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COLLEGE FOUNDATION, INC.

June 30, 2020 and 2019

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TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Schedules	
Schedule 1 Detailed Schedule of Financial Position	6
Schedule 2 Detailed Schedule of Activities	7-8
Schedule 3 Detailed Schedule of Cash Flows	9
Schedule 4 Schedule of Agency Funds--June 30, 2020	10
Schedule 5 Schedule of Agency Funds--June 30, 2019	11
Notes to Financial Statements	12-39
Schedule and Reports Required by Government Auditing Standards and the Uniform Guidance	
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41
Compliance and Internal Control Reports	
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 <i>Government Auditing Standards</i>	42-43
Independent Auditor's Report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	44-45
Schedule of Findings and Questioned Costs	46



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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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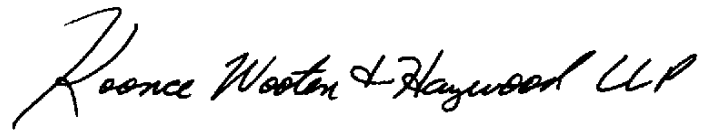
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Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 6 through 11 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, 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.

A handwritten signature in black ink that reads "Rance Wooten & Haywood LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
September 28, 2020

STATEMENTS OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Statements of Financial Position
June 30, 2020 and 2019

ASSETS

	2020	
	Without Donor Restrictions	With Donor Restrictions
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 8,827,802	\$
Service Fees Receivable	6,277,960	
Other Accounts Receivable	611,392	
Accrued Interest Receivable	33,470	
Education Loans: Foundation--Owner and Holder	32,000	
N.C. College Savings and Investment Program Accounts	92,000	3,780
Prepaid Expenses	1,778,605	
Total Current Assets	17,653,229	3,780
PROPERTY AND EQUIPMENT		
	12,631,045	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated	15,425	
Cash and Cash Equivalents	9,019	
Other Investments: Board Designated	8,602,221	
Other Investments	9,244,270	
Education Loans: Foundation--Owner and Holder	554,229	
Single Premium Income Annuity	12,152	
N.C. College Savings and Investment Program Accounts	613,841	555,000
Accrued Postretirement Benefit Asset	1,315,446	
Prepaid Expenses	490,972	
Total Other Assets	20,857,575	555,000
Total Assets	\$ 51,141,849	\$ 558,780
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,545,639	\$
Accrued Salary and Annual Leave	785,484	
Deferred Service Fee Revenue	422,564	
Other	3,802,385	
Paycheck Protection Program Loan	3,100,475	
Total Current Liabilities	9,656,547	
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans	2,200,000	
Total Liabilities	11,856,547	
NET ASSETS	39,285,302	558,780
Total Liabilities and Net Assets	\$ 51,141,849	\$ 558,780

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

2019			
Total	Without Donor Restrictions	With Donor Restrictions	Total
\$ 8,827,802	\$ 8,928,114	\$	\$ 8,928,114
6,277,960	5,926,280		5,926,280
611,392	369,158		369,158
33,470	26,982		26,982
32,000	59,000		59,000
95,780	198,000	9,093	207,093
1,778,605	1,787,954		1,787,954
<u>17,657,009</u>	<u>17,295,488</u>	<u>9,093</u>	<u>17,304,581</u>
<u>12,631,045</u>	<u>13,356,927</u>		<u>13,356,927</u>
15,425	2,030		2,030
9,019	1,768		1,768
8,602,221	8,242,871		8,242,871
9,244,270	8,952,985		8,952,985
554,229	561,777		561,777
12,152	12,071		12,071
1,168,841	464,880	555,000	1,019,880
1,315,446	1,161,834		1,161,834
490,972	810,886		810,886
<u>21,412,575</u>	<u>20,211,102</u>	<u>555,000</u>	<u>20,766,102</u>
<u>\$ 51,700,629</u>	<u>\$ 50,863,517</u>	<u>\$ 564,093</u>	<u>\$ 51,427,610</u>
\$ 1,545,639	\$ 1,166,755	\$	\$ 1,166,755
785,484	574,596		574,596
422,564	2,887,544		2,887,544
3,802,385	4,602,066		4,602,066
3,100,475			
<u>9,656,547</u>	<u>9,230,961</u>		<u>9,230,961</u>
<u>2,200,000</u>	<u>2,400,000</u>		<u>2,400,000</u>
<u>11,856,547</u>	<u>11,630,961</u>		<u>11,630,961</u>
<u>39,844,082</u>	<u>39,232,556</u>	<u>564,093</u>	<u>39,796,649</u>
<u>\$ 51,700,629</u>	<u>\$ 50,863,517</u>	<u>\$ 564,093</u>	<u>\$ 51,427,610</u>

STATEMENTS OF ACTIVITIES

COLLEGE FOUNDATION, INC.
 Statements of Activities
 For The Years Ended June 30, 2020 and 2019

	2020	
	Without Donor Restrictions	With Donor Restrictions
CHANGES IN NET ASSETS:		
Revenues, Gains, and Other Support:		
Service Fees	\$ 27,269,085	\$
Interest Income	47,502	10,012
Net Dividend/Misc Income--Other Investments	475,876	
Realized/Unrealized Gains on Other Investments	340,051	
Reduction in Contingency for Uninsured Loans	197,598	
Contributions	600	
Miscellaneous	842	
Net Assets Released from Restrictions	15,325	(15,325)
Total Revenues, Gains, and Other Support	28,346,879	(5,313)
 Total Expenses	 28,447,745	
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(100,866)	(5,313)
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic		
Postretirement Benefits Cost	153,612	
Postretirement Benefit Plan Internal Transfer to Defined		
Contribution Participant Accounts		
CHANGES IN NET ASSETS	52,746	(5,313)
NET ASSETS--Beginning of Year	39,232,556	564,093
NET ASSETS--End of Year	\$ 39,285,302	\$ 558,780

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

2019			
Total	Without Donor Restrictions	With Donor Restrictions	Total
\$ 27,269,085	\$ 27,269,229	\$	\$ 27,269,229
57,514	50,127	11,449	61,576
475,876	444,677		444,677
340,051	595,029		595,029
197,598	382,143		382,143
600			
842	2,799		2,799
	6,500	(6,500)	
<u>28,341,566</u>	<u>28,750,504</u>	<u>4,949</u>	<u>28,755,453</u>
<u>28,447,745</u>	<u>28,366,311</u>		<u>28,366,311</u>
(106,179)	384,193	4,949	389,142
153,612	161,970		161,970
	(62,390)		(62,390)
<u>47,433</u>	<u>483,773</u>	<u>4,949</u>	<u>488,722</u>
<u>39,796,649</u>	<u>38,748,783</u>	<u>559,144</u>	<u>39,307,927</u>
<u>\$ 39,844,082</u>	<u>\$ 39,232,556</u>	<u>\$ 564,093</u>	<u>\$ 39,796,649</u>

COLLEGE FOUNDATION, INC.
 Statements of Cash Flows
 For The Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 47,433	\$ 488,722
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,910,244	2,015,268
Realized (Gains) Losses from Sale of Other Investments	(421,777)	75,136
Unrealized (Gains) Losses on Other Investments	81,726	(670,165)
Changes In:		
Service Fees Receivable	(351,680)	(153,508)
Other Receivables	(242,234)	426,970
Accrued Interest Receivable	(6,488)	(4,470)
Education Loans	34,548	64,770
Prepaid Expenses	329,263	349,027
Accrued Postretirement Benefit Asset	(153,612)	(99,580)
Accounts Payable	378,884	400,481
Accrued Salary and Annual Leave	210,888	22,212
Deferred Service Fee Revenue	(2,464,980)	(1,803,408)
Other Current Liabilities	(799,681)	1,611,754
Contingency for Uninsured Loans	(200,000)	(400,000)
Net Cash Provided by Operating Activities	<u>(1,647,466)</u>	<u>2,323,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(81)	(78)
Purchase of Other Investments	(10,994,115)	(14,577,762)
Proceeds from Sale/Redemption of Other Investments	10,683,531	3,358,308
Deposits to N.C. College Savings and Investment Program Accounts	(129,708)	(176,727)
Distributions from N.C. College Savings and Investment Program Accounts	92,060	128,468
Purchase of Property and Equipment	(1,184,362)	(1,409,529)
Net Cash Used by Investing Activities	<u>(1,532,675)</u>	<u>(12,677,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program Loan	<u>3,100,475</u>	<u> </u>
Net Cash Provided by Financing Activities	<u>3,100,475</u>	<u> </u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,666)	(10,354,111)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>8,931,912</u>	<u>19,286,023</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 8,852,246</u>	<u>\$ 8,931,912</u>

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, 2020

ASSETS

	Without Donor Restrictions	
	Operating Fund	Special Scholarship Fund
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,614,654	\$ 216,217
Service Fees Receivable	6,277,960	
Other Accounts Receivable	297,631	
Accrued Interest Receivable		33,470
Education Loans: Foundation--Owner and Holder		32,000
N.C. College Savings and Investment Program Accounts		92,000
Prepaid Expenses	1,778,605	
Interfund Receivables (Payables)	3,056	938
Total Current Assets	12,971,906	374,625
PROPERTY AND EQUIPMENT	12,631,045	
OTHER ASSETS:		
Cash and Cash Equivalents: Board Designated	10,062	5,363
Cash and Cash Equivalents	9,019	
Other Investments: Board Designated	4,872,938	3,729,283
Other Investments	9,244,270	
Education Loans: Foundation--Owner and Holder		554,229
Single Premium Income Annuity	12,152	
N.C. College Savings and Investment Program Accounts		613,841
Accrued Postretirement Benefit Asset	1,315,446	
Prepaid Expenses	490,972	
Total Other Assets	15,954,859	4,902,716
Total Assets	\$ 41,557,810	\$ 5,277,341
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,545,639	\$
Accrued Salary and Annual Leave	785,484	
Deferred Service Fee Revenue	422,564	
Other	56,184	2,001
Paycheck Protection Program Loan	3,100,475	
Total Current Liabilities	5,910,346	2,001
LONG-TERM LIABILITIES:		
Contingency for Uninsured Loans	2,200,000	
Total Liabilities	8,110,346	2,001
NET ASSETS	33,447,464	5,275,340
Total Liabilities and Net Assets	\$ 41,557,810	\$ 5,277,341

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
\$ 3,996,931	\$ 8,827,802	\$	\$ 8,827,802
	6,277,960		6,277,960
313,761	611,392		611,392
	33,470		33,470
	32,000		32,000
	92,000	3,780	95,780
	1,778,605		1,778,605
(3,994)			
4,306,698	17,653,229	3,780	17,657,009
	12,631,045		12,631,045
	15,425		15,425
	9,019		9,019
	8,602,221		8,602,221
	9,244,270		9,244,270
	554,229		554,229
	12,152		12,152
	613,841	555,000	1,168,841
	1,315,446		1,315,446
	490,972		490,972
	20,857,575	555,000	21,412,575
\$ 4,306,698	\$ 51,141,849	\$ 558,780	\$ 51,700,629
\$	\$ 1,545,639	\$	\$ 1,545,639
	785,484		785,484
	422,564		422,564
3,744,200	3,802,385		3,802,385
	3,100,475		3,100,475
3,744,200	9,656,547		9,656,547
	2,200,000		2,200,000
3,744,200	11,856,547		11,856,547
562,498	39,285,302	558,780	39,844,082
\$ 4,306,698	\$ 51,141,849	\$ 558,780	\$ 51,700,629

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2020

	Operating Fund	Special Scholarship Fund
OPERATING:		
Revenues, Gains, and Other Support:		
Service Fees:		
Trust, Bond and Escheat Loan Programs	\$ 9,290,611	\$
General Loan Program	22,169	
Special Loan Program	136,291	
UNC Need-Based Grant Program	256,775	
N.C. Community College Grant Program	40,357	
N.C. College Savings and Investment Program	4,609,595	
College Foundation of North Carolina	4,237,176	
EXTRA Education Loan Program	800,831	
EXTRA MBA Loan Program	16,105	
College Funds Installment Payment Plan	5,250	
N.C. Education Lottery Scholarship Program	48,831	
School Services	932,619	
N.C. Need-Based Scholarship Program	165,472	
Direct Loan Program	39,140	
EXSEL Program	32,235	
Management and Computer Services	1,659,338	
Residency Determination Services	3,155,229	
Alternative Loan Program	1,628,676	
K-12 Opportunity Scholarship Services	147,828	
K-12 Disability Grant Services	24,520	
K-12 Education Savings Account Services	19,377	
Other Program Services	13,334	
Total Service Fees	27,281,759	
Interest Income:		
Other Investments	2,111	5,355
Education Loan Borrowers		31,402
U.S. Department of Education Interest Benefits		4,230
U.S. Department of Education Special Allowance		198
Excess Borrower Interest Remitted to U.S. Department of Education		(7,489)
N.C. College Savings and Investment Program Accounts		11,695
Total Interest Income	2,111	45,391
Net Dividend/Misc Income--Other Investments	381,073	94,803
Realized/Unrealized Gains on Other Investments	280,784	59,267
Reduction in Contingency for Uninsured Loans	197,598	
Contributions		600
Miscellaneous	842	
Net Assets Released from Restrictions		
Total Revenues, Gains, and Other Support	28,144,167	200,061

(Continued)

Without Donor Restrictions			With Donor Restrictions	
Special Nonassigned Loan Fund	Eliminations	Total Without Donor Restrictions	Special Nonassigned Loan Fund	Total
\$	\$	\$ 9,290,611	\$	\$ 9,290,611
		22,169		22,169
	12,674	123,617		123,617
		256,775		256,775
		40,357		40,357
		4,609,595		4,609,595
		4,237,176		4,237,176
		800,831		800,831
		16,105		16,105
		5,250		5,250
		48,831		48,831
		932,619		932,619
		165,472		165,472
		39,140		39,140
		32,235		32,235
		1,659,338		1,659,338
		3,155,229		3,155,229
		1,628,676		1,628,676
		147,828		147,828
		24,520		24,520
		19,377		19,377
		13,334		13,334
	<u>12,674</u>	<u>27,269,085</u>		<u>27,269,085</u>
		7,466		7,466
		31,402		31,402
		4,230		4,230
		198		198
		(7,489)		(7,489)
		11,695	10,012	21,707
		<u>47,502</u>	<u>10,012</u>	<u>57,514</u>
		475,876		475,876
		340,051		340,051
		197,598		197,598
		600		600
		842		842
<u>15,325</u>		<u>15,325</u>	<u>(15,325)</u>	
<u>15,325</u>	<u>12,674</u>	<u>28,346,879</u>	<u>(5,313)</u>	<u>28,341,566</u>

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities
For The Year Ended June 30, 2020

	Operating Fund	Special Scholarship Fund
Expenses:		
Staff Salaries--Full-time or Half-time	\$ 13,249,652	\$
Part-time Assistance	528,912	
Payroll Taxes	958,415	
Staff Insurance Benefits	2,042,240	
Staff Retirement Benefits	449,082	
Net Periodic Postretirement Benefits	6,840	
Staff Training and Development	60,921	
Membership Fees and Other Expenses for Staff Benefit	47,844	
Staff Travel, Transportation and Subsistence	14,840	
Office Materials and Supplies	165,548	
Mail Delivery and Handling	556,459	
Telephone and Electronic Communications	257,402	
Heat, Lights and Water	115,829	
Building Operation	181,488	
Equipment Maintenance	455,860	
Software Maintenance and License Fees	1,706,302	
Legal Fees and State Licensing	30,207	
External Accounting and Auditing Fees	141,357	
Consultants' Fees	135,992	
Computerized Services	444,515	
Other Contracted Operational Services	612,415	22
Property Protection and Liability Insurance	206,308	
Disaster Recovery Program	147,423	
Marketing and Advertising	3,805,499	
Miscellaneous Expenses	117,560	421
Interest Expense	5,946	
Service Fees		12,674
Scholarship Grants		76,735
Depreciation and Amortization	1,910,244	
Total Expenses	28,355,100	89,852
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(210,933)	110,209
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost	153,612	
CHANGES IN NET ASSETS BEFORE NET ASSETS TRANSFER	(57,321)	110,209
NET ASSETS TRANSFER	(128,000)	128,000
CHANGES IN NET ASSETS	(185,321)	238,209
NET ASSETS--Beginning of Year	33,632,785	5,037,131
NET ASSETS--End of Year	\$ 33,447,464	\$ 5,275,340

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
\$	\$	\$ 13,249,652	\$	\$ 13,249,652
		528,912		528,912
		958,415		958,415
		2,042,240		2,042,240
		449,082		449,082
		6,840		6,840
		60,921		60,921
		47,844		47,844
		14,840		14,840
		165,548		165,548
		556,459		556,459
		257,402		257,402
		115,829		115,829
		181,488		181,488
		455,860		455,860
		1,706,302		1,706,302
		30,207		30,207
		141,357		141,357
		135,992		135,992
		444,515		444,515
142		612,579		612,579
		206,308		206,308
		147,423		147,423
		3,805,499		3,805,499
		117,981		117,981
		5,946		5,946
	12,674			
15,325		92,060		92,060
		1,910,244		1,910,244
<u>15,467</u>	<u>12,674</u>	<u>28,447,745</u>		<u>28,447,745</u>
(142)		(100,866)	(5,313)	(106,179)
		153,612		153,612
(142)		52,746	(5,313)	47,433
(142)		52,746	(5,313)	47,433
<u>562,640</u>		<u>39,232,556</u>	<u>564,093</u>	<u>39,796,649</u>
\$ <u>562,498</u>	\$ <u>0</u>	\$ <u>39,285,302</u>	\$ <u>558,780</u>	\$ <u>39,844,082</u>

DETAILED SCHEDULE OF CASH FLOWS

COLLEGE FOUNDATION, INC.
Detailed Schedule of Cash Flows
For The Year Ended June 30, 2020

	Operating Fund	Special Scholarship Fund
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (185,321)	\$ 238,209
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,910,244	
Realized Gains from Sale of Other Investments	(346,386)	(75,391)
Unrealized Losses on Other Investments	65,602	16,124
Changes In:		
Service Fees Receivable	(351,680)	
Other Receivables	61,205	5,853
Accrued Interest Receivable		(6,488)
Education Loans		34,548
Prepaid Expenses	329,263	
Accrued Postretirement Benefit Asset	(153,612)	
Accounts Payable	378,884	
Accrued Salary and Annual Leave	210,888	
Deferred Service Fee Revenue	(2,464,980)	
Other Current Liabilities	17,592	2,001
Contingency for Uninsured Loans	(200,000)	
Net Cash Provided (Used) by Operating Activities	<u>(728,301)</u>	<u>214,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(81)	
Purchase of Other Investments	(8,784,709)	(2,209,406)
Proceeds from Sale/Redemption of Other Investments	8,697,857	1,985,674
Deposits to N.C. College Savings and Investment Program Accounts		(119,696)
Distributions from N.C. College Savings and Investment Program Accounts		76,735
Purchase of Property and Equipment	(1,184,362)	
Net Cash Provided (Used) by Investing Activities	<u>(1,271,295)</u>	<u>(266,693)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program Loan	<u>3,100,475</u>	
Net Cash Provided by Financing Activities	<u>3,100,475</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,100,879	(51,837)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>3,532,856</u>	<u>273,417</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 4,633,735</u>	<u>\$ 221,580</u>

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

Special Nonassigned Loan Fund	Total
\$ (5,455)	\$ 47,433
	1,910,244
	(421,777)
	81,726
(309,292)	(351,680)
	(242,234)
	(6,488)
	34,548
	329,263
	(153,612)
	378,884
	210,888
(819,274)	(2,464,980)
	(799,681)
	(200,000)
<u>(1,134,021)</u>	<u>(1,647,466)</u>
	(81)
	(10,994,115)
	10,683,531
(10,012)	(129,708)
15,325	92,060
	<u>(1,184,362)</u>
<u>5,313</u>	<u>(1,532,675)</u>
	<u>3,100,475</u>
	<u>3,100,475</u>
(1,128,708)	(79,666)
<u>5,125,639</u>	<u>8,931,912</u>
<u>\$ 3,996,931</u>	<u>\$ 8,852,246</u>

SCHEDULE OF AGENCY FUNDS
June 30, 2020

COLLEGE FOUNDATION, INC.
Schedule of Agency Funds
June 30, 2020

ASSETS

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund	North Carolina College Savings and Investment Program
Cash and Cash Equivalents	\$ 1,264,122	\$	\$ 11,677	\$ 742,829
Accounts Receivable:				
Agency Funds	5,534,302		55,418	70,634
U. S. Department of Education		4,550		
Interfund Receivables (Payables)	1,600,000			
College Foundation, Inc.	2,902,531	10,020		
Accrued Interest Receivable	33,484,473	120,724	413,151	
Note Receivable--Other	238,829			
Education Loans: Foundation--Agent	1,061,268,831	2,315,522	12,630,900	
Total Assets	\$ 1,106,293,088	\$ 2,450,816	\$ 13,111,146	\$ 813,463

LIABILITIES

Accounts Payable:				
Agency Funds	\$ 1,100,499,701	\$ 2,443,871	\$ 13,054,801	\$ 101,928
U. S. Department of Education	5,534,302		55,418	
College Foundation, Inc.	20,256	6,945	927	275,493
Other				436,042
Note Payable--Agency Funds	238,829			
Total Liabilities	\$ 1,106,293,088	\$ 2,450,816	\$ 13,111,146	\$ 813,463

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

UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
\$ 79,706	\$ 38,100	\$ 13,786	\$ 3,670	\$ 2,153,890
	1,561,900			7,222,254
	(1,600,000)			4,550
				2,912,551
				34,018,348
				238,829
				<u>1,076,215,253</u>
<u>\$ 79,706</u>	<u>\$ 0</u>	<u>\$ 13,786</u>	<u>\$ 3,670</u>	<u>\$ 1,122,765,675</u>
\$ 77,889	\$	\$ 13,786	\$ 3,670	\$ 1,116,195,646
				5,589,720
1,817				303,621
				437,859
				<u>238,829</u>
<u>\$ 79,706</u>	<u>\$ 0</u>	<u>\$ 13,786</u>	<u>\$ 3,670</u>	<u>\$ 1,122,765,675</u>

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	North Carolina College Savings and Investment Program
Cash and Cash Equivalents	\$ 2,532,506	\$	\$ 3,444	\$ 1,138,758
Accounts Receivable:				
Agency Funds	1,361,246			35,555
U. S. Department of Education College Foundation, Inc.	2,912,383	8,337	3,075	
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	\$ 1,174,313

LIABILITIES

Accounts Payable:				
Agency Funds	\$ 1,222,823,265	\$ 2,693,767	\$ 14,764,256	\$ 338,216
U. S. Department of Education College Foundation, Inc.	1,361,246	25,141	1,067	304,340
Other				531,757
Note Payable--Agency Funds	289,830			
Total Liabilities	\$ 1,224,474,341	\$ 2,718,908	\$ 14,765,323	\$ 1,174,313

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

UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
\$ 94,482	\$ 107,117	\$ 14,128	\$ 9,615	\$ 3,900,050
				1,396,801
				11,412
				2,912,383
				32,164,112
				289,830
				<u>1,202,683,639</u>
<u>\$ 94,482</u>	<u>\$ 107,117</u>	<u>\$ 14,128</u>	<u>\$ 9,615</u>	<u>\$ 1,243,358,227</u>
\$ 45,232	\$ 107,117	\$ 14,128	\$ 9,615	\$ 1,240,795,596
				1,361,246
49,250				330,548
				581,007
				<u>289,830</u>
<u>\$ 94,482</u>	<u>\$ 107,117</u>	<u>\$ 14,128</u>	<u>\$ 9,615</u>	<u>\$ 1,243,358,227</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, management determined that the estimated uninsured amount of loans owned by the Foundation that could potentially default was immaterial; therefore, no allowance was provided.

J. Other Investments:

Certificates of deposit with maturities greater than three months are reported using the cost method. Mutual fund investments are reported at fair value.

K. North Carolina College Savings and Investment Program Accounts:

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

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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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 2020 Board of Trustees meeting.

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

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

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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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.

2. Programs Administered by the Foundation

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

This program covers loans made under Part B, Title IV, of the Higher Education Act of 1965, as amended. The Foundation is an eligible lender under Section 435(d)(1)(D) of the Act and has originated (including disbursement of the loans) and serviced loans since its enactment. Loans under the program have been funded by the N.C. State Education Assistance Authority and by direct and special investment from financial institutions and other organizations. From time to time, amendments to the Act have changed the names and terms of the loans. Loans originated and serviced by the Foundation have included interest-subsidized, nonsubsidized, and unsubsidized Federal Stafford Loans (including Federal Insured Student Loans/FISL), as well as Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans. These loans are eligible for State and Federal (re)insurance. The Foundation originated the first PLUS Loans to parents during the year which ended June 30, 1983; and, for this initial period, PLUS Loans were made only to parents of eligible undergraduate dependent students. Beginning July 1, 1983, PLUS loans were also available to independent undergraduate and graduate/professional students. Effective October 16, 1986, PLUS Loans to students were redesignated by law as Supplemental Loans for Students, and PLUS Loans were made available to parents of dependent students at either the undergraduate or graduate level; effective for award years beginning after June 30, 1993, graduate students were deemed independent for student aid purposes and could no longer benefit from PLUS Loans. The Higher Education Act was subsequently amended to replace Supplemental Loans with the unsubsidized Federal Stafford Loans, effective with periods of enrollment beginning after June 30, 1994. The Foundation began originating Federal Consolidation Loans on September 10, 1998. On February 8, 2006, the Higher Education Act was amended yet again to allow graduate/professional students to borrow PLUS Loans in an amount up to their cost of attendance minus other estimated financial assistance. This change was effective for loans certified on or after July 1, 2006. On September 18, 2008, the Foundation suspended its Consolidation Loan program. On March 30, 2010, President Obama signed into law H.R. 4872, the *Health Care and Education Affordability Reconciliation Act* of 2010, which included the Student Aid and Fiscal Responsibility Act (SAFRA). Effective July 1, 2010, this legislation eliminated the authority to provide new loans under the Federal Family Education Loan Program (FFELP) and required that all new federal loans be made through the Federal Direct Loan Program. The legislation did not alter or affect the terms and conditions of existing FFELP loans.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Continued)

B. UNC Need-Based Grant Program:

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

C. N.C. Community College Grant Program:

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

D. North Carolina College Savings and Investment Program:

Administrative History

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

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

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

In October 2011, the Foundation terminated its contract with State Street and began to work directly with The Vanguard Group, Inc. for portfolio accounting for new Vanguard investment options. Custodial services were no longer required because the new portfolio options did not invest in any certificated securities and were unique mutual fund products offered to and managed specifically for the North Carolina College Savings and Investment Program. The Foundation now works directly with Vanguard and State Employees' Credit Union.

Investment Option History

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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Continued)

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

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

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

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

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

1. Seligman Aggressive Allocation, managed by J. & W. Seligman & Co., Incorporated;
2. Seligman Income Option, managed by J. & W. Seligman & Co., Incorporated; and
3. MetLife Protected Stock Fund, offered through funding agreements issued by MetLife to the Foundation.

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

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

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

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Continued)

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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Continued)

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. The Plan will no longer be offered after June 30, 2020, and all payment plans had zero balances at June 30, 2020.

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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Continued)

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* Education 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* Education 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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

2. Programs Administered by the Foundation (Concluded)

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 Program Services:

In March of 2019, the Foundation began providing call center support for the Opportunity Scholarship Program administered by the N.C. State Education Assistance Authority. In April of 2020, the Foundation also began providing call center support for the Disability Grant and Educational Savings Account Programs administered by the 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, 2020 and 2019, reduced by amounts not available for general expenditure within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 8,852,246	\$ 8,931,912
Other investments	17,846,491	17,195,856
Service fees receivable	6,277,960	5,926,280
Other accounts receivable	611,392	369,158
Accrued interest receivable	33,470	26,982
Education loans	<u>586,229</u>	<u>620,777</u>
Financial assets, at year-end	34,207,788	33,070,965
Less amounts unavailable for general expenditure:		
Pledged to support Board designated endowment	9,453,562	9,165,366
Cash and cash equivalents held for others	4,166,764	7,452,018
Held as contingency for uninsured loans	<u>2,200,000</u>	<u>2,400,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>18,387,462</u>	\$ <u>14,053,581</u>

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020, net due to the U.S. Department of Education totaled \$5,587,171, which included \$2,001 payable related to loans owned by the Foundation and \$5,585,170 net due related to loans owned by other funds providers. During the year ended June 30, 2020, excess borrower interest remitted to the U.S. Department of Education totaled \$19,395,013, which included \$7,489 related to loans owned by the Foundation and \$19,387,524 related to loans owned by other funds providers.

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.

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
June 30, 2020 and 2019

5. Education Loan Insurance (Continued)

As of June 30, 2020, 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	\$	\$ 55,821	\$	\$ 55,821
N.C. SEAA--Trust, Bond, and Escheat Loans	615,164	327,927,139	607,336,265	935,878,568
Bank Assigned Loans	1,408,328	907,194		2,315,522
Special Assigned Loans	355,143	5,389,842	6,701,442	12,446,427
Special Scholarship Fund Loans	100,488	170,671	270,767	541,926
Totals	<u>\$ 2,479,123</u>	<u>\$ 334,450,667</u>	<u>\$ 614,308,474</u>	<u>\$ 951,238,264</u>

Comparative data (including Agency Funds) as of June 30, 2019, 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	<u>\$ 2,824,472</u>	<u>\$ 378,958,322</u>	<u>\$ 696,859,060</u>	<u>\$ 1,078,641,854</u>

B. Contingency for Uninsured Loans:

A reserve for denied claims exists to cover possible losses from uncollectible education loans that were improperly originated or serviced by the Foundation. At June 30, 2020 and 2019, the contingency totaled \$2,200,000 and \$2,400,000, respectively.

C. Analysis of Outstanding Education Loans by School Type:

As of June 30, 2020, 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	105,635	\$ 376,946,727
2-Year Public--In State	11,592	29,224,910
4-Year Independent--In State	35,888	140,360,970
2-Year Independent--In State	1,015	3,052,394
Proprietary--In State	7,854	25,348,696
2/4-Year Public--Out of State	341	2,453,354
2/4-Year Independent--Out of State	1,017	7,382,563
Proprietary--Out of State	295	1,699,837
Out of Country	156	1,645,784
Totals	<u>163,793</u>	<u>\$ 588,115,235</u>

Comparative data (including Agency Funds but excluding Federal Consolidation Loans) as of June 30, 2019, 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	<u>194,840</u>	<u>\$ 666,126,015</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

6. Analysis By Education Loan Type and Funding

As of June 30, 2020, outstanding balances (including Agency Funds) on education loans were as follows:

	<u>Loans to Students</u>	<u>Loans to Parents</u>	<u>Consolidation Loans</u>	<u>Total</u>
<u>Made Under the Higher Education Act</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	\$ 527,877	\$ _____	\$ 14,049	\$ 541,926
Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	25,873,426	620,817	7,307,314	33,801,557
N.C. SEAA Escheat Funds	2,039,936			2,039,936
N.C. SEAA Bond Funds	<u>528,270,075</u>	<u>19,428,919</u>	<u>352,393,902</u>	<u>900,092,896</u>
Total N.C. SEAA Loans	<u>556,183,437</u>	<u>20,049,736</u>	<u>359,701,216</u>	<u>935,934,389</u>
Assigned Loans:				
Bank Assigned Loans	2,293,763	21,759		2,315,522
Special Assigned Loans	<u>8,786,790</u>	<u>251,873</u>	<u>3,407,764</u>	<u>12,446,427</u>
Total Assigned Loans	<u>11,080,553</u>	<u>273,632</u>	<u>3,407,764</u>	<u>14,761,949</u>
Total Agency Funds Under the Higher Education Act	<u>567,263,990</u>	<u>20,323,368</u>	<u>363,108,980</u>	<u>950,696,338</u>
Total Made Under the Higher Education Act	<u>567,791,867</u>	<u>20,323,368</u>	<u>363,123,029</u>	<u>951,238,264</u>
<u>Other (Non-Federal)</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	29,687		14,616	44,303
N.C. SEAA Funded Loans:				
EXTRA Education Loans	102,465,712			102,465,712
College Vision Fund Loans		12,173		12,173
EXTRA MBA Loans	2,018,590			2,018,590
N.C. Assist Loans	17,067,863	3,770,104		20,837,967
Assigned Loans:				
Special Assigned Loans	<u>184,473</u>			<u>184,473</u>
Total Other (Non-Federal)	<u>121,766,325</u>	<u>3,782,277</u>	<u>14,616</u>	<u>125,563,218</u>
Total Serviced by the Foundation	<u>\$ 689,558,192</u>	<u>\$ 24,105,645</u>	<u>\$ 363,137,645</u>	<u>\$ 1,076,801,482</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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

Comparative data (including Agency Funds) as of June 30, 2019, were as follows:

	Loans to Students	Loans to Parents	Consolidation Loans	Total
<u>Made Under the Higher Education Act</u>				
Loans Owned by the Foundation:				
Special Scholarship Fund	\$ 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
Total Made Under the Higher Education Act	641,486,045	24,639,970	412,515,839	1,078,641,854
<u>Other (Non-Federal)</u>				
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, 2020 and 2019

7. Analysis of Education Loan Status and Delinquency

As of June 30, 2020 outstanding balances (including Agency Funds) on education loans were as follows:

	Originated Under the Higher Education Act				Non-Federal Loans	Total
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans		
Loans in Repayment:						
Current	\$ 486,600,643	\$ 17,817,957	\$ 331,935,984	\$ 836,354,584	\$ 98,006,696	\$ 934,361,280
Delinquent:						
One Payment Delinquent	14,268,103	616,484	6,724,341	21,608,928	1,606,824	23,215,752
Two Payments Delinquent	6,141,778	166,988	1,995,068	8,303,834	571,903	8,875,737
Three or More Payments Delinquent	259,870	778	10,373	271,021	15,737	286,758
Total Delinquent	<u>20,669,751</u>	<u>784,250</u>	<u>8,729,782</u>	<u>30,183,783</u>	<u>2,194,464</u>	<u>32,378,247</u>
Total in Repayment	507,270,394	18,602,207	340,665,766	866,538,367	100,201,160	966,739,527
Loans in Deferment	48,405,154	869,835	16,463,012	65,738,001	29,329	65,767,330
Loans in Forbearance	<u>10,817,573</u>	<u>849,036</u>	<u>5,902,557</u>	<u>17,569,166</u>	<u>9,000,243</u>	<u>26,569,409</u>
Total Mature	<u>566,493,121</u>	<u>20,321,078</u>	<u>363,031,335</u>	<u>949,845,534</u>	<u>109,230,732</u>	<u>1,059,076,266</u>
Loans Not Yet Mature:						
In School	966,813			966,813	14,077,672	15,044,485
In Grace/Interim	<u>101,343</u>			<u>101,343</u>	<u>2,236,678</u>	<u>2,338,021</u>
Total Not Yet Mature	<u>1,068,156</u>			<u>1,068,156</u>	<u>16,314,350</u>	<u>17,382,506</u>
Total Claims Pending	176,811	2,290	77,645	256,746	18,136	274,882
Total Pending Cures of Violations	<u>53,779</u>		<u>14,049</u>	<u>67,828</u>		<u>67,828</u>
Total Serviced by the Foundation	<u>\$ 567,791,867</u>	<u>\$ 20,323,368</u>	<u>\$ 363,123,029</u>	<u>\$ 951,238,264</u>	<u>\$ 125,563,218</u>	<u>\$ 1,076,801,482</u>

Comparative data (including Agency Funds) as of June 30, 2019, were as follows:

	Originated Under the Higher Education Act				Non-Federal Loans	Total
	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total Federal Loans		
Loans in Repayment:						
Current	\$ 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	<u>159,383,790</u>	<u>7,278,880</u>	<u>74,854,703</u>	<u>241,517,373</u>	<u>20,973,768</u>	<u>262,491,141</u>
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	<u>29,753,907</u>	<u>1,620,317</u>	<u>14,184,334</u>	<u>45,558,558</u>	<u>14,215,017</u>	<u>59,773,575</u>
Total Mature	<u>637,285,394</u>	<u>24,528,876</u>	<u>411,873,758</u>	<u>1,073,688,028</u>	<u>120,657,992</u>	<u>1,194,346,020</u>
Loans Not Yet Mature:						
In School	1,242,044			1,242,044	3,217,436	4,459,480
In Grace/Interim	<u>336,563</u>			<u>336,563</u>	<u>460,059</u>	<u>796,622</u>
Total Not Yet Mature	<u>1,578,607</u>			<u>1,578,607</u>	<u>3,677,495</u>	<u>5,256,102</u>
Total Claims Pending	2,568,265	111,094	628,032	3,307,391	327,075	3,634,466
Total Pending Cures of Violations	<u>53,779</u>		<u>14,049</u>	<u>67,828</u>		<u>67,828</u>
Total Serviced by the Foundation	<u>\$ 641,486,045</u>	<u>\$ 24,639,970</u>	<u>\$ 412,515,839</u>	<u>\$ 1,078,641,854</u>	<u>\$ 124,662,562</u>	<u>\$ 1,203,304,416</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

8. Property and Equipment

Property and equipment held by the Foundation at June 30, 2020, were categorized as follows:

	June 30, 2019	Additions	Disposals	June 30, 2020
Highwoods Office Park Land (1)	\$ 1,302,882	\$	\$	\$ 1,302,882
Highwoods Boulevard Building (2)	9,759,349	109,779		9,869,128
Poplarwood Court Building (3)	3,633,685	(7,649)		3,626,036
Computer equipment	5,092,151	448,004	(399,951)	5,140,204
Computer software (4)	15,544,744	630,542		16,175,286
Office furniture and equipment	1,659,408	3,686		1,663,094
Total	<u>\$ 36,992,219</u>	<u>\$ 1,184,362</u>	<u>\$ (399,951)</u>	<u>37,776,630</u>
Less accumulated depreciation and amortization				<u>25,145,585</u>
Net property and equipment				<u>\$ 12,631,045</u>

Comparative data as of June 30, 2019, were 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 (4)	15,688,129	203,638	(347,023)	15,544,744
Office furniture and equipment	1,656,666	2,742		1,659,408
Total	<u>\$ 37,884,534</u>	<u>\$ 1,409,529</u>	<u>\$ (2,301,844)</u>	<u>36,992,219</u>
Less accumulated depreciation and amortization				<u>23,635,292</u>
Net property and equipment				<u>\$ 13,356,927</u>

- (1) Land related to Highwoods Boulevard Building consists of 2.81 acres purchased May 31, 2002, on which the office building is located plus 1.45 acres which contains only parking and landscaping. Land related to Poplarwood Court Building consists of 1.45 acres purchased May 31, 2002, on which the office building is located.
- (2) Building is 61,888 square feet, occupied by the Foundation on October 24, 2003.
- (3) Building is 18,660 square feet, occupied by the Foundation on October 24, 2003.
- (4) 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, 2020, outstanding balances in Other Investments were held in mutual funds and a 12-month certificate of deposit. As of June 30, 2019, balances 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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

11. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2020 and 2019:

	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
<u>June 30, 2020:</u>				
Mutual Funds	\$ <u>17,621,136</u>	\$ <u>17,621,136</u>	\$ _____	\$ _____
<u>June 30, 2019:</u>				
Mutual Funds	\$ <u>17,195,856</u>	\$ <u>17,195,856</u>	\$ _____	\$ _____

12. Payroll Protection Program Loan

Due to the economic uncertainties and negative operational impacts experienced as a result of the COVID-19 pandemic, the Foundation applied for and received a Payroll Protection Program loan in the amount of \$3,100,475 in April 2020 from the Small Business Administration. The Foundation anticipates forgiveness of the entire loan during the year ending June 30, 2021, at which time loan forgiveness revenue will be recognized.

13. Lease Commitments

Vehicle Leases

In January 2020, the Foundation entered into an operating lease for one new vehicle with single lease payment and fees of \$11,900 due at delivery. This lease expires January 2023.

In November 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 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, 2020 and 2019, expenses including taxes and licenses under these leases in the amount of \$35,167 and \$31,417, respectively, were included in operating expense. At June 30, 2020 and 2019, prepaid expenses totaled \$55,150 and \$76,599, 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 year ended June 30, 2019, expenses including taxes under this lease in the amount of \$145,186 were included in operating expense.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

14. Net Assets

Board-Designated Net Assets

At June 30, 2020 and 2019, the Board of Trustees designated net assets of \$5,638,048 and \$5,357,086, 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, 2020 and 2019, net assets with donor restrictions equaled \$558,780 and \$564,093, respectively. Of the \$558,780 held at June 30, 2020, \$3,780 was available to fund scholarships while \$555,000 was permanently invested. Of the \$564,093 held at June 30, 2019, \$9,093 was available to fund scholarships while \$555,000 was permanently invested.

15. Net Assets Released from Restrictions

Net assets of \$15,325 and \$6,500 were released from donor restrictions in the years ended June 30, 2020 and June 30, 2019, respectively, for Broyhill Family Foundation Scholarships disbursed in accordance with terms of the scholarship program.

16. 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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

16. 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, 2020 and 2019, transfers from the Operating Fund to the Special Scholarship Fund totaled \$128,000 and \$0, respectively. As of June 30, 2020 and 2019, \$362,708 and \$304,564, 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, 2020 and 2019

16. Endowment Funds (Concluded)

The endowment net asset composition by type of fund and changes in endowment assets for the year ended June 30, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Fund	\$	\$ 558,780	\$ 558,780
Board-Designated Endowment Fund	5,275,340		5,275,340
	<u>\$ 5,275,340</u>	<u>\$ 558,780</u>	<u>\$ 5,834,120</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets--July 1, 2019	\$ 5,037,131	\$ 564,093	\$ 5,601,224
Investment Return:			
Net Investment Income (including Realized Gains)	187,222	10,012	197,234
Unrealized Losses on Investments	(16,124)		(16,124)
Education Loan Net Income	15,246		15,246
Contribution	600		600
Board Directed Transfer	128,000		128,000
Amount Appropriated for Expenditure	<u>(76,735)</u>	<u>(15,325)</u>	<u>(92,060)</u>
Endowment Net Assets--June 30, 2020	<u>\$ 5,275,340</u>	<u>\$ 558,780</u>	<u>\$ 5,834,120</u>

Comparative data 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
	<u>\$ 5,037,131</u>	<u>\$ 564,093</u>	<u>\$ 5,601,224</u>
	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	<u>(121,968)</u>	<u>(6,500)</u>	<u>(128,468)</u>
Endowment Net Assets--June 30, 2019	<u>\$ 5,037,131</u>	<u>\$ 564,093</u>	<u>\$ 5,601,224</u>

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, total Foundation matching contributions were \$456,500 and \$433,917, respectively. In the year ended June 30, 2020, 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 \$955,219 and \$890,964, 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 both June 30, 2020 and 2019, the assets and liabilities related to the plan totaled \$0.

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.

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

18. Postretirement Benefits (Continued)

At the same time, the Foundation also created unfunded Notional accounts effective July 1, 2012 for all current employees with at least one year of full-time service as of June 30, 2012. The initial account balance was allocated based on years of service. The Foundation may, at its discretion, credit additional amounts to these accounts annually. As amounts are funded, the value of the individual Notional accounts will decrease by such funded amount while the value of the individual VEBA Trust accounts will increase. An employee's total account balance may be composed of an unfunded Notional account and a funded VEBA Trust account. As of June 30, 2020 and 2019, there were no unfunded Notional accounts.

Benefits for Pre-July 1, 2014 Retirees

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

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

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

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

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

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

18. Postretirement Benefits (Continued)

Information with respect to this plan as of and for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Change in Benefit Obligation:		
Benefit Obligation at End of Prior Plan Year	\$ (818,882)	\$ (887,112)
Interest Cost	(25,475)	(33,717)
Amendments	0	0
Actuarial Gain / (Loss)	11,256	67,521
Actual Distributions	36,418	34,426
Benefit Obligation at End of Year	\$ (796,683)	\$ (818,882)
Change in Plan Assets:		
Plan Assets at Fair Value at Beginning of Year	\$ 1,980,716	\$ 1,949,366
Actual Return on Plan Assets	160,991	109,289
Acquisition/Transfers In	0	0
Actual Employer Contributions	6,840	18,877
Other (Transfer to Defined Contribution Participant Accounts)	0	(62,390)
Actual Distributions	(36,418)	(34,426)
Plan Assets at Fair Value at End of Year	\$ 2,112,129	\$ 1,980,716
Funded Status = Net Asset / (Liability) at End of Year	\$ 1,315,446	\$ 1,161,834
Amounts Recognized in Statement of Financial Position:		
Non-Current Assets	\$ 1,315,446	\$ 1,161,834
Non-Current Liabilities	0	0
Net Amount Recognized (Accrued) / Prepaid Cost (pre-Statement of Financial Position Item)	1,315,446	1,161,834
	(2,449,752)	(2,449,752)
Net Adjustment to Unrestricted Net Assets	\$ (1,134,306)	\$ (1,287,918)
Amounts Recognized in Unrestricted Net Assets:		
Unamortized Net (Gain) / Loss	\$ 1,134,306	\$ 1,287,918
Actuarial Assumptions Used to Determine Benefit Obligations:		
Discount Rate	2.10%	3.20%
Expected Long-Term Rate of Return on Assets	5.00%	5.00%
Healthcare Cost Trend Rate--Initial	5.50%	6.00%
Healthcare Cost Trend Rate--Ultimate	4.00%	4.00%
Years to Ultimate Rate	3	4
Net Periodic Postretirement Benefit Cost / (Income):		
Interest Cost	\$ 25,475	\$ 38,359
Expected Return on Plan Assets	(98,070)	(91,401)
Amortization of Net (Gain) / Loss	79,435	96,432
Net Periodic Postretirement Benefit Cost / (Income)	\$ 6,840	\$ 43,390
Other Changes in Plan Assets and Benefit Obligations Recognized in Statement of Activities:		
Net (Gain) / Loss	\$ (74,177)	\$ (196,033)
Amortization of Net Gain / (Loss)	(79,435)	(96,432)
Total Recognized in Statement of Activities	(153,612)	(292,465)
Net Periodic Postretirement Benefit Cost / (Income)	6,840	43,390
Net Amount Recognized in Statement of Activities	\$ (146,772)	\$ (249,075)
Actuarial Assumptions Used to Determine Net Periodic Postretirement Benefit Cost:		
Discount Rate	3.20%	3.90%
Expected Long-Term Rate of Return on Assets	5.00%	5.00%
Healthcare Cost Trend Rate--Initial	6.80%	6.50%
Healthcare Cost Trend Rate--Ultimate	4.00%	4.00%
Years to Ultimate Rate	4	5

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

18. Postretirement Benefits (Continued)

	2020	2019
Reconciliation of Minimum Statement of Financial Position Liability:		
Statement of Financial Position Asset / (Liability) at Beginning of Year	\$ 1,161,834	\$ 1,062,254
Net Periodic Postretirement Benefit Cost / (Income)	(6,840)	(18,877)
Actual Employer Contributions	6,840	18,877
Transfer to Defined Contribution Participant Accounts	0	(62,390)
Statement of Financial Position Adjustment	153,612	161,970
Statement of Financial Position Asset / (Liability) at End of Year	\$ 1,315,446	\$ 1,161,834
Sensitivity Analysis:		
Impact of one-percentage-point increase in assumed healthcare trend on:		
- Total of Service Cost and Interest Cost	\$ 2,771	\$ 3,904
- Benefit Obligation at End of Year	80,390	86,598
Impact of one-percentage-point decrease in assumed healthcare trend on:		
- Total of Service Cost and Interest Cost	\$ (2,404)	\$ (3,360)
- Benefit Obligation at End of Year	(70,036)	(75,121)

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			
2021		\$	47,965
2022			48,868
2023			49,394
2024			49,573
2025			49,337
2026-2030			287,286

Estimated expense for next fiscal year:

Interest Cost	\$	16,229
Expected Return on Plan Assets		(104,422)
Amortization of Net Gain / (Loss)		71,892
	\$	(16,301)

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.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2020 and 2019

18. Postretirement Benefits (Concluded)

At June 30, 2020 and 2019, the target and current plan asset allocations were as follows:

	2020			2019		
	Target	Ranges	Actual	Target	Ranges	Actual
Cash and Cash Equivalents	3%	1-20%	2.6%	3%	1-20%	2.8%
Debt Securities:						
Government Bonds	25%	10-75%	22.2%	25%	10-75%	24.0%
Corporate Bonds	20%	15-35%	19.0%	20%	15-35%	19.7%
Inflation Protected Bonds	7%	3-20%	6.3%	7%	3-20%	6.8%
Equity Securities:						
Large Blend	5%	2-15%	5.6%	5%	2-15%	4.9%
Large Growth	10%	5-25%	12.0%	10%	5-25%	11.7%
Large Value	10%	5-25%	10.8%	10%	5-25%	9.9%
Moderate Allocation	10%	5-20%	10.2%	10%	5-20%	10.2%
Small Value	5%	2-15%	5.6%	5%	2-15%	4.8%
International	5%	2-15%	5.7%	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, 2020 and 2019, 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:

	2020	2019
Cash and Cash Equivalents	\$ 2,034	\$ 2,981
Mutual Funds:		
Money Market	271,983	269,760
Government Debt Securities	2,307,116	2,336,182
Corporate Debt Securities	1,983,712	1,917,234
Inflation Protected Debt Securities	658,957	663,703
Large Blend Equity Securities	581,776	472,769
Large Growth Equity Securities	1,253,518	1,139,086
Large Value Equity Securities	1,122,854	968,062
Moderate Allocation Equity Securities	1,064,742	998,255
Small Value Equity Securities	577,557	467,611
International Equity Securities	589,163	511,570
	<u>\$ 10,413,412</u>	<u>\$ 9,747,213</u>

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, 2020 and 2019

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 a \$100,000 term life insurance policy on one executive as of June 30, 2020 and 2019. A Single Premium Income Annuity funds the premium on the policy for this executive. The cash value of the annuity as of June 30, 2020 and 2019 totaled \$12,152 and \$12,071, respectively.

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, 2020 and 2019, marketing and advertising costs totaled \$3,805,499 and \$3,188,168, respectively.

22. Functional Classification of Expenses

Functional expenses by natural classification as of June 30, 2020:

	<u>Program Activities</u>	<u>Management and General Activities</u>	<u>Total</u>
Salaries and Payroll Taxes	\$ 13,125,991	\$ 1,082,076	\$ 14,208,067
Staff Benefits	2,283,280	214,882	2,498,162
Services, Supplies, and Other	8,882,830	485,987	9,368,817
Occupancy	340,980	29,415	370,395
Grants to Individuals	92,060		92,060
Depreciation and Amortization	<u>1,745,932</u>	<u>164,312</u>	<u>1,910,244</u>
	<u>\$ 26,471,073</u>	<u>\$ 1,976,672</u>	<u>\$ 28,447,745</u>

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

	<u>Program Activities</u>	<u>Management and General Activities</u>	<u>Total</u>
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	<u>1,842,147</u>	<u>173,121</u>	<u>2,015,268</u>
	<u>\$ 26,388,853</u>	<u>\$ 1,977,458</u>	<u>\$ 28,366,311</u>

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, 2020 and 2019

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, 2020 and 2019, the Foundation's uninsured cash balances totaled \$8,363,538 and \$8,931,756, respectively. This amount is derived per a review of bank account balances and not the Foundation's "book" balances as of June 30, 2020 and 2019.

25. Subsequent Events

Subsequent events have been evaluated through September 28, 2020, which is the date the financial statements were available to be issued.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLLEGE FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Program Title	Federal CFDA Number	Interest	Special Allowance
<u>U. S. Department of Education--Direct Program</u>			
Federal Family Education Loan Program (Lenders)	84.032L	\$ 3,414,012	\$ 1,809,414
Less amounts received by the Foundation as an agent for other funds providers		<u>3,409,782</u>	<u>1,809,216</u>
TOTALS		<u>\$ 4,230</u>	<u>\$ 198</u>

The accompanying notes are an integral part of this schedule.

<u>Outstanding Loan Balances at July 1, 2019</u>	<u>Total Federal Expenditures</u>
\$ 1,078,641,854	\$ 1,083,865,280
<u>1,078,076,180</u>	<u>1,083,295,178</u>
<u><u>\$ 565,674</u></u>	<u><u>\$ 570,102</u></u>

COLLEGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

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, 2020 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, 2020, the balance of FFELP loans serviced by the Foundation totaled \$951,238,264, which included \$541,926 owned by the Foundation. At June 30, 2020, interest and special allowance due to the Foundation from the U.S. Department of Education for FFELP loans serviced by the Foundation totaled \$821,084, which included \$939 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, 2020, excess borrower interest remitted to the U.S. Department of Education totaled \$19,395,013, which included \$7,489 related to loans owned by the Foundation. At June 30, 2020, excess borrower interest due to the U.S. Department of Education for FFELP loans serviced by the Foundation totaled \$6,408,255, which included \$2,940 related to loans owned by the Foundation.

COMPLIANCE AND INTERNAL CONTROL REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2020.

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) as a basis for designing 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 financial statements. 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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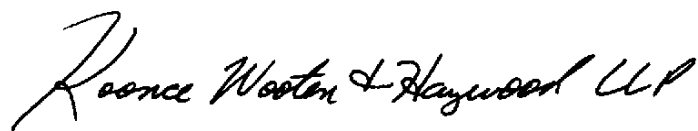
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Purpose of this Report

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.

A handwritten signature in black ink that reads "Rance Wooten & Haywood LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
September 28, 2020



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2020. 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, 2020.

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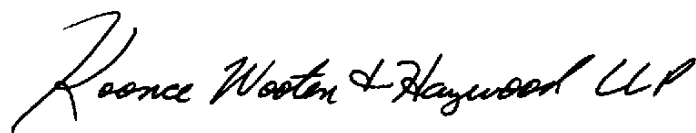
Report on Internal Control over Compliance

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.

A handwritten signature in black ink that reads "Rance Wooten & Hayward LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
September 28, 2020

COLLEGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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
84.032L

Name of Federal Program or Cluster
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).