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COLLEGE FOUNDATION, INC.

June 30, 2019 and 2018

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of College Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 27, 2019, 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 27, 2019

STATEMENTS OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Statements of Financial Position
June 30, 2019 and 2018

ASSETS

	2019 Without Donor Restrictions	2019 With Donor Restrictions
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 8,928,114	$
Service Fees Receivable	5,926,280	
Other Accounts Receivable	369,158	
Accrued Interest Receivable	26,982	
Education Loans: Foundation--Owner and Holder	59,000	
N.C. College Savings and Investment Program Accounts	198,000	9,093
Prepaid Expenses	1,787,954	
Total Current Assets	17,295,488	9,093
PROPERTY AND EQUIPMENT	13,356,927	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated	2,030	
Cash and Cash Equivalents	1,768	
Other Investments: Board Designated	8,242,871	
Other Investments	8,952,985	
Education Loans: Foundation--Owner and Holder	561,777	
Single Premium Income Annuity	12,071	
N.C. College Savings and Investment Program Accounts	464,880	555,000
Deferred Compensation		
Accrued Postretirement Benefit Asset	1,161,834	
Prepaid Expenses	810,886	
Total Other Assets	20,211,102	555,000
Total Assets	$ 50,863,517	$ 564,093

LIABILITIES AND NET ASSETS

	2019 Without Donor Restrictions	2019 With Donor Restrictions
CURRENT LIABILITIES:		
Accounts Payable	$ 1,166,755	$
Accrued Salary and Annual Leave	574,596	
Deferred Service Fee Revenue	2,887,544	
Deferred Compensation Payable		
Other	4,602,066	
Total Current Liabilities	9,230,961	
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans	2,400,000	
Total Liabilities	11,630,961	
NET ASSETS	39,232,556	564,093
Total Liabilities and Net Assets	$ 50,863,517	$ 564,093

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

	2018		
Total	Without Donor Restrictions	With Donor Restrictions	Total
$ 8,928,114	$ 11,226,796	$	$ 11,226,796
5,926,280	5,772,772		5,772,772
369,158	796,128		796,128
26,982	22,512		22,512
59,000	99,000		99,000
207,093	150,000	4,144	154,144
1,787,954	1,952,811		1,952,811
17,304,581	20,020,019	4,144	20,024,163
13,356,927	13,962,666		13,962,666
2,030	5,257,407		5,257,407
1,768	2,801,820		2,801,820
8,242,871	2,578,809		2,578,809
8,952,985	2,802,564		2,802,564
561,777	586,547		586,547
12,071	11,993		11,993
1,019,880	469,570	555,000	1,024,570
	184,505		184,505
1,161,834	1,062,254		1,062,254
810,886	995,056		995,056
20,766,102	16,750,525	555,000	17,305,525
$ 51,427,610	$ 50,733,210	$ 559,144	$ 51,292,354
$ 1,166,755	$ 766,274	$	$ 766,274
574,596	552,384		552,384
2,887,544	4,690,952		4,690,952
	184,505		184,505
4,602,066	2,990,312		2,990,312
9,230,961	9,184,427		9,184,427
2,400,000	2,800,000		2,800,000
11,630,961	11,984,427		11,984,427
39,796,649	38,748,783	559,144	39,307,927
$ 51,427,610	$ 50,733,210	$ 559,144	$ 51,292,354

STATEMENTS OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Statements of Activities
For The Years Ended June 30, 2019 and 2018

	2019	
	Without Donor Restrictions	With Donor Restrictions
CHANGES IN NET ASSETS:		
Revenues, Gains, and Other Support:		
Service Fees	$ 27,269,229	$
Interest Income	50,127	11,449
Net Dividend/Misc Income--Other Investments	444,677	
Realized/Unrealized Gains (Losses) on Other Investments	595,029	
Rental Income		
Reduction in Contingency for Uninsured Loans	382,143	
Gain on Disposal of Yonkers Road Property		
Miscellaneous	2,799	
Net Assets Released from Restrictions	6,500	(6,500)
Total Revenues, Gains, and Other Support	28,750,504	4,949
Total Expenses	28,366,311	
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	384,193	4,949
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost	161,970	
Postretirement Benefit Plan Internal Transfer to Defined Contribution Participant Accounts	(62,390)	
CHANGES IN NET ASSETS	483,773	4,949
NET ASSETS--Beginning of Year	38,748,783	559,144
NET ASSETS--End of Year	$ 39,232,556	$ 564,093

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

	2018		
Total	Without Donor Restrictions	With Donor Restrictions	Total
$ 27,269,229	$ 26,259,491	$	$ 26,259,491
61,576	84,325	7,432	91,757
444,677	29,485		29,485
595,029	(18,996)		(18,996)
	33,691		33,691
382,143	491,920		491,920
	1,503,764		1,503,764
2,799	2,378		2,378
	6,975	(6,975)	
28,755,453	28,393,033	457	28,393,490
28,366,311	27,171,259		27,171,259
389,142	1,221,774	457	1,222,231
161,970	292,465		292,465
(62,390)			
488,722	1,514,239	457	1,514,696
39,307,927	37,234,544	558,687	37,793,231
$ 39,796,649	$ 38,748,783	$ 559,144	$ 39,307,927

COLLEGE FOUNDATION, INC.
Statements of Cash Flows
For The Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 488,722	$ 1,514,696
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,015,268	1,952,550
Gain on Disposal of Yonkers Road Property		(1,503,764)
Realized (Gains) Losses from Sale of Other Investments	75,136	(1,860)
Unrealized (Gains) Losses on Other Investments	(670,165)	20,856
Changes In:		
Service Fees Receivable	(153,508)	53,756
Other Receivables	426,970	540,643
Accrued Interest Receivable	(4,470)	110
Education Loans	64,770	116,321
Prepaid Expenses	349,027	(404,553)
Accrued Postretirement Benefit Asset	(99,580)	(292,465)
Accounts Payable	400,481	(446,380)
Accrued Salary and Annual Leave	22,212	(7,578)
Deferred Service Fee Revenue	(1,803,408)	(840,672)
Other Current Liabilities	1,611,754	258,691
Contingency for Uninsured Loans	(400,000)	(500,000)
Net Cash Provided by Operating Activities	2,323,209	460,351
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(78)	(75)
Purchase of Other Investments	(14,577,762)	(5,690,821)
Proceeds from Sale/Redemption of Other Investments	3,358,308	2,092,327
Deposits to N.C. College Savings and Investment Program Accounts	(176,727)	(131,160)
Distributions from N.C. College Savings and Investment Program Accounts	128,468	83,445
Proceeds from Sale of Yonkers Road Property		4,477,725
Purchase of Property and Equipment	(1,409,529)	(1,651,049)
Net Cash Used by Investing Activities	(12,677,320)	(819,608)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,354,111)	(359,257)
CASH AND CASH EQUIVALENTS--Beginning of Year	19,286,023	19,645,280
CASH AND CASH EQUIVALENTS--End of Year	$ 8,931,912	$ 19,286,023

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, 2019

ASSETS

	Operating Fund	Without Donor Restrictions Special Scholarship Fund
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 3,529,995	$ 272,480
Service Fees Receivable	5,926,280	
Other Accounts Receivable	358,847	226
Accrued Interest Receivable		26,982
Education Loans: Foundation--Owner and Holder		59,000
N.C. College Savings and Investment Program Accounts		198,000
Prepaid Expenses	1,787,954	
Interfund Receivables (Payables)	3,045	6,565
Total Current Assets	11,606,121	563,253
PROPERTY AND EQUIPMENT	13,356,927	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated	1,093	937
Cash and Cash Equivalents	1,768	
Other Investments: Board Designated	4,796,587	3,446,284
Other Investments	8,952,985	
Education Loans: Foundation--Owner and Holder		561,777
Single Premium Income Annuity	12,071	
N.C. College Savings and Investment Program Accounts		464,880
Accrued Postretirement Benefit Asset	1,161,834	
Prepaid Expenses	810,886	
Total Other Assets	15,737,224	4,473,878
Total Assets	$ 40,700,272	$ 5,037,131

LIABILITIES AND NET ASSETS

	Operating Fund	Without Donor Restrictions Special Scholarship Fund
CURRENT LIABILITIES:		
Accounts Payable	$ 1,166,755	$
Accrued Salary and Annual Leave	574,596	
Deferred Service Fee Revenue	2,887,544	
Other	38,592	
Total Current Liabilities	4,667,487	
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans	2,400,000	
Total Liabilities	7,067,487	
NET ASSETS	33,632,785	5,037,131
Total Liabilities and Net Assets	$ 40,700,272	$ 5,037,131

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

Special Nonassigned Loan Fund	Total Without Donor Restrictions	With Donor Restrictions Special Nonassigned Loan Fund	Total
$ 5,125,639	$ 8,928,114	$	$ 8,928,114
	5,926,280		5,926,280
10,085	369,158		369,158
	26,982		26,982
	59,000		59,000
	198,000	9,093	207,093
	1,787,954		1,787,954
(9,610)			
5,126,114	17,295,488	9,093	17,304,581
	13,356,927		13,356,927
	2,030		2,030
	1,768		1,768
	8,242,871		8,242,871
	8,952,985		8,952,985
	561,777		561,777
	12,071		12,071
	464,880	555,000	1,019,880
	1,161,834		1,161,834
	810,886		810,886
	20,211,102	555,000	20,766,102
$ 5,126,114	$ 50,863,517	$ 564,093	$ 51,427,610
$	$ 1,166,755	$	$ 1,166,755
	574,596		574,596
	2,887,544		2,887,544
4,563,474	4,602,066		4,602,066
4,563,474	9,230,961		9,230,961
	2,400,000		2,400,000
4,563,474	11,630,961		11,630,961
562,640	39,232,556	564,093	39,796,649
$ 5,126,114	$ 50,863,517	$ 564,093	$ 51,427,610

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2019

	Operating Fund	Special Scholarship Fund
OPERATING:		
Revenues, Gains, and Other Support:		
Service Fees:		
Trust, Bond and Escheat Loan Programs	$ 9,507,670	$
General Loan Program	22,239	
Special Loan Program	141,826	
UNC Need-Based Grant Program	312,469	
N.C. Community College Grant Program	57,781	
N.C. College Savings and Investment Program	3,853,547	
College Foundation of North Carolina	3,777,022	
EXTRA Education Loan Program	768,724	
EXTRA MBA Loan Program	17,868	
College Funds Installment Payment Plan	8,730	
N.C. Education Lottery Scholarship Program	79,875	
School Services	1,949,508	
N.C. Need-Based Scholarship Program	225,038	
Direct Loan Program	49,334	
EX$EL Program	67,328	
Management and Computer Services	1,632,460	
Residency Determination Services	3,507,092	
Alternative Loan Program	1,219,463	
K-12 Opportunity Scholarship Services	82,848	
Other Program Services	1,418	
Total Service Fees	27,282,240	
Interest Income:		
Cash and Cash Equivalents		2,842
Other Investments	3,959	
Education Loan Borrowers		29,457
U.S. Department of Education Interest Benefits		4,532
U.S. Department of Education Special Allowance		1,312
Excess Borrower Interest Remitted to U.S. Department of Education		(5,253)
N.C. College Savings and Investment Program Accounts		13,278
Total Interest Income	3,959	46,168
Net Dividend/Misc Income--Other Investments	353,743	90,934
Realized/Unrealized Gains on Other Investments	481,266	113,763
Reduction in Contingency for Uninsured Loans	382,143	
Contribution		500
Miscellaneous	2,799	
Net Assets Released from Restrictions		
Total Revenues, Gains, and Other Support	28,506,150	251,365

(Continued)

Without Donor Restrictions			With Donor Restrictions	
Special Nonassigned Loan Fund	Eliminations	Total Without Donor Restrictions	Special Nonassigned Loan Fund	Total
$	$	$ 9,507,670	$	$ 9,507,670
		22,239		22,239
	13,011	128,815		128,815
		312,469		312,469
		57,781		57,781
		3,853,547		3,853,547
		3,777,022		3,777,022
		768,724		768,724
		17,868		17,868
		8,730		8,730
		79,875		79,875
		1,949,508		1,949,508
		225,038		225,038
		49,334		49,334
		67,328		67,328
		1,632,460		1,632,460
		3,507,092		3,507,092
		1,219,463		1,219,463
		82,848		82,848
		1,418		1,418
	13,011	27,269,229		27,269,229
		2,842		2,842
		3,959		3,959
		29,457		29,457
		4,532		4,532
		1,312		1,312
		(5,253)		(5,253)
		13,278	11,449	24,727
		50,127	11,449	61,576
		444,677		444,677
		595,029		595,029
		382,143		382,143
	500			
		2,799		2,799
6,500		6,500	(6,500)	
6,500	13,511	28,750,504	4,949	28,755,453

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2019

	Operating Fund	Special Scholarship Fund
Expenses:		
Staff Salaries--Full-time or Half-time	$ 12,902,976	$
Part-time Assistance	1,170,227	
Payroll Taxes	940,005	
Staff Insurance Benefits	2,130,593	
Staff Retirement Benefits	433,917	
Net Periodic Postretirement Benefits	18,877	
Staff Training and Development	67,374	
Membership Fees and Other Expenses for Staff Benefit	53,778	
Staff Travel, Transportation and Subsistence	27,530	
Office Materials and Supplies	332,243	
Mail Delivery and Handling	616,887	
Telephone and Electronic Communications	233,269	
Heat, Lights and Water	130,610	
Building Operation	226,124	
Equipment Maintenance	302,815	
Software Maintenance and License Fees	1,515,200	
Legal Fees	32,234	
External Accounting and Auditing Fees	143,566	
Consultants' Fees	317,733	
Computerized Services	470,552	
Other Contracted Operational Services	625,390	
Property Protection and Liability Insurance	203,849	
Disaster Recovery Program	131,125	
Marketing and Advertising	3,188,168	
Miscellaneous Expenses	7,076	779
Service Fees		13,011
Scholarships		121,968
Depreciation and Amortization	2,015,268	
Total Expenses	28,237,386	135,758
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	268,764	115,607
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost	161,970	
Postretirement Benefit Plan Internal Transfer to Defined Contribution Participant Accounts	(62,390)	
CHANGES IN NET ASSETS	368,344	115,607
NET ASSETS--Beginning of Year	33,264,441	4,921,524
NET ASSETS--End of Year	$ 33,632,785	$ 5,037,131

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

Without Donor Restrictions			With Donor Restrictions	
Special Nonassigned Loan Fund	Eliminations	Total Without Donor Restrictions	Special Nonassigned Loan Fund	Total
$	$	$ 12,902,976	$	$ 12,902,976
		1,170,227		1,170,227
		940,005		940,005
		2,130,593		2,130,593
		433,917		433,917
		18,877		18,877
		67,374		67,374
		53,778		53,778
		27,530		27,530
		332,243		332,243
		616,887		616,887
		233,269		233,269
		130,610		130,610
		226,124		226,124
		302,815		302,815
		1,515,200		1,515,200
		32,234		32,234
		143,566		143,566
		317,733		317,733
		470,552		470,552
		625,390		625,390
		203,849		203,849
		131,125		131,125
		3,188,168		3,188,168
178	500	7,533		7,533
	13,011			
6,500		128,468		128,468
		2,015,268		2,015,268
6,678	13,511	28,366,311		28,366,311
(178)		384,193	4,949	389,142
		161,970		161,970
		(62,390)		(62,390)
(178)		483,773	4,949	488,722
562,818		38,748,783	559,144	39,307,927
$ 562,640	$ 0	$ 39,232,556	$ 564,093	$ 39,796,649

DETAILED SCHEDULE OF CASH FLOWS

COLLEGE FOUNDATION, INC.
Detailed Schedule of Cash Flows
For The Year Ended June 30, 2019

	Operating Fund	Special Scholarship Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 368,344	$ 115,607
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,015,268	
Realized Losses from Sale of Other Investments	59,561	15,575
Unrealized Gains on Other Investments	(540,827)	(129,338)
Changes In:		
Service Fees Receivable	(153,508)	
Other Receivables	(18,821)	95,967
Accrued Interest Receivable		(4,470)
Education Loans		64,770
Prepaid Expenses	349,027	
Accrued Postretirement Benefit Asset	(99,580)	
Accounts Payable	400,481	
Accrued Salary and Annual Leave	22,212	
Deferred Service Fee Revenue	(1,803,408)	
Other Current Liabilities	(11,103)	
Contingency for Uninsured Loans	(400,000)	
Net Cash Provided by Operating Activities	187,646	158,111
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(78)	
Purchase of Other Investments	(11,586,775)	(2,990,987)
Proceeds from Sale of Other Investments	2,620,234	738,074
Deposits to N.C. College Savings and Investment Program Accounts		(165,278)
Distributions from N.C. College Savings and Investment Program Accounts		121,968
Purchase of Property and Equipment	(1,409,529)	
Net Cash Used by Investing Activities	(10,376,148)	(2,296,223)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,188,502)	(2,138,112)
CASH AND CASH EQUIVALENTS--Beginning of Year	13,721,358	2,411,529
CASH AND CASH EQUIVALENTS--End of Year	$ 3,532,856	$ 273,417

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

Special Nonassigned Loan Fund	Total
$ 4,771	$ 488,722
	2,015,268
	75,136
	(670,165)
	(153,508)
349,824	426,970
	(4,470)
	64,770
	349,027
	(99,580)
	400,481
	22,212
	(1,803,408)
1,622,857	1,611,754
	(400,000)
1,977,452	2,323,209
	(78)
	(14,577,762)
	3,358,308
(11,449)	(176,727)
6,500	128,468
	(1,409,529)
(4,949)	(12,677,320)
1,972,503	(10,354,111)
3,153,136	19,286,023
$ 5,125,639	$ 8,931,912

SCHEDULE OF AGENCY FUNDS
June 30, 2019

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2019

ASSETS

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Cash and Cash Equivalents	$ 2,532,506	$	$ 3,444
Accounts Receivable:			
Agency Funds	1,361,246		
U. S. Department of Education		8,337	3,075
College Foundation, Inc.	2,912,383		
Accrued Interest Receivable	31,683,237	102,312	378,563
Note Receivable--Other	289,830		
Education Loans: Foundation--Agent	1,185,695,139	2,608,259	14,380,241
Total Assets	$ 1,224,474,341	$ 2,718,908	$ 14,765,323

LIABILITIES

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Accounts Payable:			
Agency Funds	$ 1,222,823,265	$ 2,693,767	$ 14,764,256
U. S. Department of Education	1,361,246		
College Foundation, Inc.		25,141	1,067
Other			
Note Payable--Agency Funds	289,830		
Total Liabilities	$ 1,224,474,341	$ 2,718,908	$ 14,765,323

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

North Carolina College Savings and Investment Program	UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
$ 1,138,758	$ 94,482	$ 107,117	$ 14,128	$ 9,615	$ 3,900,050
35,555					1,396,801
					11,412
					2,912,383
					32,164,112
					289,830
					1,202,683,639
$ 1,174,313	$ 94,482	$ 107,117	$ 14,128	$ 9,615	$ 1,243,358,227
$ 338,216	$ 45,232	$ 107,117	$ 14,128	$ 9,615	$ 1,240,795,596
					1,361,246
304,340					330,548
531,757	49,250				581,007
					289,830
$ 1,174,313	$ 94,482	$ 107,117	$ 14,128	$ 9,615	$ 1,243,358,227

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	$ 2,927,120	$	$ 13,080
Accounts Receivable:			
Agency Funds	2,708,592		9,269
U. S. Department of Education		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	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	$ 1,407,907,888	$ 3,055,810	$ 17,525,193
U. S. Department of Education	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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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 two net asset categories according to externally imposed restrictions. Accordingly, net assets of the Foundation and changes therein may be classified and reported as follows:

Without Donor Restrictions--Net assets that are not subject to donor-imposed restrictions. A portion of these net assets may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions--Net assets subject to donor-imposed restrictions on how they may be used.

D. Restricted and Unrestricted Revenue:

The Foundation reports contributions of cash and other assets received as increases in net assets with or without donor restrictions, depending on the existence of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions 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.

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, 2019 and 2018, 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, 2019 and 2018, other accounts receivable were considered fully collectible by management; therefore, no allowance for doubtful accounts was provided.

I. Education Loans:

Education loans receivable are recorded based on unpaid principal balances, which represent net realizable value. These loans have mandated interest rates and repayment terms. See Note 5 for information regarding education loan insurance. At June 30, 2019 and 2018, 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.

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 2019 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.

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

The Foundation files Form 990, Return of Organization Exempt From Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return, when applicable, in the U.S. Federal jurisdiction. Returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines.

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.

Q. Adoption of New Accounting Standard:

The Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, for the year ended June 30, 2019. Changes required by ASU 2016-14 were intended to improve usefulness of the statements and reduce complexities in preparation of the statements. The Foundation has applied required changes on a retrospective basis. Key changes were as follows:

a. Net Assets previously reported as Unrestricted are now reported as Without Donor Restrictions.
b. Net Assets previously reported as Temporarily Restricted and Permanently Restricted are now reported as With Donor Restrictions.
c. Disclosures related to Board Designated restrictions, liquidity, and expenses by natural and functional classifications were enhanced.

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

2. Programs Administered by the Foundation (Continued)

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.

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.

2. Programs Administered by the Foundation (Continued)

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.

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.

2. Programs Administered by the Foundation (Continued)

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.

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. In July 2019, the decision was made to cease service with close of the 2019-2020 Award Year.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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, graduate, and professional students at N.C. colleges and universities. 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. K-12 Opportunity Scholarship Services:

In March of 2019, the Foundation began providing call center support for the K-12 Opportunity Scholarship Program administered by the N.C. State Education Assistance Authority.

R. 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. Liquidity and Availability

The following table reflects the Foundation's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year.

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 8,931,912	$ 19,286,023
Other investments	17,195,856	5,381,373
Service fees receivable	5,926,280	5,772,772
Other accounts receivable	369,158	796,128
Accrued interest receivable	26,982	22,512
Education loans	620,777	685,547
Financial assets, at year-end	33,070,965	31,944,355
Less amounts unavailable for general expenditure:		
Pledged to support Board designated endowment	9,165,366	8,708,293
Cash and cash equivalents held for others	7,452,018	7,635,855
Held as contingency for uninsured loans	2,400,000	2,800,000
Financial assets available to meet cash needs for general expenditures within one year	$ 14,053,581	$ 12,800,207

The Foundation's cash liquidity generally follows a quarterly cycle with lows in January, April, July, and October due to the quarterly billing cycle for most service fees receivable. Excess cash on hand not needed for short-term operational needs may be invested in accordance with the Investment Policy Statement approved by the Board of Trustees.

4. 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.

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

4. Accounts Receivable/Payable--U.S. Department of Education (Concluded)

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, 2019, net due to the U.S. Department of Education totaled $1,349,608, which included $226 receivable related to loans owned by the Foundation and $1,349,834 net due related to loans owned by other funds providers. During the year ended June 30, 2019, excess borrower interest remitted to the U.S. Department of Education totaled $15,504,750, which included $5,253 related to loans owned by the Foundation and $15,499,497 related to loans owned by other funds providers.

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.

5. Education Loan Insurance

A. Education Loan Insurance and Reinsurance:

The majority of all education loans originated by the Foundation are insured by the N.C. State Education Assistance Authority as to principal and interest. The insurance percentage for default claims on loans made under the Higher Education Act varies between 97% and 100% based upon the date the loans were made as follows: (1) loans made prior to October 1, 1993 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.

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

As of June 30, 2019, 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	$	$ 102,864	$	$ 102,864
N.C. SEAA--Trust, Bond, and Escheat Loans	677,268	371,409,455	689,107,699	1,061,194,422
Bank Assigned Loans	1,595,408	1,012,851		2,608,259
Special Assigned Loans	465,648	6,242,822	7,462,165	14,170,635
Special Scholarship Fund Loans	86,148	190,330	289,196	565,674
Totals	$ 2,824,472	$ 378,958,322	$ 696,859,060	$ 1,078,641,854

Comparative data (including Agency Funds) as of June 30, 2018, 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

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, 2019 and 2018, the contingency totaled $2,400,000 and $2,800,000, respectively.

C. Analysis of Outstanding Education Loans by School Type:

As of June 30, 2019, 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	125,742	$ 427,405,071
2-Year Public--In State	13,452	32,730,271
4-Year Independent--In State	43,287	160,248,428
2-Year Independent--In State	1,170	3,422,981
Proprietary--In State	9,062	27,833,371
2/4-Year Public--Out of State	404	2,745,491
2/4-Year Independent--Out of State	1,209	8,102,953
Proprietary--Out of State	340	1,885,443
Out of Country	174	1,752,006
Totals	194,840	$ 666,126,015

Comparative data (including Agency Funds but excluding Federal Consolidation Loans) as of June 30, 2018, 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

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

As of June 30, 2019, 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	$ 551,625	$	$ 14,049	$ 565,674
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	23,967,913	589,053	6,687,336	31,244,302
N.C. SEAA Escheat Funds	2,307,373			2,307,373
N.C. SEAA Bond Funds	601,973,688	23,728,548	402,043,375	1,027,745,611
Total N.C. SEAA Loans	628,248,974	24,317,601	408,730,711	1,061,297,286
Assigned Loans:				
Bank Assigned Loans	2,570,190	38,069		2,608,259
Special Assigned Loans	10,115,256	284,300	3,771,079	14,170,635
Total Assigned Loans	12,685,446	322,369	3,771,079	16,778,894
Total Agency Funds Under the Higher Education Act	640,934,420	24,639,970	412,501,790	1,078,076,180
Other (Non-Federal)				
Loans Owned by the Foundation:				
Special Scholarship Fund	34,499		20,604	55,103
N.C. SEAA Funded Loans:				
EXTRA Education Loans	117,086,766			117,086,766
College Vision Fund Loans		13,784		13,784
EXTRA MBA Loans	2,527,215			2,527,215
N.C. Assist Loans	3,618,083	1,152,005		4,770,088
Assigned Loans:				
Special Assigned Loans	209,606			209,606
Total Other (Non-Federal)	123,476,169	1,165,789	20,604	124,662,562
Total Serviced by the Foundation	$ 764,962,214	$ 25,805,759	$ 412,536,443	$ 1,203,304,416

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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

Comparative data (including Agency Funds) as of June 30, 2018, 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
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7. Analysis of Education Loan Status and Delinquency

As of June 30, 2019 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	$ 382,718,391	$ 14,656,963	$ 300,696,171	$ 698,071,525	$ 85,469,207	$ 783,540,732
Delinquent:						
One Payment Delinquent	48,566,179	2,958,903	32,051,997	83,577,079	9,229,431	92,806,510
Two Payments Delinquent	24,941,602	1,215,003	12,484,135	38,640,740	3,249,750	41,890,490
Three or More Payments Delinquent	85,876,009	3,104,974	30,318,571	119,299,554	8,494,587	127,794,141
Total Delinquent	159,383,790	7,278,880	74,854,703	241,517,373	20,973,768	262,491,141
Total in Repayment	542,102,181	21,935,843	375,550,874	939,588,898	106,442,975	1,046,031,873
Loans in Deferment	65,429,306	972,716	22,138,550	88,540,572		88,540,572
Loans in Forbearance	29,753,907	1,620,317	14,184,334	45,558,558	14,215,017	59,773,575
Total Mature	637,285,394	24,528,876	411,873,758	1,073,688,028	120,657,992	1,194,346,020
Loans Not Yet Mature:						
In School	1,242,044			1,242,044	3,217,436	4,459,480
In Grace/Interim	336,563			336,563	460,059	796,622
Total Not Yet Mature	1,578,607			1,578,607	3,677,495	5,256,102
Total Claims Pending	2,568,265	111,094	628,032	3,307,391	327,075	3,634,466
Total Pending Cures of Violations	53,779		14,049	67,828		67,828
Total Serviced by the Foundation	$ 641,486,045	$ 24,639,970	$ 412,515,839	$ 1,078,641,854	$ 124,662,562	$ 1,203,304,416

Comparative data (including Agency Funds) as of June 30, 2018, 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

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

Property and equipment held by the Foundation at June 30, 2019, were categorized as follows:

	June 30, 2018	Additions	Disposals	June 30, 2019
Highwoods Office Park Land (1)	$ 1,302,882	$	$	$ 1,302,882
Highwoods Boulevard Building (2)	9,602,466	156,883		9,759,349
Poplarwood Court Building (3)	3,458,127	175,558		3,633,685
Computer equipment	6,176,264	870,708	(1,954,821)	5,092,151
Computer software (6)	15,688,129	203,638	(347,023)	15,544,744
Office furniture and equipment	1,656,666	2,742		1,659,408
Total	$ 37,884,534	$ 1,409,529	$ (2,301,844)	36,992,219
Less accumulated depreciation and amortization				23,635,292
Net property and equipment				$ 13,356,927

Comparative data as of June 30, 2018, were 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

(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.

9. 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.

10. Other Investments

As of June 30, 2019 and 2018, outstanding balances in Other Investments were held in mutual funds.

11. 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, 2019 and 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
June 30, 2019:				
Mutual Funds	$ 17,195,856	$ 17,195,856	$	$
June 30, 2018:				
Mutual Funds	$ 5,381,373	$ 5,381,373	$	$

12. Lease Commitments

Vehicle Leases

On November 30, 2018, the Foundation entered into operating leases for eight new vehicles with single lease payments and fees due at delivery of $11,849 each. These leases expire November 30, 2021.

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 expired December 2018.

During the years ended June 30, 2019 and 2018, expenses including taxes and licenses under these leases in the amount of $31,417 and $28,323, respectively, were included in operating expense. At June 30, 2019 and 2018, prepaid expenses totaled $31,696 and $11,259, 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 expired November 30, 2018, at which time the equipment could be purchased for fair market value or the lease renewed. The lease was extended on a month-to-month basis through January 31, 2019.

During the years ended June 30, 2019 and 2018, expenses including taxes under this lease in the amount of $145,186 and $249,997, respectively, were included in operating expense. At June 30, 2019 and 2018, prepaid expenses totaled $0 and $104,165, respectively.

13. Net Assets

Board-Designated Net Assets

At June 30, 2019 and 2018, the Board of Trustees designated net assets of $5,357,086 and $4,952,878, respectively, to provide long-term scholarship and education loan support and $4,477,725 and $4,477,725, respectively, for investment.

With Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions equaled $564,093 and $559,144, respectively. Of the $564,093 held at June 30, 2019, $9,093 was available to fund scholarships while $555,000 was permanently invested. Of the $559,144 held at June 30, 2018, $4,144 was available to fund scholarships while $555,000 was permanently invested.

14. Net Assets Released from Restrictions

Net assets of $6,500 and $6,975 were released from donor restrictions in the years ended June 30, 2019 and June 30, 2018, respectively, for Broyhill Family Foundation Scholarships disbursed in accordance with terms of the scholarship program.

15. 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

On July 1, 2012, prior contributions from the Broyhill Family Foundation were donor-restricted to fund Broyhill Family Foundation Scholarships in perpetuity.

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

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

As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as net assets with donor restrictions (a time restriction in perpetuity) (1) the original dollar value of the donor-restricted endowment on the date of the gift and (2) the original dollar value of subsequent gifts to the donor-restricted endowment made in accordance with the applicable donor gift instrument. Investment return from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) 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.

15. Endowment Funds (Continued)

Board-Designated Endowment Fund

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

On May 9, 2007, the Board passed a resolution which authorized the officers of the Foundation to utilize monies in the Special Scholarship Fund to annually fund scholarships under the Victor E. Bell, Jr. Scholarship Program. See Note 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, 2019 and 2018, transfers from the Operating Fund to the Special Scholarship Fund totaled $0 and $734,302, 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, 2019 and 2018, $304,564 and $29,414, respectively, in Operating Fund 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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

15. Endowment Funds (Concluded)

The endowment net asset composition by type of fund and changes in endowment assets for the year ended June 30, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	$	$ 564,093	$ 564,093
Board-Designated Endowment Fund	5,037,131		5,037,131
	$ 5,037,131	$ 564,093	$ 5,601,224

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets--July 1, 2018	$ 4,921,524	$ 559,144	$ 5,480,668
Investment Return:			
Net Investment Income (including Realized Losses)	91,479	11,449	102,928
Unrealized Gains on Investments	129,338		129,338
Education Loan Net Income	16,258		16,258
Contribution	500		500
Amount Appropriated for Expenditure	(121,968)	(6,500)	(128,468)
Endowment Net Assets--June 30, 2019	$ 5,037,131	$ 564,093	$ 5,601,224

Comparative data for the year ended June 30, 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	$	$ 559,144	$ 559,144
Board-Designated Endowment Fund	4,921,524		4,921,524
	$ 4,921,524	$ 559,144	$ 5,480,668

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets--July 1, 2017	$ 4,220,128	$ 558,687	$ 4,778,815
Investment Return:			
Net Investment Income	34,833	7,432	42,265
Unrealized Losses on Investments	(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	$ 559,144	$ 5,480,668

16. 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.

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

17. 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, 2019 and 2018, total Foundation matching contributions were $433,917 and $417,300, respectively. In the year ended June 30, 2018, 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 $890,964 and $871,161, 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, 2019 and 2018, the assets and liabilities related to the plan totaled $0 and $184,505, respectively.

18. 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.

18. 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, 2019 and 2018, 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, 2019 and 2018

18. Postretirement Benefits (Continued)

Information with respect to this plan as of and for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Change in Benefit Obligation:		
Benefit Obligation at End of Prior Plan Year	$ (887,112)	$ (1,060,671)
Interest Cost	(33,717)	(38,359)
Amendments	0	0
Actuarial Gain / (Loss)	67,521	172,702
Actual Distributions	34,426	39,216
Benefit Obligation at End of Year	$ (818,882)	$ (887,112)
Change in Plan Assets:		
Plan Assets at Fair Value at Beginning of Year	$ 1,949,366	$ 1,830,460
Actual Return on Plan Assets	109,289	114,732
Acquisition/Transfers In	0	0
Actual Employer Contributions	18,877	43,390
Other (Transfer to Defined Contribution Participant Accounts)	(62,390)	0
Actual Distributions	(34,426)	(39,216)
Plan Assets at Fair Value at End of Year	$ 1,980,716	$ 1,949,366
Funded Status = Net Asset / (Liability) at End of Year	$ 1,161,834	$ 1,062,254
Amounts Recognized in Statement of Financial Position:		
Non-Current Assets	$ 1,161,834	$ 1,062,254
Non-Current Liabilities	0	0
Net Amount Recognized	1,161,834	1,062,254
(Accrued) / Prepaid Cost (pre-Statement of Financial Position Item)	(2,449,752)	(2,512,142)
Net Adjustment to Unrestricted Net Assets	$ (1,287,918)	$ (1,449,888)
Amounts Recognized in Unrestricted Net Assets:		
Unrecognized Net (Gain) / Loss	$ 1,287,918	$ 1,449,888
Actuarial Assumptions Used to Determine Benefit Obligations:		
Discount Rate	3.20%	3.90%
Expected Long-Term Rate of Return on Assets	5.00%	5.00%
Healthcare Cost Trent Rate--Initial	6.00%	6.50%
Healthcare Cost Trend Rate--Ultimate	4.00%	4.00%
Years to Ultimate Rate	4	5
Net Periodic Postretirement Benefit Cost / (Income):		
Interest Cost	$ 33,717	$ 38,359
Expected Return on Plan Assets	(96,809)	(91,401)
Amortization of Net (Gain) / Loss	81,969	96,432
Net Periodic Postretirement Benefit Cost / (Income)	$ 18,877	$ 43,390
Other Changes in Plan Assets and Benefit Obligations Recognized in Statement of Activities:		
Net (Gain) / Loss	$ (80,001)	$ (196,033)
Amortization of Net Gain / (Loss)	(81,969)	(96,432)
Total Recognized in Statement of Activities	(161,970)	(292,465)
Net Periodic Postretirement Benefit Cost / (Income)	18,877	43,390
Net Amount Recognized in Statement of Activities	$ (143,093)	$ (249,075)
Actuarial Assumptions Used to Determine Net Periodic Postretirement Benefit Cost:		
Discount Rate	3.90%	3.70%
Expected Long-Term Rate of Return on Assets	5.00%	5.00%
Healthcare Cost Trent Rate--Initial	6.50%	7.00%
Healthcare Cost Trend Rate--Ultimate	4.00%	5.00%
Years to Ultimate Rate	5	4

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

18. Postretirement Benefits (Continued)

		2019		2018
Reconciliation of Minimum Statement of Financial Position Liability:				
Statement of Financial Position Asset / (Liability) at Beginning of Year	$	1,062,254	$	769,789
Net Periodic Postretirement Benefit Cost / (Income)		(18,877)		(43,390)
Actual Employer Contributions		18,877		43,390
Transfer to Defined Contribution Participant Accounts		(62,390)		0
Statement of Financial Position Adjustment		161,970		292,465
Statement of Financial Position Asset / (Liability) at End of Year	$	1,161,834	$	1,062,254
Sensitivity Analysis:				
Impact of one-percentage-point increase in assumed healthcare trend on:				
- Total of Service Cost and Interest Cost	$	3,904	$	4,717
- Benefit Obligation at End of Year		86,598		100,098
Impact of one-percentage-point decrease in assumed healthcare trend on:				
- Total of Service Cost and Interest Cost	$	(3,360)	$	(4,021)
- Benefit Obligation at End of Year		(75,121)		(86,172)

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.

Estimated benefit payments are as follows:

Fiscal Year Ending June 30		
2020	$	45,933
2021		47,639
2022		48,977
2023		50,018
2024		50,737
2025-2029		255,729

Estimated expense for next fiscal year:

Interest Cost	$	25,475
Expected Return on Plan Assets		(98,070)
Amortization of Net Gain / (Loss)		79,435
	$	6,840

In August 2019, the Foundation contributed $6,840 in postretirement benefits.

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.

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.

18. Postretirement Benefits (Concluded)

At June 30, 2019 and 2018, the target and current plan asset allocations were as follows:

	2019			2018		
	Target	Ranges	Actual	Target	Ranges	Actual
Cash and Cash Equivalents	3%	1-20%	2.8%	3%	1-20%	2.9%
Debt Securities:						
Government Bonds	25%	10-75%	24.0%	25%	10-75%	24.1%
Corporate Bonds	20%	15-35%	19.7%	20%	15-35%	19.2%
Inflation Protected Bonds	7%	3-20%	6.8%	7%	3-20%	6.9%
Equity Securities:						
Large Blend	5%	2-15%	4.9%	5%	2-15%	5.1%
Large Growth	10%	5-25%	11.7%	10%	5-25%	11.3%
Large Value	10%	5-25%	9.9%	10%	5-25%	10.0%
Moderate Allocation	10%	5-20%	10.2%	10%	5-20%	10.1%
Small Value	5%	2-15%	4.8%	5%	2-15%	5.2%
International	5%	2-15%	5.2%	5%	2-15%	5.2%

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, 2019 and 2018, 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:

	2019	2018
Cash and Cash Equivalents	$ 2,981	$ 1,698
Mutual Funds:		
Money Market	269,760	271,833
Government Debt Securities	2,336,182	2,251,119
Corporate Debt Securities	1,917,234	1,788,513
Inflation Protected Debt Securities	663,703	641,112
Large Blend Equity Securities	472,769	476,326
Large Growth Equity Securities	1,139,086	1,057,084
Large Value Equity Securities	968,062	933,770
Moderate Allocation Equity Securities	998,255	944,042
Small Value Equity Securities	467,611	480,761
International Equity Securities	511,570	483,493
	$ 9,747,213	$ 9,329,751

19. 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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

20. 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, 2019 and 2018 totaled $12,071 and $11,993, 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.

21. 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, 2019 and 2018, marketing and advertising costs totaled $3,188,168 and $1,945,566, respectively.

22. Functional Classification of Expenses

Functional expenses by natural classification as of June 30, 2019:

	Program Activities	Management and General Activities	Total
Salaries and Payroll Taxes	$ 12,773,054	$ 1,069,927	$ 13,842,981
Staff Benefits	2,361,462	221,925	2,583,387
Services, Supplies, and Other	8,890,570	476,293	9,366,863
Occupancy	393,152	36,192	429,344
Grants to Individuals	128,468		128,468
Depreciation and Amortization	1,842,147	173,121	2,015,268
	$ 26,388,853	$ 1,977,458	$ 28,366,311

Functional expenses by natural classification as of June 30, 2018:

	Program Activities	Management and General Activities	Total
Salaries and Payroll Taxes	$ 12,168,559	$ 1,034,875	$ 13,203,434
Staff Benefits	2,270,055	193,057	2,463,112
Services, Supplies, and Other	8,548,853	548,240	9,097,093
Occupancy	364,236	30,364	394,600
Grants to Individuals	83,445		83,445
Depreciation and Amortization	1,778,336	151,239	1,929,575
	$ 25,213,484	$ 1,957,775	$ 27,171,259

Salary related expenses are allocated to function based on time and effort as recorded in the payroll system. Expenses for services, supplies, and other expenses are charged directly to the activity supported whenever possible. Expenses incurred in the support of both program and management and general activities, including some expenses from each natural category except grants to individuals, are allocated between activities based on time and effort. Program activities are described in Note 2.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

23. Agency Funds

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

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

In addition to serving as agent for the Special Fund and bank participants with respect to assigned loans, the Foundation services 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.

24. 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, 2019 and 2018, the Foundation's uninsured cash balances totaled $8,931,756 and $18,983,984, respectively. This amount is derived per a review of bank account balances and not the Foundation's "book" balances as of June 30, 2019 and 2018.

25. Subsequent Events

Subsequent events have been evaluated through September 27, 2019, which is the date the financial statements were available to be issued.

26. Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 financial statement presentation. Such reclassifications had no effect on net assets or cash flows totals as previously reported.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLLEGE FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Program Title	Federal CFDA Number	Interest	Special Allowance
U. S. Department of Education--Direct Program			
Federal Family Education Loan Program (Lenders)	84.032L	$ 4,188,046	$ 4,372,817
Less amounts received by the Foundation as an agent for other funds providers		4,183,514	4,371,505
TOTALS		$ 4,532	$ 1,312

The accompanying notes are an integral part of this schedule.

Outstanding Loan Balances at July 1, 2018	Total Federal Expenditures
$ 1,257,018,609	$ 1,265,579,472
1,256,413,168	1,264,968,187
$ 605,441	$ 611,285

COLLEGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

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, 2019 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, 2019, the balance of FFELP loans serviced by the Foundation totaled $1,078,641,854, which included $565,674 owned by the Foundation. At June 30, 2019, interest and special allowance due to the Foundation from the U.S. Department of Education for FFELP loans serviced by the Foundation totaled $2,139,044, which included $1,391 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, 2019, excess borrower interest remitted to the U.S. Department of Education totaled $15,504,750, which included $5,253 related to loans owned by the Foundation. At June 30, 2019, excess borrower interest due to the U.S. Department of Education for FFELP loans serviced by the Foundation totaled $3,488,652, which included $1,165 related to loans owned by the Foundation.

COMPLIANCE AND INTERNAL CONTROL REPORTS

KWH 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, 2019, 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 27, 2019.

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*.

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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 27, 2019

KWH
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, 2019. 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, 2019.

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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 27, 2019

COLLEGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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).