceeds from Sale of Property and Equipment	3,000	
Purchase of Property and Equipment	(1,725,684)	
Net Cash Used by Investing Activities	(1,722,851)	(1,854,271)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	335,494	(2,086,183)
CASH AND CASH EQUIVALENTS--Beginning of Year	14,323,966	2,385,275
CASH AND CASH EQUIVALENTS--End of Year	\$ 14,659,460	\$ 299,092

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

<u>Special Nonassigned Loan Fund</u>	<u>Total</u>
\$ (1,491)	\$ (891,834)
	1,966,225
	26,169
	281,318
(590,653)	(1,054,420)
	259
	124,384
	15,773
	139,126
	(129,599)
	(691,964)
	89,442
	1,979,124
	(14,086)
(334,222)	(339,850)
	(600,000)
<u>(926,366)</u>	<u>900,067</u>
	(167)
	(1,802,678)
(7,014)	(104,724)
6,975	53,092
	3,000
	(1,725,684)
<u>(39)</u>	<u>(3,577,161)</u>
(926,405)	(2,677,094)
<u>2,040,083</u>	<u>18,749,324</u>
<u>\$ 1,113,678</u>	<u>\$ 16,072,230</u>

SCHEDULE OF AGENCY FUNDS
June 30, 2015

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2015

ASSETS

	<u>N.C. SEAA Loan Fund</u>	<u>Bank Assigned Loan Fund</u>	<u>Special Assigned Loan Fund</u>
Cash and Cash Equivalents (Note 1F)	\$ 3,579,440	\$	\$ 17,498
Accounts Receivable:			
Agency Funds (Notes 1A and 22)	11,595,558		2,044,331
U. S. Department of Education (Note 3)		7,881	
Interfund Receivables (Payables)	1,420,560		(750,000)
College Foundation, Inc.	1,228,313	13,907	
Accrued Interest Receivable	31,484,822	60,690	254,797
Note Receivable--Other	1,082,813		
Education Loans: Foundation--Agent (Notes 1I, 2, and 8)	<u>2,061,104,157</u>	<u>4,796,868</u>	<u>23,788,635</u>
Total Assets	<u>\$ 2,111,495,663</u>	<u>\$ 4,879,346</u>	<u>\$ 25,355,261</u>

LIABILITIES

Accounts Payable:			
Agency Funds (Notes 1A and 22)	\$ 2,098,652,495	\$ 4,873,933	\$ 24,055,418
U. S. Department of Education (Note 3)	11,592,390		77,192
College Foundation, Inc.	167,965	5,413	1,222,651
Other			
Note Payable--Agency Funds	<u>1,082,813</u>		
Total Liabilities	<u>\$ 2,111,495,663</u>	<u>\$ 4,879,346</u>	<u>\$ 25,355,261</u>

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

North Carolina College Savings and Investment Program	UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
\$ 1,206,821	\$ 185,345	\$ 267,434	\$ 61,886	\$ 16,385	\$ 5,334,809
	537,319				14,177,208
	(670,560)				7,881
7,900					1,250,120
					31,800,309
					1,082,813
					<u>2,089,689,660</u>
<u>\$ 1,214,721</u>	<u>\$ 52,104</u>	<u>\$ 267,434</u>	<u>\$ 61,886</u>	<u>\$ 16,385</u>	<u>\$ 2,143,342,800</u>
\$ 427,122	\$ 312	\$ 267,434	\$ 61,886	\$ 16,385	\$ 2,128,354,985
					11,669,582
245,777					1,641,806
541,822	51,792				593,614
					<u>1,082,813</u>
<u>\$ 1,214,721</u>	<u>\$ 52,104</u>	<u>\$ 267,434</u>	<u>\$ 61,886</u>	<u>\$ 16,385</u>	<u>\$ 2,143,342,800</u>

SCHEDULE OF AGENCY FUNDS
June 30, 2014

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2014

ASSETS

	<u>N.C. SEAA Loan Fund</u>	<u>Bank Assigned Loan Fund</u>	<u>Special Assigned Loan Fund</u>
Cash and Cash Equivalents (Note 1F)	\$ 4,113,246	\$ 14,286	\$ 16,048
Accounts Receivable:			
Agency Funds (Notes 1A and 22)	13,316,951		702,797
U. S. Department of Education (Note 3)		9,459	
Interfund Receivables (Payables)	1,000,000		
College Foundation, Inc.	1,501,516		
Accrued Interest Receivable	35,202,854	57,890	183,114
Note Receivable--Other	1,624,219		
Education Loans: Foundation--Agent (Notes 1I, 2, and 8)	<u>2,351,932,231</u>	<u>5,717,227</u>	<u>18,152,570</u>
Total Assets	<u>\$ 2,408,691,017</u>	<u>\$ 5,798,862</u>	<u>\$ 19,054,529</u>

LIABILITIES

Accounts Payable:			
Agency Funds (Notes 1A and 22)	\$ 2,393,542,103	\$ 5,792,469	\$ 18,318,534
U. S. Department of Education (Note 3)	13,308,428		54,701
College Foundation, Inc.	215,717	6,393	681,294
Other	550		
Note Payable--Agency Funds	<u>1,624,219</u>		
Total Liabilities	<u>\$ 2,408,691,017</u>	<u>\$ 5,798,862</u>	<u>\$ 19,054,529</u>

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

North Carolina College Savings and Investment Program	UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
\$ 883,038	\$ 1,011,706	\$ 397,452	\$ 38,452	\$ 31,187	\$ 6,505,415
11,277					14,031,025
	(1,000,000)				9,459
1,370					1,502,886
					35,443,858
					1,624,219
					<u>2,375,802,028</u>
<u>\$ 895,685</u>	<u>\$ 11,706</u>	<u>\$ 397,452</u>	<u>\$ 38,452</u>	<u>\$ 31,187</u>	<u>\$ 2,434,918,890</u>
\$ 59,867	\$ 8,107	\$ 396,369	\$ 16,883	\$ 2,300	\$ 2,418,136,632
239,661					13,363,129
596,157	3,599	1,083	21,569	28,887	1,143,065
					651,845
					<u>1,624,219</u>
<u>\$ 895,685</u>	<u>\$ 11,706</u>	<u>\$ 397,452</u>	<u>\$ 38,452</u>	<u>\$ 31,187</u>	<u>\$ 2,434,918,890</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies

A. Organization:

College Foundation, Inc. (the Foundation) was chartered in 1955 under the N.C. Nonprofit Corporation Act for the purpose of providing financial assistance to students at institutions of higher education. The Foundation's charter specifies that the Governor of the State of North Carolina shall appoint the nine-member Board of Trustees, five of whom must be representatives of the banking industry. The Foundation continues to operate exclusively for the stated, charitable purpose. The Foundation is an eligible lender under Section 435(d)(1)(D) of Part B, Title IV, of the Higher Education Act of 1965, as amended; and has served as the central loan originator and continues to serve as the servicer for North Carolina's Federal Family Education Loan Program funded by the N.C. State Education Assistance Authority and by direct and special investment from financial institutions and other organizations. The Foundation acts as agent for the N.C. State Education Assistance Authority, participating banks, and other funds providers in administering their education loan, grant, and scholarship programs for which it receives service fees (assets and liabilities attributable to these organizations are reflected in Schedules 4 and 5). The Foundation also administers for the N.C. State Education Assistance Authority two other major programs: (1) the North Carolina College Savings and Investment Program which was launched December 3, 2001, and replaced the state's previous college savings program known as College Vision Fund, which began in May 1998, and (2) the information dissemination program known as College Foundation of North Carolina, which began in May 2000. The Internal Revenue Service recognized the Foundation as exempt in 1956. Under a 1998 ruling, the Foundation was declared a supporting organization on the basis of its administration of the state's student financial assistance programs and its governance structure under the charter and commenced operations as a public charity July 1, 1998.

B. Accrual Basis:

The accompanying financial statements have been prepared on the accrual basis of accounting using separate self-balancing fund groups to report assets, liabilities, revenues, expenses, net assets, and cash flows. Service fees are accrued according to program service agreements, based on contracted flat rates or direct and reasonably allocated indirect operating and capital costs.

C. Basis of Presentation:

The Foundation classifies resources for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Accordingly, net assets of the Foundation and changes therein may be classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to donor-imposed stipulations. Certain net assets classified as unrestricted may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted Net Assets--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

D. Restricted and Unrestricted Revenue:

The Foundation reports contributions of cash and other assets received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (Continued)

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Accounting Estimates:

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

F. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, checking accounts, sweep accounts, and other short-term investments consistent with the Investment Policy approved by the Board of Trustees. The carrying amount reflected in the Foundation's financial statements approximates fair value due to the short-term nature of these investments. The Foundation, in accordance with its bylaws, maintains these balances at financial institutions insured by the Federal Deposit Insurance Corporation, authorized to do business in North Carolina, and designated as depositories by the Board of Trustees. Excess cash in the Operating Fund may be needed to cover operating expenses for a period following the end of each calendar quarter, prior to the receipt of the Foundation's service fee from each program funding source.

G. Service Fees Receivable:

Service fees are billed monthly or quarterly and are based on contracted flat rates or on direct and reasonably allocated indirect operating and capital costs according to program service agreements. Management determines the allowance for doubtful accounts based on its assessment of prior experience with parties having outstanding balances and current relationships with them. At June 30, 2015 and 2014, service fees receivable were considered fully collectible by management; therefore, no allowance for doubtful accounts was provided.

H. Other Accounts Receivable:

Other accounts receivable primarily consist of receivables due from state and agency entities due to normal Foundation program operations and are stated at the amount management expects to collect from balances outstanding at quarter end. Management determines the allowance for doubtful accounts based upon its assessment of prior experience with parties having outstanding balances and current relationships with them. At June 30, 2015 and 2014, other accounts receivable were considered fully collectible by management; therefore, no allowance for doubtful accounts was provided.

I. Education Loans:

Education loans receivable are recorded based on unpaid principal balances, which represent net realizable value. These loans have mandated interest rates and repayment terms. See Note 5 for information regarding education loan insurance. At June 30, 2015 and 2014, management determined that the estimated uninsured amount of loans owned by the Foundation that could potentially default was immaterial; therefore, no allowance was provided.

J. Other Investments:

Certificates of deposit with maturities greater than three months are reported using the cost method.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (Continued)

K. North Carolina College Savings and Investment Program Accounts:

Funds in these accounts are in the Federally-Insured Deposit Account investment option offered by the State Employees' Credit Union. This investment option is a fixed price fund with the price per unit set at \$1.00 and unlimited insurance coverage by the National Credit Union Administration.

North Carolina College Savings and Investment Program accounts are subject to withdrawal restrictions under Section 529 of the Internal Revenue Code. These accounts are for the benefit of current and future recipients of the Victor E. Bell Jr. Scholarship and Broyhill Family Foundation Scholarship programs.

L. Property and Equipment:

Property and equipment including computer software are stated at cost if purchased or developed in-house or at fair value if donated, less accumulated depreciation or amortization. Amortization of computer software and depreciation of property and equipment are computed using the straight-line method over the estimated useful lives of assets, which range from three to forty years.

Additions and betterments of \$1,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

M. Lease Commission:

The lease commission is being amortized using the straight-line method over the life of the Yonkers Road lease.

N. Excess Revenue Payable to SEAA:

The Foundation may receive revenue from third parties for certain programs it administers for the N.C. State Education Assistance Authority. If, for a given quarter, this revenue exceeds costs incurred, the excess revenue is paid to the N.C. State Education Assistance Authority or netted against other service fee receivables due from the N.C. State Education Assistance Authority as directed by the N.C. State Education Assistance Authority.

O. Deferred Service Fee Payable:

Service fees for certain N.C. State Education Assistance Authority loan programs are billed at contractually-mandated rates. If these fees exceed actual costs incurred, revenue is held and used to offset future expenses as directed by the N.C. State Education Assistance Authority.

P. Contingency for Uninsured Loans:

A reserve for denied claims was created to cover possible losses from uncollectible education loans that were improperly originated or serviced by the Foundation. As authorized by the Board of Trustees, during the year ended June 30, 1984, the reserve was set at an amount equal to 1/10 of 1% of the total outstanding loans. On October 3, 1990, the Board authorized an increase in the reserve to 2/10 of 1%. On March 25, 1992, the Board authorized a further increase to 1/2 of 1%. On October 1, 1997, the Board authorized the deferral of any further increases in the reserve until a re-evaluation of the reserve level was completed. This study took into consideration the Foundation's improved operating efficiencies which resulted in low numbers of denied claims and loans to be written off. The results of the study were presented to the Audit Committee and, on May 4, 1999, the Board of Trustees approved a change in the basis for determining the amount in the reserve and renaming of the account as "Contingency for Uninsured Loans" to broaden its scope while preserving the original purpose. Board policy requires that an analysis be presented to

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Summary of Significant Accounting Policies (Continued)

the Board annually for re-evaluation of the appropriate funding level and the formula utilized in its calculation. As specified by the Board, the reserve is adjusted at the end of each calendar quarter to assure adequate coverage after taking into account any charge-offs for the period.

The 1992 Amendments to the Higher Education Act, P.L. 102-325, enacted July 23, 1992, authorized the Secretary of the U.S. Department of Education to publish regulations applicable to third party servicers to establish minimum standards for sound management and accountability under Part B of the Act; the regulations, published April 29, 1994, include financial responsibility standards for, and the assessment of liabilities for program violations against, such servicers.

Q. Income, Sales and Use, Excise, and Property Taxes:

The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and was classified by the IRS as a private operating foundation until 1998 when, under a new IRS ruling, the Foundation was declared a supporting organization; it commenced operation as a public charity July 1, 1998. The Foundation is exempt from excise taxes under Section 4942(j)(3) of the Code. Under Sections 105-125 and 105-130.11(3) of North Carolina General Statutes, the Foundation is exempt for franchise and income tax purposes. Contributions to the Foundation are deductible under IRS rules.

The Foundation files its Form 990, Return of Organization Exempt From Income Tax, in the U.S. Federal jurisdiction. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before the fiscal year ending June 30, 2012.

The Foundation is eligible for a refund of North Carolina Sales and Use Tax paid on purchases of tangible personal property for use in its nonprofit work pursuant to a determination made by the North Carolina Department of Revenue under the guidelines of the Sales and Use Tax Technical Bulletins, Section 17 (originally qualified under Sales and Use Tax Regulation 7). Expenses shown on the statements of activities are net of applicable Sales and Use Tax paid for which an application for refund will be filed.

The Foundation's request for property tax exemption for 2100 Yonkers Road was approved under North Carolina General Statutes Section 105-278.7 on June 24, 1988; however, effective for tax year 2006, the property tax exemption was lost since the property was no longer considered used for charitable purposes.

On January 22, 2004, the Foundation's request for property tax exemption for the Highwoods Campus was approved under North Carolina General Statutes Section 105-278.7.

R. Contributed Services:

The Foundation's nine Board members contribute their services to the Foundation. No revenue is recognized for these services as they do not meet the requirements for recognition in the financial statements. Each member attends semi-annual meetings, normally held in May and November, and serves on at least one committee providing oversight and advice for management.

S. Subsequent Events:

Subsequent events have been evaluated through September 28, 2015, which is the date the financial statements were available to be issued.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. Programs Administered by the Foundation

A. North Carolina's Federal Family Education Loan Program:

This Program covers loans made under Part B, Title IV, of the Higher Education Act of 1965, as amended. The Foundation has originated (including disbursement of the loans) and serviced loans under the Act since its enactment. From time to time, amendments to the Act have changed the names and terms of the loans. Loans originated and serviced by the Foundation have included interest-subsidized, nonsubsidized, and unsubsidized Federal Stafford Loans (including Federal Insured Student Loans/FISL), as well as Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans. These loans are eligible for State and Federal (re)insurance. The Foundation originated the first PLUS Loans to parents during the year which ended June 30, 1983; and, for this initial period, PLUS Loans were made only to parents of eligible undergraduate dependent students. Beginning July 1, 1983, PLUS Loans were also available to independent undergraduate and graduate/professional students. Effective October 16, 1986, PLUS Loans to students were redesignated by law as Supplemental Loans for Students, and PLUS Loans were made available to parents of dependent students at either the undergraduate or graduate level; effective for award years beginning after June 30, 1993, graduate students were deemed independent for student aid purposes and could no longer benefit from PLUS Loans. The Higher Education Act was subsequently amended to replace Supplemental Loans with the unsubsidized Federal Stafford Loans, effective with periods of enrollment beginning after June 30, 1994. The Foundation began originating Federal Consolidation Loans on September 10, 1998. On February 8, 2006, the Higher Education Act was amended yet again to allow graduate/professional students to borrow PLUS Loans in an amount up to their cost of attendance minus other estimated financial assistance. This change was effective for loans certified on or after July 1, 2006. On September 18, 2008, the Foundation suspended its Consolidation Loan program. On March 30, 2010, President Obama signed into law H.R. 4872, the *Health Care and Education Affordability Reconciliation Act* of 2010, which included the Student Aid and Fiscal Responsibility Act (SAFRA). Effective July 1, 2010, this legislation eliminated the authority to provide new loans under the Federal Family Education Loan (FFEL) Program and required that all new federal loans be made through the Federal Direct Loan Program. The legislation did not alter or affect the terms and conditions of existing FFEL Program loans. In the case of a majority of the loans serviced by the Foundation under this Program, the Foundation is acting as agent for the N.C. State Education Assistance Authority.

B. UNC Need-Based Grant Program:

The program was first funded by the N.C. General Assembly in July 1999 to provide need-based grants to in-State students attending constituent institutions of The University of North Carolina. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

C. N.C. Community College Grant Program:

This program was established and first funded by the N.C. General Assembly in July 1999 to provide need-based grants to students enrolled at the State's community colleges. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. Programs Administered by the Foundation (Continued)

D. North Carolina College Savings and Investment Program:

Administrative History

The Foundation acts as agent for the N.C. State Education Assistance Authority in the administration of the State's college savings and investment program which is designed to meet the requirements of a "qualified tuition program" under Section 529 of the Internal Revenue Code.

From December 3, 2001 until April 3, 2006, recordkeeping, disbursement, and transfer agent services for the Program were contracted with PFPC, Inc. and portfolio accounting and custodial services with State Street Bank and Trust Company. On March 27, 2006, the Foundation contracted with Upromise Investments, Inc. and Upromise Investment Advisors, LLC (collectively "Upromise") to begin providing these and other administrative services for the program as of April 3, 2006. Upromise subcontracted with Mellon Authority, N.A. to provide custodial services for the Foundation.

On August 29, 2007, Foundation management sent Upromise notification of contract termination and as of February 28, 2008, contracted with Upromise for the orderly transition of recordkeeping and administrative services and the continuation of Upromise Rewards, an automatic sweep functionality service. On March 3, 2008, the Foundation assumed the recordkeeping and other administrative duties previously handled by Upromise and again contracted with State Street Bank and Trust Company to provide portfolio accounting and custodial services. In March of 2010, the Foundation notified Upromise it would not renew Upromise Rewards; however, Upromise continued making the automatic sweep available until April of 2011.

In October of 2011, the Foundation terminated its contract with State Street and began to work directly with The Vanguard Group, Inc. for portfolio accounting for new Vanguard investment options. Custodial services were no longer required because the new portfolio options did not invest in any certificated securities and were unique mutual fund products offered to and managed specifically for the North Carolina College Savings and Investment Program. As of October 2011, the Foundation works directly with Vanguard, just as it has always done with the State Treasurer's Office and State Employees' Credit Union, investment managers for the Dependable Income Fund and the Federally-Insured Deposit Account investment options, respectively.

Investment Option History

The original college savings program for North Carolina, the College Vision Fund, was established May 28, 1998, offering a single option managed by the Office of the State Treasurer. On December 3, 2001, all College Vision Fund assets (a total of \$9,541,641) were rolled over into the new North Carolina College Savings and Investment Program, as provided by the rules of the N.C. State Education Assistance Authority. The new program initially offered direct or advisor-sold enrollment, the direct program as North Carolina's National College Savings Program ("NC 529 Plan") and the advisor-sold as the National College Savings Program.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. Programs Administered by the Foundation (Continued)

As of December 3, 2001, investment options made available through direct enrollment with the Foundation were:

1. Aggressive Stock Fund, managed by NCM Capital Management Group, Inc.;
2. Balanced Fund, managed by Wachovia Bank, N.A., through its affiliate Evergreen Investment Management Co., LLC;
3. College*Horizon*Funds, managed by J. & W. Seligman & Co., Incorporated; and
4. Dependable Income Fund, managed by the Office of the State Treasurer.

The Seligman College*Horizon*Funds investment option, managed by J. & W. Seligman & Co., Incorporated, was also available to participants who chose to work with a financial advisor compensated through sales and asset-based charges (advisor-sold enrollment).

On September 3, 2002, an additional investment option, the Protected Stock Fund, was made available through direct enrollment under the program. These agreements were issued by Metropolitan Life Insurance Company (MetLife) to the Foundation.

As of April 7, 2003, the following three additional investment options were made available through advisor-sold enrollment:

1. Seligman Aggressive Allocation, managed by J. & W. Seligman & Co., Incorporated;
2. Seligman Income Option, managed by J. & W. Seligman & Co., Incorporated; and
3. MetLife Protected Stock Fund, offered through a type of insurance contract known as a funding agreement issued by MetLife to the Foundation.

On December 1, 2003, an additional investment option, the Seligman Balanced Allocation, was available through advisor-sold enrollment. However, on December 15, 2004, the N.C. State Education Assistance Authority and the Foundation discontinued advisor-sold enrollment, and on March 1, 2005, transferred any assets in advisor-sold accounts to corresponding investment options made available through direct enrollment.

As of March 30, 2006, the Foundation contracted with The Vanguard Group, Inc. to add seven custom individual portfolios and three age-based investment options to the program, beginning April 3, 2006.

As of February 27, 2008, the MetLife Protected Stock Fund was closed to new contributions as a result of MetLife's decision not to extend the funding agreements with the Foundation. Also, during 2008 the Foundation terminated its March 30, 2006 agreement with Vanguard and executed a new agreement with Vanguard as of March 3, 2008 for the creation of eight individual V Fund investment options and three age-based investment options. Accounts with funds in the existing Vanguard investment options were migrated to the new V Fund investment options as of March 3, 2008.

In April of 2009, the N.C. State Education Assistance Authority and the Foundation terminated the contracts with Wachovia Bank, N.A. and RiverSource Investments, LLC (which previously acquired J. & W. Seligman & Co., Incorporated), effective July 1, 2009. Participants were notified in mid-May 2009 of the termination, and given the option of reallocating assets invested in the investments being terminated to other investment options, or having the Foundation automatically reallocate their assets from the terminated funds to the appropriate V Funds.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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2. Programs Administered by the Foundation (Continued)

On April 12, 2010, the Foundation entered into a contract with the State Employees' Credit Union to add the Federally-Insured Deposit Account investment option, which launched on the same date. Additionally, on April 12, 2010, the name of the Aggressive Stock Fund was changed to the Active Core Equity Fund.

On December 31, 2010, the contract with the manager of the Active Core Equity Fund investment option, NCM Capital Management Group, Inc., expired after the N.C. State Education Assistance Authority and the Foundation declined to renew. Participants were notified that, as of December 30, 2010, assets allocated to the Active Core Equity Fund would be invested in Vanguard Total Stock Market Index Fund shares. Participants were given the option of reallocating assets in the Active Core Equity Fund to other investment options prior to January 24, 2011, or having the Foundation automatically reallocate their assets to V Fund 6 as of February 1, 2011, when the Active Core Equity Fund was closed out.

In order to reduce fees to participants, on October 31, 2011, the Foundation replaced existing age-based and individual V Fund investment options with comparable Vanguard age-based and individual investment options, and added a new individual option from Vanguard, the Vanguard Aggressive Growth Portfolio.

On February 28, 2013, the final MetLife Protected Stock Fund subscription period matured with account balances being transferred into the Dependable Income Fund option in accordance with Program Description rules.

The Foundation does not provide financial or investment advice to prospects or participants.

E. College Foundation of North Carolina:

In May 2000, the N.C. State Education Assistance Authority and the Foundation developed an information dissemination program known as "College Foundation of North Carolina" (CFNC) that provides North Carolinians with a comprehensive website (www.CFNC.org) as well as other resources. In order to administer the program, the Foundation increased staffing in the call center and added additional regional representatives across the state. In 2001, the Foundation, the Authority, and Pathways of North Carolina formed an alliance to coordinate information dissemination efforts to increase access to higher education in North Carolina and provide information on planning, applying, and paying for college. Pathways of North Carolina, created by the N.C. General Assembly in 1999, is a state-wide initiative to increase the college-going rate of North Carolinians. Pathways is administered by The University of North Carolina in collaboration with the N.C. Department of Public Instruction, the N.C. Community College System, and the N.C. Independent Colleges and Universities.

F. EXTRA Education Loans:

This program began in July 2001 to assist borrowers attending eligible schools in North Carolina with qualified higher education expenses not covered under North Carolina's Federal Family Education Loan Program. The N.C. State Education Assistance Authority sets both the rules and the interest rate for the EXTRA Education Loans.

On February 1, 2010, the Foundation suspended the origination of loans under the EXTRA Education Loan Program due to market conditions which significantly affected the Authority's ability to raise capital.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. Programs Administered by the Foundation (Continued)

G. EXTRA MBA Loans:

This program began in March 2003 to assist borrowers enrolled in the Kenan-Flagler Business School MBA or MAC Programs at UNC-Chapel Hill unable to secure loans under North Carolina's Federal Family Education Loan Program or the EXTRA Education Loan Program. The N.C. State Education Assistance Authority sets both the rules and the interest rate for the EXTRA MBA Loans.

On February 1, 2010, the Foundation suspended the origination of loans under the EXTRA MBA Loan Program due to market conditions which significantly affected the Authority's ability to raise capital.

H. College Funds Installment Payment Plan:

In April 2005, the Foundation launched the College Funds Installment (CFI) Payment Plan for North Carolina Independent Colleges and Universities to make flexible payment options available to students and families. The CFI Payment Plan enables the payer to divide expenses into interest-free monthly payments which the Foundation, acting as agent, collects and forwards to the school. The Plan became available to all North Carolina colleges and universities in 2006.

I. N.C. Education Lottery Scholarship Program:

This program was created by the N.C. General Assembly in 2005 to provide scholarships to needy North Carolina resident students attending eligible colleges and universities located in the State of North Carolina. Annual funding is contingent upon appropriations made available to the N.C. State Education Assistance Authority from proceeds of the North Carolina Education Lottery. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

J. Victor E. Bell, Jr. Scholarship Program:

This program was established by the Foundation's Board of Trustees to encourage and assist high potential North Carolina students with limited financial resources to pursue higher education. Initially awarded to seventh grade students and renewable through four years of college as long as annual eligibility requirements are met, the program encourages students with academic ability and promise to maintain their scholastic standing and achieve a college degree. Individual awards are \$2,000 per year, up to a maximum of \$20,000 per recipient. The award for each recipient is contributed annually to an account in the North Carolina College Savings and Investment Program with the Foundation as the account owner and the individual as the beneficiary. The first award recipients were selected in November 2007. Funding for this scholarship program is provided by the Foundation's Special Scholarship Fund.

K. School Services Program:

The Foundation began work in the Spring of 2012 on a pilot program offering verification and C Code resolution services to assist the financial aid offices at North Carolina Community Colleges. The Program was expanded in the Spring of 2013 to include constituent institutions of The University of North Carolina and out-of-state schools and further expanded in the Spring of 2014 to include private North Carolina schools. The Foundation acts as agent for the N.C. State Education Assistance Authority under this Program for the North Carolina schools.

L. N.C. Need-Based Scholarship Program:

This program was created by the N.C. General Assembly in 2011 to provide need-based scholarships for North Carolina resident students attending eligible private institutions in the State of North Carolina. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

2. Programs Administered by the Foundation (Concluded)

M. Servicing of Federal Assets:

On March 30, 2010, President Obama signed into law H.R. 4872, the *Health Care and Education Affordability Reconciliation Act of 2010*, which included the *Student Aid and Fiscal Responsibility Act* (SAFRA). The legislation contained a provision which required the Secretary of Education to establish performance-based contracts with eligible not-for-profit servicers to service education loans originated under the Federal Direct Loan Program. The Foundation was determined to be eligible and technically qualified to service federal assets under this provision. In May 2011, a Memorandum of Understanding was executed with the U.S. Department of Education, and a contract effective February 1, 2013, allowed the Foundation, doing business as *EDGE*ducation Loans, to begin servicing education loans owned by the Federal government. The Foundation received its first allotment of loans under this contract on February 7, 2013. In May 2013, the Foundation was notified by the contractor providing the servicing system that it would discontinue its servicing operations as soon as practicably possible. As a result, the Foundation entered into a full-service contract with the Missouri Higher Education Loan Authority (MOHELA). Loans with principal balances were transferred to MOHELA on August 4, 2013. Information on all other zero balance loans formerly held by *EDGE*ducation Loans was transmitted to MOHELA on September 27, 2013. The Foundation's contract with the U.S. Department of Education was officially terminated effective July 10, 2014.

N. EX\$EL Program:

The Foundation launched a financial education and repayment success program, EX\$EL, during the summer of 2014. Services under this program are geared toward enrolled students, borrowers in grace and repayment, and seriously delinquent borrowers. Services include regular communications via email, online education courses, access to a robust financial education library, and, in the case of delinquent borrowers, specific advice on how to resolve their delinquency status.

O. Other Programs:

From time to time the Foundation administers other programs of student financial assistance, including the Knights of Pythias Scholarships, Syringomyelia Scholarships, the Bryan Foundation Scholarships, the Broyhill Family Foundation Scholarships, and the Carolina Computing Initiative Loans.

3. Accounts Receivable/Payable--U.S. Department of Education

The U.S. Department of Education pays an interest subsidy on eligible education loans and special allowance to lenders holding loans made under the Federal Family Education Loan Program, which includes North Carolina's Program administered by the Foundation. Interest paid depends on the date the initial disbursement of the loan was made and applies only to interest-subsidized Federal Stafford Loans (including FISL), a Federal Consolidation Loan which consolidated only subsidized Federal Stafford Loans, and the subsidized portion of Federal Consolidation Loans. The subsidy applies to (1) the period from the date each disbursement is made until the student has ceased enrollment for at least a half-time academic workload, (2) the allowable six-to-nine month grace period prior to the beginning of the repayment period, and (3) any authorized deferment periods. For eligible loans, special allowance is applicable throughout the life of the loans based upon the average of the rates paid on 91-day Treasury bills auctioned for the quarter or the average of the rates of the quotes of 3-month commercial paper rates in effect for each of the days in the quarter, depending upon when the applicable loan was first disbursed, plus an add-on factor as specified by statute (special allowance support level). For eligible loans first disbursed prior to April 1, 2006, special allowance is paid if the special allowance support level exceeds the applicable interest rate on a loan. Both the interest subsidy and special allowance are based on the average daily principal balances of loans outstanding. Beginning with eligible loans first disbursed on or after April 1, 2006, lenders are required to remit excess borrower interest to the U.S. Department of Education when the applicable interest rate on a loan for any given quarter exceeds the special allowance support level.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

3. Accounts Receivable/Payable--U.S. Department of Education (Continued)

The College Cost Reduction and Access Act (CCRAA) signed on September 27, 2007 provided that "eligible not-for-profit holders" would receive a higher special allowance support level (0.15%) than for-profit holders for education loans first disbursed on or after October 1, 2007. The Foundation submitted documentation to the U.S. Department of Education on January 4, 2008 to support a request for the "eligible not-for-profit holder" designation. Approval of the request was received on March 31, 2008.

The Consolidated Appropriations Act signed on December 23, 2011 allowed Federal Family Education Loan Program (FFELP) loan holders and entities holding beneficial ownership interests in FFELP loans to have the 1-month London InterBank Offered Rate (LIBOR) substituted for the 3-month commercial paper rate for the purposes of special allowance calculations on FFELP loans first disbursed on or after January 1, 2000 and before July 1, 2010. The Foundation, as an eligible lender and agent for participating banks and other funds providers, and the N.C. State Education Assistance Authority, as holder and beneficial owner of FFELP loans, elected to waive calculation of special allowance on the basis of the 3-month commercial paper rate for all qualifying loans effective with the calendar quarter beginning April 1, 2012.

Beginning with education loans first disbursed on or after October 1, 2007, 1% of the principal amount of the disbursement was paid by the lender/holder as a deduction from the amount of interest subsidy and special allowance due to the lender/holder for the quarter in which loan funds were disbursed. This loan fee was 0.5% for loans first disbursed between October 1, 1993 and September 30, 2007. In addition, federal statute required the payment of certain loan origination fees as a credit against the quarterly interest and special allowance billing to the U.S. Department of Education. For Federal Stafford Loans first disbursed between July 1, 2009 and June 30, 2010, the origination fee was 0.5% of the loan principal amount; for those first disbursed between July 1, 2008 and June 30, 2009, the origination fee was 1%; for those first disbursed between July 1, 2007 and June 30, 2008, the origination fee was 1.5%; for those first disbursed between July 1, 2006 and June 30, 2007, the origination fee was 2%. For Federal PLUS Loans first disbursed between July 1, 2006 and June 30, 2010, the origination fee was 3% of the loan principal amount. Prior to July 1, 2006, the origination fee was 3% of the loan principal amount for Federal Stafford Loans and Federal PLUS Loans. Prior to July 1, 1994, the origination fee was 5% of the loan principal amount for interest-subsidized Federal Stafford Loans, Federal Supplemental Loans for Students (SLS), and Federal PLUS Loans; on unsubsidized Federal Stafford Loans, there was a combination origination fee/insurance fee of 6.5% from October 1, 1992 to July 1, 1994. If a sequester order under the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly called "Gramm-Rudman-Hollings"), as amended, was in effect when the first disbursement of a loan was made, the origination fee was increased by 0.5%.

At June 30, 2015, net due to the U.S. Department of Education totaled \$11,665,949, which included \$4,248 related to loans owned by the Foundation and \$11,661,701 related to loans owned by other funds providers. During the year ended June 30, 2015, excess borrower interest remitted to the U.S. Department of Education totaled \$58,834,947, which included \$23,500 related to loans owned by the Foundation and \$58,811,447 related to loans owned by other funds providers.

At June 30, 2014, net due to the U.S. Department of Education totaled \$13,358,194, which included \$4,524 related to loans owned by the Foundation and \$13,353,670 related to loans owned by other funds providers. During the year ended June 30, 2014, excess borrower interest remitted to the U.S. Department of Education totaled \$67,141,723, which included \$26,213 related to loans owned by the Foundation and \$67,115,510 related to loans owned by other funds providers.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

4. Note Receivable and Loan Agreement

On June 18, 2012, the Foundation entered into a Loan Agreement and executed a Future Advance Promissory Note to loan up to \$350,000 to Mapping Your Future, Inc. (MYF), a South Dakota nonprofit corporation. Advances could be made through July 1, 2015 and principal was to be repaid in quarterly installments beginning October 1, 2014. An advance of \$100,000 was made to MYF under these agreements on June 22, 2012. Interest was due quarterly and accrued at a variable rate equal to the Prime Rate. The interest rate changed quarterly on the first day of January, April, July and October of each year using the Prime Rate as published by Bloomberg LP two business days prior to the beginning of the applicable quarter. Interest payments were billed by the Foundation and considered past due eleven days after MYF's receipt of the invoice. All indebtedness owed under the Future Advance Promissory Note was repaid by MYF on April 30, 2014, and no further advances were made.

5. Education Loan Insurance

A. Education Loan Insurance and Reinsurance:

The majority of all education loans originated by the Foundation are insured by the N.C. State Education Assistance Authority as to principal and interest. The insurance percentage for default claims on loans made under the Higher Education Act varies between 97% and 100% based upon the date the loans were made as follows: (1) loans made prior to October 1, 1993 are insured at 100%; (2) loans made October 1, 1993 through June 30, 2006 are insured at 98%; and (3) loans made on or after July 1, 2006 are insured at 97%. All death, disability, and bankruptcy claims on these loans are insured at 100%. Under its contract of reinsurance with the U.S. Department of Education, the N.C. State Education Assistance Authority is reimbursed for its payments of Federal default claims according to a scale specified in federal statute. The "trigger rate" which results in reimbursement at less than the maximum rate is determined by comparing the total amount which the guarantee agency paid to lenders during the federal fiscal year for claims for defaults/nonpayment, death, disability, bankruptcy, etc., to the amount under guarantee by the agency and in repayment at the end of the preceding federal fiscal year (this trigger rate should not be confused with "cohort default rates" which are calculated differently and used for different purposes). The N.C. State Education Assistance Authority has always qualified for the maximum reinsurance rate because of the low default rate under North Carolina's Federal Family Education Loan Program.

Although the Federal insurance premium (renamed Federal default fee for loans guaranteed on or after July 1, 2006) was set at different rates in the past, it was waived by the N.C. State Education Assistance Authority beginning with 1997-98 fiscal year loans. When in effect, the premiums were deducted by the Foundation from each loan disbursement and remitted to the guarantee agency, the N.C. State Education Assistance Authority, which deposited them into the Reserve Trust Fund from which claims were paid at that time. In addition, the N.C. State Education Assistance Authority has provided a separate trust fund which may be used to reimburse lenders for losses on defaulted loans and other types of non-reinsured claims under certain circumstances.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

5. Education Loan Insurance (Continued)

As of June 30, 2015, outstanding balances (including Agency Funds) on education loans originated by the Foundation under the Higher Education Act were as follows:

	Made Before October 1, 1993	Made October 1, 1993 through June 30, 2006	Made After June 30, 2006	Total
N.C. SEAA--Lender of Last Resort Loans	\$ 5,546	\$ 111,650	\$	\$ 117,196
N.C. SEAA--Trust, Bond, and Escheat Loans	949,252	645,173,554	1,236,088,563	1,882,211,369
Bank Assigned Loans	2,874,618	1,922,250		4,796,868
Special Assigned Loans	747,543	11,557,115	11,020,487	23,325,145
Special Scholarship Fund Loans	61,663	338,551	514,193	914,407
Totals	<u>\$ 4,638,622</u>	<u>\$ 659,103,120</u>	<u>\$ 1,247,623,243</u>	<u>\$ 1,911,364,985</u>

Comparative data (including Agency Funds) as of June 30, 2014, were as follows:

	Made Before October 1, 1993	Made October 1, 1993 through June 30, 2006	Made After June 30, 2006	Total
N.C. SEAA--Lender of Last Resort Loans	\$ 6,384	\$ 132,641	\$	\$ 139,025
N.C. SEAA--Trust, Bond, and Escheat Loans	1,100,810	741,532,082	1,417,666,104	2,160,298,996
Bank Assigned Loans	3,399,875	2,317,352		5,717,227
Special Assigned Loans	656,190	9,542,556	7,407,981	17,606,727
Special Scholarship Fund Loans	50,805	420,792	563,104	1,034,701
Totals	<u>\$ 5,214,064</u>	<u>\$ 753,945,423</u>	<u>\$ 1,425,637,189</u>	<u>\$ 2,184,796,676</u>

B. Contingency for Uninsured Loans:

A reserve for denied claims exists to cover possible losses from uncollectible education loans that were improperly originated or serviced by the Foundation. At June 30, 2015 and 2014, the contingency totaled \$4,200,000 and \$4,800,000, respectively.

C. Analysis of Outstanding Education Loans by School Type:

As of June 30, 2015, outstanding balances (including Agency Funds but excluding Federal Consolidation Loans) on education loans originated by the Foundation under the Higher Education Act were as follows:

<u>School--Type</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>
4-Year Public--In State	243,198	\$ 802,417,422
2-Year Public--In State	25,246	57,711,770
4-Year Private--In State	83,023	299,839,449
2-Year Private--In State	2,362	6,742,817
Proprietary--In State	16,485	46,903,818
2/4-Year Public--Out of State	843	5,032,442
2/4-Year Private--Out of State	2,376	14,636,076
Proprietary--Out of State	629	3,242,596
Out of Country	265	2,457,270
Totals	<u>374,427</u>	<u>\$ 1,238,983,660</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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5. Education Loan Insurance (Concluded)

Comparative data (including Agency Funds but excluding Federal Consolidation Loans) as of June 30, 2014, were as follows:

<u>School--Type</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>
4-Year Public--In State	279,965	\$ 934,932,106
2-Year Public--In State	29,542	66,584,689
4-Year Private--In State	95,901	350,545,755
2-Year Private--In State	2,805	7,879,465
Proprietary--In State	18,780	52,418,312
2/4-Year Public--Out of State	984	6,031,284
2/4-Year Private--Out of State	2,741	16,986,641
Proprietary--Out of State	730	3,638,821
Out of Country	300	2,818,045
Totals	<u>431,748</u>	<u>\$ 1,441,835,118</u>

6. Property and Equipment

Property and equipment held by the Foundation at June 30, 2015, were categorized as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Highwoods Office Park Land (1)	\$ 1,302,882	\$	\$	\$ 1,302,882
Highwoods Boulevard Building (2)	9,365,653	171,045		9,536,698
Poplarwood Court Building (3)	3,084,377	5,749		3,090,126
Yonkers Road Land (4)	961,308			961,308
Yonkers Road Building (5)	3,909,411	278,693	(47,345)	4,140,759
Computer equipment	10,360,329	620,222	(633,503)	10,347,048
Computer software (6)	12,473,539	579,500	(4,734)	13,048,305
Office furniture and equipment	1,560,066	70,475		1,630,541
Total	<u>\$ 43,017,565</u>	<u>\$ 1,725,684</u>	<u>\$ (685,582)</u>	<u>44,057,667</u>
Less accumulated depreciation and amortization				<u>26,754,749</u>
Net property and equipment				<u>\$ 17,302,918</u>

Comparative data as of June 30, 2014, were as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Highwoods Office Park Land (1)	\$ 1,302,882	\$	\$	\$ 1,302,882
Highwoods Boulevard Building (2)	9,365,653			9,365,653
Poplarwood Court Building (3)	3,070,377	14,000		3,084,377
Yonkers Road Land (4)	961,308			961,308
Yonkers Road Building (5)	3,909,411			3,909,411
Computer equipment	17,260,306	729,761	(7,629,738)	10,360,329
Computer software (6)	12,464,757	803,701	(794,919)	12,473,539
Office furniture and equipment	1,574,166	39,071	(53,171)	1,560,066
Total	<u>\$ 49,908,860</u>	<u>\$ 1,586,533</u>	<u>\$ (8,477,828)</u>	<u>43,017,565</u>
Less accumulated depreciation and amortization				<u>25,471,106</u>
Net property and equipment				<u>\$ 17,546,459</u>

- (1) Land related to Highwoods Boulevard Building consists of 2.81 acres purchased May 31, 2002, on which the office building is located plus 1.45 acres which contains only parking and landscaping. Land related to Poplarwood Court Building consists of 1.45 acres purchased May 31, 2002, on which the office building is located.
- (2) Building is 61,888 square feet, occupied by the Foundation on October 24, 2003.
- (3) Building is 18,660 square feet, occupied by the Foundation on October 24, 2003.
- (4) Land consists of 3.0 acres purchased June 15, 1987, on which the office building is located plus 2.0 acres purchased November 29, 1988, in an adjacent lot which also fronts on Yonkers Road.
- (5) Building is 43,433 square feet, two-story brick, completed during 1987-88, which is currently being held for leasing (see Note 15). At June 30, 2015 and 2014, the total amount of accumulated depreciation on this building was \$1,911,772 and \$1,811,447, respectively.
- (6) Certain computer software developed in-house with the assistance of another entity may not be licensed, sold, or transferred to a third party without the express written consent of the other entity.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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7. Interfund Borrowings

In the event interfund borrowings occur, interest accrues based on the rate which would otherwise have been earned on the idle funds; the amount borrowed must be repaid under the terms approved by the Board of Trustees when the interfund borrowing was authorized.

8. Analysis By Education Loan Type and Funding

As of June 30, 2015, outstanding balances (including Agency Funds) on education loans were as follows:

	Loans to Students	Loans to Parents	Consolidation Loans	Total
<u>Made Under the Higher Education Act</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	\$ 914,407	\$ _____	\$ _____	\$ 914,407
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	9,913,186	342,962	2,698,219	12,954,367
N.C. SEAA Escheat Funds	4,335,077			4,335,077
N.C. SEAA Bond Funds	<u>1,138,816,192</u>	<u>61,728,137</u>	<u>664,494,792</u>	<u>1,865,039,121</u>
Total N.C. SEAA Loans	<u>1,153,064,455</u>	<u>62,071,099</u>	<u>667,193,011</u>	<u>1,882,328,565</u>
Assigned Loans:				
Bank Assigned Loans	4,658,322	138,546		4,796,868
Special Assigned Loans	<u>17,650,514</u>	<u>486,317</u>	<u>5,188,314</u>	<u>23,325,145</u>
Total Assigned Loans	<u>22,308,836</u>	<u>624,863</u>	<u>5,188,314</u>	<u>28,122,013</u>
Total Agency Funds Under the Higher Education Act	<u>1,175,373,291</u>	<u>62,695,962</u>	<u>672,381,325</u>	<u>1,910,450,578</u>
<u>Other (Non-Federal)</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	68,057		35,238	103,295
N.C. SEAA Funded Loans:				
Computer Loans	2,038			2,038
EXTRA Education Loans	171,783,323			171,783,323
College Vision Fund Loans		19,545		19,545
EXTRA MBA Loans	6,970,686			6,970,686
Assigned Loans:				
Special Assigned Loans	<u>463,490</u>			<u>463,490</u>
Total Other (Non-Federal)	<u>179,287,594</u>	<u>19,545</u>	<u>35,238</u>	<u>179,342,377</u>
Total Serviced by the Foundation	<u>\$ 1,355,575,292</u>	<u>\$ 62,715,507</u>	<u>\$ 672,416,563</u>	<u>\$ 2,090,707,362</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

8. Analysis By Education Loan Type and Funding (Continued)

Comparative data (including Agency Funds) as of June 30, 2014, were as follows:

	Loans to Students	Loans to Parents	Consolidation Loans	Total
<u>Made Under the Higher Education Act</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	\$ 1,034,701	\$ _____	\$ _____	\$ 1,034,701
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	11,749,808	353,366	2,814,734	14,917,908
N.C. SEAA Escheat Funds	5,095,274			5,095,274
N.C. SEAA Bond Funds	<u>1,323,776,306</u>	<u>80,184,873</u>	<u>736,463,660</u>	<u>2,140,424,839</u>
Total N.C. SEAA Loans	<u>1,340,621,388</u>	<u>80,538,239</u>	<u>739,278,394</u>	<u>2,160,438,021</u>
Assigned Loans:				
Bank Assigned Loans	5,564,478	152,749		5,717,227
Special Assigned Loans	<u>13,499,770</u>	<u>423,793</u>	<u>3,683,164</u>	<u>17,606,727</u>
Total Assigned Loans	<u>19,064,248</u>	<u>576,542</u>	<u>3,683,164</u>	<u>23,323,954</u>
Total Agency Funds				
Under the Higher Education Act	<u>1,359,685,636</u>	<u>81,114,781</u>	<u>742,961,558</u>	<u>2,183,761,975</u>
<u>Other (Non-Federal)</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	69,997		37,388	107,385
N.C. SEAA Funded Loans:				
Computer Loans	4,708			4,708
EXTRA Education Loans	182,724,025			182,724,025
EXTRA MBA Loans	8,765,477			8,765,477
Assigned Loans:				
Special Assigned Loans	<u>545,843</u>			<u>545,843</u>
Total Other (Non-Federal)	<u>192,110,050</u>		<u>37,388</u>	<u>192,147,438</u>
Total Serviced by the Foundation	\$ <u>1,552,830,387</u>	\$ <u>81,114,781</u>	\$ <u>742,998,946</u>	\$ <u>2,376,944,114</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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9. Analysis of Education Loan Status and Delinquency

As of June 30, 2015, outstanding balances (including Agency Funds) on education loans were as follows:

	Originated Under the Higher Education Act				Non-Federal Loans	Total
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans		
Loans in Repayment:						
Current	\$ 624,289,121	\$ 39,900,871	\$ 484,391,745	\$ 1,148,581,737	\$ 124,034,831	\$ 1,272,616,568
Delinquent:						
One Payment Delinquent	86,607,472	6,301,553	42,178,189	135,087,214	9,202,182	144,289,396
Two Payments Delinquent	45,631,065	2,105,285	17,865,274	65,601,624	3,942,986	69,544,610
Three or More Payments Delinquent	91,304,274	3,151,658	26,728,195	121,184,127	5,572,111	126,756,238
Total Delinquent	223,542,811	11,558,496	86,771,658	321,872,965	18,717,279	340,590,244
Total in Repayment	847,831,932	51,459,367	571,163,403	1,470,454,702	142,752,110	1,613,206,812
Loans in Deferment	159,995,957	3,335,760	47,754,478	211,086,195		211,086,195
Loans in Forbearance	143,258,560	7,851,124	52,769,448	203,879,132	33,856,217	237,735,349
Total Mature	1,151,086,449	62,646,251	671,687,329	1,885,420,029	176,608,327	2,062,028,356
Loans Not Yet Mature:						
In School	15,157,049			15,157,049	1,619,746	16,776,795
In Grace/Interim	6,508,120			6,508,120	838,600	7,346,720
Total Not Yet Mature	21,665,169			21,665,169	2,458,346	24,123,515
Total Claims Pending	3,536,080	49,711	693,996	4,279,787	275,704	4,555,491
Total Serviced by the Foundation	\$ 1,176,287,698	\$ 62,695,962	\$ 672,381,325	\$ 1,911,364,985	\$ 179,342,377	\$ 2,090,707,362

Comparative data (including Agency Funds) as of June 30, 2014, were as follows:

	Originated Under the Higher Education Act				Non-Federal Loans	Total
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans		
Loans in Repayment:						
Current	\$ 687,811,624	\$ 54,001,881	\$ 526,235,540	\$ 1,268,049,045	\$ 128,521,369	\$ 1,396,570,414
Delinquent:						
One Payment Delinquent	92,926,585	6,852,250	48,162,708	147,941,543	9,241,984	157,183,527
Two Payments Delinquent	52,650,732	2,472,734	20,038,988	75,162,454	3,801,139	78,963,593
Three or More Payments Delinquent	103,929,278	3,786,567	27,010,626	134,726,471	5,684,029	140,410,500
Total Delinquent	249,506,595	13,111,551	95,212,322	357,830,468	18,727,152	376,557,620
Total in Repayment	937,318,219	67,113,432	621,447,862	1,625,879,513	147,248,521	1,773,128,034
Loans in Deferment	206,744,741	5,295,216	60,038,441	272,078,398		272,078,398
Loans in Forbearance	166,417,140	8,408,500	60,583,388	235,409,028	38,983,566	274,392,594
Total Mature	1,310,480,100	80,817,148	742,069,691	2,133,366,939	186,232,087	2,319,599,026
Loans Not Yet Mature:						
In School	30,587,526			30,587,526	3,331,982	33,919,508
In Grace/Interim	15,096,112			15,096,112	2,269,231	17,365,343
Total Not Yet Mature	45,683,638			45,683,638	5,601,213	51,284,851
Total Claims Pending	4,556,599	297,633	891,867	5,746,099	314,138	6,060,237
Total Serviced by the Foundation	\$ 1,360,720,337	\$ 81,114,781	\$ 742,961,558	\$ 2,184,796,676	\$ 192,147,438	\$ 2,376,944,114

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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10. Lease Commitments

Vehicle Leases

In December 2011, the Foundation entered into noncancelable operating leases for eight new vehicles with single lease payments due at delivery, four at \$10,976 each and four at \$10,821 each. These leases expired December 2013.

In December 2013, the Foundation entered into noncancelable operating leases for seven new vehicles, each with single lease payments due at delivery of \$10,266. These leases expire December 2015.

During the years ended June 30, 2015 and 2014, expenses including taxes and licenses under these leases in the amount of \$37,260 and \$48,400, respectively, were included in operating expense. At June 30, 2015 and 2014, prepaid expenses totaled \$14,886 and \$50,612, respectively.

Computer Hardware Lease

In December 2013, the Foundation entered into a noncancelable lease for certain data storage units and related hardware with annual lease payments of \$229,377 due January 1, 2014 through January 1, 2016. The lease expires November 30, 2016, at which time the equipment may be purchased for fair market value or the lease may be renewed.

During the years ended June 30, 2015 and 2014, expenses including taxes under this lease in the amount of \$234,401 and \$133,803, respectively, were included in operating expense. At June 30, 2015 and 2014, prepaid expenses totaled \$95,574 and \$152,918, respectively.

11. Net Assets

Board-Designated Net Assets

At June 30, 2015 and 2014, net assets designated by the Board of Trustees to provide long-term scholarship and education loan support equaled \$4,214,147 and \$4,027,595, respectively.

Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets were restricted by donors for the following purposes:

	<u>2015</u>	<u>2014</u>
Broyhill Family Foundation Scholarships	\$ 3,602	\$ 3,563
Victor E. Bell, Jr. Scholarships		<u>11,238</u>
	<u>\$ 3,602</u>	<u>\$ 14,801</u>

These funds were provided through contributions from the Kiwanis Club of Raleigh and the Broyhill Family Foundation.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

11. Net Assets (Continued)

Permanently Restricted Net Assets

At June 30, 2015 and 2014, permanently restricted net assets equaled \$555,000. These funds were provided through contributions from the Broyhill Family Foundation (Broyhill) and were initially restricted to providing loans to students attending Mars Hill University, Gardner-Webb University, and Lenoir-Rhyne University.

At Broyhill's direction, all assets were used to establish an endowment in July 2012 to fund Broyhill Family Foundation Scholarships. A change in the administration of Broyhill's contributions was necessary because the Foundation was no longer originating education loans and could not administer these contributions as originally directed.

12. Endowment Funds

The Foundation's endowment funds provide long-term support for scholarship and education loan programs. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Donor-Restricted Endowment Fund

Permanently restricted net assets consist of an endowment fund established on July 1, 2012. On that date, prior contributions from the Broyhill Family Foundation were donor-restricted to permanently fund Broyhill Family Foundation Scholarships.

The endowment fund is subject to donor restrictions that stipulate all cash, including collections from Broyhill-funded education loans contributed to the endowment, be deposited into a North Carolina College Savings and Investment Program account. These donor restrictions also stipulate that earnings in this account as of December 31, 2013, and annually thereafter, be made available to Mars Hill University, Gardner-Webb University and Lenoir-Rhyne University for Broyhill Family Foundation Scholarships to students in their business schools.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (1) the original dollar value of the donor-restricted endowment funds on the date of the gift and (2) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the direction of the gift instrument and the standard of prudence described in UPMIFA.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

12. Endowment Funds (Continued)

Board-Designated Endowment Fund

On March 27, 1985, the Board of Trustees passed a resolution which established the Special Scholarship Fund in honor of Victor E. Bell, Jr., for his many years of service to the Foundation as Chairman of the Board. The Board then passed a resolution which authorized the transfer of \$1,000,000 of Foundation assets from the Operating Fund and the Direct and Special Loan Funds to the Special Scholarship Fund and specified that all unrestricted contributions received by the Foundation after March 27, 1985, be added to the Special Scholarship Fund. Subsequent resolutions specified that Special Scholarship funds including future contributions, transfers, and income could be used to fund education loans.

On May 9, 2007, the Board passed a resolution which authorized the officers of the Foundation to utilize monies in the Special Scholarship Fund to annually fund scholarships under the Victor E. Bell, Jr. Scholarship Program. See Note 2.J. for more information regarding this scholarship program. The Board then passed a resolution which specified that net rental income (after covering capital maintenance needs) from the Foundation's Yonkers Road rental property less costs associated with administration of this scholarship program be transferred to the Special Scholarship Fund. During the years ended June 30, 2015 and 2014, transfers from the Operating Fund to the Special Scholarship Fund totaled \$203,033 and \$75,894, respectively.

Investment Return Objectives and Strategies

The Foundation has adopted investment policies for endowment assets that attempt to subject the funds to low investment risk, provide income for future scholarships, and ensure the long-term financial health of the endowment funds. North Carolina College Savings and Investment Program (NCSP) accounts are invested in a fixed price fund with the price per unit set at \$1.00 and unlimited insurance coverage by the National Credit Union Administration.

Spending Policy

Earnings on the Broyhill Family Foundation NCSP account are made available for scholarships as directed by the Broyhill gift instrument.

The Foundation makes annual awards to recipients of the Victor E. Bell, Jr. Scholarship in accordance with policies and procedures approved by the Board of Trustees. These policies and procedures were established considering the expected long-term return on Special Scholarship Fund assets as well as rental income from the Yonkers Road rental property in order to sustain the board-designated endowment fund. Awards are held in NCSP accounts until disbursements are made for the scholarship recipients' college expenses. The first disbursements were made to recipients entering college Fall of 2013.

The Foundation expects the current spending policies to sustain its endowment funds.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

12. Endowment Funds (Concluded)

The endowment net asset composition by type of fund and changes in endowment assets for the year ended June 30, 2015, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Fund	\$	\$ 3,602	\$ 555,000	\$ 558,602
Board-Designated Endowment Fund	4,214,147			4,214,147
	<u>\$ 4,214,147</u>	<u>\$ 3,602</u>	<u>\$ 555,000</u>	<u>\$ 4,772,749</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets--July 1, 2014	\$ 4,027,595	\$ 3,563	\$ 555,000	\$ 4,586,158
Investment Return:				
Net Investment Income	12,015	7,014		19,029
Education Loan Net Income	6,383			6,383
Board-Directed Transfer	203,033			203,033
Amount Appropriated for Expenditure	<u>(34,879)</u>	<u>(6,975)</u>		<u>(41,854)</u>
Endowment Net Assets--June 30, 2015	<u>\$ 4,214,147</u>	<u>\$ 3,602</u>	<u>\$ 555,000</u>	<u>\$ 4,772,749</u>

Comparative data for the year ended June 30, 2014, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Fund	\$	\$ 3,563	\$ 555,000	\$ 558,563
Board-Designated Endowment Fund	4,027,595			4,027,595
	<u>\$ 4,027,595</u>	<u>\$ 3,563</u>	<u>\$ 555,000</u>	<u>\$ 4,586,158</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets--July 1, 2013	\$ 3,942,513	\$ 4,269	\$ 555,000	\$ 4,501,782
Investment Return:				
Net Investment Income	7,602	7,019		14,621
Education Loan Net Income	1,586			1,586
Board-Directed Transfer	75,894			75,894
Amount Appropriated for Expenditure		<u>(7,725)</u>		<u>(7,725)</u>
Endowment Net Assets--June 30, 2014	<u>\$ 4,027,595</u>	<u>\$ 3,563</u>	<u>\$ 555,000</u>	<u>\$ 4,586,158</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

13. Investment Expenses

During the years ended June 30, 2015 and 2014, investment expenses of \$2,545 and \$2,355, respectively, were netted against interest income earned on the Foundation's North Carolina College Savings and Investment Program accounts.

14. Unamortized Lease Commission

Unamortized lease commission at June 30, 2015 and 2014, was as follows:

	2015	2014
Lease Commission	\$ 261,611	\$ 261,691
Less Accumulated Amortization	235,522	209,353
Unamortized Lease Commission	\$ 26,169	\$ 52,338

For the years ended both June 30, 2015 and 2014, amortization expense was \$26,169. Future amortization expense is as follows:

Fiscal Year Ending	
June 30	
2016	\$ 26,169

15. Rental Income

The Foundation leases the Yonkers Road building to a tenant under a noncancelable operating lease which commenced on July 15, 2006, and expires June 30, 2016. During the year ended June 30, 2015, rental expenses of \$304,393, including \$144,670 in depreciation expense, were netted against rental income of \$459,003. During the year ended June 30, 2014, rental expenses of \$255,463, including \$99,966 in depreciation expense, were netted against rental income of \$452,247.

Future minimum rentals under this lease at June 30, 2015, not including a five-year renewal option, are:

Fiscal Year Ending	
June 30	
2016	\$ 465,760

16. Staff Retirement Benefits

The Foundation established a contributory pension plan, effective July 1, 1968, funded through individual annuity contracts with Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). The plan rules have been modified from time to time. Since November 16, 1977, employees may elect to make their contributions to this plan through salary reduction. Since July 1, 1989, for employees who have attained age 21 and have completed two years of employment, participation is mandatory at a level of at least 2 percent of salary; employees may choose to participate at a higher level. At the point at which participation becomes mandatory, the Foundation will begin making matching contributions based on a scale, effective July 1, 1991, of 2 to 6 percent related to the amount the employee contributes. For the years ended June 30, 2015 and 2014, total Foundation matching contributions were \$371,833 and \$377,246, respectively. In both years, some of these matching contributions were allocated to costs capitalized for computer software developed in-house. Total employee contributions to this plan through salary reduction for the two referenced periods amounted to \$746,344 and \$748,354, respectively.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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16. Staff Retirement Benefits (Continued)

On January 1, 2010, the Foundation established a deferred compensation plan in accordance with the requirements under the Internal Revenue Code Section 457(b). An eligible participant is any employee whose compensation is among the top 5% of all employees and who is either an officer of the Foundation or holds the title of General Counsel. Contributions are deferred from the participant's salary and held by TIAA-CREF. Participants are fully vested in the plan upon entry, and asset allocation is directed by the participant. At June 30, 2015 and 2014, the assets and liabilities related to the plan totaled \$99,852 and \$77,898, respectively.

On September 23, 1992, the Board of Trustees passed a resolution that the Foundation should maintain the Key Employee Insurance policy in the amount of \$150,000 on Duffy L. Paul, President Emeritus, following his retirement. The Foundation continued as owner of the policy until his death in March 2008. At that time, arrangements were made to begin annual distributions over a period of ten years to his designated beneficiary as provided in a special agreement authorized by the Board.

At June 30, 2015, future distributions under this deferred compensation arrangement are as follows:

Fiscal Year Ending June 30	
2016	\$ 14,381
2017	<u>14,688</u>
	<u>\$ 29,069</u>

17. Postretirement Benefits

In addition to providing pension benefits, the Foundation maintains a postretirement benefit plan (welfare benefit plan) for the purpose of reimbursing eligible employees for postretirement medical and dental insurance premiums. Employees who have attained age 60 and completed at least ten years of full-time service may elect to retire and become eligible for postretirement medical and dental insurance premium benefits. An employee with at least ten years of full-time service who was terminated due to a reduction in force may become eligible for postretirement medical and dental insurance premium benefits upon turning 60 years old if he/she executes a severance agreement with the Foundation.

The Foundation made a change to its postretirement benefit plan in July 2012. Eligible employees who retired prior to July 1, 2014 could continue to receive benefits under the defined benefit approach as outlined below. Eligible employees retiring on or after July 1, 2014 are provided benefits under a defined contribution approach also as outlined below.

In conjunction with these changes, the Foundation established a Voluntary Employee Beneficiary Association (VEBA) Trust to fund the postretirement benefit obligation. Within the VEBA Trust, an account was created for each current employee with at least one year of full-time service as of June 30, 2012. A separate general account was created to fund the obligation related to those who retired prior to July 1, 2014. The Foundation may, at its discretion, contribute to the VEBA Trust from time to time.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

17. Postretirement Benefits (Continued)

At the same time, the Foundation also created unfunded Notional accounts effective July 1, 2012 for all current employees with at least one year of full-time service as of June 30, 2012. The initial account balance was allocated based on years of service. The Foundation may, at its discretion, credit additional amounts to these accounts annually. As amounts are funded, the value of the individual Notional accounts will decrease by such funded amount while the value of the individual VEBA Trust accounts will increase. An employee's total account balance may be composed of an unfunded Notional account and a funded VEBA Trust account. As of June 30, 2015, there were no unfunded Notional accounts.

Benefits for Pre-July 1, 2014 Retirees

Eligible employees who retired prior to July 1, 2014 are eligible to receive a reimbursement amount based on their years of service as shown in the table below. Payment of all or a portion of an eligible retiree's medical and dental insurance premiums will remain an obligation of the Foundation even if not fully funded under the VEBA Trust.

<u>Years of Service</u>	<u>Percentage of Premiums</u>
10 but less than 15 years	25% *
15 but less than 20 years	50% *
20 but less than 25 years	75% *
25 or more Years of Service	100% *

* Up to a maximum not to exceed an amount equal to the same percentage portion of the monthly premiums paid by the Foundation for the medical and dental plans for a current single full-time employee.

The Foundation records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, and healthcare cost trend rates. All required calculations were prepared by Stanley Benefit Services, actuaries, using pertinent data for the Foundation's eligible retirees.

The Foundation recognizes the funded status of the defined benefit portion of its postretirement benefit plan on a net basis as an asset or liability and recognizes changes in that funded status in the year in which the changes occur through a charge to unrestricted net assets to the extent those changes are not included in net periodic benefit cost. The funded status is reported on the statement of financial position as the difference between the fair value of plan assets and the benefit obligation.

Information with respect to this plan as of and for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Change in Benefit Obligation:		
Benefit Obligation at End of Prior Plan Year	\$ (904,308)	\$ (2,317,426)
Service Cost	0	0
Interest Cost	(36,775)	(147,243)
Amendments	0	0
Actuarial Gain (Loss)	(151,109)	1,504,955
Actual Distributions	44,937	55,406
Benefit Obligation at End of Year	\$ (1,047,255)	\$ (904,308)

COLLEGE FOUNDATION, INC.
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17. Postretirement Benefits (Continued)

	2015	2014
Change in Plan Assets:		
Plan Assets at Fair Value at Beginning of Year	\$ 1,726,615	\$ 624,865
Actual Return on Plan Assets	35,341	82,519
Acquisition/Transfers In	0	430,421
Actual Employer Contributions	13,417	644,216
Other	0	0
Actual Distributions	<u>(44,937)</u>	<u>(55,406)</u>
Plan Assets at Fair Value at End of Year	<u>\$ 1,730,436</u>	<u>\$ 1,726,615</u>
Funded Status = Net Asset / (Liability) at End of Year	<u>\$ 683,181</u>	<u>\$ 822,307</u>
Amounts Recognized in Statement of Financial Position:		
Non-Current Assets	\$ 683,181	\$ 822,307
Non-Current Liabilities	0	0
(Accrued) / Prepaid Cost (pre-Statement of Financial Position Item)	<u>2,512,142</u>	<u>2,512,142</u>
Net Adjustment to Unrestricted Net Assets	<u>\$ (1,828,961)</u>	<u>\$ (1,689,835)</u>
Amounts Recognized in Unrestricted Net Assets:		
Unrecognized Net (Gain) / Loss	<u>\$ 1,828,961</u>	<u>\$ 1,689,835</u>
(Accrued) / Prepaid Cost, pre-Statement of Financial Position Item:		
(Accrued) / Prepaid Cost at Beginning of Fiscal Year	\$ 2,512,142	\$ 1,806,315
Net Periodic Postretirement Benefit (Cost) / Income	(13,417)	(368,810)
Actual Employer Contributions	13,417	644,216
Transfers In	<u>0</u>	<u>430,421</u>
(Accrued) / Prepaid Cost at End of Fiscal Year	<u>\$ 2,512,142</u>	<u>\$ 2,512,142</u>
Net Periodic Postretirement Benefit Cost / (Income):		
Service Cost	\$ 0	\$ 0
Interest Cost	36,775	147,243
Expected Return on Plan Assets	(120,863)	(53,329)
Amortization of Prior Service Cost	0	23,888
Amortization of Net (Gain) / Loss	<u>97,505</u>	<u>251,008</u>
Net Periodic Postretirement Benefit Cost / (Income)	<u>\$ 13,417</u>	<u>\$ 368,810</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Statement of Activities:		
Net (Gain) / Loss	\$ 236,631	\$ (1,534,145)
Amortization of Prior Service Cost	0	(23,888)
Amortization of Net Gain / (Loss)	<u>(97,505)</u>	<u>(251,008)</u>
Total Recognized in Unrestricted Net Assets	139,126	(1,809,041)
Net Periodic Postretirement Benefit Cost / (Income)	<u>13,417</u>	<u>368,810</u>
Total Recognized in Statement of Activities	<u>\$ 152,543</u>	<u>\$ (1,440,231)</u>
Reconciliation of Minimum Statement of Financial Position Liability:		
Statement of Financial Position Liability at Beginning of Year	\$ 822,307	\$ (1,692,561)
Total NPPBC plus Special Events	(13,417)	(368,810)
Actual Employer Contributions	13,417	644,216
Transfers In	0	430,421
Statement of Financial Position Adjustment	<u>(139,126)</u>	<u>1,809,041</u>
Statement of Financial Position Asset / (Liability) at End of Year	<u>\$ 683,181</u>	<u>\$ 822,307</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

17. Postretirement Benefits (Continued)

	2015	2014
Actuarial Assumptions:		
Weighted Average Assumptions:		
Discount Rate--Net Periodic Benefit Cost	4.2%	4.7%
Discount Rate--Benefit Obligation	4.3%	4.2%
Expected Long-Term Rate of Return on Assets	7.0%	7.0%
Assumed Healthcare Cost Trend Rates:		
Healthcare Cost Trend Rate Assumed for Next Year	8.0%	8.5%
Rate to which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	5.0%	5.0%
Year that the Rate reaches the Ultimate Trend	2021	2021

College Foundation, Inc.'s overall expected long-term rate of return is based on the expected overall asset allocation. The return assumptions for each asset class are determined based upon current market conditions, including but not limited to, current market valuations, yield, inflation, and various economic indicators, and the final rate is determined as a weighted average and rounded to the next multiple of 25 basis points.

The Foundation expects to contribute at least \$16,000 in postretirement benefits during the fiscal year ending June 30, 2016.

The estimated interest cost, expected return on assets, and net loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are as follows:

Interest Cost	\$	44,000
Expected Return on Plan Assets		(120,000)
Amortization of Net Loss		<u>92,000</u>
	\$	<u><u>16,000</u></u>

Benefits expected to be paid in the future are as follows:

Fiscal Year Ending <u>June 30</u>		
2016	\$	52,000
2017		48,000
2018		51,000
2019		54,000
2020		56,000
2021-2025		308,000

Benefits for Post-June 30, 2014 Retirees

Eligible employees who retire after June 30, 2014 are eligible to receive reimbursement of medical and dental insurance premiums from their own individual VEBA Trust Account.

During the years ended June 30, 2015 and 2014, the Foundation contributed \$17,668 and \$2,963,774, respectively, to the VEBA Trust to fund postretirement benefits for those eligible employees outside of the defined benefit portion of its postretirement benefit plan.

COLLEGE FOUNDATION, INC.
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17. Postretirement Benefits (Continued)

VEBA Investments

The VEBA Trust's primary investment objective is protection of capital and long-term rates of return by investing in a prudent manner and avoiding high-risk investments. The Foundation's plan asset allocation strategy provides for diversification in both fixed income and equity securities so as to provide a balance to the investment portfolio, thereby avoiding undue risk concentration in any single asset class or investment category. The Foundation's Employee Benefit Plans Investment Oversight Committee has the authority to make adjustments to the asset allocations in order to maintain target allocations in the VEBA Trust and to make any permanent changes in policy.

At June 30, 2015 and 2014, the target and current plan asset allocations were as follows:

	2015			2014		
	Target	Ranges	Actual	Target	Ranges	Actual
Cash and Cash Equivalents	3%	2-20%	3.2%	5%	5-20%	3.0%
Debt Securities:						
Government Bonds	25%	15-75%	25.3%	25%	15-75%	24.6%
Corporate Bonds	26%	25-35%	26.0%	25%	25-35%	25.7%
Inflation Protected Bonds	11%	5-35%	10.9%	10%	5-35%	11.0%
Equity Securities:						
Large Blend	4%	2-15%	4.0%	5%	2-15%	5.1%
Large Growth	8%	5-25%	7.9%	10%	5-25%	10.4%
Large Value	8%	5-25%	7.9%	10%	5-25%	10.1%
Moderate Allocation	10%	5-20%	9.9%	10%	5-20%	10.1%
International	5%	0-10%	4.9%	-	-	-

Plan assets held in the VEBA Trust are measured at fair value, based on quoted market prices when available. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At June 30, 2015 and 2014, plan assets held in the VEBA Trust measured at fair value on a recurring basis, all at Level 1 in the fair value hierarchy, were as follows:

	2015	2014
Cash and Cash Equivalents	\$ 261,632	\$ 243,475
Mutual Funds:		
Government Debt Securities	2,095,214	2,001,371
Corporate Debt Securities	2,153,330	2,094,393
Inflation Protected Debt Securities	903,693	893,621
Large Blend Equity Securities	328,723	418,989
Large Growth Equity Securities	653,097	844,904
Large Value Equity Securities	655,293	827,733
Moderate Allocation Equity Securities	823,402	819,922
International Equity Securities	404,876	0
	<u>\$ 8,279,260</u>	<u>\$ 8,144,408</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

17. Postretirement Benefits (Concluded)

Prescription Drug Benefits

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a non-taxable federal subsidy of certain prescription drug claims to sponsors of retiree health care benefit plans. The Foundation has not determined if the prescription drug benefits provided under its postretirement benefit plan are at least actuarially equivalent to the prescription drug benefits offered under Medicare Part D and has not applied for the subsidy under the Act.

18. Property Protection and Liability Insurance

In addition to insurance covering property and equipment, the Foundation maintains a second IBM iSeries computer at a remote location in order to minimize the suspension of business and to continue operations in the event of a disaster. The Foundation also maintains Employee Dishonesty coverage, Errors and Omissions coverage, and Employed Lawyers Professional Liability coverage. The Foundation, as administrator of the North Carolina College Savings and Investment Program, by contract requires each Investment Manager, State Employees' Credit Union and Vanguard, to maintain commercially reasonable insurance.

19. Executives and Trustees' Liability and Life Insurance

The Foundation maintains a liability policy on its officers and trustees in the amount of \$10,000,000.

The Foundation is also owner and beneficiary of life insurance policies, totaling \$200,000, on two executives. The original policy covering one executive was used to purchase a Single Premium Income Annuity which funds the premium on a term life insurance policy for this executive; the other executive is covered under a newer, separate term life insurance policy. The cash value of the annuity as of June 30, 2015 and 2014 totaled \$11,673 and \$11,506, respectively.

20. Marketing and Advertising

The Foundation uses marketing and advertising to promote the various programs it services. The costs of marketing and advertising are expensed as incurred. During the years ended June 30, 2015 and 2014, marketing and advertising costs totaled \$2,083,411 and \$2,353,489, respectively.

21. Functional Expenses

At June 30, 2015 and 2014, expenses on the Statements of Activities can be classified into the following functional expense categories:

	2015	2014
Program Services	\$ 23,996,729	\$ 29,924,636
Management and General	<u>1,542,945</u>	<u>2,138,276</u>
	<u>\$ 25,539,674</u>	<u>\$ 32,062,912</u>

Program service expenses include costs directly related to the administration of the Federal Family Education Loan Program and other student financial assistance programs. Management and general expenses are not directly identifiable with a student financial assistance program activity but are indispensable to the conduct of that activity and to the Foundation's existence.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2015 and 2014

22. Agency Funds

Since July 1985, the Foundation has served as agent for banks participating under the conditions of the Master Purchase Agreement or the Amended and Restated Master Purchase and Sale Agreement which provide for education loans to be "assigned" to the funding bank, making it the legal "holder." Under the terms of the Servicing Agreements, the Foundation promptly remits to the banks all principal and interest payments collected from borrowers. Upon the receipt of the net interest subsidy and special allowance payments from the U.S. Department of Education each quarter, the Foundation deducts its service fee provided for in the Servicing Agreements and promptly remits the remainder to each bank or submits a billing to each bank.

In July 1991, the Foundation entered into the first Special Fund Purchase Agreement which provided for education loans to be "assigned" to a Special Fund participant, making it the legal "holder." Under the Servicing Agreement executed, the Foundation, as agent for the funds provider, collects the loans and remits to the Special Fund participant all principal and interest payments collected from borrowers. The Foundation submits a quarterly report to the U.S. Department of Education, promptly processes net interest and special allowance, and notifies the Special Fund participant of the amount due from or due to the Foundation. The Foundation either deducts its service fee from borrower interest collections or submits a billing to the participant for the service fee due for the quarter.

In addition to serving as agent for the Special Fund and bank participants with respect to assigned loans, the Foundation services Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS Loans, and Federal Consolidation Loans funded by the N.C. State Education Assistance Authority. As principal and interest on these loans are collected from the borrowers, the funds are remitted promptly to the N.C. State Education Assistance Authority or its designated trustee. The Foundation promptly processes net U.S. Department of Education interest subsidy and special allowance each quarter and notifies the N.C. State Education Assistance Authority or its designated trustee of the amount due from or due to the Foundation. The Foundation also submits a billing quarterly to the N.C. State Education Assistance Authority or its designated trustee for the service fees on these loans.

The assets and liabilities attributable to these loan funds and to the grant, scholarship, and college savings and investment programs that the Foundation administers for the N.C. State Education Assistance Authority, as outlined in Note 2, are reflected in Schedules 4 and 5.

23. Concentration of Credit Risk

The Foundation maintains cash balances and invests in certificates of deposit at financial institutions located in North Carolina. The aggregate balance at each financial institution was insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015 and 2014, the Foundation's uninsured cash balances totaled \$19,546,756 and \$20,686,516, respectively. This amount is derived per a review of bank account balances and not the Foundation's "book" balances as of June 30, 2015 and 2014.

24. Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform with the 2015 financial statement presentation. Such reclassifications had no effect on net assets or cash flows.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLLEGE FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Program Title	Federal CFDA Number	Interest	Special Allowance
<u>U. S. Department of Education--Direct Program</u>			
Federal Family Education Loan Program (Lenders)	84.032L	\$ 8,890,423	\$ 684,943
Less amounts received by the Foundation as an agent for other funds providers		<u>8,885,253</u>	<u>684,259</u>
Net Federal Family Education Loan Program		5,170	684
<u>U. S. Department of Education--Other</u>			
Student Financial Assistance Cluster	SFAC	<u> </u>	<u> </u>
TOTALS		<u>\$ 5,170</u>	<u>\$ 684</u>

The accompanying notes are an integral part of this schedule.

<u>Total Federal Awards</u>	<u>Total Federal Expenditures</u>
\$ 9,575,366	\$
<u>9,569,512</u>	<u> </u>
5,854	5,854
<u> </u>	<u> </u>
<u><u>\$ 5,854</u></u>	<u><u>\$ 5,854</u></u>

COLLEGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1. Basis of Accounting and Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award/expenditure activity of College Foundation, Inc. (the Foundation) under programs of the federal government for the year ended June 30, 2015 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Foundation.

2. Federal Family Education Loan Program

As of July 1, 2010, no new loans could be originated under the Federal Family Education Loan Program (FFELP). Transactions relating to this program are included in the Foundation's basic financial statements. At June 30, 2015, the balance of FFELP loans serviced by the Foundation totaled \$1,911,364,985, which included \$914,407 owned by the Foundation. At June 30, 2015, interest and special allowance due to the Foundation from the U.S. Department of Education for FFELP loans serviced by the Foundation totaled \$2,217,992, which included \$1,379 related to loans owned by the Foundation.

Beginning with eligible loans first disbursed on or after April 1, 2006, lenders are required to remit excess borrower interest to the U.S. Department of Education when the applicable interest rate on a loan for any given quarter exceeds the special allowance support level. During the year ended June 30, 2015, excess borrower interest remitted to the U.S. Department of Education totaled \$58,834,947, which included \$23,500 related to loans owned by the Foundation. At June 30, 2015, excess borrower interest due to the U.S. Department of Education for FFELP loans serviced by the Foundation totaled \$13,883,941, which included \$5,627 related to loans owned by the Foundation.

3. Student Financial Assistance – Verification and C Code Resolution Services

During the year ended June 30, 2015, the Foundation provided verification of certain Free Application for Federal Student Aid (FAFSA) data elements and C Code resolution services as required by the U.S. Department of Education to assist financial aid offices at schools in and outside North Carolina. These services were performed by the Foundation on behalf of the N.C State Education Assistance Authority for the North Carolina schools. The Foundation receives no federal monies for these services, either directly or as a subrecipient.

COMPLIANCE AND INTERNAL CONTROL REPORTS



Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered College Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether College Foundation, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of College Foundation, Inc. in a separate letter dated September 28, 2015.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
September 28, 2015



Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited College Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of College Foundation, Inc.'s major federal programs for the year ended June 30, 2015. College Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of College Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of College Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, College Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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Report on Internal Control over Compliance

Management of College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered College Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of College Foundation, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
September 28, 2015

COLLEGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be material weakness? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be material weakness? Yes None Reported

Type of auditor's report issued on compliance for each major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

CFDA Number
84.032L
SFAC

Name of Federal Program or Cluster
Federal Family Education Loan Program (Lenders)
Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

There were no findings relating to the financial statements required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal awards required to be reported under OMB Circular A-133.