

GREENVILLE TECHNICAL COLLEGE



TWO-THOUSAND FOURTEEN

Independent Auditors' Report



**Financial Statements
For the Years Ended June 30, 2014
and June 30, 2013**

Greenville Technical College

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GREENVILLE TECHNICAL COLLEGE

Post Office Box 5616
Greenville, South Carolina 29606

Audit Period: July 1, 2013 – June 30, 2014

List of Area Commissioners and Officers

<u>Area Commission Members</u>	<u>District</u>	<u>Term Expires</u>
Mr. David K. Stafford (Chair)	At-Large	May 31, 2016
Ms. Jennie M. Johnson	At-Large	May 31, 2015
Mr. Coleman Shouse	At-Large	May 31, 2017
Mr. Calder Ehrmann	At-Large	May 31, 2016
Mr. Paul Batson	21	May 31, 2015
Mr. W. Burke Royster, Superintendent	At-Large (Ex-Officio)	May 31, 2014
Mr. Kenneth Southerlin	17	May 31, 2017
Mr. Glenn Hamilton	20	May 31, 2015
Mr. Ray Martin	23	May 31, 2016
Mr. Dean Jones	At-Large (Ex-Officio)	May 31, 2014
Mr. Ray Lattimore	27	May 31, 2017
Mr. James Blakely	19	May 31, 2020

Key Administrative Staff

Dr. Keith Miller	President
Mrs. Jacqueline R. DiMaggio	Vice President for Finance
Mrs. Cynthia Eason	Vice President for Corporate & Economic Development
Dr. Matteel Jones	Vice President for Student Services
Mrs. Lauren Simer	Vice President for Institutional Effectiveness
Dr. Lenna Young	Vice President for Academic Affairs
Ms. Susan M. Jones	Associate Vice President for Human Resources
Ms. Wendy Walden	Associate Vice President for Executive Affairs
Mr. Bob Howard	Greenville Tech Foundation President

Area Served by the Commission

Greenville County

County Providing Financial Support

Greenville County

Independent Auditors' Report

To Greenville Technical College
Area Commissioners
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greenville Technical College, a discretely presented component unit of the State of South Carolina, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Greenville Tech College Foundation, Inc and Subsidiaries (a discretely presented component unit). The Greenville Tech College Foundation, Inc. and Subsidiaries reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Greenville Tech College Foundation, Inc. and Subsidiaries, which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Greenville Tech College Foundation, Inc. and Subsidiaries, is based solely on the report of the other auditors. We conducted our audit 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. The financial statements of Greenville Tech College Foundation Inc. and Subsidiaries were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 College'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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Greenville Technical College as of June 30, 2014 and June 30, 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2014, the College adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of Greenville Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Greenville Technical College
Greenville, South Carolina
Page Three

Report on State Lottery Assistance Program

We have also issued our report dated September 12, 2014 on our consideration of Greenville Technical College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

A handwritten signature in black ink, appearing to read "Cynthia A. [unclear]". The signature is written in a cursive style with a horizontal line extending to the right.

Gaffney, SC
September 12, 2014

Management's Discussion and Analysis

Greenville Technical College (the "College") is pleased to present its financial report and management's discussion and analysis of the College's financial performance for the fiscal year ended June 30, 2014. This report is a narrative overview and analysis of the financial activities of the college. It focuses on current activities, resulting change and currently known facts, and provides a comparison with the prior fiscal year. This discussion should be read in conjunction with the financial statements and the accompanying notes which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Colleges and Universities*.

The college is engaged only in Business-Type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the College has included the Greenville Tech Foundation, Inc. and Subsidiaries (the "Foundation") in its financial statements. The college reports the Foundation as a discretely presented non-governmental component unit, and its Consolidated Statement of Financial Position, Statement of Activities and Statement of Cash Flows are presented along with the College's basic financial statements.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current categories. The Statement of Net Position is a "point in time" financial statement, which presents to the reader a snapshot of the end of the year financial data. Assets are property owned by the college. Liabilities are what the College owes to others. Current assets are generally expected to be converted into cash, sold or consumed within a year. Current liabilities are obligations that are due to be paid within the year. Noncurrent assets and liabilities are those that are longer term in nature.

Net position represents the difference between total assets and total liabilities. Net Assets are displayed in three broad categories: invested in capital assets (net of related debt), restricted and unrestricted. Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator that the overall financial condition has improved or deteriorated during the year.

Assets

The following schedule is a condensed presentation of the College's assets, liabilities and net position and is prepared from the Statement of Net Position as of June 30, 2014, 2013 and 2012.

Condensed Summary of Net Position			
As of June 30, 2014, 2013, and 2012			
(in millions)			
	2014	2013	2012
Current Assets	\$ 63.2	\$ 52.6	\$ 48.9
Non-current Assets			
Capital Assets, Net of Accumulated Depreciation	114.5	97.3	100.9
Total Assets	177.7	149.9	149.8
Current Liabilities	14.6	13.2	12.8
Non-current Liabilities	64.1	43.8	47.1
Total Liabilities	78.7	57.0	59.9
Net Financial Position			
Net Investment in Capital Assets	59.9	53.1	53.7
Restricted	7.7	7.9	6.9
Unrestricted	31.7	32.2	29.4
Total Net Position	\$ 99.3	\$ 93.2	\$ 90.0

A strong indicator of the financial health of the college is the improvement in the ratio of current assets to current liabilities. The current ratio at June 30, 2014, 2013 and 2012 were approximately 4.3:1, 4.0:1 and 3.8:1 respectively.

Current assets increased \$10.6 million between fiscal years 2014 and 2013 while current liabilities increased \$1.4 million in the same period. Comparatively, current assets increased \$3.7 million between fiscal years 2013 and 2012 while current liabilities increased \$0.4 million in the same period. Overall, assets increased \$27.8 million from June 30, 2013 to June 30, 2014, compared to a decrease of \$0.1 million from June 30, 2012 to June 30, 2013. The changes related to the fiscal year ended June 30, 2014 as compared to June 30, 2013 are explained as follows:

- The total of cash and investments increased from \$42.7 million to \$44.0 million.
- Accounts Receivable decreased approximately \$1.3 million; the college increased its allowance for doubtful account balance approximately \$0.4 million. The allowance increased to \$6.5 million at June 30, 2014 from \$6.1 million for the prior year. This increase was intended to ensure that the college has adequate reserves given the challenges students are facing in the current economic climate. Of the \$1.3 million decrease in accounts receivable, \$1.0 million is related to federal grantors, and \$0.6 million is related to receivables from the state of South Carolina, primarily related to state financial aid and \$0.1 million related to student accounts. Other receivables including the Greenville Tech Foundation increased \$0.4 million (See Note 4 for additional information).
- Bond proceeds receivables increased \$10.7 million. This is related to the General Obligation Bonds issued by Greenville County for the College. The bond issue was \$25.0 million. The funds will be drawn down as they are expended to construct the Center for Manufacturing Innovation. It is

anticipated that \$10.7 million will be expended by June 30, 2015 and the remainder will be expended by June 30, 2016

The changes related to the fiscal year ended June 30, 2013 as compared to June 30, 2012 are explained as follows:

- The total of cash and investments increased from \$37.7 million to \$42.7 million.
- Accounts Receivable decreased approximately \$1.5 million; the college increased its allowance for doubtful account balance approximately \$0.3 million. The allowance increased to \$6.1 million at June 30, 2013 from \$5.8 million for the prior year. This increase was intended to ensure that the college has adequate reserves given the challenges students are facing in the current economic climate. Of the \$1.6 million decrease in accounts receivable, \$1.0 million is related to federal grantors, primarily for federal financial aid and \$0.5 million is related to receivables from the state of South Carolina, primarily related to state financial aid and \$0.1 million related to student accounts. (See Note 4 for additional information).
- Inventories increased \$0.1 million to \$3.2 million.
- Other assets, primarily prepaid expenses, increased \$0.5 million to \$2.6 million.
- Non-current assets are primarily capital assets net of depreciation and bond proceeds receivable. Capital assets net of depreciation in the fiscal years ended June 30, 2014 increased \$3.4 million from June 30, 2013. The balances were \$100.4 million at June 30, 2014 and \$97.2 million at June 30, 2013. The increase of \$3.4 million is compared to a decrease of \$3.6 million from the fiscal year ended June 30, 2012 balance of \$100.9 million. Bond proceeds receivables increased \$10.7 million. This is related to the General Obligation Bonds issued by Greenville County for the College. The bond issue was \$25.0 million. The funds will be drawn down as they are expended to construct the Center for Manufacturing Innovation. It is anticipated that \$14.1 million will be expended between June 30, 2015 and June 30, 2016

Contributing factors to the changes from June 30, 2013 to June 30, 2014 were:

- Land increased by \$2.4 million as a result of the purchase of the property where the Center for Manufacturing Innovation will be built.
- Construction in progress increased \$1.9 million because of several projects that are currently in process including recreational space, land and road improvements and the purchase/installation of a new server.
- Machinery & equipment increased \$3.5 million primarily because of expenditures from the U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training grant (TAACCCT).
- Depreciation expense accounted for \$4.6 million. See Note 8 for additional information. Accumulated depreciation increased \$4.3 million as a net result of the depreciation expense and retirements of assets.
- \$14.1 million increase in bond proceeds receivable.

Contributing factors to the changes from June 30, 2012 to June 30, 2013 were:

- Building and improvements increased by \$0.7 million, a result of the capitalization of the EMT renovation.
- Machinery & equipment decreased \$0.4 million and vehicles decreased \$0.1 as a result of retirements of assets in excess of expenditures.
- Depreciation expense accounted for \$4.8 million. See Note 8 for additional information. Accumulated depreciation increased \$3.8 million as a net result of the depreciation expense and retirements of assets.

Analysis of Capital Assets			
As of June 30, 2014, 2013, and 2012			
(in millions)			
	2014	2013	2012
Land and Land Improvements	\$ 18.8	\$ 16.6	\$ 16.6
Buildings and Improvements	135.6	135.6	135.0
Machinery and Equipment	15.4	11.9	12.3
Vehicles	2.3	2.3	2.4
Construction in Progress	1.9	-	-
	174.0	166.4	166.3
Less: Accumulated Depreciation	(73.6)	(69.2)	(65.4)
Net Capital Assets	<u>\$ 100.4</u>	<u>\$ 97.2</u>	<u>\$ 100.9</u>

Liabilities

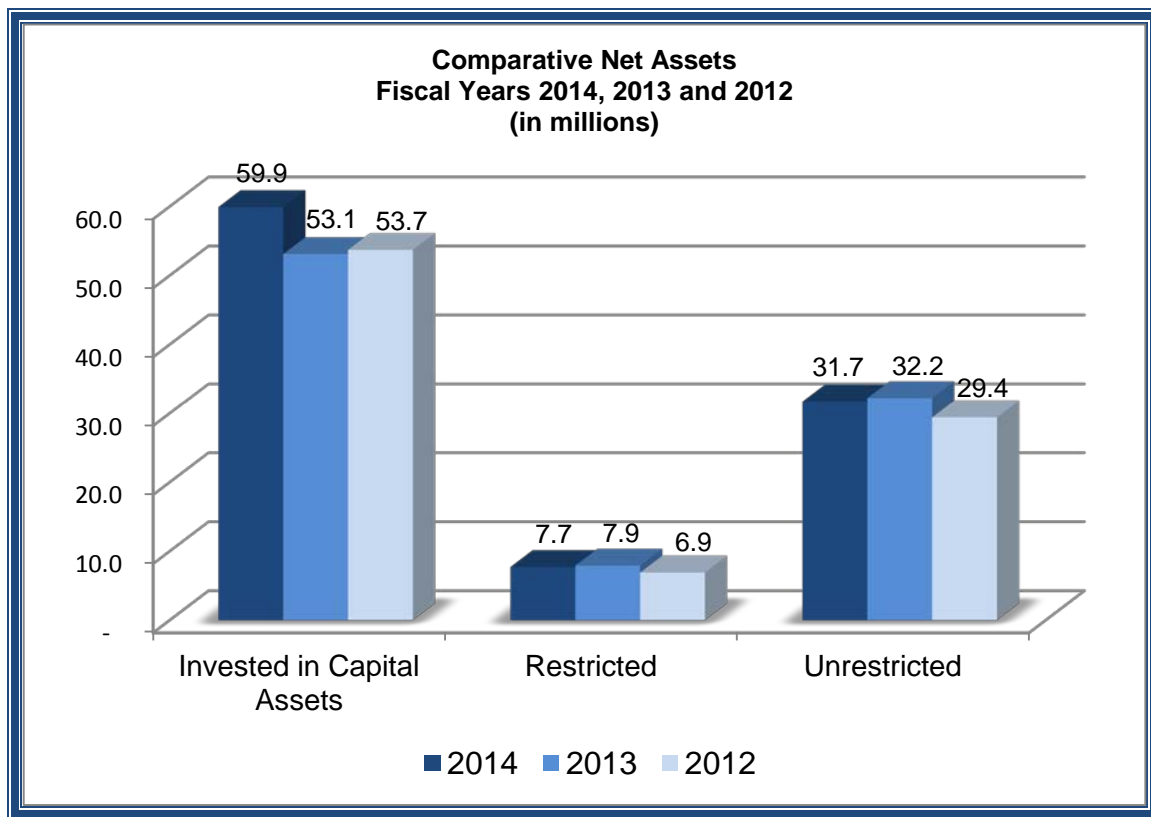
Total liabilities increased \$21.7 million between fiscal years 2014 and 2013, from \$57.0 million to \$78.7 million. Comparatively, total liabilities decreased \$2.9 million between fiscal years 2013 and 2012, from \$59.9 million to \$57.0 million. Current liabilities at June 30, 2014 increased by \$1.4 million from June 30, 2013 primarily as a result of increases in accounts payable, accrued payroll liabilities and current portion of long term debt. These increases were partially offset by decreases in funds held by others and deferred revenue. Current liabilities at June 30, 2013 increased by \$0.4 million from June 30, 2012 primarily as a result of increases in funds held for others of \$1.0 million and small increases in the current portion of long term liabilities and accounts payable. These increases were partially offset by a \$0.4 million decrease in accrued payroll related liabilities and \$0.6 million in deferred revenue.

Non-current liabilities decreased \$3.3 million from June 30, 2012 as compared to June 30, 2013, as a result of bond and capital lease payments (see Note 12 for additional information) of \$3.4 million. The reduction was decreased by \$0.1million related to the liability for accrued leave. The \$2.7 million increase in non-current liabilities from June 30, 2011 to June 30, 2012 was a result of an addition of a bond issued to fund the IT/Logistics Building of \$5.6 million and additional principal of \$0.3 million due to a bond refinance (see Note 12 for additional information). The increase was offset by bond and capital lease payments of \$3.2 million.

Net Position

The net position at June 30, 2014 was \$99.3 million, an increase of \$6.1 million from the prior fiscal year balance of \$93.2 million, a 6.5 percent increase. The \$93.2 million net position at June 30, 2013 was a \$3.2 million increase from the June 30, 2012 balance of \$90.0 million, a 3.6 percent increase. Investment in capital assets at June 30, 2014 and June 30, 2013, were \$59.9 million and \$53.1 million, respectively, a \$6.8 million increase as compared to a \$0.6 million decrease from the June 30, 2012 balance of \$53.7 million. Restricted net assets decreased by \$0.2 million at June 30, 2014 as a result of the completion or near completion of various renovation projects. Restricted net assets increased by \$1.0 million at June 30, 2013 as a result of increased commitments on various renovation projects. Unrestricted net assets as of June 30, 2014 decreased \$0.5 million to \$31.7 million from the prior fiscal year balance of \$32.2 million. Planned uses for unrestricted net assets as of June 30, 2014 can be found in Note 11. The

million total for unrestricted net assets at June 30, 2013 represents a \$2.8 million increase from the June 30, 2012 balance of \$29.4 million.



For the fiscal year ending June 30, 2015, as a result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the College will be required to recognize a portion of the unfunded net pension liability of the cost sharing plan. Recognition of this liability will have a material impact on the College's overall net position.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

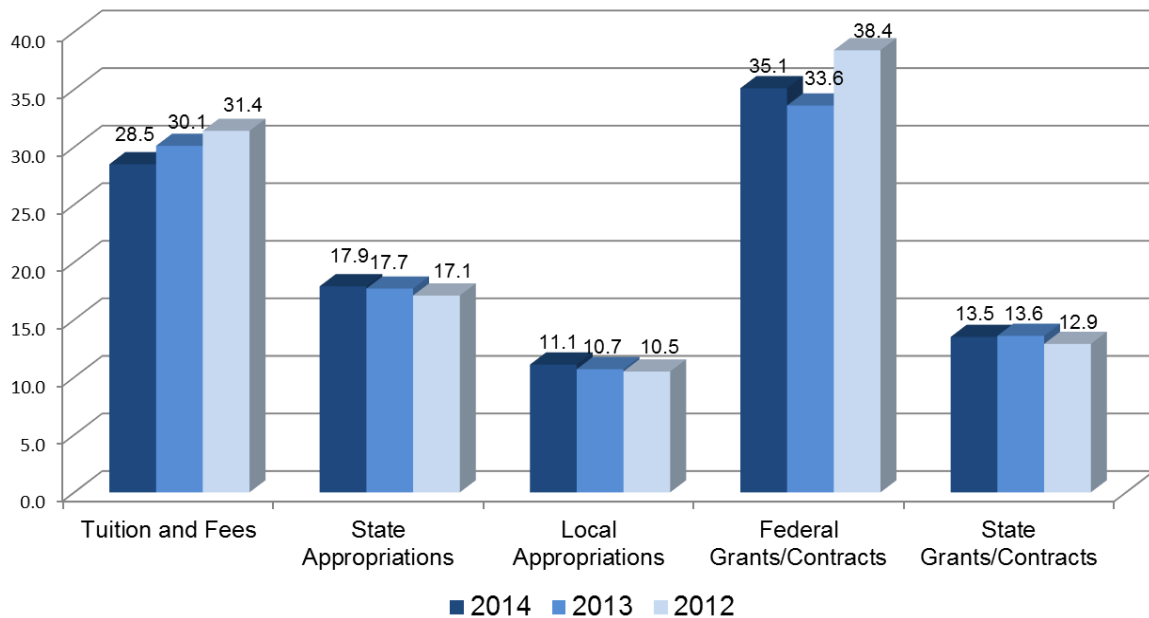
The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to provide an entity wide perspective on revenues and expenses, which are categorized as operating and non-operating and are reported by natural classification. A public institution's reliance on state and local appropriations results in operating losses as GASB requires classification of appropriations as non-operating revenues. As a result, the College will always reflect an operating deficit due to this reliance on state and local funding.

Operating Results

The following schedules summarize the college's operating results for fiscal year ended June 30, 2014 with comparative data for fiscal years ended June 30, 2013 and June 30, 2012.

Operating Results for the Years Ended			
June 30, 2014, 2013, and 2012			
(in millions)			
	2014	2013	2012
Operating Revenues			
Tuition and Fees	\$ 28.5	\$ 30.1	\$ 31.4
Federal Grants and Contracts	9.4	4.8	4.8
State and Local Grants and Contracts	12.6	12.7	12.0
Auxiliary	5.2	5.6	6.0
Other	2.1	2.1	1.8
Total	<u>57.8</u>	<u>55.3</u>	<u>56.0</u>
Less Operating Expenses	105.8	108.4	111.3
Net Operating Loss	(48.0)	(53.1)	(55.3)
Non-Operating Revenues (expenses)			
State Appropriations	16.7	16.0	15.3
State and Local Grants and Contracts	0.9	0.9	0.9
Federal Grants and Contracts	25.7	28.8	33.6
County and City Appropriations	11.1	10.7	10.5
Gain/(loss) on disposal of fixed assets	(0.2)	-	-
Interest Expense	(1.5)	(1.8)	(2.0)
Interest Income	0.1	0.1	0.1
Total	<u>52.8</u>	<u>54.7</u>	<u>58.4</u>
State Capital Appropriations	1.2	1.7	1.7
Increase in Net Assets	6.0	3.3	4.8
Net Assets (beginning of year)	93.3	90.4	85.2
Cumulative Effect of GASB 65	-	(0.4)	
Net Assets (end of year)	99.3	93.3	90.0
Total Revenues	<u>113.5</u>	<u>113.5</u>	<u>118.1</u>

**Major Revenues
for 2014, 2013 and 2012
(in millions)**



Revenue

Total revenue remained stable at \$113.5 million for fiscal years 2013 and 2014. Total revenue decreased \$4.6 million or 3.9 percent between fiscal years 2012 and 2013, from \$118.1 million to \$113.5 million respectively.

Operating revenue increased in federal grants and contracts during fiscal year 2014 while there were decreases in student tuition and fees, auxiliary revenue, and state and local grants and contracts. Other revenue remained steady. Overall there was a net increase of \$2.5 million or 4.5 percent in operating revenue. Operating revenue increased in state and local grants and contracts and other operating revenues during fiscal year 2013 while there were decreases in student tuition and fees and auxiliary revenue, federal grants and contracts remained steady. Overall there was a net decrease of \$0.7 million or 1.3 percent. Net tuition and fees decreased \$1.6 and \$1.3 million in fiscal years 2014 and 2013 respectively. Net tuition and fees is tuition and fee revenue decreased by scholarship and allowances and bad debt expense. Scholarship allowances represent the amount of students' tuition and fees that are paid by grants from federal, state, and other sources. (See Note 19 for additional information).

Increases in federal grants and contracts are due primarily to the U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training grant (TAACCCT).

Net auxiliary services revenue decreased \$0.4 million in fiscal years 2014 and 2013, This is primarily bookstore sales net of scholarship and allowances and bad debt expense. (See Note 19 for additional information).

Non-operating revenue decreased by \$1.9 million or 3.5 percent during the 2014 fiscal year, while non-operating revenue decreased by \$3.7 million or 6.3 percent during the 2013 fiscal year. Federal grants and contracts decreased as a result of decreases in the number of students eligible and the amount available to students for the PELL grant award. PELL grants decreased \$3.0 million in fiscal year 2014 and \$3.4 million in fiscal year 2013. This decrease is partially offset by increases in state appropriations. After three years of significant cuts in state funding, the college saw the increases in state appropriations of \$0.7 million in both fiscal years 2014 and 2013.

State capital appropriations of \$1.2 million decreased \$0.5 million from 2013 after it remained relatively stable during fiscal years 2012 and 2013. The increase in appropriations in 2012 and 2013 was the result of a special appropriation for deferred maintenance projects. The remainder of the appropriation is for the debt service on the former McAlister Square Mall and operating expenses related to the University Center of Greenville. The costs (debt service and utilities) associated with these appropriations are fixed and recurring while the appropriations are dwindling. This is creating an additional financial strain on the college's funds. Local appropriations from Greenville County helped to offset some of these decreases. In fiscal year 2014, county appropriations increased \$0.3 million and the college received \$0.1 million from the City of Greenville for a special project and in 2013 county appropriations increased \$0.2 million.

Expenses

In fiscal year 2014, operating expenses were \$105.8 million, a decrease of \$2.6 million or 2.4 percent over fiscal year 2013. Operating expenses decreased \$2.9 million or 2.6 percent for fiscal year 2013 to \$108.4 million from \$111.3 million for fiscal year 2012.

Salaries and benefits increased approximately \$0.1 million or 0.2 percent during fiscal year 2014. A state mandated two percent salary increase was given to full-time employees at the beginning of the 2014 fiscal year. Salaries and benefits increased by approximately \$1.5 million or 2.4 percent during fiscal year 2013.

Scholarships to students decreased by approximately \$2.3 million or 12.4 percent in fiscal year 2014 and \$1.1 million or 5.6 percent in fiscal year 2013. These decreases were related to the changes to awards and eligibility for PELL grants.

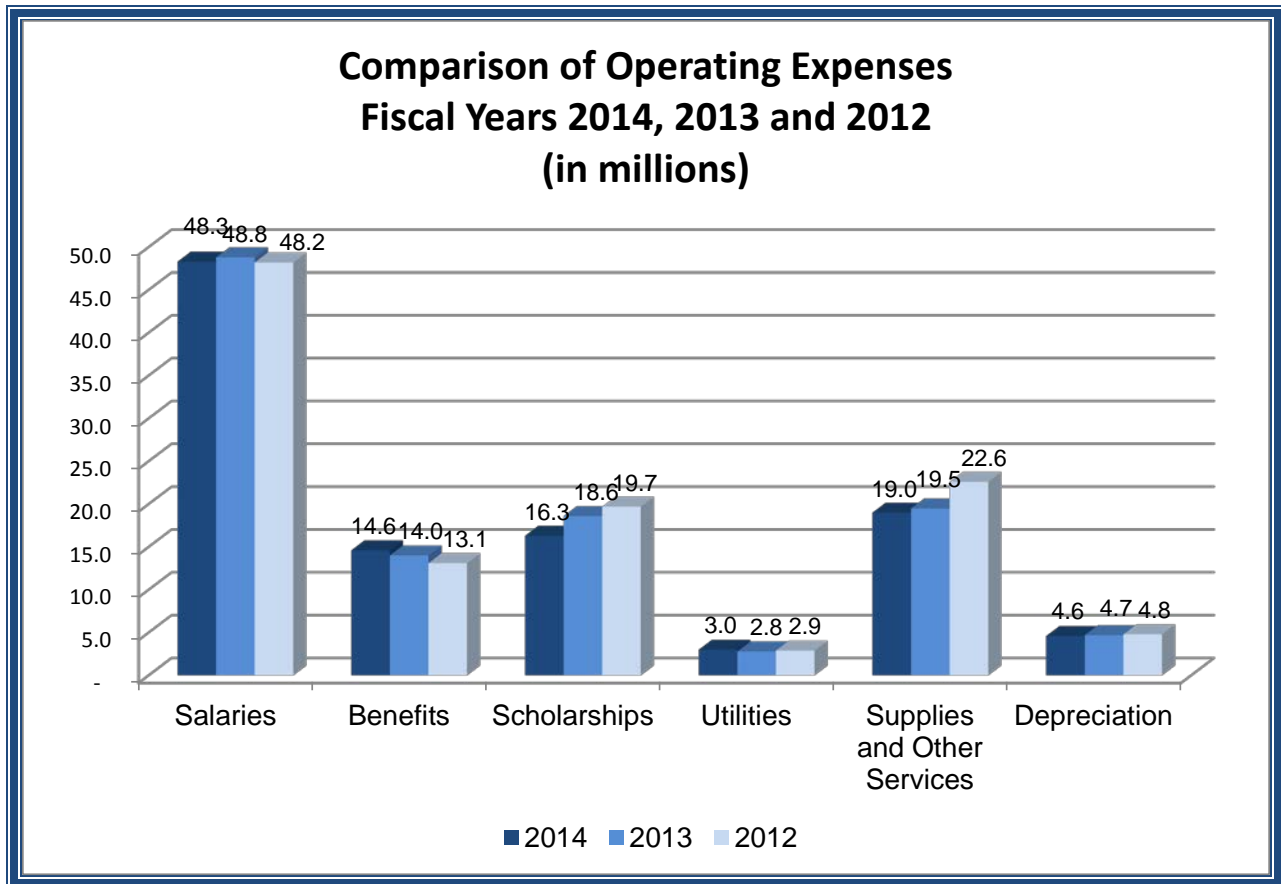
Utilities increased \$0.2 million in fiscal year 2014 after decreasing \$0.1 million during fiscal year 2013. The increase is primarily due to the harsh winter. The college is continuing to implement energy saving initiatives.

Supplies and other services decreased by \$0.5 million or 2.6 percent in fiscal year 2014. In fiscal year 2013, supplies and other services decreased by \$3.1 million or 13.7 percent after significant expenditures of ARRA funds in the prior fiscal year. Many of the ARRA expenditures were related to infrastructure upgrades that are not capitalized such as roofs, improvements to HVAC systems and the implementation of a voice over internet telephone system that had many components that did not meet the capitalization threshold.

Depreciation expense decreased by approximately \$0.1 million in fiscal years 2014 and 2013 this is primarily a result of significant write-offs in fiscal year 2012. In fiscal year 2012, depreciation expense decreased by approximately \$1.1 million from the prior year as a result of a change in the useful lives of two buildings slated for demolition.

The following charts depict operating expenses by function for fiscal year ended June 30, 2014, 2013 and 2012.

Operating Expenses			
Fiscal Years Ended June 30, 2014, 2013, and 2012			
(in millions)			
	2014	2013	2012
Operating Expenses			
Salaries	48.3	48.8	48.2
Benefits	14.6	14.0	13.1
Scholarships	16.3	18.6	19.7
Utilities	3.0	2.8	2.9
Supplies and Other Services	19.0	19.5	22.6
Depreciation	4.6	4.7	4.8
	\$105.8	\$108.4	\$111.3



Net investment in capital assets increased \$6.8 million to \$59.9 million in fiscal year 2014. This was due to the net effect of significant purchases of equipment from the TAA grant, the purchase of 2 tracts of land, payments on bonds, depreciation expense of 4.6 million and the addition and retirement of other assets. Net investment in capital assets decreased \$0.6 million to \$53.1 million in fiscal year 2013. This was due to the net effect of payments on bonds, depreciation expense of 4.7 million and the addition and retirement of assets. An analysis of net assets for fiscal years ended June 30, 2014, 2013, and 2012 follows:

Analysis of Net Assets			
Fiscal Years Ended June 30, 2014, 2013 and 2012			
(in millions)			
	2014	2013	2012
Net Assets			
Net Investment in Capital Assets	59.9	53.1	53.7
Restricted	7.7	7.9	6.9
Unrestricted	31.7	32.2	29.4
Total	<u>\$99.3</u>	<u>\$93.2</u>	<u>\$90.0</u>

Restricted net assets decreased \$0.2 million in fiscal year 2014 as a result of decreases in projects in process at the end of the fiscal year. In fiscal year 2012, restricted net assets increased \$1.1 million in fiscal year 2013 as a result of increases in projects in process at the end of the fiscal year. Unrestricted net assets decreased \$0.5 million in fiscal year 2013 and increased \$2.8 million in fiscal year 2013, due to the net effect of the overall increase in net assets, the changes in net investment in capital assets and restricted assets.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the college during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net use of cash in the section "Cash Flows from Operating Activities" due to the college's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the college. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities and addresses the cash used for the acquisition and construction of capital and related items. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

In fiscal year 2014, cash increased by approximately \$1.2 million. The net cash flows from operating activities decreased by \$5.6 million resulting from decreased payments to vendors and a decrease in receivables. Cash for fiscal year 2013 increased by approximately \$5.0 million. The net cash flows from operating activities decreased by \$1.5 million resulting from decreased payments to vendors and a decrease in receivables.

Cash flows from non-capital financing activity in fiscal year 2014 decreased by \$2.5 million as a result of decreases non-operating gifts, grants and contracts. In fiscal year 2013 cash flows from non-capital financing activity decreased by \$6.2 million as a result of decreases non-operating gifts, grants and contracts.

Cash flows from capital and related financing activities shows the impact on cash related to the revenues and expenditures related to the acquisition of capital assets and debt service payments. The change of \$6.9 million in fiscal year 2014 was the net result of an increase in expenditures for capital assets and an increase in the proceeds from a debt issuance. The change \$2.4 million in fiscal year 2013 was the net result of a decrease in expenditures for capital assets and a decrease in the proceeds from a debt issuance.

Net cash used by investing activities during fiscal year 2014 remained stable as the college held investments in Certificates of Deposit steady. Net cash used by investing activities during fiscal year 2013 decreased as the college purchased an additional Certificate of Deposit in 2012 an attempt to increase interest income.

Summary of Cash Flows			
As of June 30, 2014, 2013 and 2012			
(in millions)			
	2014	2013	2012
Net cash flow used by operating activities	(42.0)	(47.6)	(48.1)
Net cash flow provided by noncapital financing activities	54.4	56.9	63.1
Net cash used by capital and related financing activities	(11.3)	(4.4)	(2.0)
Net cash provided (used) by investing activities	0.1	0.1	(4.0)
Net increase (decrease) in cash	1.2	5.0	9.0
Cash - beginning of year	29.0	24.0	15.0
Cash - end of year	<u>30.2</u>	<u>29.0</u>	<u>24.0</u>

Debt Administration

At June 30, 2013 and 2014, the college's financial statements reflect \$23.4 million and \$46.9 million respectively in (general obligation) bonds payable. These bonds are general obligation bonds of the State backed by the full faith, credit and taxing power of the County of Greenville. Greenville County appropriates funds to service the debt of the general obligation bonds. The increase in 2014 was a result of Greenville County issuing \$25.0 million in bonds to aid in the construction of the Center for Manufacturing Innovation for the College.

Also outstanding at June 30, 2013 and 2014 are two capital leases payable totaling \$20.7 and \$18.6 million respectively for the purchase of the McAlister Square Mall, the construction of the first buildings on each of the Greer and Brashier Campuses and Brashier Middle College. State appropriations were designated to cover the debt service on the McAlister Square Mall but reductions in the appropriations have resulted in a shortfall that the college is currently funding. Rental income from the Middle College covers approximately 50 percent of the payments for that lease. For additional information on debt administration, please refer to Notes 15 and 16.

Economic Factors

Preliminary data indicates that South Carolina's gross general fund revenues increased \$108.4 million or 1.6%. The general fund growth rate for the State for fiscal year 2012-2013 was 8.1%. While this news is encouraging, there is no expectation of significant increases in state appropriations in the near future.

In fiscal year 2013-14 appropriations from the state to the college for operations increased by 4.2 percent, while appropriations increased by 4.4 percent in fiscal year 2012-13. State appropriations for capital expenditures were \$1.1 million just slightly below the previous year.

State funding for college operations is expected to increase in for the 2014-15 fiscal year. The college anticipates an increase in funding of 3.0 percent or \$0.5 million for operations. While this is encouraging, the increase in state funding may not sufficient to cover the mandatory cost increases in state employees' salaries and benefit.

While the college makes every effort to keep tuition costs to a minimum, state appropriations are significantly less than they have been in the past making the college more dependent on tuition revenues from students. As a result, federal and state financial aid programs are an increasingly important factor in the financial well-being of the college.


The college continues to operate on a fiscally sound basis and is conservative in planning and budgeting. The current financial position is stable and current appropriations and tuition revenues are adequate to fund the operations for the next year.

Component Unit

It has been determined that the Greenville Tech Foundation is a component unit of Greenville Technical College. The foundation's financial statements are included in this report and supplemental information is included in Note 25. Additional information regarding the Foundation can be obtained by mailing a request to Greenville Tech Foundation, Inc. PO Box 5616, Greenville, SC 29606-5616.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff. I would like to express appreciation to all the employees who assisted in the timely closing of the College's financial records and the preparation of this report. In addition, I would like to express my appreciation to the other departments and individuals who assisted in the preparation of this report.



Jacqueline R. DiMaggio
Vice President for Finance

GREENVILLE TECHNICAL COLLEGE
Statement of Net Position
June 30, 2014 and June 30, 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 30,196,535	\$ 28,994,339
Investments	13,777,632	13,737,833
Accounts Receivable, Net	2,711,719	4,025,566
Bond Proceeds Receivable	10,712,001	1,184
Inventories	3,201,502	3,237,775
Other Assets	<u>2,592,337</u>	<u>2,622,084</u>
Total Current Assets	<u>63,191,726</u>	<u>52,618,781</u>
NONCURRENT ASSETS		
Bond Proceeds Receivable	14,150,000	-
Capital Assets, Net of Accumulated Depreciation	<u>100,386,866</u>	<u>97,244,690</u>
Total Noncurrent Assets	<u>114,536,866</u>	<u>97,244,690</u>
Total Assets	<u>177,728,592</u>	<u>149,863,471</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>311,500</u>	<u>431,000</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	1,718,221	1,145,681
Accrued Payroll and Related Liabilities	1,149,266	664,909
Long Term Liabilities - Current Portion	5,027,994	4,041,651
Deferred Revenue	5,975,313	6,095,032
Funds Held for Others	<u>706,621</u>	<u>1,237,054</u>
Total Current Liabilities	<u>14,577,415</u>	<u>13,184,327</u>
NONCURRENT LIABILITIES		
Bonds Payable	44,349,644	21,864,920
Capital Leases Payable	16,460,000	18,620,000
Compensated Absences Payable	<u>3,332,944</u>	<u>3,362,412</u>
Total Noncurrent Liabilities	<u>64,142,588</u>	<u>43,847,332</u>
Total Liabilities	<u>78,720,003</u>	<u>57,031,659</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
NET FINANCIAL POSITION		
Net Investment in Capital Assets	59,901,947	53,107,072
Restricted For:		
Expendable:		
Capital Projects	7,675,000	7,928,184
Loans	21,080	21,080
Unrestricted (note 11)	<u>31,722,062</u>	<u>32,206,476</u>
Total Net Position	<u>\$ 99,320,089</u>	<u>\$ 93,262,812</u>

GREENVILLE TECHNICAL COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014 and June 30, 2013

REVENUES	2014	2013
OPERATING REVENUES		
Student Tuition and Fees (Net)	\$ 28,466,428	\$ 30,112,506
Federal Grants and Contracts	9,410,829	4,799,920
State Grants and Contracts	12,589,868	12,714,728
Sales and Services of Educational Departments	643,827	680,739
Auxiliary Enterprises (Net)	5,231,081	5,569,743
Other Operating Revenues	1,510,084	1,400,820
 Total Operating Revenues	 57,852,117	 55,278,456
 EXPENSES		
OPERATING EXPENSES		
Salaries	48,334,643	48,829,931
Benefits	14,585,224	14,009,887
Scholarships and Fellowships	16,306,996	18,612,902
Utilities	2,961,593	2,827,177
Supplies and Other Services	19,000,430	19,432,118
Depreciation	4,604,244	4,728,514
 Total Operating Expenses	 105,793,130	 108,440,529
 Operating Income (Loss)	 (47,941,013)	 (53,162,073)
 NONOPERATING REVENUES (EXPENSES)		
State Appropriations	16,696,570	15,962,461
County Appropriations	10,982,712	10,720,917
City Appropriations	125,000	-
Interest Income	123,070	118,678
Gain (Loss) on Disposal of Capital Assets	(171,821)	(8,873)
Interest Expense on Capital Asset Related Debt	(1,567,181)	(1,759,205)
Federal Grants and Contracts	25,691,963	28,846,140
State and Local Grants and Contracts	872,238	860,895
 Net Nonoperating Revenues	 52,752,551	 54,741,013
 Income (Loss) Before Other Revenues, Expenses, Gains or Losses	 4,811,538	 1,578,940
 State Capital Appropriations	1,245,739	1,731,185
Transfers to/from Other State Agencies	-	-
Increase in Net Position	6,057,277	3,310,125
 NET POSITION		
Net Position - Beginning of Year	93,262,812	90,394,576
Cumulative Effect of GASB 65	-	(441,889)
Net Position - Beginning of Year (Restated)	-	89,952,687
Net Position - End of Year	\$ 99,320,089	\$ 93,262,812

GREENVILLE TECHNICAL COLLEGE
Statement of Cash Flows

For the Years Ended June 30, 2014 and June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Tuition and Fees	\$ 28,401,815	\$ 29,985,061
Federal, State and Local Grants and Contracts	21,405,587	18,010,469
Federal Student Loan Proceeds	39,469,998	47,591,173
Sales and Services of Educational Departments	634,666	687,743
Auxiliary Enterprise Charges	5,267,354	5,465,585
Other Receipts	1,536,673	1,361,663
Federal Student Loans Disbursed	(38,741,125)	(46,838,285)
Payments to Vendors	(52,158,823)	(54,701,088)
Payments to Employees	(47,859,918)	(49,150,166)
Net Cash Provided (Used) by Operating Activities	(42,043,773)	(47,587,845)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	17,316,591	15,342,440
County Appropriations	10,570,503	10,389,099
City Appropriations	-	-
State, Local and Federal Grants, Gifts and Contracts - Non Operating	26,583,149	31,150,837
Net Cash Flows Provided by Noncapital Financing Activities	54,470,243	56,882,376
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Appropriations	1,245,739	1,731,185
Purchase of Capital Assets	(7,682,511)	(1,098,655)
Proceeds from the Issuance of Capital Debt	-	303,801
Expenditure of bond proceeds held by county	153,434	71,608
Principal Paid on Capital Debt	(3,653,881)	(3,460,000)
Interest Paid on Capital Debt	(1,352,366)	(1,909,908)
Net Cash Provided by Capital and Related Financing Activities	(11,289,585)	(4,361,969)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	13,777,632	13,737,833
Interest on Investments	65,311	61,169
Purchase of Investments	(13,777,632)	(13,737,833)
Net cash Flows Provided (Used) by Investing Activities	65,311	61,169
Net Increase (Decrease) in Cash	1,202,196	4,993,731
Cash - Beginning of Year	28,994,339	24,000,608
Cash - End of Year	\$ 30,196,535	\$ 28,994,339
 Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (47,941,013)	\$ (53,162,073)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	4,604,244	4,728,514
Change in Assets and Liabilities		
Receivables, Net	26,570	1,267,689
Inventories	36,273	(104,158)
Deferred Charges and Prepaid Expenses	380,792	(62,846)
Accounts Payable	850,432	(182,163)
Compensated Absences	(64,519)	109,155
Deferred Revenue	(14,801)	(232,443)
Deposits Held for Others	78,248	50,480
Net Cash Provided (Used) by Operating Activities	\$ (42,043,774)	\$ (47,587,845)

COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE
GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES
Component Unit Consolidated Statement of Financial Position
for the Year Ended December 31, 2013 and
for the Six Months Ended December 31, 2012

ASSETS	2013	2012
Unrestricted cash and cash equivalents	\$ 889,418	\$ 791,568
Restricted cash and cash equivalents	1,252,061	1,066,785
Pledges receivable, net	386,486	439,855
Student loans receivable	9,245	2,957
Accounts receivable, net	70,312	67,753
Prepaid expenses	26,349	34,155
Investments	4,950,853	4,029,919
Property and equipment, net	26,318,029	27,116,234
Cash surrender value of life insurance	38,168	35,691
Charitable remainder trusts receivables	245,857	90,549
Loan costs, net	284,278	297,210
TOTAL ASSETS	\$ 34,471,056	\$ 33,972,676

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 188,488	\$ 172,624
Deferred income	-	47,461
Customer deposits	63,843	85,601
Bonds payable	7,850,000	8,000,000
Notes payable	12,817,000	13,215,000
Interest rate swap	1,611,529	3,727,190
Total Liabilities	\$ 22,530,860	\$ 25,247,876

NET ASSETS

Unrestricted	3,054,017	835,898
Unrestricted – board designated	2,222,492	1,939,432
Total Unrestricted	5,276,509	2,775,330
Temporarily restricted	1,688,566	1,606,431
Permanently restricted	4,975,121	4,343,039
Total Net Assets	11,940,196	8,724,800
	\$ 34,471,056	\$ 33,972,676

COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE
GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES
Component Unit Consolidated Statement of Activities
for Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 101,935	\$ 847,298	\$ 587,112	\$ 1,536,345
Property and equipment donations	1,281,536	45,000	-	1,326,536
Change in reserve for uncollectible contributions	(5,102)	(2,488)	(930)	(8,520)
Charitable trusts, change in value	155,308	-	-	155,308
Interest and dividend income	70,806	43,530	-	114,336
Management fee income	171,000	-	-	171,000
Rental income	4,336,853	-	-	4,336,853
Realized and unrealized gains on investments	131,037	243,774	-	374,811
Interest rate swap - change in market value	2,115,661	-	-	2,115,661
Miscellaneous	220,097	12,658	-	232,755
	<u>8,579,131</u>	<u>1,189,772</u>	<u>586,182</u>	<u>10,355,085</u>
Transfers	86,364	(132,264)	45,900	-
Net assets released from restrictions	975,373	(975,373)	-	-
Total support and revenue	<u>9,640,868</u>	<u>82,135</u>	<u>632,082</u>	<u>10,355,085</u>
EXPENSES				
College support:				
Scholarships	352,737	-	-	352,737
Student programs	38,011	-	-	38,011
College faculty/staff development	31,427	-	-	31,427
College departmental supplies and activities	176,096	-	-	176,096
Equipment purchases/gifts in kind	1,515,163	-	-	1,515,163
Professional services and other fees	31,332	-	-	31,332
Other college support	108,054	-	-	108,054
GTF Brashier Charter School	13,873	-	-	13,873
GTF Student Housing	1,330,276	-	-	1,330,276
Depreciation and amortization	720,090	-	-	720,090
Cost of financing	125,060	-	-	125,060
Interest expense	827,963	-	-	827,963
Total program expenses - college support	<u>5,270,082</u>	<u>-</u>	<u>-</u>	<u>5,270,082</u>
Operations:				
Building and grounds upkeep	508,738	-	-	508,738
Compensation	281,551	-	-	281,551
Depreciation and amortization	418,127	-	-	418,127
Insurance	31,365	-	-	31,365
Investment management fees	46,112	-	-	46,112
Liability, employee bond	7,623	-	-	7,623
Miscellaneous expense	20,350	-	-	20,350
NEON expenses	6,604	-	-	6,604
Office expenses and supplies	54,847	-	-	54,847
Professional and other fees	195,510	-	-	195,510
Property and other miscellaneous taxes	51,146	-	-	51,146
Software updates/maintenance fee	28,519	-	-	28,519
Telecommunications/user fees	12,240	-	-	12,240
Interest expense	-	-	-	-
Utilities	125,989	-	-	125,989
Total management and general - operations	<u>1,788,721</u>	<u>-</u>	<u>-</u>	<u>1,788,721</u>
Fundraising expenses	80,886	-	-	80,886
Total expenses	<u>7,139,689</u>	<u>-</u>	<u>-</u>	<u>7,139,689</u>
CHANGE IN NET ASSETS	<u>2,501,179</u>	<u>82,135</u>	<u>632,082</u>	<u>3,215,396</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,775,330</u>	<u>1,606,431</u>	<u>4,343,039</u>	<u>8,724,800</u>
NET ASSETS, END OF YEAR	<u>\$ 5,276,509</u>	<u>\$ 1,688,566</u>	<u>\$ 4,975,121</u>	<u>\$ 11,940,196</u>

COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE
GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES
Component Unit Consolidated Statement of Activities
for the Six Months Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 338,309	\$ 804,546	\$ 311,916	\$ 1,454,771
Property and equipment donations	356,726	130,890	-	487,616
Change in reserve for uncollectible contributions	(6,636)	-	-	(6,636)
Charitable trusts, change in value	10,927	-	-	10,927
Interest and dividend income	90,880	45,938	-	136,818
Management fee income	171,000	-	-	171,000
Rental income	4,732,293	-	-	4,732,293
Realized and unrealized gains on investments	103,404	195,189	-	298,593
Interest rate swap - change in market value	(229,858)	-	-	(229,858)
Miscellaneous	411,742	4,789	-	416,531
	<u>5,978,787</u>	<u>1,181,352</u>	<u>311,916</u>	<u>7,472,055</u>
Transfers	20,108	(99,889)	79,781	-
Net assets released from restrictions	1,244,450	(1,244,450)	-	-
Total support and revenue	<u>7,243,345</u>	<u>(162,987)</u>	<u>391,697</u>	<u>7,472,055</u>
EXPENSES				
College support:				
Scholarships	350,559	-	-	350,559
Student programs	67,141	-	-	67,141
College faculty/staff development	18,854	-	-	18,854
College departmental supplies and activities	79,525	-	-	79,525
Equipment purchases/gifts in kind	660,926	-	-	660,926
Professional services and other fees	87,586	-	-	87,586
Other college support	345,004	-	-	345,004
GTF Brashier Charter School	11,711	-	-	11,711
GTF Student Housing	1,307,260	-	-	1,307,260
Depreciation and amortization	708,171	-	-	708,171
Cost of financing	40,837	-	-	40,837
Interest expense	1,108,617	-	-	1,108,617
Uncollectible student loans	450	-	-	450
Total program expenses - college support	<u>4,786,641</u>	<u>-</u>	<u>-</u>	<u>4,786,641</u>
Operations:				
Building and grounds upkeep	452,785	-	-	452,785
Compensation	289,738	-	-	289,738
Depreciation and amortization	404,533	-	-	404,533
Insurance	30,648	-	-	30,648
Investment management fees	44,214	-	-	44,214
Liability, employee bond	7,623	-	-	7,623
Miscellaneous expense	22,085	-	-	22,085
NEON expenses	1,790	-	-	1,790
Office expenses and supplies	54,465	-	-	54,465
Professional and other fees	159,724	-	-	159,724
Property and other miscellaneous taxes	47,124	-	-	47,124
Software updates/maintenance fee	25,518	-	-	25,518
Telecommunications/user fees	12,270	-	-	12,270
Interest expense	5,703	-	-	5,703
Cost of financing	-	-	-	-
Utilities	118,379	-	-	118,379
Total management and general - operations	<u>1,676,599</u>	<u>-</u>	<u>-</u>	<u>1,676,599</u>
Fundraising expenses	45,469	-	-	45,469
Total expenses	<u>6,508,709</u>	<u>-</u>	<u>-</u>	<u>6,508,709</u>
CHANGE IN NET ASSETS	734,636	(162,987)	391,697	963,346
NET ASSETS, BEGINNING OF PERIOD	2,040,694	1,769,418	3,951,342	7,761,454
NET ASSETS, END OF PERIOD	<u>\$ 2,775,330</u>	<u>\$ 1,606,431</u>	<u>\$ 4,343,039</u>	<u>\$ 8,724,800</u>

COMPONENT UNIT OF GREENVILLE TECHNICAL COLLEGE
GREENVILLE TECH FOUNDATION, INC. AND SUBSIDIARIES
Component Unit Consolidated Statement of Cash Flows
for the Year Ended December 31, 2013
and for the Six Months Ended December 31, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,215,396	\$ 963,346
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,138,217	1,112,704
Realized and unrealized gains on investments	(374,811)	(298,593)
Gain on sale of property	(30,978)	-
Allowance for doubtful accounts - accounts receivable	43,000	(68,000)
Interest rate swap	(2,115,661)	229,858
Write off of debt issuance costs	-	111,043
Gain in cash surrender values and charitable trusts	(157,785)	(13,877)
Contributions received for long-term purposes	(587,112)	(311,916)
Changes in operating assets and liabilities		
Pledges receivable	53,369	(239,409)
Student loans receivable	(6,288)	3,185
Accounts receivable	(45,559)	135,639
Prepaid expenses	7,806	1,318
Accounts payable and accrued expenses	15,864	(60,935)
Deferred income	(47,461)	35,740
Customer deposits	(21,758)	(3,327)
Net cash provided by operating activities	1,086,239	1,596,776
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(511,102)	(580,194)
Proceeds from sale of property	215,000	-
Purchase of investments	(1,595,856)	(1,679,811)
Proceeds from sales of investments	1,049,733	3,272,123
Net cash provided by (used for) investing activities	(842,225)	1,012,118
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds and notes payable	(548,000)	(16,013,582)
Contributions received for long-term purposes	587,112	311,916
Proceeds from notes payable	-	13,248,000
Debt issuance costs	-	(152,521)
Net cash provided by (used for) financing activities	39,112	(2,606,187)
Net increase in cash and cash equivalents	283,126	2,707
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,858,353	1,855,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,141,479	\$ 1,858,353
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET		
Cash and cash equivalents	\$ 889,418	\$ 791,568
Cash and cash equivalents, restricted	1,252,061	1,066,785
Total cash and cash equivalents	\$ 2,141,479	\$ 1,858,353
 SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 820,688	\$ 878,810
 NONCASH TRANSACTIONS		
Noncash donated equipment and supplies	\$ 1,326,536	\$ 487,616

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Greenville Technical College (the “college”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Greenville County. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the college’s service area. As an integral part of this mission, the college provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The college also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Greenville Technical College, as the primary government, and the accounts of Greenville Tech Foundation, Inc. (the “Foundation”), its component unit.

During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the College will now be reported as a discretely presented component unit on the State of South Carolina’s Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the College’s financial information into the State’s financial information. Based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the college. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 35-member Board of the Foundation is self-perpetuating and consists of community leaders, friends of the college, and graduates. Although the college does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the college, the Foundation is considered a component unit of the college. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the college’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the college’s notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies and Note 24.)

Financial statements for the Foundation can be obtained by mailing a request to Greenville Tech Foundation, Inc. PO Box 5616, MS 6002, Greenville, SC 29606-5616.

C. Financial Statements: The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Financial Statements, continued:

financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required. As of June 30, 2013, the College adopted accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

The College implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in the financial statements for the fiscal year ended June 30, 2013. This statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. This statement had no significant impact on the College for the fiscal year ended June 30, 2013.

During the fiscal year ending June 30, 2014 Greenville Technical College implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Greenville Technical College implemented retroactively to July 1, 2011 for purposes of management discussion and analysis and all statements illustrated.

Prior to the implementation of Statement No. 65 Greenville Technical College amortized bond issuance costs over the life of the bond. Upon implementation of Statement No. 65 Greenville Technical College eliminated any bond issuance costs associated with prior year bond issues and expensed bond issuance costs in the year which they occurred. For refunding bond issues resulting in the defeasance of debt the difference between the reacquisition price and the net carrying amount of the old debt is now reported as a deferred outflow of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until that time. For the year ended June 30, 2014, Deferred Outflows of Resources are \$119,500 and impact the College as follows:

	FY 2013 Amortizing Assets Amount	FY 2013 Restatement of Net Position	FY 2014 Deferred Outflows Amount	FY 2014 Amortized Portion of Deferred Outflows
2005 Issue Costs	32,500	32,500	-	-
Certificate of Participation Refinance 1998 and 2002 GOB Refinance	288,000 143,000	- -	48,000 71,500	240,000 71,500
2010 Certificate of Participation	106,944	106,944	-	-
2011A General Obligation Bond	135,362	135,362	-	-
2012 General Obligation Bond	167,083	167,083	-	-
	<u>872,889</u>	<u>441,889</u>	<u>119,500</u>	<u>311,500</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Basis of Accounting: For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the college's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated. The college has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

F. Investments: Deposits and investments for the college are governed by the South Carolina Code of Laws, Section 11-9-660 "Investment of Funds" *GASB Statement No. 40, Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the college's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The college follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The college capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011 the college adopted a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

During the current year Greenville Technical College was a recipient of a U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training grant (TAACCCT). Within the terms of the grant, equipment was purchased in the amount of \$2,215,430. Of this amount, \$799,530 is for equipment housed at Greenville Technical College, and the remainder, \$1,415,900, is for equipment held in the custody of the other colleges in the consortium. In accordance with grant guidelines of U.S. Department of Labor, the College as fiscal agent purchased the equipment and therefore tracks, capitalizes and depreciates the assets in accordance with the College's capitalization policy. However, title is vested with the U.S. Department of Labor until the end of the grant period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

J. Deferred Revenues and Deposits: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include prepaid rent for the college's broadband licenses that will be recognized over the life of the lease. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net position and as a component of benefit expenses in the statement of revenues, expenses, and changes in net position.

L. Net Assets: The college's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the college's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the college is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The college policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes: The college is exempt from income taxes under the Internal Revenue Code.

N. Classification of Revenues and Expenses: The college has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses: Operating revenues generally result from exchange transactions to provide goods or services related to the college's principal ongoing operations. These revenues include

(1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the college; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the college would not otherwise undertake. Operating expenses include all expense transactions, incurred other than those related to investing, non capital or non capital financing activities.

Non-operating revenues and expenses: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Due to the administrative

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

N. Classification of Revenues and Expenses, continued:

involvement with Pell grant requirements and because Pell grants are non-exchange transactions, Pell grant receipts are recorded as non-operating revenues.

O. Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The college receives such revenues primarily from Child Care Center operations.

P. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstore and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Q. Capitalized Interest: The college capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. In the fiscal year ended June 30, 2014, the college incurred \$1,597,975 of interest expense, of which \$1,567,181 was charged to expense, \$235,730 was capitalized, and \$204,936 was booked to reflect an increase in bond interest payable. In the fiscal year ended June 30, 2013, the college incurred \$1,797,102 of interest expense, of which \$1,759,205 was charged to expense, \$0 was capitalized, and \$37,897 was booked to reflect a decrease in bond interest payable.

R. Component Unit: The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

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

Unrestricted Undesignated Net Assets: Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Designated Net Assets: Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 2 - STATE APPROPRIATIONS

Non-Capital Appropriations	2014	2013
Current Years Appropriations:		
Per Annual Appropriations Act	\$ 15,936,528	\$ 15,466,188
Greenville Regional Education Center	107,752	145,723
SC Education Lottery Technology Funds	652,290	350,550
Total Non-Capital Appropriations Recorded as Current Year Revenue	\$ 16,696,570	\$ 15,962,461
Capital Appropriations		
Current Years Appropriations:		
Per Annual Appropriations Act University Center	\$ 594,390	\$ 594,390
Per Annual Appropriations Enterprise Campus	435,750	-
Per Annual Appropriations Act Deferred Maintenance	215,599	1,136,795
Total Capital Appropriations Recorded as Current Year Revenue	\$ 1,245,739	\$ 1,731,185

NOTE 3 – CASH, DEPOSITS AND INVESTMENTS

DEPOSITS:

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that that a government will not be able to recover deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

Greenville Technical College's policy is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The deposits for Greenville Technical College at June 30, 2014, were \$31,945,350. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$31,945,350 was fully collateralized with securities held by the pledging institution in the college's name. The deposits for Greenville Technical College at June 30, 2013, were \$31,473,121. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$31,473,121 was fully collateralized with securities held by the pledging institution in the college's name.

Restricted cash includes \$21,080 held for Perkins loans at June 30, 2014 and includes \$21,080 held for Perkins loans at June 30, 2013.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Greenville Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the college is not exposed to this risk.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 3 – CASH, DEPOSITS AND INVESTMENTS, continued

INVESTMENTS

The college is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The college's investments at June 30, 2014 which are not with the State Treasurer's Office are presented below. All investments are certificates of deposit maturing between August 2014 and June 2015 and are backed by an irrevocable letter of credit or securities pledged in the college's name.

Investment Type	Greenville Technical College Investments				
	Investment Maturities (in years)				
	Fair Value Amount	Less than 1	1-5	6-10	More than 10
Certificates of Deposit backed by :					
Federal Home Loan Bank	\$ 9,706,160	\$ 9,706,160			
Municipal Bonds	4,071,472	4,071,472			
	\$ 13,777,632	\$ 13,777,632			

The college's investments at June 30, 2013 which are not with the State Treasurer's Office are presented below. All investments are certificates of deposit maturing between August 2013 and June 2014 and are backed by an irrevocable letter of credit or securities pledged in the college's name.

Investment Type	Greenville Technical College Investments				
	Investment Maturities (in years)				
	Fair Value Amount	Less than 1	1-5	6-10	More than 10
Certificates of Deposit backed by :					
Federal Home Loan Bank	\$ 8,076,944	\$ 8,076,944			
Municipal Bonds	5,660,889	5,660,889			
	\$ 13,737,833	\$ 13,737,833			

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the college will not be able to recover the investments value or collateral securities that are in the possession of an outside party.

The college's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

At June 30, 2014, the investments for Greenville Technical College were \$13,777,632. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$13,777,632 was collateralized with securities held by the pledging institution in the college's name, or supported by an irrevocable letter of credit. At June 30, 2013, the investments for Greenville Technical College were \$13,737,833. Of these, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. The balance of \$13,737,833 was collateralized with securities held by the pledging institution in the college's

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 3 – CASH, DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk, continued

name, or supported by an irrevocable letter of credit. The college recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The college's policy concerning custodial credit risk is to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies. There have not been any violations of these policies.

The college's rated debt investment as of June 30, 2014 and June 30, 2013 were rated by Moody's Investors Service and are listed below using the Moody's Investors Service rating scale.

Greenville Technical College Rated Debt Investments at June 30, 2014 and 2013

Rated Debt Investments	Fair Value	Quality Ratings				
		AAA	AA	A	A1	Unrated
2014 U.S. Agencies.....	\$ 13,777,632				\$ 13,777,632	
2013 U.S. Agencies.....	\$ 13,737,833				\$ 13,737,833	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The college does not have a policy on concentration of credit risk.

The college had debt securities investment at June 30, 2014 and June 30, 2013, with not more than 5 percent of the total investments in securities of any agency or entity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The college does not have a policy concerning interest rate risk.

For the years ended June 30, 2014 and June 30, 2013, the previous tables show the investments by the specific method.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Greenville Technical College does not maintain investments that are denominated in a currency other than the United States dollar; therefore, the college is not exposed to this risk.

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 3 – CASH, DEPOSITS AND INVESTMENTS, continued

<u>Statement of Net Position:</u>	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 30,175,455	\$ 28,973,259
Restricted	\$ 21,080	\$ 21,080
Total Cash and Cash Equivalents	<u>\$ 30,196,535</u>	<u>\$ 28,994,339</u>
Investments:		
Certificates of Deposit	<u>\$ 13,777,632</u>	<u>\$ 13,737,833</u>
<u>Disclosure, Deposits and Investments:</u>		
Cash and Cash Equivalents		
Demand Deposit Accounts	\$ 29,907,699	\$ 28,709,241
Held by State Treasurer	\$ 278,336	\$ 274,598
Cash on Hand	\$ 10,500	\$ 10,500
Total Cash and Cash Equivalents	<u>\$ 30,196,535</u>	<u>\$ 28,994,339</u>
Investments:		
Certificates of Deposit	<u>\$ 13,777,632</u>	<u>\$ 13,737,833</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 and June 30, 2013, are summarized as follows:

	<u>2014</u>	<u>2013</u>
Student Accounts Net	\$ 342,293	\$ 417,505
Other Federal Grantors	1,371,288	2,334,255
Due from State	516,140	1,147,860
Accrued interest	23,084	20,136
Greenville Tech Foundation	309,832	105,810
Other	149,082	-
Net Accounts Receivable	<u>\$ 2,711,719</u>	<u>\$ 4,025,566</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2014, the allowance for uncollectible student accounts is valued at \$6,562,774. At June 30, 2013, the allowance for uncollectible student accounts is valued at \$6,144,843.

NOTE 5 – BOND PROCEEDS RECEIVABLE

At June 30, 2014, bond proceeds receivable of \$22,654,996 relate to the proceeds of the Series 2014 Greenville County General Obligation Bonds. These bonds were issued on March 11, 2014 to finance

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 5 – BOND PROCEEDS RECEIVABLE, continued

the costs of acquisition, construction, renovation, installation and equipping of the Center for Manufacturing Innovation (CMI). The bond proceeds are on deposit with the Greenville County Treasurer's Office and are drawn down as expenditures are made on the construction project. Interest earned on the escrow account totaled \$14,251 for the fiscal year ended June 30, 2014. During the year ended June 30, 2014, project expenditures totaling \$2,207,005 were drawn from the proceeds.

At June 30, 2013, bond proceeds receivable of \$1,184 relate to the proceeds of the Series 2011A Greenville County General Obligation Bonds. These bonds were issued on July 26, 2011 to finance the construction of a building housing information technology and logistics operations on the Barton campus. The bond proceeds are on deposit with the Greenville County Treasurer's Office and are drawn down as expenditures are made on the construction project. Interest earned on the escrow account totaled \$1,181 for the fiscal year ended June 30, 2013. During the year ended June 30, 2013, project expenditures totaling \$1,184 were drawn from the proceeds.

For more information on the bond, refer to Note 15.

NOTE 6 - PLEDGES RECEIVABLE

The college has no pledges receivable during the years ended June 30, 2014 or June 30, 2013.

NOTE 7 - LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2014 and June 30, 2013. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are broken down into two classifications, those payments that will be received within the following fiscal year are classified as "current portion of loans receivable". The remaining payments are classified as long-term loans receivable. As the college determines that loans are uncollectible, the loans are written off and assigned to the US Dept of Education. At June 30, 2014 and June 30, 2013, the college has made no allowance for uncollectible student loans.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 8—CAPITAL ASSETS

The activity in the college's capital assets for the fiscal year ended June 30, 2014 is as follows:

	Beginning				Ending
	Balance	Increases	Transfers	Decreases	Balance
	30-Jun-13				30-Jun-14
Capital assets not being depreciated:					
Land	8,817,135		2,445,911	-	11,263,046
Land Improvements	5,440,859	-	-	(272,782)	5,168,077
Construction in progress	13,884	4,372,802	(2,445,911)	-	1,940,775
Total capital assets not being depreciated	14,271,878	4,372,802	(0)	(272,782)	18,371,898
Other capital assets:					
Buildings and improvements	135,624,800	-	-	-	135,624,800
Machinery, equipment, and other	11,898,384	3,629,981	-	(128,038)	15,400,327
Depreciable Land Improvements	2,303,270	-	-	-	2,303,270
Vehicles	2,312,630	16,419	-	(8,137)	2,320,912
Total other capital assets at historical cost	152,139,084	3,646,400	-	(136,175)	155,649,309
Less accumulated depreciation for:					
Buildings and improvements	(55,195,054)	(3,709,666)	-	-	(58,904,720)
Machinery, equipment, and other	(10,651,430)	(643,551)	-	128,038	(11,166,943)
Depreciable Land Improvements	(1,328,031)	(93,743)	-	-	(1,421,774)
Vehicles	(1,991,757)	(157,284)	-	8,137	(2,140,904)
Total accumulated depreciation	(69,166,272)	(4,604,244)	-	136,175	(73,634,341)
Capital Assets, Net	97,244,690	3,414,958	(0)	(272,782)	100,386,866

The Gain (Loss) on Diposal of Assets consisted of the following:

Gain on sale of asset	\$ -
Loss on Disposal	(171,821)
Net Gain (Loss) on Disposals	<u>\$ (171,821)</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 8—CAPITAL ASSETS

The activity in the college's capital assets for the fiscal year ended June 30, 2013 is as follows:

	Beginning				Ending
	Balance	Increases	Transfers	Decreases	Balance
	30-Jun-12				30-Jun-13
Capital assets not being depreciated:					
Land	8,817,135	-	-	-	8,817,135
Land Improvements	5,440,859	-	-	-	5,440,859
Construction in progress	35,225	634,099	(655,440)	-	13,884
Total capital assets not being depreciated	14,293,219	634,099	(655,440)	-	14,271,878
Other capital assets:					
Buildings and improvements	134,969,360	-	655,440	-	135,624,800
Machinery, equipment, and other	12,342,930	498,144	-	(942,690)	11,898,384
Depreciable Land Improvements	2,303,270	-	-	-	2,303,270
Vehicles	2,363,733	-	-	(51,103)	2,312,630
Total other capital assets at historical cost	151,979,293	498,144	655,440	(993,793)	152,139,084
Less accumulated depreciation for:					
Buildings and improvements	(51,491,944)	(3,703,110)	-	-	(55,195,054)
Machinery, equipment, and other	(10,791,079)	(794,169)	-	933,818	(10,651,430)
Depreciable Land Improvements	(1,234,288)	(93,743)	-	-	(1,328,031)
Vehicles	(1,871,779)	(171,081)	-	51,103	(1,991,757)
Total accumulated depreciation	(65,389,090)	(4,762,103)	-	984,921	(69,166,272)
Capital Assets, Net	100,883,422	(3,629,860)	-	(8,872)	97,244,690

The Gain (Loss) on Diposal of Assets consisted of the following:

Gain on sale of asset	\$ -
Loss on Disposal	(8,872)
Net Gain (Loss) on Disposals	<u>\$ (8,872)</u>

NOTE 9 - PENSION PLAN(S)

The majority of employees of Greenville Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). This SCRS plan provides a lifetime monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit (PEBA) will implement the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, as such including these financial statements of Greenville Technical College.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 9 - PENSION PLAN(S), continued

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.92% retiree insurance surcharge and .15% incidental death benefit. Greenville Technical College's actual contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were approximately \$3,560,463, \$3,526,530, and \$3,011,315, respectively, and equaled the base required retirement

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 9 - PENSION PLAN(S), continued

contribution rate, excluding surcharge, of 10.45% for 2014, 10.45% for 2013 and 9.385% for 2012. Also, the college paid employer incidental death program contributions of approximately \$51,107, \$50,620, and \$48,130, at the rate of .15% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012 respectively.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement system. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for PORS was 17.76%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death program, .20% for the accidental death program, and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The college's actual contributions to the PORS for the years ended June 30, 2014, 2013, and 2012 were approximately \$14,581, \$17,600, and \$27,418, respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 12.44% for 2014, 11.90% for 2013 and 11.363% for 2012. The college also paid employer incidental death program contributions of approximately \$234, \$296, and \$483, at the rate of .20% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012 respectively. In addition the college paid accidental death program contributions of approximately \$234, \$296, and \$483, at the rate of .20% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012 respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 9 - PENSION PLAN(S), continued

For fiscal year 2014, total contributions requirements to the ORP were approximately \$874,412 (excluding the surcharge) from Greenville Technical College as employer and approximately \$627,396 from its employees as plan members.

The amounts paid by the college for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each retirement system. Employee and employer contribution rates for the SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the college's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the college recognizes no contingent liability for unfunded costs associated with participation in the plans.

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. Greenville Technical College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple-employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority State Budget and Control Board (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

b. Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except the portion funded through the pension surcharge and provided from the other applicable sources of the IB for its active employees who are not funded by State General Fund appropriations. Employers participating in the

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, continued

b. Funding Policies, continued

RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The college paid approximately \$2,093,765 and \$1,917,015 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2014 and June 30, 2013. The college recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$24,952 and \$24,070 for the years ended June 30, 2014 and 2013, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

One may obtain a copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The college is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of college management, there are no material claims or lawsuits against the college that are not covered by insurance or whose settlement would materially affect the college's financial position.

The college participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The College secured funding through Greenville County in the Spring of 2014 for the construction of the Center for Manufacturing Innovation (CMI). The land was purchased and the project is in the beginning stages. The College also started recreational and roadway upgrades during 2014. At June 30, 2014 and June 30, 2013, the college had remaining commitment balances of approximately \$1,321,270 and \$0 respectively on original contracts of \$1,589,754 and \$0, respectively with architects, and construction contractors. Other projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. There were no remaining commitment balances with certain parties related to these projects at June 30 2014, and June 30, 2013. The college anticipates funding these projects out of current resources, current and future bond issues, federal grants, private gifts, student fees, and state capital improvement bond proceeds.

OTHER CAPITAL PROJECTS

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 11 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS, continued

Unrestricted Net Assets

Planned Uses of Unrestricted Net Assets are as follows:

	<u>6/30/2014</u>	<u>6/30/2013</u>
Operating Reserve	\$ 14,592,183	\$ 14,540,946
Operating Contingency	1,500,000	1,250,000
Encumbrances	887,050	112,483
Inventories	3,201,502	3,237,775
Other Construction Project Costs	11,541,327	13,065,272
Total	<u>\$ 31,722,062</u>	<u>\$ 32,206,476</u>

NOTE 12 - LEASE OBLIGATIONS

Capital Leases

Certificates of Participation

On October 8, 2010 the 1995/1998 Certificate of Participation was refunded by Greenville County and replaced with the Series 2010 Refunding Certificate of Participation. This refunding reduced the yearly payments by approximately \$140,000 and resulted in a reduction of \$1.2 million in total future payments.

Lease payments made under this agreement in the year ending June 30, 2014 were \$1,046,154. Lease payments for the remainder of the lease are as follows:

<i>2010 Refunding Certificate of Participation</i>	<u>Capital Leases With External Parties</u>
<u>Year Ended June 30</u>	
2015	1,049,072
2016	1,046,380
2017	1,048,200
2018	1,049,410
2019	1,050,010
Total Minimum Payments	<u>5,243,072</u>
Less: Interest and Executory Costs	<u>363,072</u>
Present Value of Net Minimum Lease Payments	<u>\$ 4,880,000</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Capital Leases, continued

Lease payments made under this agreement in the year ending June 30, 2013 were \$1,052,870. Lease payments for the remainder of the lease are as follows:

<i>2010 Refunding Certificate of Participation</i>	<u>Capital Leases With External Parties</u>
<u>Year Ended June 30</u>	
2014	\$ 1,046,154
2015	1,049,072
2016	1,046,380
2017	1,048,200
2018	1,049,410
2019	<u>1,050,010</u>
Total Minimum Payments	<u>6,289,226</u>
Less: Interest and Executory Costs	<u>504,226</u>
Present Value of Net Minimum Lease Payments	<u>\$ 5,785,000</u>

In August, 1999 Greenville County entered into an obligation for the lease-purchase of a portion of a retail shopping center in Greenville and issued Certificates of Participation to cover the purchase price of Greenville Technical College's portion of the purchase. The remainder of the facility was purchased by the Greenville Tech Foundation, Inc. at fair market value. Upon completion of renovations in December, 2000, the Greenville University Center was relocated to this new facility from other premises owned by the college, and subleases the renovated space. The state appropriated funds in the capital bond bill to cover the renovation costs. The State Legislature included in the budget appropriated funds for a portion of the sublease payments for the University Center, which are, in turn, used to pay a portion of the lease payments for the Certificates of Participation and a portion of the operation and maintenance of the portion of the facility subleased by the University Center. The college accounts for this lease as a capital lease.

These Certificates of Participation were partially refunded by Greenville County on February 23, 2005, with the refunded portion of the Series 1999 being replaced by Series 2005. With this transaction, the combined outstanding principle of the lease was increased by \$720,000, and the total future payments under the lease were reduced by \$1,167,084.

Lease payments made under this agreement in the year ending June 30, 2014 amounted to \$1,343,475.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Capital Leases, continued

Lease payments for the remainder of the lease are as follows:

2005 Refunding Certificates of Participation & non refunded protion of 1999

<u>Year Ended June 30</u>	<u>Capital Leases With External Parties</u>
2015	1,343,375
2016	1,345,375
2017	1,349,375
2018	1,340,375
2019	1,349,250
Total Minimum Payments	<u>6,727,750</u>
Less: Interest and Executory Costs	<u>837,750</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 5,890,000</u></u>

Lease payments made under this agreement in the year ending June 30, 2013 amounted to \$1,345,175.

Lease payments for the remainder of the lease are as follows:

2005 Refunding Certificates of Participation & non refunded protion of 1999

<u>Year Ended June 30</u>	<u>Capital Leases With External Parties</u>
2014	1,343,475
2015	1,343,375
2016	1,345,375
2017	1,349,375
2018	1,340,375
2019	1,349,250
Total Minimum Payments	<u>8,071,225</u>
Less: Interest and Executory Costs	<u>1,141,225</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 6,930,000</u></u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Capital Leases, continued

The carrying value of the property associated with the leases is:

	2014	2013
<i>Carrying Value of Assets under Capital Leases</i>	<u>Capital Leases With External Parties</u>	<u>Capital Leases With External Parties</u>
Assets acquired under capital leases		
Land and improvements	\$ 5,168,077	\$ 5,440,859
Buildings and improvements	<u>26,100,338</u>	<u>26,100,338</u>
Assets acquired under capital leases before accumulated depreciation	<u>31,268,415</u>	<u>31,541,197</u>
Less: accumulated depreciation	<u>(11,152,683)</u>	<u>(10,489,676)</u>
Assets acquired under capital leases, net	<u><u>\$ 20,115,732</u></u>	<u><u>\$ 21,051,521</u></u>

On May 13, 2008 Greenville Technical College entered into a capital lease with the Brashier Middle College, LLC, a wholly owned subsidiary of the Greenville Tech Foundation. The lease began July 1, 2009. The lease is for a 53,000 square foot building which is being constructed by the Brashier Middle College, LLC and financed with Jobs- Economic Development Authority Revenue Bonds. The term of the lease is 30 years; the lease payments will be equal to the debt service of the bonds. At the end of the lease, the building will become the property of the college. The related operating leases are discussed below.

During the fiscal year ending June 30, 2014, lease payments in the amount of \$573,398 were made to Brashier Middle College, LLC. During the fiscal year ending June 30, 2013, lease payments in the amount of \$553,398 were made to Brashier Middle College, LLC.

Lease payments for the remainder of the lease are estimated as follows:

<i>Brashier Middle College Lease Estimated Payments</i>	<u>Capital Leases With Component Unit</u>
<u>Year Ended June 30</u>	
2015	575,000
2016	549,750
2017	546,500
2018	548,000
2019	549,000
2020-2024	2,742,500
2025-2029	2,725,750
2030-2034	2,713,750
2035-2039	2,695,750
2040	<u>556,500</u>
Total Minimum Payments	<u>\$ 14,202,500</u>
Less: Interest and Executory Costs	<u>6,352,500</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 7,850,000</u></u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Capital Leases, continued

<i>Carrying Value of Assets under Capital Leases with Component Units</i>	2014	2013
	<u>Capital Leases With Component Units</u>	<u>Capital Leases With Component Units</u>
Assets acquired under capital leases		
Buildings and improvements	\$ 8,410,000	\$ 8,410,000
Assets acquired under capital leases before accumulated depreciation	<u>8,410,000</u>	<u>8,410,000</u>
Less: accumulated depreciation	(1,401,666)	(1,121,333)
Assets acquired under capital leases, net	<u>\$ 7,008,334</u>	<u>\$ 7,288,667</u>

Operating Leases

Operating lease payments to external parties were \$268,086 and \$264,686 for fiscal years 2014 and 2013, respectively.

Greenville Technical College entered into two operating lease agreements on May 13, 2008 related to the construction of the Brashier Middle College building on the Brashier Campus. The first was a ground lease with the Brashier Charter, LLC, a wholly owned subsidiary of the Greenville Tech Foundation (LLC). The LLC leased approximately 5 acres of land on the college's Brashier Campus. The lease payment is \$1.00 per year for the 31 year term. The LLC secured an \$8.4 million Jobs-Economic Development Authority Revenue Bonds to build a building on the site. The building will be jointly used by the college and Brashier Middle College, a Charter High School that is currently located on the campus. The lease between the Brashier Middle College, LLC and the college is discussed in Capital Leases above.

The second operating lease is the corresponding sublease with the Brashier Middle College Charter High School to operate and use the facilities for approximately 35 hours per week. The lease payments by Brashier Middle College will be directly related to the debt service. The cost is currently 50 percent of the debt service. The lease payment will be renegotiated yearly based on a prorated share of the debt service based on the usage of the building.

On May 13, 2008, the college entered into a ground lease with Greenville County Recreation District for 19.49 acres at the college's Northwest campus for a term of 20 years. The County built soccer and baseball fields on the site for use by the community and the college. The annual rent for the land is \$1.00

On August 31, 2010, the college, as a licensee of Educational Broadband Service Channels, entered into a long-term lease agreement to lease the excess capacity of the G channel group to Clearwire Spectrum Holdings, III, LLC. This lease was approved by the Federal Communication Commission on September 17, 2010 and became effective October 13, 2010. The college recognized \$25,342 in revenue from this lease during the year ended June 30, 2014, as included in the other non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The college recognized \$25,342 in revenue from this lease during the year ended June 30, 2013, as included in the other non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The total anticipated revenue to the college is \$1,280,044, based on renewal options and escalation clauses over the maximum 30 year term of the lease.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Operating Leases, continued

On August 31, 2010, the college, as a licensee of Educational Broadband Service Channels, entered into a long-term lease agreement to lease the excess capacity of the D channel group to Independent Spectrum Greenville, LLC. This lease was approved by the Federal Communication Commission on November 10, 2010 and became effective December 29, 2010. The college recognized \$108,495 in revenue from this lease during the year ended June 30, 2014, as included in the other non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The college recognized \$108,496 in revenue from this lease during the year ended June 30, 2013, as included in the other non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. The total anticipated revenue to the college is \$6,508,673, based on renewal options and escalation clauses over the maximum 30 year term of the lease.

There were no lease payments to other state agencies or blended component units.

Operating Leases with external parties

At June 30, 2014, liabilities for future years are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases with External Parties</u>
2015	239,488
2016	162,905
2017	10,500
Total	<u><u>\$ 412,893</u></u>

At June 30, 2013, liabilities for future years are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases with External Parties</u>
2014	238,581
2015	238,912
2016	162,521
2017	10,500
Total	<u><u>\$ 650,514</u></u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Operating Leases with external parties, continued

Facilities Leased to Others at June 30, 2014

	Operating leases with discretely presented component units	Operating leases with external parties
Land and improvements	\$ 89,740	\$ 325,071
Buildings and improvements	-	9,413,855
Less: Accumulated Depreciation	-	(1,427,606)
Total Carrying Value	<u>\$ 89,740</u>	<u>\$ 8,311,320</u>

Facilities Leased to Others at June 30, 2013

	Operating leases with discretely presented component units	Operating leases with external parties
Land and improvements	\$ 89,740	\$ 326,381
Buildings and improvements	-	9,413,855
Less: Accumulated Depreciation	-	(1,421,615)
Total Carrying Value	<u>\$ 89,740</u>	<u>\$ 8,318,621</u>

Future minimum payments to be received:

Operating Lease Revenue at June 30, 2014

Year Ended June 30	Operating leases with discretely presented component units	Operating leases with external parties
2015	\$ 2	\$ 535,462
2016	2	447,534
2017	2	466,583
2018	2	466,583
2019	2	466,583
2020-2024	10	2,496,093
2025-2029	10	2,726,451
2030-2034	10	2,956,784
2035-2039	4	3,582,917
2040-2041	-	694,180
Total	<u>\$ 44</u>	<u>\$ 14,839,170</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 12 - LEASE OBLIGATIONS, continued

Operating Leases with external parties, continued

Future minimum payments to be received:

Operating Lease Revenue at June 30, 2013

Year Ended June 30	Operating leases with discretely presented component units	Operating leases with external parties
2014	\$ 2	\$ 509,761
2015	2	516,830
2016	2	470,370
2017	2	466,583
2018	2	466,587
2019-2023	10	2,450,014
2024-2028	10	2,680,384
2029-2033	10	2,910,719
2034-2038	7	3,425,081
2039-2041	-	1,456,813
Total	<u>\$ 47</u>	<u>\$ 15,353,142</u>

NOTE 13 - SHORT-TERM DEBT

The college had no short-term debt during the year ended June 30, 2014 or the year ended June 30, 2013.

NOTE 14 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2014 and June 30, 2013, are summarized as follows:

Payables:	2014	2013
Accounts Payable Trade	\$ 1,181,305	\$ 831,112
Student Refunds	36,316	32,083
Accrued bond interest payable	473,042	268,106
Indirect Costs Payable	27,558	14,380
Total Accounts Payable	<u>\$ 1,718,221</u>	<u>\$ 1,145,681</u>
State Retirement withholding payable	685,976	663,027
Other withholdings	463,290	1,882
Total Payroll Liabilities	<u>\$ 1,149,266</u>	<u>\$ 664,909</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 15 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2014:

	<u>Rates</u>	<u>Dates</u>	<u>Original Debt</u>	<u>Balance</u>
General Obligation Bonds				
Series 2005	3.5% to 4.4%	4/1/2015	11,565,000	530,000
Series 2005A	3.5% to 4.4%	4/1/2015	7,430,000	615,000
Series 2007	4.0% to 4.5%	4/1/2028	4,200,000	3,265,000
Series 2011A	2.5% to 4.1%	4/1/2032	5,615,000	5,210,000
Series 2012	2.0% to 3.0%	4/1/2026	7,770,000	7,770,000
Series 2013A	1.0% to 2.8%	4/1/2024	4,558,802	4,474,920
Series 2014	2.8% to 4.0%	4/1/2034	25,000,000	25,000,000
Total Bonds Payable			<u>\$ 66,138,802</u>	<u>\$ 46,864,920</u>

Bonds payable consisted of the following at June 30, 2013:

	<u>Rates</u>	<u>Dates</u>	<u>Original Debt</u>	<u>Balance</u>
General Obligation Bonds				
Series 2005	3.5% to 4.4%	4/1/2015	11,565,000	1,040,000
Series 2005A	3.5% to 4.4%	4/1/2015	7,430,000	1,205,000
Series 2007	4.0% to 4.5%	4/1/2028	4,200,000	3,435,000
Series 2011A	2.5% to 4.1%	4/1/2032	5,615,000	5,415,000
Series 2012	2.0% to 3.0%	4/1/2026	7,770,000	7,770,000
Series 2013A	1.0% to 2.8%	4/1/2024	4,558,802	4,558,802
Total Bonds Payable			<u>\$ 41,138,802</u>	<u>\$ 23,423,802</u>

On March 11, 2014, Greenville County issued General Obligation Bonds Series 2014 in the amount of \$25,000,000 to provide funding for the costs of acquisition, construction, renovation, installation and equipping of the Center for Manufacturing Innovation (CMI).

On April 3, 2013 Greenville County refinance a portion of the Series 2005A General Obligation Bonds with General Obligation Bonds Series 2013A in the amount of \$4,558,802. The par value of the refunded bonds was \$4,255,000. The refunding of the bonds resulted in present value savings of \$243,993 or 5.734%.

On March 20, 2012 Greenville County refinanced a portion of the Series 2005 General Obligation Bonds with General Obligation Refunding Bonds Series 2012 in the amount of \$7,770,000. The par value of the refunded bonds was \$7,320,000. The refunding of the bonds resulted in present value savings of \$328,384 or 4.486%.

As part of the refinancing of the Series 2005 General Obligation Bonds \$919,804, representing interest which the college was scheduled to pay on the original debt, was placed in an escrow account to pay the interest on the remaining debt from October 2012 through April 2015. Interest in the amount of \$95,441 will be earned on the escrowed securities resulting in a net effect of \$824,362 which the college recognized and will record as interest expense on the payment due dates between October 2012 and April 2015.

On July 26, 2011 Greenville County issued General Obligation Bonds Series 2011A in the amount of \$5,615,000 to provide funding for the costs of the acquisition, construction, renovation, installation, furnishing and equipping of a building to house Information Technology and Logistics Operations

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 15 – BONDS AND NOTES PAYABLE, continued

Bonds Payable, continued

(IT/Logistics building) on the Barton Campus. The IT/Logistics building was completed in the fall of 2011 and capitalized in the same fiscal year.

The Series 2005 bonds were used for the construction of a building on its Northwest Campus that was partially funded by a \$2,000,000 grant from the Economic Development Administration (EDA). As a condition of the grant, the college entered into a twenty year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Greenville Technical College acted in a manner prohibited by the award. According to the agreement, the college may not transfer or convey, including leasing the property, without the written consent of the EDA. The college must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the college is remote. Therefore, the contingent liability is not reflected in the college's financial statements.

The deferred outflows are amortized over the remaining life of the bonds. The book value of these costs at June 30, 2014 is as follows:

Deferred Outflows	June 30, 2013	Additions	Expense Amortized 2014	June 30, 2014
Certification of Participation Refinance 1998 and 2002 General Obligation	288,000	-	48,000	240,000
Bond Refinance	143,000	-	71,500	71,500
Total Bond Issue and Refinance Costs	\$ 431,000	\$ -	\$ 119,500	\$ 311,500

The deferred outflows are amortized over the remaining life of the bonds. The book value of these costs at June 30, 2013 is as follows:

Deferred Outflows	June 30, 2012	Additions	Expense Amortized 2013	June 30, 2013
Certification of Participation Refinance 1998 and 2002 General Obligation	336,000	-	48,000	288,000
Bond Refinance	214,500	-	71,500	143,000
Total Bond Issue and Refinance Costs	\$ 550,500	\$ -	\$ 119,500	\$ 431,000

The college recognizes a liability for prepaid interest and premiums resulting from bond issues. The revenue is recognized annually over the life of the bond.

A summary of the activity for the fiscal year ended June 30, 2014 is as follows:

<u>Revenue from Bond Issuance</u>	June 30, 2013	Additions	Interest Amortized 2013	June 30, 2014
Deferred Revenue Northwest	\$ 3,213	\$ -	\$ 221	\$ 2,992
2011A General Obligation Bond Premium	149,893		7,889	142,004
2012 General Obligation Bond Premium	502,769		38,675	464,094
2013A General Obligation Bond Premium	61,196		5,563	55,633
2014 General Obligation Bond Premium	-	117,073		117,073
Total	\$ 717,071	\$ 117,073	\$ 52,348	\$ 781,796

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 15 – BONDS AND NOTES PAYABLE, continued

Bonds Payable, continued

A summary of the activity for the fiscal year ended June 30, 2013 is as follows:

<u>Revenue from Bond Issuance</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Interest Amortized 2012</u>	<u>June 30, 2013</u>
Deferred Revenue Northwest	\$ 3,435	\$ -	\$ 222	\$ 3,213
2011A General Obligation Bond Premium	157,782	-	7,889	149,893
2012 General Obligation Bond Premium	541,444	-	38,675	502,769
2013A General Obligation Bond Premium	-	61,196	-	61,196
	<u>\$ 702,661</u>	<u>\$ 61,196</u>	<u>\$ 46,786</u>	<u>\$ 717,071</u>

Greenville County bonds are general obligation bonds of the County and are backed by the full faith, credit and taxing power of the County. The County supports the operations of the college with annual appropriations sufficient to meet the annual debt service requirements of the bonds.

The scheduled maturities of the bonds payable by type at June 30, 2014 are as follows:

<u>Greenville County Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2015	2,515,276	1,548,238	4,063,514
2016	2,645,139	1,415,464	4,060,603
2017	2,710,115	1,353,418	4,063,533
2018	2,778,484	1,281,045	4,059,529
2019	2,500,965	1,190,557	3,691,522
2020 - 2024	13,699,941	4,608,002	18,307,943
2025 - 2029	11,010,000	2,312,425	13,322,425
2030 - 2034	9,005,000	757,288	9,762,288
Total	<u>\$ 46,864,920</u>	<u>14,466,437</u>	<u>61,331,357</u>

The scheduled maturities of the bonds payable by type at June 30, 2013 are as follows:

<u>Greenville County Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2014	1,558,882	729,402	2,288,284
2015	1,625,276	675,333	2,300,609
2016	1,720,139	615,201	2,335,340
2017	1,755,115	580,906	2,336,021
2018	1,793,484	546,733	2,340,217
2019 - 2023	7,833,453	2,013,112	9,846,565
2024 - 2028	5,687,453	808,285	6,495,738
2029 - 2031	1,450,000	149,300	1,599,300
Total	<u>\$ 23,423,802</u>	<u>6,118,272</u>	<u>29,542,074</u>

Notes Payable

The college had no notes payable at the year ended June 30, 2014 or the year ended June 30, 2013.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 16 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014 follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
Bonds and Notes Payable					
County Bonds	\$ 23,423,802	25,000,000	1,558,882	46,864,920	2,515,276
Capital Lease Obligations	20,715,000	-	2,095,000	18,620,000	2,160,000
Accrued Compensated Absences	3,750,181	37,372	101,890	3,685,663	352,718
Total Long-Term Liabilities	\$ 47,888,983	25,037,372	3,755,772	69,170,583	5,027,994

Long-term liability activity for the year ended June 30, 2013 follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Bonds and Notes Payable					
County Bonds	\$ 24,545,000	4,558,802	5,680,000	23,423,802	1,558,882
Capital Lease Obligations	22,750,000	-	2,035,000	20,715,000	2,095,000
Accrued Compensated Absences	3,641,025	2,038,748	1,929,592	3,750,181	387,769
Total Long-Term Liabilities	\$ 50,936,025	6,597,550	9,644,592	47,888,983	4,041,651

Additional information regarding Bonds Payable is included at Note 15, and additional information regarding Capital Lease Obligations is included at Note 12.

NOTE 17 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the college exist primarily to provide financial assistance and other support to the college and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Greenville Tech Foundation, Inc. The activities of these entities are not included in the college's financial statements. However, the college's statements include transactions between the college and these related parties.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and the significance of its relationship with the college, the Foundation is considered a component unit of the college.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between this entity and the college for the year ended June 30, 2014.

The Greenville Tech Foundation, Inc.

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the college. The Foundation's activities are governed by its Board of Directors.

The college recorded non-governmental gifts receipts of \$279,775 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2014 and \$241,026 for the fiscal year ended June 30, 2013.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 17 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS, continued

These funds were used to support college programs such as scholarships. The Foundation reimburses the college for any purchases made by the college on behalf of the Foundation.

The Foundation's net assets as of December 31, 2013 were \$11,940,196. The Foundation's net assets as of December 31, 2012 were \$8,724,800.

Related party receivables and payables as of June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Due from the Foundation	\$ 309,832	\$ 105,810
Due to the Foundation	\$ 5,980	\$ 3,535

NOTE 18 - RISK MANAGEMENT

The college is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The college and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The college obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 19 – REVENUES

Revenues for tuition and fees and auxiliary enterprise services are shown in the statement of Revenues, Expenses and Changes in Net Position, net of scholarship allowances and bad debt expense. The detail is as follows:

	<u>2014</u>	<u>2013</u>
Total Student Tuition and Fees	52,639,654	54,395,349
Less: Scholarship Allowance	(23,456,165)	(23,525,084)
Less: Bad Debt Expense	(717,061)	(757,759)
Student Tuition and Fees, net	<u>\$ 28,466,428</u>	<u>\$ 30,112,506</u>
Auxiliary Enterprises Revenue	7,622,770	8,178,455
Less: Scholarship Allowance	(2,288,646)	(2,495,764)
Less: Bad Debt Expense	(103,043)	(112,948)
Auxiliary Enterprises, net	<u>\$ 5,231,081</u>	<u>\$ 5,569,743</u>

NOTE 20 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2014 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 30,409,634	9,036,386	-	-	3,063,035	-	42,509,055
Academic Support	6,212,065	1,973,203	-	-	5,925,114	-	14,110,382
Student Services	4,162,492	1,320,647	-	-	1,063,090	-	6,546,229
Operation and Maintenance of							
Plant	3,295,453	969,538	-	2,961,593	2,185,618	-	9,412,202
Institutional Support	3,933,788	1,208,831	-	-	460,623	-	5,603,242
Scholarships & Fellowships	-	-	16,306,996	-	-	-	16,306,996
Auxiliary Enterprises	321,211	76,619	-	-	6,302,950	-	6,700,780
Depreciation	-	-	-	-	-	4,604,244	4,604,244
Total Operating Expenses	<u>\$ 48,334,643</u>	<u>14,585,224</u>	<u>16,306,996</u>	<u>2,961,593</u>	<u>19,000,430</u>	<u>4,604,244</u>	<u>105,793,130</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 20 - OPERATING EXPENSES BY FUNCTION, continued

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 30,851,486	8,743,038	-	-	5,339,180	-	44,933,704
Academic Support	6,374,421	1,932,139	-	-	2,245,596	-	10,552,156
Student Services	4,152,901	1,257,900	-	-	1,139,976	-	6,550,777
Operation and Maintenance of							
Plant	3,490,290	906,718	-	2,827,177	3,374,893	-	10,599,078
Institutional Support	3,595,208	1,090,617	-	-	831,155	-	5,516,980
Scholarships & Fellowships	-	-	18,612,902	-	-	-	18,612,902
Auxiliary Enterprises	365,625	79,475	-	-	6,501,318	-	6,946,418
Depreciation	-	-	-	-	-	4,728,514	4,728,514
Total Operating Expenses	\$ 48,829,931	14,009,887	18,612,902	2,827,177	19,432,118	4,728,514	108,440,529

NOTE 21 – STATEMENT OF ACTIVITIES

**REQUIRED INFORMATION ON BUSINESS - TYPE ACTIVITIES
FOR INCLUSION IN STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDING JUNE 30, 2014**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 56,342,033	\$ 53,877,636	\$ 2,464,397
Operating grants and contributions	37,794,983	40,546,630	(2,751,647)
Other Operation Revenue	1,510,084	1,400,820	109,264
Capital grants and contributions	-	-	-
Less: expenses	<u>(107,461,238)</u>	<u>(110,164,709)</u>	<u>2,703,471</u>
Net program revenue (expense)	<u>(11,814,138)</u>	<u>(14,339,623)</u>	<u>2,525,485</u>
Transfers:			
State appropriations	16,696,570	15,962,461	734,109
State capital appropriations	1,245,739	1,731,185	(485,446)
Other transfers in from state agencies/ funds	-	-	-
Total general revenue and transfers	<u>17,942,309</u>	<u>17,693,646</u>	<u>248,663</u>
Change in net position	6,128,171	3,354,023	2,774,148
Net position-beginning	93,413,654	90,059,631	3,354,023
Net position-ending	<u>\$ 99,541,825</u>	<u>\$ 93,413,654</u>	<u>\$ 6,128,171</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 22 – TRANSACTIONS WITH OTHER AGENCIES

The college had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 23 – NON-OPERATING STABILIZATION EXPENSES BY FUNCTION

The college incurred expenditures of \$0 during fiscal year 2014 and \$319,848 during fiscal year 2013 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the college via pass-through funding from the U.S Department of Education (State Fiscal Stabilization Funds), U.S. Department of Labor (Workforce Investment Act), U.S. Department of Energy (State Energy Program), and U.S. Department of Social Services (Childcare Career Development). The schedules below list the individual funds and expenses by functional classification.

Fund	Funds Expensed Through	
	June 30, 2014	June 30, 2013
ARRA - Federal College Work Study	\$ -	\$ -
ARRA - Solar Energy Training Center	-	-
ARRA - Geothermal Training Center	-	-
ARRA - Stabilization Funds	-	-
ARRA - SEP Energy Project	-	-
ARRA - BTOP Broadband Technology	-	319,848
ARRA - QuickJobs Adult Program	-	-
ARRA - QuickJobs Youth Activities	-	-
ARRA - QuickJobs Dislocated Workers	-	-
ARRA - Childcare Career Development	-	-
ARRA - ABC Material Grant	-	-
ARRA - ABC Child Care Program	-	-
Total expenditures incurred	\$ -	\$ 319,848

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 23 – NON-OPERATING STABILIZATION EXPENSES BY FUNCTION, continued

Expenses by functional classification for the year ended June 30, 2013 are shown below.

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ -	-	-	-	-	-	\$ -
Academic Support	-	-	-	-	319,848	-	319,848
Student Services	-	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Non-Operating Stabilization Expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,848</u>	<u>-</u>	<u>\$ 319,848</u>

NOTE 24 – PRIOR PERIOD ADJUSTMENT

Due to the implementation of GASB Statement No. 65, previously issued financial statements have been restated for the cumulative effect of the change of the beginning net asset balance in the amount of \$441,889. In addition, as a result of this implementation, restatements have been made to the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows as outlined below.

The previously illustrated Statement of Net Position for FY 2012 was restated resulting in a reduction of Other Assets by \$992,389, reclassifying \$550,000 to Deferred Outflows of Resources. The remaining \$442,389 of prior year bond issuance costs previously recorded as assets reduced the Unrestricted Fund Balance by \$442,389 to a Total Net Position of \$89,952,687. The restatement of the Statement of Net Position for FY 2013 resulted in a reduction of Other Assets by \$888,334, reclassifying \$431,000 to Deferred Outflows of Resources. The remaining \$457,334 reduced the Unrestricted Fund Balance by \$457,334 to a Total Net Position of \$93,262,812.

The Statement of Revenues, Expenses, and Changes in Net Position for FY 2012 and FY 2103 were also restated. The FY 2012 restatement resulted in a \$262,139 increase in Operating Expenses as previously amortized bond issuance costs were expensed in the year they were incurred. This increased the Operating Loss by \$262,139 from \$55,072,934 to \$55,335,073. The Income Before Other Revenues, Expenses, Gains or Losses decreased by \$262,139 from \$3,329,375 to \$3,067,236. The Increase in Net Position was reduced by \$262,139 from \$5,072,119 to \$4,809,980. The Net Position at the beginning of the year was adjusted by \$179,750 from \$85,322,457 to \$85,142,707, and the Net Position at the End of Year decreased by a total of \$441,889 from \$90,394,576 to \$89,952,687. The restatement of FY 2013 resulted in a net increase of Operating Expenses as previously amortized bond issuance costs were expensed in a prior year and a previously recorded asset related to bond issuance cost was expensed in FY 2013. The increase in Operating Expenses was \$15,445. This increased the Operating Loss from \$53,146,628 to \$53,162,073. The Income Before Other Revenues, Expenses, Gains or Losses decreased by \$15,445 from \$1,594,385 to \$1,578,940, and the Increase in Net Position – End of Year decreased by a total of \$122,389 from \$93,385,201 to \$93,262,812.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 24 – PRIOR PERIOD ADJUSTMENT, continued

The restated Statement of Cash Flows for FY 2012 increased payments to vendors by \$292,695 as the bond issuance costs were expensed in the year they were incurred. This resulted in an increase of Net Cash Used by Operating Activities of \$292,695 from \$47,868,173 to \$48,160,868. Interest Paid on Capital Debt decreased by \$292,695 from \$2,286,865 to \$1,994,170 resulting in a Net Cash Provided by Capital and Related Financing Activities decrease from \$2,305,248 to \$2,012,553. The Operating Loss increased by \$292,695 from \$55,072,934 to \$55,365,629 and correspondingly the Net Cash Used by Operating Activities increased by \$292,695 from \$47,868,173 to \$48,160,868. The restatement of the Statement of Cash Flows for 2013 increased the Payments to vendors by \$15,445 as the issuance cost for two bond series issued in FY 2012 was expensed during FY 2012 and not amortized over the life of the bond and the bond issuance costs for a bond issued during FY 2013 was expensed. This resulted in an increase of the Net Cash Used by Operating Expenses by \$15,445 from \$47,572,399 to \$47,587,845. The Interest Paid on Capital Debt was decreased by \$15,445 from \$1,925,354 to \$1,909,908 resulting in a decrease in Net Cash Provided by Capital and Related Financing by \$15,445 from \$4,377,415 to \$4,361,969. The Operating Loss was increased by \$15,445 from \$53,146,628 to \$53,162,073, and the Net Cash Used by Operating Activities increased \$15,445 from \$47,572,400 to \$47,587,845.

NOTE 25 – COMPONENT UNIT INFORMATION – GREENVILLE TECH FOUNDATION

The college's component unit, Greenville Tech Foundation, Inc. is a separate legal entity. The Foundation issues its own audited financial statements. The consolidated statements of financial position, the consolidated statement of activities, and the consolidated statement of cash flows are shown on pages 24, 25-26, and 27, respectively. Following are the footnotes associated with those statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

Greenville Tech Foundation, Inc. (the "Foundation") was founded in 1973 in Greenville, South Carolina as an eleemosynary organization. The primary objective of the Foundation is to support education at Greenville Technical College (the "College") through financial assistance to the College and its students. During December 2002, the Foundation formed a wholly owned subsidiary, GTF McAlister, LLC to manage the daily operations of the McAlister Square facility. In 2004, the Foundation formed a wholly owned subsidiary, GTF Student Housing, LLC. This subsidiary is responsible for the building and maintenance of student housing on the Greenville Technical College campus. Student housing opened during the fall semester of 2006. During 2008, the Foundation formed a wholly owned subsidiary, Brashier Charter, LLC. This subsidiary is responsible for the construction of a classroom building and gymnasium on the Brashier Campus of Greenville Technical College. Construction began on this project in the fall of 2008, and the building opened in August 2009. In April 2010, the Foundation formed a wholly owned subsidiary, New Economic Opportunity Network, LLC ("NEON"). The mission of NEON is to assist community and economic development in South Carolina using the Federal New Markets Tax Credit program. The Foundation terminated NEON in December 2013. During 2012, the Foundation formed a wholly owned subsidiary, GTF Pleasantburg, LLC. This subsidiary was created to purchase land and manage the property thereafter.

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenditures are recognized when incurred.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). However, any income from activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section

NOTE 25 – COMPONENT UNIT INFORMATION – GREENVILLE TECH FOUNDATION, continued

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

170(b)(1)(A). The Foundation is classified by the Internal Revenue Service as a Section 509(a)(3) functionally integrated Type III supporting organization. Tax exempt status arises from the fact that the Foundation's sole reason for existence is as a support organization for Greenville Technical College. In February 2014, the IRS determined the Foundation meets the requirements for classification as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) and updated the Foundation to public charity status to reflect that the Foundation is not a supporting organization. The Foundation meets the public support test under this new classification.

NEON has elected to file as a C-Corporation and is subject to income taxes. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. No provision for income taxes has been recorded in the accompanying financial statements. The Foundation recognizes the financial statement effects of a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The assessment of the technical merit of a tax position is a matter of judgment. The Foundation believes that all its tax positions are more likely than not to be sustained upon examination. The Foundation has filed a final tax return for NEON for the year ended December 31, 2013 and had dissolved this entity.

Management has evaluated the tax positions of the Foundation and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2013 and 2012, respectively. The Foundation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U. S. federal, state or local tax authorities for years before 2010.

Principles of consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, GTF McAlister, LLC; GTF Student Housing, LLC; Brashier Charter, LLC; GTF Pleasantburg, LLC; and NEON. All material intra-entity accounts and transactions have been eliminated.

Accounting for contributions

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. In addition, the Foundation board has designated certain funds to provide additional security for their endowments and other purposes.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by action of the Foundation and/or passage of time.
- Permanently restricted net assets - Net assets required by the donor to be held in perpetuity.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net

NOTE 25 – COMPONENT UNIT INFORMATION, continued

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (when the stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Foundation considers temporarily restricted amounts spent first when both temporarily restricted and unrestricted funds are available, unless legally or contractually prohibited. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets and equipment other than cash are recorded at their estimated fair value.

During the years ended December 31, 2013 and 2012, the Foundation did not capitalize any donations of property and equipment received. The Foundation received noncash equipment and supplies donations of \$1,326,536 and \$487,616 during the years ended December 31, 2013 and 2012, respectively. The noncash equipment contributions were in turn used by Greenville Technical College and are reported as equipment purchases/gifts-in-kind in the accompanying consolidated statements of activities.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers cash accounts which are not subject to withdrawal restrictions or penalties, money market accounts and certificates of deposit with original maturities of 90 days or less to be cash and cash equivalents.

Investments

The Foundation records investments at fair value. Realized and unrealized gains and losses are reported on the consolidated statements of activities. See Note T for discussion of fair value measurements.

Accounts receivable

Management considers GTF McAlister, LLC's accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

GTF Student Housing, LLC leases housing units to students of Greenville Technical College. The subsidiary's accounts receivable are due from the students and are generally uncollateralized. Management closely monitors outstanding accounts receivable and establishes an allowance for doubtful accounts for any balances that are determined to be uncollectible. As of December 31, 2013 and 2012, the subsidiary established an allowance for doubtful accounts in the amount of approximately \$115,000 and \$72,000, respectively.

Student loans receivable

Student loans receivable are unsecured short-term loans made to College students typically for periods of 2 to 6 months. These loans bear no interest if paid on a timely basis. If payments are late, the loans bear 1.5% interest monthly as well as a one-time late fee in the first late month. In

NOTE 25 – COMPONENT UNIT INFORMATION, continued

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

management's opinion, no allowance for uncollectible student loans receivable is necessary.

Pledges receivable

Pledges receivable are recorded when the donor makes a promise to give. In management's opinion, no allowance for uncollectible pledges receivable is necessary. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the net present value of the expected future cash flows. Amortization of discounts is included in contribution revenue.

Charitable remainder trusts receivable

Charitable remainder trusts represent assets that are currently held in trust for the benefit of designated income beneficiaries. Upon the death of the beneficiaries or designation by the agreement, the assets held in trust will be distributed to the Foundation based upon the provisions of the trust, principally for unrestricted use. The value of assets and liabilities of the charitable remainder trusts is estimated using a discount rate for each individual trust. Under these trusts, the Foundation is not the trustee. Therefore, a receivable is recorded based on the current fair value of the assets in the trust in the year in which the Foundation is notified of the gift's existence. The receivable is adjusted to the net present value based on expected growth, payouts and discount rate over the expected lives of the creators.

Property and equipment

The Foundation follows the practice of capitalizing all purchases for land, building and equipment in excess of \$1,000. The fair value of any donated land and buildings is similarly capitalized. Donations of equipment consisting of auto and aircraft parts used in the maintenance programs at

Property and equipment, continued

the College are generally not capitalized due to the nature and use of these items. Instead, the parts are recorded as College support expense. The cost of buildings, leasehold improvements and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method as follows:

Buildings and leasehold improvements	40 years
Furniture and fixtures, equipment, automobiles and aircraft	3 -10 years

Donations of property and equipment are recorded as support at their estimated fair values on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions for cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceeds the fair value of the assets.

NOTE 25 – COMPONENT UNIT INFORMATION, continued

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Debt Issuance Costs

Costs associated with obtaining financing have been capitalized and are being amortized using a method that approximates the interest method over the terms of the related debt.

Transfers

Transfers primarily consist of changes received from donors as to donor-imposed stipulations and contribution reclassification for establishment of endowments when contributed amounts meet the endowment criteria for required funding levels.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from the prior year have been reclassified during the current year for ease of comparison on the financial statements. These reclassifications resulted in no change to the previously reported net assets or changes in net assets of the Foundation.

Subsequent events

Management has evaluated subsequent events through May 15, 2014, which is the date that these financial statements were available to be issued.

B. RESTRICTED CASH

Student Housing restricted cash includes funds received as security deposits paid by tenants totaling \$41,033 and \$64,836 at December 31, 2013 and 2012, respectively.

In relation to the Brashier Charter, LLC Economic Development Revenue Bonds (Note M), the financial institution required the Foundation to maintain a debt service account to cover the minimum debt service payments on the bonds. At December 31, 2013 and 2012, cash restricted for this purpose totaled \$87,364 and \$87,314, respectively. Additionally, the Foundation was required to establish a Capital Repairs, Replacement and Maintenance Fund with a financial institution. Monies are deposited into this fund on a monthly basis to fund the cost of capital expenditures associated with the operations of the project. At December 31, 2012, cash restricted for this purposes totaled \$18,508. In July 2013, with the renewal of the letter of credit, this funding requirement was dissolved.

The Foundation is holding cash balances restricted by donors in the amount of \$1,123,664 and \$896,127 as of December 31, 2013 and 2012, respectively.

C. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, plus an unlimited amount on non interest bearing accounts. The cash balances held in broker accounts are insured by the Securities Investor Protection Corporation to a maximum of \$100,000. At times the Foundation's cash balances on deposit at these financial institutions are in excess of the federally insured limits.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

D. PLEDGES RECEIVABLE

The pledges receivable are unconditional and due over five years. Uncollectible promises are expected to be insignificant. Pledges are discounted using a net present value calculation and an effective rate of 3.25 percent.

Unconditional promises to give as of December 31, 2013 and 2012 are:

	2013	2012
Receivable in less than one year	\$ 167,664	\$ 180,716
Receivable in one to five years	244,607	291,912
	<u>412,271</u>	<u>472,628</u>
Less: discount to net present value	(25,785)	(32,773)
Pledges receivable (net)	<u>\$ 386,486</u>	<u>\$ 439,855</u>

E. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Accounts receivable, trade	\$ 29,613	\$ 54,834
Related party receivable	\$ 1,997	\$ -
Student housing other receivable	0	4,836
Student housing leases receivable	153,946	80,412
Less: allowance for loss	(115,244)	(72,329)
Accounts receivable, net	<u>\$ 70,312</u>	<u>\$ 67,753</u>

F. CASH SURRENDER VALUE OF LIFE INSURANCE

The Foundation is the owner and beneficiary of several life insurance policies with aggregate cash surrender values of approximately \$38,000 and \$36,000 at December 31, 2013 and 2012, respectively.

G. CHARITABLE REMAINDER TRUSTS RECEIVABLE

The Foundation is the beneficiary of two charitable remainder trusts with aggregate values of approximately \$246,000 and \$91,000 at December 31, 2013 and 2012, respectively.

H. INVESTMENTS

Investments of the Foundation are recorded at fair value as determined by quoted market prices.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

H. INVESTMENTS, continued

The fair values and respective cost basis of investments at December 31, 2013 and 2012 are as follows:

	2013			2012		
	Fair Value	Cost	Unrealized Appreciation / (Depreciation)	Fair Value	Cost	Unrealized Appreciation / (Depreciation)
US Government securities	\$ 483,609	\$ 491,105	\$ (7,496)	\$ 515,313	\$ 485,464	\$ 29,849
Mutual funds	1,441,443	1,469,144	(27,701)	1,340,365	1,347,461	(7,096)
Corporate bonds	372,865	360,884	11,981	328,771	304,435	24,336
Mortgage backed securities	134,178	138,750	(4,572)	186,773	182,316	4,457
Common stocks	2,518,758	1,914,192	604,566	1,658,697	1,433,620	225,077
	<u>\$ 4,950,853</u>	<u>\$ 4,374,075</u>	<u>\$ 576,778</u>	<u>\$ 4,029,919</u>	<u>\$ 3,753,296</u>	<u>\$ 276,623</u>

The composition of the investment return for the years ended December 31, 2013 and 2012:

	2013	2012
Interest and dividends	\$ 114,336	\$ 136,818
Fees	(46,112)	(44,214)
Unrealized/realized gains	374,811	298,593
	<u>\$ 443,035</u>	<u>\$ 391,197</u>

I. ENDOWMENT

The Foundation's endowment funds consist of 125 individual funds established for a variety of purposes.

The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions..

Interpretation of relevant law

During 2008 the South Carolina Legislature enacted the South Carolina Uniform Prudent Management of Institutional Funds Act. The Board of Directors has interpreted this act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Greenville Tech Foundation, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the South Carolina Uniform Prudent Management of Institutional Funds Act. In accordance with this act, the organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

I. ENDOWMENT, continued

- (1) The duration and preservation of the fund
- (2) The purposes of Greenville Tech Foundation, Inc. and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieve a target rate of return of 5 percent net of fees.

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that seeks to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 4 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with Greenville Tech Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2013:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment Funds	\$ -	\$ 2,222,491	\$ 287,306	\$ 4,975,121	\$ 7,484,919

Endowment net asset composition by type of fund as of December 31, 2012:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment Funds	\$ -	\$ 1,939,432	\$ 257,280	\$ 4,343,039	\$ 6,539,751

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

I. ENDOWMENT, continued

Changes in endowment net assets for the periods ended December 31, 2013 and 2012, respectively:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted – Corpus	Total
Endowment net assets, December 31, 2011	\$ -	\$ 1,583,533	\$ 133,008	\$ 3,951,342	\$ 5,667,883
Investment return:					
Investment income, net	-	36,877	121,608	-	158,485
Change in value of CSV and CRUTs	-	19,676	(354)	-	19,322
Net appreciation realized and unrealized	-	54,456	195,189	-	249,645
Contributions	-	244,890	-	311,916	556,806
Transfers	-	-	-	79,781	79,781
Appropriations of endowment assets for expenditure	(192,171)	-	-	-	(192,171)
Net Assets released from restrictions	192,171	-	(192,171)	-	-
Endowment net assets, December 31, 2012	<u>-</u>	<u>1,939,432</u>	<u>257,280</u>	<u>4,343,039</u>	<u>6,539,751</u>
Investment return:					
Investment income, net	-	39,117	5,174	-	44,291
Change in value of CSV and CRUTs	-	155,308	192	-	155,500
Net appreciation realized and unrealized	-	81,890	243,774	-	325,664
Contributions	-	6,745	-	587,112	593,857
Change in reserve for uncollectible contributions	-	-	-	(930)	(930)
Transfers	-	-	-	45,900	45,900
Appropriations of endowment assets for expenditure	(219,114)	-	-	-	(219,114)
Net Assets released from restrictions	219,114	-	(219,114)	-	-
Endowment net assets, December 31, 2013	<u>\$ -</u>	<u>\$ 2,222,492</u>	<u>\$ 287,306</u>	<u>\$ 4,975,121</u>	<u>\$ 7,484,919</u>

J. INTANGIBLE ASSETS

In July of 2008, Brashier Charter, LLC was granted variable rate Economic Development Revenue bonds of \$8,410,000 by the South Carolina Jobs - Economic Development Authority to construct a classroom building and gymnasium on the Brashier Campus of Greenville Technical College. Bond issuance costs of \$189,600 were reimbursed by the bond proceeds and will be amortized over the life of the bonds.

At December 31, 2011, GTF Student Housing had debt issuance costs, net of accumulated amortization, of \$107,241. In March 2012, GTF Student Housing amended its debt and incurred an additional \$15,364 in loan costs. Effective November 7, 2012, GTF Student Housing, LLC refinanced its debt with a different financial institution and the remaining unamortized loan costs related to the old loan in the net amount of \$111,043 were written off as a cost of financing. Loan costs related to the new note of \$137,157 were capitalized and will be amortized over the life of the note.

The Foundation's loan costs consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Loan Costs	\$ 326,757	\$ 326,757
Less: Accumulated Amortization	(42,479)	(29,547)
	<u>\$ 284,278</u>	<u>\$ 297,210</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

J. INTANGIBLE ASSETS, continued

Amortization expense for the periods ended December 31, 2013 and 2012 was \$12,932 and \$11,284, respectively.

Future amortization expense of these loan costs for the years ending December 31 are:

2014	12,930
2015	12,930
2016	12,930
2017	12,930
2018	12,930
Thereafter	219,628
	<u>\$ 284,278</u>

K. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2013:

	Greenville Tech Foundation, Inc	GTF McAlister, LLC	GTF Student Housing, LLC	Brashier Charter, LLC	GTF Pleasantburg, LLC	Consolidated
Furniture and fixtures	\$ 4,000	\$ -	\$ 917,034	\$ -	\$ -	\$ 921,034
Equipment	375,676	44,635	-	-	-	420,311
Automobiles and aircraft	107,000	-	-	-	-	107,000
Buildings	-	2,198,633	15,369,518	8,280,396	-	25,848,547
Leasehold improvements	-	6,574,934	-	-	-	6,574,934
Land	419,942	-	-	-	246,154	666,096
	906,618	8,818,202	16,286,552	8,280,396	246,154	34,537,922
Less: Accumulated depreciation	486,677	3,392,001	3,445,347	895,868	-	8,219,893
	\$ 419,941	\$ 5,426,201	\$ 12,841,205	\$ 7,384,528	\$ 246,154	\$ 26,318,029

The following is a summary of property and equipment at December 31, 2012:

	Greenville Tech Foundation, Inc	GTF McAlister, LLC	GTF Student Housing, LLC	Brashier Charter, LLC	Brashier Charter, LLC	Consolidated
Furniture and fixtures	\$ 4,000	\$ -	\$ 733,261	\$ -	\$ -	\$ 737,261
Equipment	375,676	36,409	-	-	-	412,085
Automobiles and aircraft	107,000	-	-	-	-	107,000
Buildings	-	2,198,633	15,327,824	8,280,396	-	25,806,853
Leasehold improvements	-	6,297,526	-	-	-	6,297,526
Land	603,964	-	-	-	246,154	850,118
	1,090,640	8,532,568	16,061,085	8,280,396	246,154	34,210,843
Less: Accumulated depreciation	486,677	2,973,875	2,945,199	688,858	-	7,094,609
	\$ 603,963	\$ 5,558,693	\$ 13,115,886	\$ 7,591,538	\$ 246,154	\$ 27,116,234

Depreciation expense for the years ending December 31, 2013 and 2012 was \$1,125,285 and \$1,101,420, respectively.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

L. NOTES PAYABLE

	2013	2012
Note payable to a bank by GTF Student Housing, LLC; due in monthly installments of principal plus interest at 75 percent of 1-month LIBOR plus 1.25 percent (approximately 1.065 percent at December 31, 2013); matures November 1, 2022; secured by property and substantially all assets of GTC Student Housing, LLC and GTF McAlister, LLC.	12,817,000	13,215,000
	\$ 12,817,000	\$ 13,215,000

Provisions of the above bank debt agreements require the Foundation to maintain certain financial ratios such as debt service ratios, and certain other covenants which require or restrict other actions.

The future maturities of debt are as follows for years ending December 31:

2014	\$	421,000
2015		434,000
2016		457,000
2017		470,000
2018		493,000
Thereafter		10,542,000
		\$ 12,817,000

M. BONDS PAYABLE

Economic Development Revenue Bonds of \$8,410,000 were issued to the Foundation through Brashier Charter, LLC by the South Carolina Jobs - Economic Development Authority (JEDA) to construct a classroom building and gymnasium on one of the Greenville Tech College campuses. The bonds bear interest at a variable weekly rate determined by the issuing bank's remarketing agent. The interest rate was 0.24 percent at December 31, 2013 and 2012. The agreement requires annual sinking fund payments of principal ranging from \$130,000 to \$530,000 plus interest, which began July 7, 2010, when the amount deposited into the capitalized interest account was depleted. Payments for the years ended

December 31 2013 and 2012 totaled \$450,799 and \$447,935, respectively. Sinking fund payments will continue through maturity on December 1, 2038. As disclosed in Note N, the Foundation was required to obtain an irrevocable letter of credit in connection with the issuance of the bonds as security for payment of principal and interest on the bonds. The balance of these bonds payable totaled \$7,850,000 and \$8,000,000 as of December 31, 2013 and 2012, respectively.

Schedule of maturities for years ending December 31:

2014	\$	155,000
2015		165,000
2016		170,000
2017		180,000
2018		190,000
Thereafter		6,990,000
		\$ 7,850,000

NOTE 25 – COMPONENT UNIT INFORMATION, continued

N. LETTERS OF CREDIT

The Foundation, through its subsidiary, Brashier Charter, LLC, had available an irrevocable letter of credit from a financial institution in the amount of \$8,000,000. This letter of credit was obtained as part of the issuance of the Economic Development Revenue Bonds discussed in Note M. The letter of credit provides security for the payment of principal and interest on the bonds. The amount supporting principal is \$7,850,000 and the amount supporting an interest component of up to forty days is \$82,740. The letter of credit was collateralized by the building constructed by the bond proceeds. The letter expired July 10, 2013, and was renewed through July 10, 2018.

Provisions of the letter of credit agreement require the Foundation to maintain certain financial ratios such as debt service ratios, and certain other covenants which require or restrict other actions.

O. SWAP AGREEMENTS

The Foundation through GTF McAlister, LLC, GTF Student Housing, LLC and Brashier Charter, LLC subsidiaries used variable-rate debt to finance its mortgage on the McAlister property, the 2005 Economic Development Revenue Bonds for the construction of student housing on the Greenville Tech College campus, and to finance the 2008 Economic Development Revenue Bonds for the construction of the classroom building and gymnasium on the Greenville Tech College Brashier campus (see Notes L and M). The debt obligations expose the Foundation to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps changed the variable-rate cash flows exposure on the debt obligations to fixed-cash flows. Under the terms of the interest rate swaps, the Foundation receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Foundation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Foundation, which creates credit risk for the Foundation. When the fair value of the derivative contract is negative, the Foundation owes the counterparty and, therefore, it does not possess credit risk. The Foundation minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Foundation entered into a \$1,250,000 U. S. Dollar Swap Transaction (“Swap 1”) with a bank with an effective date of October 1, 2003, and a termination date of October 1, 2013. The swap was executed with the purpose of fixing the rate on the mortgage. Under the terms of the agreement, the Foundation pays a fixed rate of 5.7 percent to Wells Fargo Bank on a monthly basis and, in return, Wells Fargo Bank pays the Foundation a variable rate equal to LIBOR plus 1.5 percent. During March 2012, the Foundation paid off the loan associated with the swap agreement and in doing so, also terminated and paid off the swap.

On November 15, 2005, the Foundation entered into an \$8,150,000 U. S. Dollar Swap Transaction (“Swap 2”) with an effective date of November 2, 2006, and a termination date of December 1, 2010. This contract was amended on November 27, 2007 and has a maturity date of December 1, 2017. The swap was executed with the purpose of fixing the rate on the bonds issued by the South Carolina Jobs - Economic Development Authority (JEDA). The JEDA bonds were converted to a note payable with SunTrust effective March 1, 2010. As part of this conversion, the interest rate swap was also amended

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NOTE 25 – COMPONENT UNIT INFORMATION, continued

O. SWAP AGREEMENTS, continued

February 4, 2010, and has a maturity date of December 1, 2017. Under the terms of the agreement, the Foundation paid a fixed rate of 3.68 percent per annum through December 6, 2007, a fixed rate of 3.64 percent per annum through February 4, 2010, and thereafter a fixed rate of 3.66 percent per annum to SunTrust Bank on a monthly basis, and in return, SunTrust Bank pays the Foundation a variable rate equal to 67 percent of USD-LIBOR one London Banking Day preceding the one month rate. In November 2012, the Foundation refinanced the debt and in doing so, the interest rate swap associated with the old loan was terminated. Upon refinancing, the Foundation entered into a new interest swap agreement with a maturity date of November 7, 2022 wherein the Foundation pays TD Bank a fixed rate of 2.95 percent and in return, TD Bank pays the Foundation a variable rate equal to 75 percent of one month USD-LIBOR plus 1.25 percent. The variable rate was 1.06 and 1.10 percent at December 31, 2013 and 2012, respectively.

The original notional amount of the contract was \$13,248,000. The notional amounts at December 31, 2013 and 2012 were \$12,817,000 and \$13,215,000, respectively. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

On July 10, 2008, the Foundation entered into an \$8,410,000 U. S. Dollar Swap Transaction (“Swap 3”) with an effective date of July 10, 2008, and a termination date of December 1, 2038. The swap was executed with the purpose of fixing the rate on the bonds issued by the South Carolina Jobs - Economic Development Authority (JEDA). Under the terms of the agreement, the Foundation pays a fixed rate of 3.89 percent per annum to SunTrust Bank on a monthly basis and in return, SunTrust Bank pays the Foundation a variable rate equal to the USD SIFMA Municipal Swap Index (Formerly USD-BMA Municipal Swap Index) plus .06 percent per annum. At December 31, 2013 and 2012, the swap contract had an original notional amount of \$8,410,000 and current notional amounts of \$7,850,000 and \$8,000,000, respectively. The difference between interest earned and the interest obligation accrued is received or paid the first day of each month and is recorded as interest expense.

The Foundation has recorded the following activity related to interest rate swap activity in the accompanying consolidated financial statements as of and for the year ending December 31:

Fair Market Value	<u>2013</u>	<u>2012</u>
Swap 1	\$ -	\$ -
Swap 2	(897,616)	(1,841,258)
Swap 3	(713,913)	(1,885,932)
Total	<u>\$ (1,611,529)</u>	<u>\$ (3,727,190)</u>
Change in Market Value of Interest Rate Swaps		
Swap 1	\$ -	\$ (8,357)
Swap 2	(943,642)	141,928
Swap 3	(1,172,019)	96,287
Total	<u>\$ (2,115,661)</u>	<u>\$ 229,858</u>

See Note T for the fair value information regarding the interest rate swaps.

P. MCALISTER SQUARE OPERATIONS

On August 3, 1999, the Foundation purchased the common area, inner stores and main vehicle entrance of McAlister Square Mall in Greenville, South Carolina and Greenville Technical College purchased the three large department store areas and the parking lot. The Foundation and the College renovated certain

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
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NOTE 25 – COMPONENT UNIT INFORMATION, continued

P. MCALISTER SQUARE OPERATIONS, continued

portions of the property which house student support services, governmental offices, non-profits, and local businesses. Daily management and leasing arrangements are handled for the Foundation through its wholly owned subsidiary, GTF McAlister, LLC. This agreement is through October 14, 2014, and provides that the Foundation is paid monthly support payments. On July 31, 2004, GTF McAlister, LLC contracted with Carolina Holdings, Inc., a property management company, to perform day-to-day management functions.

GTF McAlister, LLC leases space to tenants under operating leases which generally range from one to ten years. GTF McAlister, LLC is responsible for property taxes, maintenance and repairs. Substantially all leases include a charge for common area maintenance which is used to offset repair and maintenance costs incurred in common areas.

Minimum future lease receipts under operating leases are as follows:

2014	\$ 1,093,151
2015	764,742
2016	390,781
2017	106,601
2018	53,301
	<u>\$ 2,408,576</u>

Q. RELATED PARTY TRANSACTIONS

The Foundation pays Greenville Technical College \$12,000 annually for equipment rental and communication services.

GTF McAlister, LLC, a subsidiary of the Foundation, manages Greenville Technical College's portion of the McAlister Square Mall for a management fee of \$14,250 per month. For the years ended December 31, 2013 and 2012, management fees paid to the Foundation by the College totaled \$171,000 for each year.

The College also reimbursed GTF McAlister, LLC and the Foundation for approximately two thirds of common area maintenance (CAM) related expenses. At December 31, 2013 and 2012, GTF McAlister, LLC had a receivable due from the College for CAM expenses of \$20,029 and \$41,768, respectively, which are included in accounts receivable on the accompanying consolidated statements of financial position. The College also pays approximately two-thirds of capital repairs and improvements. During the periods ended December 31, 2013 and 2012 the College paid expenses to McAlister in the amount of \$407,150 and \$225,667, respectively.

The Foundation, through GTF Pleasantburg, LLC, leases land to Greenville Technical College for \$1 monthly. The initial term of the lease commenced November 1, 2012 and extended for six months. However, the lease renews automatically every six months until termination of the lease by either party.

The Foundation, through GTF Student Housing, LLC, leases land from Greenville Technical College for \$1 annually. The initial term of this lease commenced on January 1, 2005 and extends for 30 years, ending December 31, 2034.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

Q. RELATED PARTY TRANSACTIONS, continued

The College pays certain expenses on behalf of the Foundation and its subsidiaries and is subsequently reimbursed by them. At December 31, 2013 and 2012, GTF Student Housing, LLC and the Foundation owed approximately \$52,639 and \$53,652 to the College for reimbursement of these expenses which are included in accounts payable on the accompanying consolidated statement of activities. The Foundation had a receivable of \$1,997 due from the College at December 31, 2013, which is included in accounts receivable on the accompanying consolidated balance sheet. No such receivable existed at December 31, 2012.

The Foundation, through Brashier Charter, LLC, leases land from Greenville Technical College for \$1 annually and the College leases from the Foundation, through Brashier Charter, LLC, an educational facility. The initial term of this lease commenced May 13, 2008 and extends for 30 years, ending December 31, 2038.

Base rent for this educational facility under this lease is an amount equal to the debt service payments owed by Brashier for the development/construction financing obtained by Brashier Charter, LLC plus additional amounts required by the lender under such financing, in its loan documents, to create and maintain certain reserves, and a debt service coverage ratio.

In February 2012, SunTrust notified the Foundation that additional collateral would be required on the GTF Student Housing, LLC note. The Foundation loaned GTF McAlister, LLC \$2,250,000 from its endowment to pay off its loan with WellsFargo. The payoff of this loan allowed the Foundation to pledge the McAlister building and assets as collateral on the GTF Student Housing, LLC loan. In November 2012, the loan was refinanced with TD Bank. GTF McAlister, LLC's note to the Foundation is due on demand and is being paid in monthly installments of \$21,000 of principal plus interest, which accrues at an annual rate of 6 percent. The balance of this note, which is eliminated upon consolidation, was \$1,764,000 and \$2,026,000 at December 31, 2013 and 2012, respectively. Interest income and expense eliminated upon consolidation totaled \$112,770 and \$105,257 for the years ended December 31, 2013 and 2012, respectively.

R. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions as of December 31, 2013 consisted of the following support transferred out of temporarily and permanently restricted funds for payment by unrestricted funds..

	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 352,737	\$ -	\$ 352,737
Student programs	38,012	-	38,012
College faculty/staff development	31,427	-	31,427
College departmental supplies & activities	176,096	-	176,096
Equipment purchases/gifts-in-kind	232,493	-	232,493
Miscellaneous expenses	144,608	-	144,608
Total Net Assets Released from Restrictions	\$ 975,373	\$ -	\$ 975,373

Net assets released from restrictions as of December 31, 2012 consisted of the following support transferred out of temporarily and permanently restricted funds for payment by unrestricted funds.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

R. NET ASSETS RELEASED FROM RESTRICTIONS, continued

	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 349,559	\$ -	\$ 349,559
Student programs	67,141	-	67,141
College faculty/staff development	18,678	-	18,678
College departmental supplies & activities	79,525	-	79,525
College support	258,260	-	258,260
Equipment purchases/gifts-in-kind	291,659	-	291,659
Miscellaneous expenses	179,628	-	179,628
Total Net Assets Released from Restrictions	<u>\$ 1,244,450</u>	<u>\$ -</u>	<u>\$ 1,244,450</u>

S. NET ASSETS

Temporarily restricted net assets consist of the following at:

	<u>2013</u>	<u>2012</u>
Various College programs	\$ 1,401,260	\$ 1,349,151
Accumulated endowment fund earnings	287,306	257,280
	<u>\$ 1,688,566</u>	<u>\$ 1,606,431</u>

Permanently restricted net assets consist of the following at:

	<u>2013</u>	<u>2012</u>
Endowment funds - portion required to be retained permanently by explicit donor stipulation	\$ 4,975,121	\$ 4,343,039

The income from these endowment funds is expendable for scholarships and College programs.

T. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements should be based on assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

NOTE 25 – COMPONENT UNIT INFORMATION, continued

T. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Investments: valued based on information provided by external investment managers or comparison to quoted market values.

Contribution receivable from a beneficial interest in a charitable remainder trust: valued using the income approach based on calculating the present value of the future distributions expected to be received, using published life expectancy tables and an appropriate discount rate.

Cash value of life insurance policies: valued at the cash surrender value of the life insurance policy, as determined by the issuer of the insurance policy, which approximates fair value.

Interest rate swap: valued using observable current market information as of the reporting date and is included in long term liabilities on the accompanying statement of financial position.

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

T. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 and 2012 were as follows:

	Assets / Liabilities at Fair Value (continued)			
	Total	Level 1	Level 2	Level 3
December 31, 2013				
ASSETS:				
Investments:				
Equity securities – common stock				
Financials	\$ 486,212	\$ 486,212	\$ -	\$ -
Information technology	548,928	548,928	-	-
Health care	359,186	359,186	-	-
Consumer discretionary	314,218	314,218	-	-
Energy	264,452	264,452	-	-
Industrials	240,909	240,909	-	-
Consumer staples	276,762	276,762	-	-
Telecommunication services	72,675	72,675	-	-
Materials	117,683	117,683	-	-
Utilities	68,296	68,296	-	-
Fixed income securities				
US Government debt securities	483,609	-	483,609	-
Corporate debt securities	372,865	-	372,865	-
Mortgage-backed securities	134,178	-	134,178	-
Mutual funds	575,525	-	575,525	-
Alternative strategies mutual funds	460,166	460,166	-	-
Broad commodities mutual funds	175,189	175,189	-	-
Total Investments	4,950,853	3,384,676	1,566,177	-
Charitable remainder trusts receivable	245,857	-	-	245,857
Cash value of life insurance	38,168	-	38,168	-
	\$ 5,234,878	\$ 3,384,676	\$ 1,604,345	\$ 245,857
LIABILITIES:				
Interest rate swaps	\$ 1,611,529	-	\$ 3,497,332	-

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
June 30, 2014 and June 30, 2013

NOTE 25 – COMPONENT UNIT INFORMATION, continued

T. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

	Assets / Liabilities at Fair Value			
	Total	Level 1	Level 2	Level 3
JUNE 30, 2012:				
ASSETS:				
Investments:				
Equity Securities – Common Stock				
Financials	\$ 289,241	\$ 289,241	\$ -	\$ -
Information Technology	419,151	419,151	-	-
Health care	217,324	217,324	-	-
Consumer discretionary	161,341	161,341	-	-
Energy	200,325	200,325	-	-
Industrials	155,424	155,424	-	-
Consumer staples	174,666	174,666	-	-
Telecommunication services	33,743	33,743	-	-
Materials	108,808	108,808	-	-
Utilities	43,550	43,550	-	-
Fixed Income Securities				
US Government debt securities	515,313	-	515,313.00	-
Corporate debt securities	328,771	-	328,771.00	-
Mortgage-backed securities	186,773	-	186,773.00	-
Mutual funds	580,136	-	580,136.00	-
Alternative strategies mutual funds	443,995	443,995	-	-
Broad commodities mutual funds	171,358	171,358	0	-
Total Investments	4,029,919	2,418,926	1,610,993	-
Charitable remainder trusts receivable	90,549	-	-	90,549
Cash value of life insurance	35,691	-	35,691	-
	<u>\$ 4,156,159</u>	<u>\$ 2,418,926</u>	<u>\$ 1,646,684</u>	<u>\$ 90,549</u>
LIABILITIES:				
Interest rate swaps	<u>\$ 3,727,190</u>	<u>\$ -</u>	<u>\$ 3,727,190</u>	<u>\$ -</u>

GREENVILLE TECHNICAL COLLEGE
Notes to Financial Statements
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NOTE 25 – COMPONENT UNIT INFORMATION, continued

T. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

The following table represents a summary of changes of the Foundation's Level 3 assets for the years December 31, 2013 and 2012:

	Charitable Remainder Trust receivables	
Balance December 31, 2011	\$	79,627
Total realized/unrealized gains included in change in net assets:		10,927
Miscellaneous adjustment		(5)
Balance December 31, 2012		<u>90,549</u>
Total realized/unrealized gains included in change in net assets:		155,308
Balance December 31, 2013		<u><u>245,857</u></u>

Total realized and unrealized gains on charitable remainder trust receivables measured using Level 3 inputs are reported in the Foundation's statements of activities.

U. FUNCTIONAL EXPENSES

Expenses incurred were classified in the following categories for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program Expenses		
College operations	\$ 139,386	\$ 433,040
Scholarships	352,737	350,559
Student programs	38,011	67,141
College faculty/staff development	31,427	18,854
College departmental supplies and activities	176,096	79,525
Equipment purchases/gifts in kind	1,515,163	660,926
GTF Brashier Charter School	666,143	592,832
GTF Student Housing	2,351,119	2,583,764
	<u>\$ 5,270,082</u>	<u>\$ 4,786,641</u>
General and administrative	1,788,721	1,676,599
Fundraising	80,886	45,469
Total expenses	<u><u>\$ 7,139,689</u></u>	<u><u>\$ 6,508,709</u></u>