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COLLEGE FOUNDATION, INC.

June 30, 2018 and 2017

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Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of College Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College Foundation, Inc.'s internal control over financial reporting and compliance.

Koonce Wooten & Haywood LLP

Raleigh, North Carolina
September 28, 2018

STATEMENTS OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Statements of Financial Position
June 30, 2018 and 2017

ASSETS

	2018	
	Unrestricted	Temporarily Restricted
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	$ 11,226,796	$
Service Fees Receivable (Note 1G)	5,772,772	
Other Accounts Receivable (Note 1H)	796,128	
Accrued Interest Receivable	22,512	
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 5)	99,000	
N.C. College Savings and Investment Program Accounts (Note 1K)	150,000	4,144
Prepaid Expenses	1,952,811	
Total Current Assets	20,020,019	4,144
PROPERTY AND EQUIPMENT (Notes 1L and 7)	13,962,666	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated (Notes 1F, 13, and 23)	5,257,407	
Cash and Cash Equivalents (Note 1N)	2,801,820	
Other Investments: Board Designated (Notes 1J, 9, 10, and 13)	2,578,809	
Other Investments (Notes 1J, 9, and 10)	2,802,564	
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 5)	586,547	
Single Premium Income Annuity (Note 19)	11,993	
N.C. College Savings and Investment Program Accounts (Note 1K)	469,570	
Deferred Compensation (Note 16)	184,505	
Accrued Postretirement Benefit Asset (Note 17)	1,062,254	
Prepaid Expenses	995,056	
Total Other Assets	16,750,525	
Total Assets	$ 50,733,210	$ 4,144

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted
CURRENT LIABILITIES:		
Accounts Payable	$ 766,274	$
Accrued Salary and Annual Leave	552,384	
Deferred Service Fee Revenue (Note 1M)	4,690,952	
Deferred Compensation Payable (Note 16)	184,505	
Other (Note 3)	2,990,312	
Total Current Liabilities	9,184,427	
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans (Notes 1N and 4B)	2,800,000	
Total Liabilities	11,984,427	
NET ASSETS (Note 12)	38,748,783	4,144
Total Liabilities and Net Assets	$ 50,733,210	$ 4,144

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

		2017			
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$	$ 11,226,796	$ 15,485,659	$	$	$ 15,485,659
	5,772,772	5,826,528			5,826,528
	796,128	1,336,771			1,336,771
	22,512	22,622			22,622
	99,000	90,000			90,000
	154,144	135,000	3,687		138,687
	1,952,811	1,686,300			1,686,300
	20,024,163	24,582,880	3,687		24,586,567
	13,962,666	17,238,128			17,238,128
	5,257,407	859,621			859,621
	2,801,820	3,300,000			3,300,000
	2,578,809	1,801,875			1,801,875
	2,802,564				
	586,547	711,868			711,868
	11,993	11,918			11,918
555,000	1,024,570	437,312		555,000	992,312
	184,505	147,951			147,951
	1,062,254	769,789			769,789
	995,056	857,014			857,014
555,000	17,305,525	8,897,348		555,000	9,452,348
$ 555,000	$ 51,292,354	$ 50,718,356	$ 3,687	$ 555,000	$ 51,277,043

$	$ 766,274	$ 1,212,654	$	$	$ 1,212,654
	552,384	559,962			559,962
	4,690,952	5,531,624			5,531,624
	184,505	147,951			147,951
	2,990,312	2,731,621			2,731,621
	9,184,427	10,183,812			10,183,812
	2,800,000	3,300,000			3,300,000
	11,984,427	13,483,812			13,483,812
555,000	39,307,927	37,234,544	3,687	555,000	37,793,231
$ 555,000	$ 51,292,354	$ 50,718,356	$ 3,687	$ 555,000	$ 51,277,043

STATEMENTS OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Statements of Activities
For The Years Ended June 30, 2018 and 2017

	2018	
	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS:		
Revenues, Gains, and Other Support:		
Service Fees (Note 2)	$ 26,259,491	$
Interest Income (Notes 1J, 1K, 3, and 14)	84,325	7,432
Net Dividend/Misc Income--Other Investments (Note 1J and 14)	29,485	
Net Depreciation in Fair Value of Investments	(18,996)	
Rental Income (Note 15)	33,691	
Reduction in Contingency for Uninsured Loans (Notes 1N and 4B)	491,920	
Gain on Disposal of Yonkers Road Property	1,503,764	
Contribution		
Miscellaneous	2,378	
Net Assets Released from Restrictions	6,975	(6,975)
Total Revenues, Gains, and Other Support	28,393,033	457
Total Expenses (Note 21)	27,171,259	
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	1,221,774	457
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	292,465	
CHANGES IN NET ASSETS	1,514,239	457
NET ASSETS--Beginning of Year	37,234,544	3,687
NET ASSETS--End of Year	$ 38,748,783	$ 4,144

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

		2017			
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$	$ 26,259,491	$ 25,844,336	$	$	$ 25,844,336
	91,757	47,569	7,004		54,573
	29,485				
	(18,996)				
	33,691	233,698			233,698
	491,920	400,000			400,000
	1,503,764				
			2,800		2,800
	2,378	3,337			3,337
		9,775	(9,775)		
	28,393,490	26,538,715	29		26,538,744
	27,171,259	25,688,254			25,688,254
	1,222,231	850,461	29		850,490
	292,465	124,381			124,381
	1,514,696	974,842	29		974,871
555,000	37,793,231	36,259,702	3,658	555,000	36,818,360
$ 555,000	$ 39,307,927	$ 37,234,544	$ 3,687	$ 555,000	$ 37,793,231

COLLEGE FOUNDATION, INC.
Statements of Cash Flows
For The Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 1,514,696	$ 974,871
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,952,550	1,765,488
Gain on Disposal of Yonkers Road Property	(1,503,764)	
Unrealized Depreciation in Fair Value of Investments	20,856	
Changes In:		
Service Fees Receivable	53,756	661,593
Other Receivables	540,643	(467,952)
Accrued Interest Receivable	110	(3,659)
Education Loans	116,321	100,649
Prepaid Expenses	(404,553)	(327,156)
Accrued Postretirement Benefit Asset	(292,465)	(124,381)
Accounts Payable	(446,380)	(402,279)
Accrued Salary and Annual Leave	(7,578)	(252,910)
Deferred Service Fee Revenue	(840,672)	(151,492)
Deferred Compensation Payable		(14,688)
Other Current Liabilities	258,691	25,391
Contingency for Uninsured Loans	(500,000)	(400,000)
Net Cash Provided by Operating Activities	462,211	1,383,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(75)	(72)
Purchase of Other Investments	(5,412,681)	(515,824)
Redemption of Other Investments	1,812,327	463,856
Deposits to N.C. College Savings and Investment Program Accounts	(131,160)	(85,599)
Distributions from N.C. College Savings and Investment Program Accounts	83,445	68,352
Proceeds from Sale of Yonkers Road Property	4,477,725	
Purchase of Property and Equipment	(1,651,049)	(1,992,559)
Net Cash Used by Investing Activities	(821,468)	(2,061,846)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(359,257)	(678,371)
CASH AND CASH EQUIVALENTS--Beginning of Year	19,645,280	20,323,651
CASH AND CASH EQUIVALENTS--End of Year	$ 19,286,023	$ 19,645,280

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, 2018

ASSETS

	Unrestricted: Operating Fund	Unrestricted: Special Scholarship Fund
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	$ 7,909,660	$ 164,000
Service Fees Receivable (Note 1G)	5,772,772	
Other Accounts Receivable (Note 1H)	342,383	18
Accrued Interest Receivable		22,512
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 5)		99,000
N.C. College Savings and Investment Program Accounts (Note 1K)		150,000
Prepaid Expenses	1,952,811	
Interfund Receivables (Payables)	688	102,740
Total Current Assets	15,978,314	538,270
PROPERTY AND EQUIPMENT (Notes 1L and 7)	13,962,666	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated (Notes 1F, 13, and 23)	3,009,878	2,247,529
Cash and Cash Equivalents (Note 1N)	2,801,820	
Other Investments: Board Designated (Notes 1J, 9, 10, and 13)	1,499,201	1,079,608
Other Investments (Notes 1J, 9, and 10)	2,802,564	
Education Loans: Foundation--Owner and Holder (Notes 1I, 2, and 5)		586,547
Single Premium Income Annuity (Note 19)	11,993	
N.C. College Savings and Investment Program Accounts (Note 1K)		469,570
Deferred Compensation (Note 16)	184,505	
Accrued Postretirement Benefit Asset (Note 17)	1,062,254	
Prepaid Expenses	995,056	
Total Other Assets	12,367,271	4,383,254
Total Assets	$ 42,308,251	$ 4,921,524

LIABILITIES AND NET ASSETS

	Unrestricted: Operating Fund	Unrestricted: Special Scholarship Fund
CURRENT LIABILITIES:		
Accounts Payable	$ 766,274	$
Accrued Salary and Annual Leave	552,384	
Deferred Service Fee Revenue (Note 1M)	4,690,952	
Deferred Compensation Payable (Note 16)	184,505	
Other (Note 3)	49,695	
Total Current Liabilities	6,243,810	
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans (Notes 1N and 4B)	2,800,000	
Total Liabilities	9,043,810	
NET ASSETS (Note 12)	33,264,441	4,921,524
Total Liabilities and Net Assets	$ 42,308,251	$ 4,921,524

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

		Temporarily Restricted	Permanently Restricted	
Special Nonassigned Loan Fund	Total Unrestricted	Special Nonassigned Loan Fund	Special Nonassigned Loan Fund	Total
$ 3,153,136	$ 11,226,796	$	$	$ 11,226,796
	5,772,772			5,772,772
453,727	796,128			796,128
	22,512			22,512
	99,000			99,000
	150,000	4,144		154,144
	1,952,811			1,952,811
(103,428)				
3,503,435	20,020,019	4,144		20,024,163
	13,962,666			13,962,666
	5,257,407			5,257,407
	2,801,820			2,801,820
	2,578,809			2,578,809
	2,802,564			2,802,564
	586,547			586,547
	11,993			11,993
	469,570		555,000	1,024,570
	184,505			184,505
	1,062,254			1,062,254
	995,056			995,056
	16,750,525		555,000	17,305,525
$ 3,503,435	$ 50,733,210	$ 4,144	$ 555,000	$ 51,292,354
$	$ 766,274	$	$	$ 766,274
	552,384			552,384
	4,690,952			4,690,952
	184,505			184,505
2,940,617	2,990,312			2,990,312
2,940,617	9,184,427			9,184,427
	2,800,000			2,800,000
2,940,617	11,984,427			11,984,427
562,818	38,748,783	4,144	555,000	39,307,927
$ 3,503,435	$ 50,733,210	$ 4,144	$ 555,000	$ 51,292,354

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2018

	Operating Fund	Special Scholarship Fund
OPERATING:		
Revenues, Gains, and Other Support:		
Service Fees (Note 2):		
Trust, Bond and Escheat Loan Programs	$ 9,764,383	$
General Loan Program	22,632	
Special Loan Program	150,686	
UNC Need-Based Grant Program	320,725	
N.C. Community College Grant Program	64,252	
N.C. College Savings and Investment Program	2,936,919	
College Foundation of North Carolina	3,919,451	
EXTRA Education Loan Program	660,483	
EXTRA MBA Loan Program	19,382	
College Funds Installment Payment Plan	17,720	
N.C. Education Lottery Scholarship Program	115,975	
School Services	2,098,671	
N.C. Need-Based Scholarship Program	199,031	
Direct Loan Program	79,907	
EX$EL Program	76,426	
Management and Computer Services	1,414,483	
Residency Determination Services	3,536,209	
Alternative Loan Program	875,455	
Other Program Services	1,568	
Total Service Fees	26,274,358	
Interest Income:		
Cash and Cash Equivalents	27,772	13,816
Other Investments (Note 1J)		6,968
Education Loan Borrowers		30,798
U.S. Department of Education Interest Benefits (Note 3)		4,268
U.S. Department of Education Special Allowance (Note 3)		1,722
Excess Borrower Interest Remitted to U.S. Department of Education (Note 3)		(8,747)
N.C. College Savings and Investment Program Accounts (Notes 1K and 14)		7,728
Total Interest Income	27,772	56,553
Net Dividend/Misc Income--Other Investments (Note 1J and 14)	23,164	6,321
Net Depreciation in Fair Value of Investments	(15,198)	(3,798)
Rental Income (Note 15)	33,691	
Reduction in Contingency for Uninsured Loans (Notes 1N and 4B)	491,920	
Gain on Disposal of Yonkers Road Property	1,503,764	
Contribution		500
Miscellaneous	2,378	
Net Assets Released from Restrictions		
Total Revenues, Gains, and Other Support	28,341,849	59,576

(Continued)

Unrestricted Special Nonassigned Loan Fund	Eliminations	Total Unrestricted	Temporarily Restricted Special Nonassigned Loan Fund	Permanently Restricted Special Nonassigned Loan Fund	Total
$	$	$ 9,764,383	$	$	$ 9,764,383
		22,632			22,632
	14,867	135,819			135,819
		320,725			320,725
		64,252			64,252
		2,936,919			2,936,919
		3,919,451			3,919,451
		660,483			660,483
		19,382			19,382
		17,720			17,720
		115,975			115,975
		2,098,671			2,098,671
		199,031			199,031
		79,907			79,907
		76,426			76,426
		1,414,483			1,414,483
		3,536,209			3,536,209
		875,455			875,455
		1,568			1,568
	14,867	26,259,491			26,259,491
		41,588			41,588
		6,968			6,968
		30,798			30,798
		4,268			4,268
		1,722			1,722
		(8,747)			(8,747)
		7,728	7,432		15,160
		84,325	7,432		91,757
		29,485			29,485
		(18,996)			(18,996)
		33,691			33,691
		491,920			491,920
		1,503,764			1,503,764
	500				
		2,378			2,378
6,975		6,975	(6,975)		
6,975	15,367	28,393,033	457		28,393,490

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2018

	Operating Fund	Special Scholarship Fund
Expenses:		
Staff Salaries--Full-time or Half-time	$ 12,310,519	$
Part-time Assistance	1,097,548	
Payroll Taxes	892,915	
Staff Insurance Benefits	2,003,832	
Staff Retirement Benefits (Note 16)	415,890	
Net Periodic Postretirement Benefits (Note 17)	43,390	
Staff Training and Development	68,072	
Membership Fees and Other Expenses for Staff Benefit	46,562	
Staff Travel, Transportation and Subsistence	38,753	
Office Materials and Supplies	407,915	
Mail Delivery and Handling	668,614	
Telephone and Electronic Communications	242,327	
Heat, Lights and Water	140,607	
Building Operation	183,481	
Equipment Maintenance	599,514	
Software Maintenance and License Fees	1,669,844	
Legal Fees	27,504	
External Accounting and Auditing Fees	149,308	
Consultants' Fees	533,861	
Computerized Services	458,419	
Other Contracted Operational Services	811,218	
Property Protection and Liability Insurance (Notes 18 and 19)	200,392	
Disaster Recovery Program	133,464	
Marketing and Advertising (Note 20)	1,945,566	
Miscellaneous Expenses	67,887	1,145
Service Fees		14,867
Scholarship Grants		76,470
Depreciation and Amortization (Note 1L)	1,929,575	
Total Expenses (Note 21)	27,086,977	92,482
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	1,254,872	(32,906)
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	292,465	
CHANGES IN NET ASSETS BEFORE NET ASSETS TRANSFER	1,547,337	(32,906)
NET ASSETS TRANSFER (Note 13)	(734,302)	734,302
CHANGES IN NET ASSETS	813,035	701,396
NET ASSETS--Beginning of Year	32,451,406	4,220,128
NET ASSETS--End of Year	$ 33,264,441	$ 4,921,524

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

Unrestricted			Temporarily Restricted	Permanently Restricted	
Special Nonassigned Loan Fund	Eliminations	Total Unrestricted	Special Nonassigned Loan Fund	Special Nonassigned Loan Fund	Total
$	$	$ 12,310,519	$	$	$ 12,310,519
		1,097,548			1,097,548
		892,915			892,915
		2,003,832			2,003,832
		415,890			415,890
		43,390			43,390
		68,072			68,072
		46,562			46,562
		38,753			38,753
		407,915			407,915
		668,614			668,614
		242,327			242,327
		140,607			140,607
		183,481			183,481
		599,514			599,514
		1,669,844			1,669,844
		27,504			27,504
		149,308			149,308
		533,861			533,861
		458,419			458,419
		811,218			811,218
		200,392			200,392
		133,464			133,464
		1,945,566			1,945,566
192	500	68,724			68,724
	14,867				
6,975		83,445			83,445
		1,929,575			1,929,575
7,167	15,367	27,171,259			27,171,259
(192)		1,221,774	457		1,222,231
		292,465			292,465
(192)		1,514,239	457		1,514,696
(192)		1,514,239	457		1,514,696
563,010		37,234,544	3,687	555,000	37,793,231
$ 562,818	$ 0	$ 38,748,783	$ 4,144	$ 555,000	$ 39,307,927

DETAILED SCHEDULE OF CASH FLOWS

COLLEGE FOUNDATION, INC.
Detailed Schedule of Cash Flows
For The Year Ended June 30, 2018

	Operating Fund	Special Scholarship Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 813,035	$ 701,396
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,952,550	
Gain on Disposal of Yonkers Road Property	(1,503,764)	
Unrealized Depreciation in Fair Value of Investments	17,058	3,798
Changes In:		
Service Fees Receivable	53,756	
Other Receivables	476,013	(90,175)
Accrued Interest Receivable		110
Education Loans		116,321
Prepaid Expenses	(404,553)	
Accrued Postretirement Benefit Asset	(292,465)	
Accounts Payable	(446,380)	
Accrued Salary and Annual Leave	(7,578)	
Deferred Service Fee Revenue	(840,672)	
Other Current Liabilities	(32,151)	(1,753)
Contingency for Uninsured Loans	(500,000)	
Net Cash Provided (Used) by Operating Activities	(715,151)	729,697
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(75)	
Purchase of Other Investments	(4,318,823)	(1,093,858)
Redemption of Other Investments		1,812,327
Deposits to N.C. College Savings and Investment Program Accounts		(123,728)
Distributions from N.C. College Savings and Investment Program Accounts		76,470
Proceeds from Sale of Yonkers Road Property	4,477,725	
Purchase of Property and Equipment	(1,651,049)	
Net Cash Provided (Used) by Investing Activities	(1,492,222)	671,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,207,373)	1,400,908
CASH AND CASH EQUIVALENTS--Beginning of Year	15,928,731	1,010,621
CASH AND CASH EQUIVALENTS--End of Year	$ 13,721,358	$ 2,411,529

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

Special Nonassigned Loan Fund	Total
$ 265	$ 1,514,696
	1,952,550
	(1,503,764)
	20,856
	53,756
154,805	540,643
	110
	116,321
	(404,553)
	(292,465)
	(446,380)
	(7,578)
	(840,672)
292,595	258,691
	(500,000)
447,665	462,211
	(75)
	(5,412,681)
	1,812,327
(7,432)	(131,160)
6,975	83,445
	4,477,725
	(1,651,049)
(457)	(821,468)
447,208	(359,257)
2,705,928	19,645,280
$ 3,153,136	$ 19,286,023

SCHEDULE OF AGENCY FUNDS
June 30, 2018

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2018

ASSETS

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Cash and Cash Equivalents (Note 1F)	$ 2,927,120	$	$ 13,080
Accounts Receivable:			
Agency Funds (Note 22)	2,708,592		9,269
U. S. Department of Education (Note 3)		11,673	
College Foundation, Inc.	2,830,858	5,266	11
Accrued Interest Receivable	29,643,721	79,261	366,830
Note Receivable--Other	506,144		
Education Loans: Foundation--Agent (Notes 1I, 2, and 5)	1,372,506,189	2,965,089	17,146,698
Total Assets	$ 1,411,122,624	$ 3,061,289	$ 17,535,888

LIABILITIES

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Accounts Payable:			
Agency Funds (Note 22)	$ 1,407,907,888	$ 3,055,810	$ 17,525,193
U. S. Department of Education (Note 3)	2,708,592		9,269
College Foundation, Inc.		5,479	1,426
Other			
Note Payable--Agency Funds	506,144		
Total Liabilities	$ 1,411,122,624	$ 3,061,289	$ 17,535,888

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
$ 666,571	$ 280,816	$ 121,680	$ 36,782	$ 16,340	$ 4,062,389
87,035					2,804,896
					11,673
					2,836,135
					30,089,812
					506,144
					1,392,617,976
$ 753,606	$ 280,816	$ 121,680	$ 36,782	$ 16,340	$ 1,432,929,025
$ 98,498	$ 213,046	$ 121,680	$ 36,782	$ 16,340	$ 1,428,975,237
					2,717,861
288,385					295,290
366,723	67,770				434,493
					506,144
$ 753,606	$ 280,816	$ 121,680	$ 36,782	$ 16,340	$ 1,432,929,025

SCHEDULE OF AGENCY FUNDS
June 30, 2017

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2017

ASSETS

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Cash and Cash Equivalents (Note 1F)	$ 3,000,000	$	$ 20,145
Accounts Receivable:			
Agency Funds (Note 22)	6,164,820		40,941
U. S. Department of Education (Note 3)		8,949	
College Foundation, Inc.	2,379,725	10,397	2
Accrued Interest Receivable	28,480,898	68,111	341,490
Note Receivable--Other	541,406		
Education Loans: Foundation--Agent (Notes 1I, 2, and 5)	1,589,377,668	3,470,428	20,023,842
Total Assets	$ 1,629,944,517	$ 3,557,885	$ 20,426,420

LIABILITIES

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Accounts Payable:			
Agency Funds (Note 22)	$ 1,623,238,291	$ 3,550,857	$ 20,383,834
U. S. Department of Education (Note 3)	6,164,820		40,941
College Foundation, Inc.		7,028	1,645
Other			
Note Payable--Agency Funds	541,406		
Total Liabilities	$ 1,629,944,517	$ 3,557,885	$ 20,426,420

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
$ 759,552	$ 147,243	$ 112,255	$ 67,226	$ 126,315	$ 4,232,736
80,444					6,286,205
					8,949
504					2,390,628
					28,890,499
					541,406
					1,612,871,938
$ 840,500	$ 147,243	$ 112,255	$ 67,226	$ 126,315	$ 1,655,222,361
$ 172,831	$ 135,618	$ 112,255	$ 67,226	$ 126,315	$ 1,647,787,227
					6,205,761
288,821					297,494
378,848	11,625				390,473
					541,406
$ 840,500	$ 147,243	$ 112,255	$ 67,226	$ 126,315	$ 1,655,222,361

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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 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. The Foundation continues to operate exclusively for its stated, charitable purpose.

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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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

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 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, 2018 and 2017, 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, 2018 and 2017, 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 4 for information regarding education loan insurance. At June 30, 2018 and 2017, 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. Mutual fund investments are reported at fair value.

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 (SECU). 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 (NCUA) until September 4, 2018. As of September 4, 2018, contributions and interest earned thereon are guaranteed by SECU and insured by the NCUA up to the applicable share insurance limit, which is currently $250,000.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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

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. Deferred Service Fee Revenue:

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.

N. 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. 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. Board policy requires that an analysis be presented to the Board annually for re-evaluation of the appropriate funding level and the formula utilized in its calculation. The most recent re-evaluation took place at the May 2018 Board of Trustees meeting.

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.

O. 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” on the basis of its administration of the State's student financial assistance programs and its governance structure under the charter; 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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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

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, 2015.

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 North Carolina General Statute 105-164.14(b). 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.

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.

P. 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.

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 is an eligible lender under Section 435(d)(1)(D) of the Act and has originated (including disbursement of the loans) and serviced loans since its enactment. Loans under the program have been funded by the N.C. State Education Assistance Authority and by direct and special investment from financial institutions and other organizations. 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 Program (FFELP) 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 FFELP loans.

2. Programs Administered by the Foundation (Continued)

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 in-state students enrolled at the State's community colleges. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

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 2010, the Foundation notified Upromise it would not renew Upromise Rewards; however, Upromise continued making the automatic sweep available until April 2011.

In October 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. The Foundation now works directly with Vanguard and State Employees' Credit Union.

2. Programs Administered by the Foundation (Continued)

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.

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 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. This option was offered through insurance contracts known as funding agreements. 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 funding agreements issued by MetLife to the Foundation.

On December 1, 2003, an additional investment option, the Seligman Balanced Allocation, was made 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 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.

2. Programs Administered by the Foundation (Continued)

In April 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.

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.

After close of trading on March 2, 2016, the Vanguard Money Market Portfolio was replaced with the Vanguard Interest Accumulation Portfolio. Within the Vanguard Income Portfolio, the Vanguard Prime Money Market Fund was replaced with the Vanguard Short-Term Reserves Account.

As of March 9, 2017, the Dependable Income Fund, managed by the Office of the State Treasurer, was discontinued as an investment option under the program. Participants were given the option of reallocating assets in the Dependable Income Fund to other investment options prior to March 7, 2017, or having the Foundation automatically reallocate their assets to the Federally-Insured Deposit Account as of March 8, 2017, when the Dependable Income Fund was closed out.

On July 12, 2018, six additional Vanguard funds were added to the mix of funds underlying the three Vanguard age-based options.

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

2. Programs Administered by the Foundation (Continued)

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 set 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.

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 set 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. In 2011, the legislature excluded N.C. private colleges from this program, making it available only for students at UNC and N.C. Community College campuses. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

2. Programs Administered by the Foundation (Continued)

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. 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 approved eligible private postsecondary institutions in the State of North Carolina. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

L. 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*ucation 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*ucation 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.

M. 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 independent (private, nonprofit) North Carolina schools. The Foundation acts as agent for the N.C. State Education Assistance Authority under this Program for the North Carolina schools.

N. EX$EL Program:

The Foundation launched a financial education and repayment success program, EX$EL, during the summer of 2014. Services under this program are geared toward enrolled students, borrowers in grace and repayment, and seriously delinquent borrowers. EX$EL provides 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.

2. Programs Administered by the Foundation (Concluded)

O. Residency Determination Service:

In December 2016, the Foundation began its phased launch of an online service to determine residency for tuition purposes and eligibility for state grants. The service is fully operational for all undergraduate students at N.C. colleges and universities. The service is currently in the process of expanding to include graduate and professional students. The Foundation administers this program as agent for the N.C. State Education Assistance Authority.

P. N.C. Assist Loans:

The Foundation began this loan program in the spring of 2018 to help bridge the gap between the cost of attendance and other financial aid. Loans are available to students who are N.C. residents attending an eligible non-profit Title IV institution anywhere or nonresident students attending an eligible non-profit Title IV institution in North Carolina or to the parents of such students. The N.C. State Education Assistance Authority sets both the rules and interest rates for these loans.

Q. 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 and the Broyhill Family Foundation Scholarships.

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.

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.

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

The Consolidated Appropriations Act signed on December 23, 2011 allowed 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, 2018, net due to the U.S. Department of Education totaled $2,706,170, which included $18 receivable related to loans owned by the Foundation and $2,706,188 net due related to loans owned by other funds providers. During the year ended June 30, 2018, excess borrower interest remitted to the U.S. Department of Education totaled $25,557,804, which included $8,747 related to loans owned by the Foundation and $25,549,057 related to loans owned by other funds providers.

At June 30, 2017, net due to the U.S. Department of Education totaled $6,198,565, which included $1,753 related to loans owned by the Foundation and $6,196,812 related to loans owned by other funds providers. During the year ended June 30, 2017, excess borrower interest remitted to the U.S. Department of Education totaled $38,450,858, which included $14,059 related to loans owned by the Foundation and $38,436,799 related to loans owned by other funds providers.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

4. 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 and Lender of Last Resort Loans 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 guaranty 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 guaranty 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.

As of June 30, 2018, 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	$ 211	$ 100,214	$	$ 100,425
N.C. SEAA--Trust, Bond, and Escheat Loans	764,525	431,704,466	804,008,620	1,236,477,611
Bank Assigned Loans	1,804,775	1,160,314		2,965,089
Special Assigned Loans	521,932	7,672,583	8,675,528	16,870,043
Special Scholarship Fund Loans	71,232	226,743	307,466	605,441
Totals	$ 3,162,675	$ 440,864,320	$ 812,991,614	$ 1,257,018,609

Comparative data (including Agency Funds) as of June 30, 2017, 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	$ 643	$ 113,311	$	$ 113,954
N.C. SEAA--Trust, Bond, and Escheat Loans	883,031	499,352,287	937,579,785	1,437,815,103
Bank Assigned Loans	2,099,277	1,371,151		3,470,428
Special Assigned Loans	559,435	9,123,891	10,018,191	19,701,517
Special Scholarship Fund Loans	70,961	264,893	371,239	707,093
Totals	$ 3,613,347	$ 510,225,533	$ 947,969,215	$ 1,461,808,095

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

4. Education Loan Insurance (Continued)

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, 2018 and 2017, the contingency totaled $2,800,000 and $3,300,000, respectively.

C. Analysis of Outstanding Education Loans by School Type:

As of June 30, 2018, 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:

School--Type	Number of Loans	Outstanding Balance
4-Year Public--In State	151,087	$ 502,371,209
2-Year Public--In State	15,949	37,713,084
4-Year Independent--In State	52,298	190,137,541
2-Year Independent--In State	1,467	4,307,774
Proprietary--In State	10,843	32,721,005
2/4-Year Public--Out of State	501	3,096,982
2/4-Year Independent--Out of State	1,423	9,145,336
Proprietary--Out of State	386	1,997,997
Out of Country	187	1,851,683
Totals	234,141	$ 783,342,611

Comparative data (including Agency Funds but excluding Federal Consolidation Loans) as of June 30, 2017, were as follows:

School--Type	Number of Loans	Outstanding Balance
4-Year Public--In State	180,079	$ 591,040,951
2-Year Public--In State	19,116	44,452,465
4-Year Independent--In State	62,336	224,504,464
2-Year Independent--In State	1,791	5,182,464
Proprietary--In State	12,796	38,150,830
2/4-Year Public--Out of State	610	3,846,390
2/4-Year Independent--Out of State	1,697	10,840,122
Proprietary--Out of State	453	2,273,775
Out of Country	202	1,962,064
Totals	279,080	$ 922,253,525

COLLEGE FOUNDATION, INC.
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5. Analysis By Education Loan Type and Funding

As of June 30, 2018, outstanding balances (including Agency Funds) on education loans were as follows:

	Loans to Students	Loans to Parents	Consolidation Loans	Total
Made Under the Higher Education Act				
Loans Owned by the Foundation:				
Special Scholarship Fund	$ 591,392	$	$ 14,049	$ 605,441
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	23,486,377	543,976	6,405,990	30,436,343
N.C. SEAA Escheat Funds	2,655,462			2,655,462
N.C. SEAA Bond Funds	711,082,527	29,609,943	462,793,761	1,203,486,231
Total N.C. SEAA Loans	737,224,366	30,153,919	469,199,751	1,236,578,036
Assigned Loans:				
Bank Assigned Loans	2,909,789	55,300		2,965,089
Special Assigned Loans	12,067,687	340,158	4,462,198	16,870,043
Total Assigned Loans	14,977,476	395,458	4,462,198	19,835,132
Total Agency Funds Under the Higher Education Act	752,201,842	30,549,377	473,661,949	1,256,413,168
Other (Non-Federal)				
Loans Owned by the Foundation:				
Special Scholarship Fund	54,420		25,686	80,106
N.C. SEAA Funded Loans:				
EXTRA Education Loans	132,549,704			132,549,704
College Vision Fund Loans		15,281		15,281
EXTRA MBA Loans	3,290,288			3,290,288
N.C. Assist Loans	72,880			72,880
Assigned Loans:				
Special Assigned Loans	276,655			276,655
Total Other (Non-Federal)	136,243,947	15,281	25,686	136,284,914
Total Serviced by the Foundation	$ 889,037,181	$ 30,564,658	$ 473,701,684	$ 1,393,303,523

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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

Comparative data (including Agency Funds) as of June 30, 2017, were as follows:

	Loans to Students	Loans to Parents	Consolidation Loans	Total
Made Under the Higher Education Act				
Loans Owned by the Foundation:				
Special Scholarship Fund	$ 693,044	$	$ 14,049	$ 707,093
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	24,019,626	702,317	6,899,467	31,621,410
N.C. SEAA Escheat Funds	3,118,950			3,118,950
N.C. SEAA Bond Funds	838,060,092	37,384,812	527,743,793	1,403,188,697
Total N.C. SEAA Loans	865,198,668	38,087,129	534,643,260	1,437,929,057
Assigned Loans:				
Bank Assigned Loans	3,354,262	116,166		3,470,428
Special Assigned Loans	14,441,055	363,201	4,897,261	19,701,517
Total Assigned Loans	17,795,317	479,367	4,897,261	23,171,945
Total Agency Funds Under the Higher Education Act	882,993,985	38,566,496	539,540,521	1,461,101,002
Other (Non-Federal)				
Loans Owned by the Foundation:				
Special Scholarship Fund	64,581		30,194	94,775
N.C. SEAA Funded Loans:				
Computer Loans	45			45
EXTRA Education Loans	146,995,817			146,995,817
College Vision Fund Loans		16,713		16,713
EXTRA MBA Loans	4,436,036			4,436,036
Assigned Loans:				
Special Assigned Loans	322,325			322,325
Total Other (Non-Federal)	151,818,804	16,713	30,194	151,865,711
Total Serviced by the Foundation	$ 1,035,505,833	$ 38,583,209	$ 539,584,764	$ 1,613,673,806

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

As of June 30, 2018 outstanding balances (including Agency Funds) on education loans were as follows:

	Originated Under the Higher Education Act					
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans	Non-Federal Loans	Total
Loans in Repayment:						
Current	$ 430,739,032	$ 17,704,580	$ 342,962,179	$ 791,405,791	$ 96,422,810	$ 887,828,601
Delinquent:						
One Payment Delinquent	55,290,381	3,470,514	32,870,259	91,631,154	8,442,438	100,073,592
Two Payments Delinquent	31,995,762	1,351,335	14,085,246	47,432,343	3,474,204	50,906,547
Three or More Payments Delinquent	105,979,710	3,953,332	37,466,293	147,399,335	9,264,943	156,664,278
Total Delinquent	193,265,853	8,775,181	84,421,798	286,462,832	21,181,585	307,644,417
Total in Repayment	624,004,885	26,479,761	427,383,977	1,077,868,623	117,604,395	1,195,473,018
Loans in Deferment	77,956,868	1,197,199	26,225,131	105,379,198		105,379,198
Loans in Forbearance	40,259,638	2,692,460	17,822,465	60,774,563	17,802,621	78,577,184
Total Mature	742,221,391	30,369,420	471,431,573	1,244,022,384	135,407,016	1,379,429,400
Loans Not Yet Mature:						
In School	2,173,729			2,173,729	308,989	2,482,718
In Grace/Interim	858,378			858,378	52,940	911,318
Total Not Yet Mature	3,032,107			3,032,107	361,929	3,394,036
Total Claims Pending	7,495,475	179,957	2,230,376	9,905,808	515,969	10,421,777
Total Pending Cures of Violations	44,261		14,049	58,310		58,310
Total Serviced by the Foundation	$ 752,793,234	$ 30,549,377	$ 473,675,998	$ 1,257,018,609	$ 136,284,914	$ 1,393,303,523

Comparative data (including Agency Funds) as of June 30, 2017, were as follows:

	Originated Under the Higher Education Act					
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans	Non-Federal Loans	Total
Loans in Repayment:						
Current	$ 506,009,507	$ 21,890,509	$ 392,673,400	$ 920,573,416	$ 108,684,155	$ 1,029,257,571
Delinquent:						
One Payment Delinquent	72,485,014	4,013,162	39,030,222	115,528,398	8,653,650	124,182,048
Two Payments Delinquent	36,438,826	1,402,049	14,662,191	52,503,066	2,974,632	55,477,698
Three or More Payments Delinquent	76,085,749	3,222,206	26,031,600	105,339,555	5,660,679	111,000,234
Total Delinquent	185,009,589	8,637,417	79,724,013	273,371,019	17,288,961	290,659,980
Total in Repayment	691,019,096	30,527,926	472,397,413	1,193,944,435	125,973,116	1,319,917,551
Loans in Deferment	94,741,141	1,765,476	29,922,781	126,429,398		126,429,398
Loans in Forbearance	87,820,417	5,972,828	35,788,310	129,581,555	24,751,451	154,333,006
Total Mature	873,580,654	38,266,230	538,108,504	1,449,955,388	150,724,567	1,600,679,955
Loans Not Yet Mature:						
In School	3,994,240			3,994,240	463,214	4,457,454
In Grace/Interim	1,463,430			1,463,430	231,073	1,694,503
Total Not Yet Mature	5,457,670			5,457,670	694,287	6,151,957
Total Claims Pending	4,604,375	300,266	1,432,017	6,336,658	446,857	6,783,515
Total Pending Cures of Violations	44,330		14,049	58,379		58,379
Total Serviced by the Foundation	$ 883,687,029	$ 38,566,496	$ 539,554,570	$ 1,461,808,095	$ 151,865,711	$ 1,613,673,806

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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7. Property and Equipment

Property and equipment held by the Foundation at June 30, 2018, were categorized as follows:

	June 30, 2017	Additions	Disposals	June 30, 2018
Highwoods Office Park Land (1)	$ 1,302,882	$	$	$ 1,302,882
Highwoods Boulevard Building (2)	9,597,949	4,517		9,602,466
Poplarwood Court Building (3)	3,111,599	346,528		3,458,127
Yonkers Road Land (4)	961,308		(961,308)	
Yonkers Road Building (5)	4,167,911		(4,167,911)	
Computer equipment	7,244,207	845,006	(1,912,949)	6,176,264
Computer software (6)	15,240,988	447,141		15,688,129
Office furniture and equipment	1,648,809	7,857		1,656,666
Total	$ 43,275,653	$ 1,651,049	$ (7,042,168)	37,884,534
Less accumulated depreciation and amortization				23,921,868
Net property and equipment				$ 13,962,666

Comparative data as of June 30, 2017, were as follows:

	June 30, 2016	Additions	Disposals	June 30, 2017
Highwoods Office Park Land (1)	$ 1,302,882	$	$	$ 1,302,882
Highwoods Boulevard Building (2)	9,593,303	4,646		9,597,949
Poplarwood Court Building (3)	3,108,231	3,368		3,111,599
Yonkers Road Land (4)	961,308			961,308
Yonkers Road Building (5)	4,167,911			4,167,911
Computer equipment	7,223,115	339,102	(318,010)	7,244,207
Computer software (6)	13,680,474	1,602,778	(42,264)	15,240,988
Office furniture and equipment	1,606,144	42,665		1,648,809
Total	$ 41,643,368	$ 1,992,559	$ (360,274)	43,275,653
Less accumulated depreciation and amortization				26,037,525
Net property and equipment				$ 17,238,128

(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. The property was sold on September 8, 2017.
(5) Building is 43,433 square feet, two-story brick, completed during 1987-88, being held for leasing (see Note 13). At September 8, 2017 and June 30, 2017, the total amount of accumulated depreciation on this building was $2,155,258 and $2,132,283, respectively. The property was sold on September 8, 2017.
(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.

8. 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.

9. Other Investments

As of June 30, 2018, outstanding balances in Other Investments were held in mutual funds. As of June 30, 2017, outstanding balances were held in bank certificates of deposit with original maturity dates exceeding three months.

10. Fair Value Measurements

Financial Accounting Standards Board *Accounting Standards Codification* 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2018:

	Fair Value Measurements at Reporting Date Using			
	Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds	$ 5,381,373	$ 5,381,373	$	$

11. Lease Commitments

Vehicle Leases

In December 2015, the Foundation entered into noncancelable operating leases for seven new vehicles with single lease payments due at delivery of $11,581 each. These leases expire December 2018.

During the years ended June 30, 2018 and 2017, expenses including taxes and licenses under these leases in the amount of $28,323 and $28,366, respectively, were included in operating expense. At June 30, 2018 and 2017, prepaid expenses totaled $11,259 and $38,281, 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, which was originally set to expire November 30, 2016, was amended in June 2016 to add additional equipment and extend the expiration. Lease payments of $249,997 were due January 1, 2017 and January 1, 2018. The lease expires November 30, 2018, at which time the equipment may be purchased for fair market value or the lease may be renewed.

During the years ended June 30, 2018 and 2017, expenses including taxes under this lease in the amount of $249,997 and $243,799, respectively, were included in operating expense. At June 30, 2018 and 2017, prepaid expenses totaled $104,165 and $104,165, respectively.

12. Net Assets

Board-Designated Net Assets

At June 30, 2018 and 2017, net assets designated by the Board of Trustees to provide long-term scholarship and education loan support equaled $4,921,524 and $4,220,128, respectively.

Temporarily Restricted Net Assets

At June 30, 2018 and 2017, temporarily restricted net assets of $4,144 and $3,687, respectively, were donor-restricted to provide Broyhill Family Foundation Scholarships. These funds were provided through contributions from the Broyhill Family Foundation.

Permanently Restricted Net Assets

At June 30, 2018 and 2017, 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 with the earnings used 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.

13. 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.

13. Endowment Funds (Continued)

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.

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 2J 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. The Yonkers Road rental property was sold on September 8, 2017. The Board of Trustees directed that net earnings on the proceeds from that sale less costs associated with administration of this scholarship program be available for use by the Special Scholarship Fund.

During the years ended June 30, 2018 and 2017, transfers from the Operating Fund to the Special Scholarship Fund totaled $734,302 and $0, respectively. The $734,302 transferred during the year ended June 30, 2018 consisted of $724,112 net rental income, $667,446 of which had been accumulated as of June 30, 2017 and $10,190 net investment income. As of June 30, 2018, $10,852 in net investment income was available for use by the Special Scholarship Fund.

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 the Federally-Insured Deposit Account investment option offered by the State Employees' Credit Union (SECU). This investment option is a fixed price fund with a price per unit set at $1.00 and unlimited insurance coverage by the National Credit Union Association (NCUA) until September 4, 2018. As of September 4, 2018, contributions and interest earned thereon are guaranteed by the SECU and insured by the NCUA up to the applicable federal share insurance limit, which is currently $250,000.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

13. Endowment Funds (Continued)

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. 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.

The endowment net asset composition by type of fund and changes in endowment assets for the year ended June 30, 2018, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Fund	$	$ 4,144	$ 555,000	$ 559,144
Board-Designated Endowment Fund	4,921,524			4,921,524
	$ 4,921,524	$ 4,144	$ 555,000	$ 5,480,668

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets--July 1, 2017	$ 4,220,128	$ 3,687	$ 555,000	$ 4,778,815
Investment Return:				
Net Investment Income	34,833	7,432		42,265
Net Depreciation	(3,798)			(3,798)
Education Loan Net Income	12,029			12,029
Contribution	500			500
Board Directed Transfer	734,302			734,302
Amount Appropriated for Expenditure	(76,470)	(6,975)		(83,445)
Endowment Net Assets--June 30, 2018	$ 4,921,524	$ 4,144	$ 555,000	$ 5,480,668

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

13. Endowment Funds (Concluded)

Comparative data for the year ended June 30, 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Fund	$	$ 3,687	$ 555,000	$ 558,687
Board-Designated Endowment Fund	4,220,128			4,220,128
	$ 4,220,128	$ 3,687	$ 555,000	$ 4,778,815

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets--July 1, 2016	$ 4,251,657	$ 3,658	$ 555,000	$ 4,810,315
Investment Return:				
Net Investment Income	20,434	7,004		27,438
Education Loan Net Income	9,414			9,414
Amount Appropriated for Expenditure	(61,377)	(6,975)		(68,352)
Endowment Net Assets--June 30, 2017	$ 4,220,128	$ 3,687	$ 555,000	$ 4,778,815

14. Investment Expenses

During the years ended June 30, 2018 and 2017, investment expenses of $2,858 and $2,725, respectively, were netted against interest income earned on the Foundation's North Carolina College Savings and Investment Program accounts. During the year ended June 30, 2018, investment expenses of $1,008 were netted against investment income from other investments.

15. Rental Income

The Foundation leased the Yonkers Road building to a tenant under a noncancelable operating lease which commenced on July 15, 2006, and expired June 30, 2016. The tenant did not exercise their lease renewal option. However, the Foundation entered into a series of short-term noncancelable operating leases with the same tenant which commenced on July 1, 2016 and expired on August 31, 2017, including exercised lease renewal options.

During the year ended June 30, 2018, rental expenses of $46,309, including $22,975 in depreciation expense, were netted against rental income of $80,000. During the year ended June 30, 2017, rental expenses of $239,214, including $110,306 in depreciation expense, were netted against rental income of $472,912.

The Yonkers Road property was sold on September 8, 2017.

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, 2018 and 2017, total Foundation matching contributions were $417,300 and $398,558, 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 $871,161 and $836,104, respectively.

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. Participants are fully vested in the plan upon entry, and asset allocation is directed by the participant. At June 30, 2018 and 2017, the assets and liabilities related to the plan totaled $184,505 and $147,951, 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. As of June 30, 2017, the deferred compensation arrangement had been fully satisfied.

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.

17. Postretirement Benefits (Continued)

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 eligible employee (current employee with at least one year of full-time service) as of June 30, 2012. At the end of each plan year (June 30) thereafter, an account is created for any newly eligible employee. 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.

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, 2018 and 2017, 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.

Years of Service	Percentage of Premiums
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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

17. Postretirement Benefits (Continued)

Information with respect to this plan as of and for the years ended June 30, 2018 and 2017 is as follows:

		2018		2017
Change in Benefit Obligation:				
Benefit Obligation at End of Prior Plan Year	$	(1,060,671)	$	(1,095,154)
Interest Cost		(38,359)		(37,076)
Amendments		0		0
Actuarial Gain (Loss)		172,702		36,076
Actual Distributions		39,216		35,483
Benefit Obligation at End of Year	$	(887,112)	$	(1,060,671)
Change in Plan Assets:				
Plan Assets at Fair Value at Beginning of Year	$	1,830,460	$	1,740,562
Actual Return on Plan Assets		114,732		105,340
Acquisition/Transfers In		0		0
Actual Employer Contributions		43,390		20,041
Other		0		0
Actual Distributions		(39,216)		(35,483)
Plan Assets at Fair Value at End of Year	$	1,949,366	$	1,830,460
Funded Status = Net Asset / (Liability) at End of Year	$	1,062,254	$	769,789
Amounts Recognized in Statement of Financial Position:				
Non-Current Assets	$	1,062,254	$	769,789
Non-Current Liabilities		0		0
Net Amount Recognized		1,062,254		769,789
(Accrued) / Prepaid Cost (pre-Statement of Financial Position Item)		(2,512,142)		(2,512,142)
Net Adjustment to Unrestricted Net Assets	$	(1,449,888)	$	(1,742,353)
Amounts Recognized in Unrestricted Net Assets:				
Unrecognized Net (Gain) / Loss	$	1,449,888	$	1,742,353
(Accrued) / Prepaid Cost, pre-Statement of Financial Position Item:				
(Accrued) / Prepaid Cost at Beginning of Fiscal Year	$	2,512,142	$	2,512,142
Net Periodic Postretirement Benefit (Cost) / Income		(43,390)		(20,041)
Actual Employer Contributions		43,390		20,041
Transfers In		0		0
(Accrued) / Prepaid Cost at End of Fiscal Year	$	2,512,142	$	2,512,142
Net Periodic Postretirement Benefit Cost / (Income):				
Interest Cost	$	38,359	$	37,076
Expected Return on Plan Assets		(91,401)		(112,298)
Amortization of Net (Gain) / Loss		96,432		95,263
Net Periodic Postretirement Benefit Cost / (Income)	$	43,390	$	20,041
Other Changes in Plan Assets and Benefit Obligations Recognized in Statement of Activities:				
Net (Gain) / Loss	$	(196,033)	$	(29,118)
Amortization of Net Gain / (Loss)		(96,432)		(95,263)
Total Recognized in Unrestricted Net Assets		(292,465)		(124,381)
Net Periodic Postretirement Benefit Cost / (Income)		43,390		20,041
Total Recognized in Statement of Activities	$	(249,075)	$	(104,340)

17. Postretirement Benefits (Continued)

	2018	2017
Reconciliation of Minimum Statement of Financial Position Liability:		
Statement of Financial Position Asset / (Liability) at Beginning of Year	$ 769,789	$ 645,408
Total NPPBC plus Special Events	(43,390)	(20,041)
Actual Employer Contributions	43,390	20,041
Transfers In	0	0
Statement of Financial Position Adjustment	292,465	124,381
Statement of Financial Position Asset / (Liability) at End of Year	$ 1,062,254	$ 769,789
Actuarial Assumptions:		
Weighted Average Assumptions:		
Discount Rate--Net Periodic Benefit Cost	3.7%	3.8%
Discount Rate--Benefit Obligation	3.9%	3.7%
Expected Long-Term Rate of Return on Assets	5.0%	5.0%
Assumed Healthcare Cost Trend Rates:		
Healthcare Cost Trend Rate Assumed for Next Year	6.5%	7.0%
Rate to which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.0%	5.0%
Year that the Rate reaches the Ultimate Trend	2023	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 $18,877 in postretirement benefits during the fiscal year ending June 30, 2019.

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	$ 33,717
Expected Return on Plan Assets	(96,809)
Amortization of Net Loss	81,969
	$ 18,877

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

Fiscal Year Ending June 30	
2019	$ 45,557
2020	47,903
2021	50,052
2022	51,851
2023	53,371
2024-2028	279,574

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.

17. Postretirement Benefits (Concluded)

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, 2018 and 2017, the target and current plan asset allocations were as follows:

	2018			2017		
	Target	Ranges	Actual	Target	Ranges	Actual
Cash and Cash Equivalents	3%	1-20%	2.9%	3%	2-20%	2.9%
Debt Securities:						
Government Bonds	25%	10-75%	24.1%	25%	15-75%	23.9%
Corporate Bonds	20%	15-35%	19.2%	20%	25-35%	19.7%
Inflation Protected Bonds	7%	3-20%	6.9%	7%	5-35%	6.7%
Equity Securities:						
Large Blend	5%	2-15%	5.1%	5%	2-15%	5.2%
Large Growth	10%	5-25%	11.3%	10%	5-25%	10.8%
Large Value	10%	5-25%	10.0%	10%	5-25%	10.0%
Moderate Allocation	10%	5-20%	10.1%	10%	5-20%	10.2%
Small Value	5%	2-15%	5.2%	5%	2-10%	5.0%
International	5%	2-15%	5.2%	5%	0-10%	5.6%

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, 2018 and 2017, 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:

	2018	2017
Cash and Cash Equivalents	$ 1,698	$ 779
Mutual Funds:		
Money Market	271,833	251,765
Government Debt Securities	2,251,119	2,114,426
Corporate Debt Securities	1,788,513	1,742,573
Inflation Protected Debt Securities	641,112	591,834
Large Blend Equity Securities	476,326	460,498
Large Growth Equity Securities	1,057,084	957,804
Large Value Equity Securities	933,770	883,420
Moderate Allocation Equity Securities	944,042	904,950
Small Value Equity Securities	480,761	440,866
International Equity Securities	483,493	494,586
	$ 9,329,751	$ 8,843,501

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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, Employed Lawyers Professional Liability coverage, and Information Security and Privacy 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 was also owner and beneficiary of life insurance policies, totaling $200,000, on two executives as of June 30, 2017. The original policy covering one executive was used to purchase a Single Premium Income Annuity which funds the premium on a $100,000 term life insurance policy for this executive. The cash value of the annuity as of June 30, 2018 and 2017 totaled $11,993 and $11,918, respectively. The other executive, covered under a separate $100,000 term life policy, retired on July 7, 2017. The policy premium due on July 3, 2017 was not paid and the policy was allowed to lapse.

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, 2018 and 2017, marketing and advertising costs totaled $1,945,566 and $1,856,609, respectively.

21. Functional Expenses

At June 30, 2018 and 2017, expenses on the Statements of Activities can be classified into the following functional expense categories:

	2018	2017
Program Services	$ 25,213,484	$ 23,739,201
Management and General	1,957,775	1,949,053
	$ 27,171,259	$ 25,688,254

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.

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.

22. Agency Funds (Continued)

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 education 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, 2018 and 2017, the Foundation's uninsured cash balances totaled $18,983,984 and $21,160,688, respectively. This amount is derived per a review of bank account balances and not the Foundation's "book" balances as of June 30, 2018 and 2017.

24. Subsequent Events

Subsequent events have been evaluated through September 28, 2018, which is the date the financial statements were available to be issued.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLLEGE FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Program Title	Federal CFDA Number	Interest	Special Allowance
U. S. Department of Education--Direct Program			
Federal Family Education Loan Program (Lenders)	84.032L	$ 4,969,831	$ 3,203,990
Less amounts received by the Foundation as an agent for other funds providers		4,965,563	3,202,268
TOTALS		$ 4,268	$ 1,722

The accompanying notes are an integral part of this schedule.

	Outstanding Loan Balances at July 1, 2017	Total Federal Expenditures
	$ 1,461,808,095	$ 1,469,981,916
	1,461,101,002	1,469,268,833
	$ 707,093	$ 713,083

COLLEGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Accounting and Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of College Foundation, Inc. (the Foundation) under programs of the federal government for the year ended June 30, 2018 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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). This program is administered directly by the Foundation, and balances and transactions relating to this program are included in the Foundation's basic financial statements and schedule of agency funds. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. At June 30, 2018, the balance of FFELP loans serviced by the Foundation totaled $1,257,018,609, which included $605,441 owned by the Foundation. At June 30, 2018, interest and special allowance due to the Foundation from the U.S. Department of Education for FFELP loans serviced by the Foundation totaled $2,358,476, which included $1,713 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, 2018, excess borrower interest remitted to the U.S. Department of Education totaled $25,557,804, which included $8,747 related to loans owned by the Foundation. At June 30, 2018, excess borrower interest due to the U.S. Department of Education for FFELP loans serviced by the Foundation totaled $5,064,646, which included $1,695 related to loans owned by the Foundation.

COMPLIANCE AND INTERNAL CONTROL REPORTS

Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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, 2018.

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 College Foundation, Inc.'s internal control.

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

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

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*.

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 LLP

Raleigh, North Carolina
September 28, 2018

Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on College Foundation, Inc.'s major federal program for the year ended June 30, 2018. College Foundation, Inc.'s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for College Foundation, Inc.'s major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 its major federal program for the year ended June 30, 2018.

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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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Koonce Wooten & Haywood LLP

Raleigh, North Carolina
September 28, 2018

COLLEGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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 major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	☐ Yes	☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.032L	Federal Family Education Loan Program (Lenders)

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

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 2 CFR Section 200.516(a).