

# THE VIRGINIA FOUNDATION

---

*for* COMMUNITY COLLEGE EDUCATION

## **THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

### **FINANCIAL REPORT**

**June 30, 2023**



THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.

OFFICERS AND BOARD OF DIRECTORS LISTING  
Year Ended June 30, 2023

**Officers and Board of Directors**

Justin Ballard  
Xavier Beale  
Gretchen C. Byrd  
Karen I. Campbell  
Darren Conner  
Ed Dalrymple  
Ben Davenport, Jr., Chair  
David Doré  
Elizabeth El-Nattar  
Christopher French  
Jennifer Sager Gentry  
Philip H. Goodpasture, General Counsel  
Cedric Green, Secretary  
William Hazel, Jr.  
Amy Henecke  
Ronald Holmes  
Anna James, Treasurer  
Deborah Johnston  
Maurice Jones  
Ashby Kilgore  
Mary Morris  
Sharon Morrissey  
Michael O’Kane  
John J. Rainone  
Jennie Reynolds  
Stewart Roberson, Immediate Past Chair  
Caroline Petters Sauer  
Leah Fried Sedwick  
Julia Gilliam Sterling

**Honorary Board of Directors**

Dana Hamel\*, *Chancellor Emeritus*

The Honorable George Allen	The Honorable Robert McDonnell
The Honorable Gerald Baliles*	The Honorable Ralph Northam
The Honorable James Gilmore	The Honorable Charles Robb
The Honorable Linwood Holton*	The Honorable Mark Warner
The Honorable Timothy Kaine	The Honorable Douglas Wilder
The Honorable Terry McAuliffe	

\*Deceased

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Virginia Foundation for Community College Education, Inc.  
Richmond, Virginia

### **Opinion**

We have audited the accompanying financial statements of The Virginia Foundation for Community College Education, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Virginia Foundation for Community College Education, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of The Virginia Foundation for Community College Education, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Virginia Foundation for Community College Education, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Virginia Foundation for Community College Education, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Virginia Foundation for Community College Education, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matter – Other Information**

The Officers and Board of Directors listing is presented for purposes of additional analysis and is also not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Colonial Heights, Virginia  
December 6, 2023

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,317,932	\$ 3,760,321
Current portion of pledges receivable, net (Note 2)	476,557	1,520,608
Other receivables	114,439	30,860
Total current assets	4,908,928	5,311,789
<b>NONCURRENT ASSETS</b>		
Pledges receivable, less current portion, net (Note 2)	243,409	133,510
Investments (Note 3)	10,292,020	8,742,898
Investments designated for charitable gift annuities (Note 4)	46,721	48,651
Cash surrender value of life insurance	-	29,412
Total noncurrent assets	10,582,150	8,954,471
Total assets	\$ 15,491,078	\$ 14,266,260
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 626,301	\$ 415,151
Current portion of charitable gift annuities payable (Note 4)	5,800	6,720
Total current liabilities	632,101	421,871
CHARITABLE GIFT ANNUITIES PAYABLE, less current portion (Note 4)	4,834	8,784
Total liabilities	636,935	430,655
<b>NET ASSETS</b>		
Without donor restrictions	3,251,160	3,794,401
Without donor restrictions - board designated (Note 8)	800,206	-
With donor restrictions (Note 6)	10,802,777	10,041,204
Total net assets	14,854,143	13,835,605
Total liabilities and net assets	\$ 15,491,078	\$ 14,266,260

The Notes to Financial Statements are an integral part of these statements.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2023**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants:			
Contributions and grants	\$ 318,905	\$ 4,203,969	\$ 4,522,874
Contributed services and gifts in kind (Note 9)	526,604	-	526,604
Change in value of split interest agreements	-	2,662	2,662
	<hr/>	<hr/>	<hr/>
Total contributions and grants	845,509	4,206,631	5,052,140
Investment income, net (Note 3)	644,378	615,945	1,260,323
Net assets released from restrictions (Note 6)	4,061,003	(4,061,003)	-
	<hr/>	<hr/>	<hr/>
Total support and revenue	5,550,890	761,573	6,312,463
<b>FUNCTIONAL EXPENSES</b>			
Program	3,801,874	-	3,801,874
Management and general	820,753	-	820,753
Fundraising	671,298	-	671,298
	<hr/>	<hr/>	<hr/>
Total functional expenses	5,293,925	-	5,293,925
Change in net assets	256,965	761,573	1,018,538
<b>NET ASSETS</b>			
Beginning	3,794,401	10,041,204	13,835,605
	<hr/>	<hr/>	<hr/>
Ending	\$ 4,051,366	\$ 10,802,777	\$ 14,854,143
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants:			
Contributions and grants	\$ 281,082	\$ 4,059,652	\$ 4,340,734
Contributed services and gifts in kind (Note 9)	491,911	-	491,911
Special events - net of direct costs totaling \$205,666	982,733	-	982,733
Change in value of split interest agreements	-	(9,683)	(9,683)
	<u>1,755,726</u>	<u>4,049,969</u>	<u>5,805,695</u>
Investment loss, net (Note 3)	(807,527)	(854,971)	(1,662,498)
Reclassification of amounts converted by donor to endowment fund (Note 8)	(198,757)	198,757	-
Net assets released from restrictions (Note 6)	<u>3,269,545</u>	<u>(3,269,545)</u>	<u>-</u>
Total support and revenue	<u>4,018,987</u>	<u>124,210</u>	<u>4,143,197</u>
<b>FUNCTIONAL EXPENSES</b>			
Program	2,919,964	-	2,919,964
Management and general	673,693	-	673,693
Fundraising	653,868	-	653,868
	<u>4,247,525</u>	<u>-</u>	<u>4,247,525</u>
Change in net assets	(228,538)	124,210	(104,328)
<b>NET ASSETS</b>			
Beginning	<u>4,022,939</u>	<u>9,916,994</u>	<u>13,939,933</u>
Ending	<u>\$ 3,794,401</u>	<u>\$ 10,041,204</u>	<u>\$ 13,835,605</u>

The Notes to Financial Statements are an integral part of this statement.



**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2023**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total</u>
	<u>Scholarships and Student Support</u>	<u>Rural Virginia Horseshoe Initiative</u>	<u>VCCS Support</u>	<u>Great Expectations</u>	<u>Workforce Initiative</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Scholarships and other assistance	\$ 1,800,579	\$ 387,818	\$ 100,746	\$ 264,438	\$ 569,530	\$ 3,123,111	\$ 24	\$ -	\$ 3,123,135
Salaries	12,899	-	-	-	-	12,899	393,773	312,185	718,857
Contributed services salaries	-	-	-	-	-	-	274,462	252,142	526,604
Professional fees	157,019	82	35,610	-	-	192,711	63,444	70,938	327,093
Professional counsel	-	-	223,772	22,500	-	246,272	-	-	246,272
Conferences, meetings, and events	16,334	500	110,579	-	6,976	134,389	41,851	422	176,662
Supplies, printing, postage, and travel	32,998	-	2,437	1,062	11	36,508	2,705	862	40,075
Marketing and promotion	14,065	1,850	10,175	27,780	-	53,870	5,825	19,872	79,567
Cultivation and stewardship	-	-	813	-	-	813	-	14,877	15,690
Pledge adjustments	-	-	-	-	-	-	23,500	-	23,500
Other administration	529	244	310	207	11	1,301	15,169	-	16,470
<b>Total expenses</b>	<b>\$ 2,034,423</b>	<b>\$ 390,494</b>	<b>\$ 484,442</b>	<b>\$ 315,987</b>	<b>\$ 576,528</b>	<b>\$ 3,801,874</b>	<b>\$ 820,753</b>	<b>\$ 671,298</b>	<b>\$ 5,293,925</b>

The Notes to Financial Statements are an integral part of this statement.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2022**

	Program Services					Supporting Services			Total
	Scholarships and Student Support	Rural Virginia Horseshoe Initiative	VCCS Support	Great Expectations	Workforce Initiative	Total Program Services	Management and General	Fundraising	
Scholarships and other assistance	\$ 791,612	\$ 722,336	\$ 14,730	\$ 255,675	\$ 634,094	\$ 2,418,447	\$ 7,635	\$ -	\$ 2,426,082
Salaries	102,344	-	-	10,747	22,858	135,949	312,615	360,691	809,255
Contributed services salaries	-	-	-	-	-	-	251,933	239,978	491,911
Professional fees	14,320	122	28,135	12,905	-	55,482	64,613	15,913	136,008
Professional counsel	-	-	152,500	-	-	152,500	-	-	152,500
Conferences, meetings, and events	5,902	-	52,882	303	2,981	62,068	19,978	5,886	87,932
Supplies, printing, postage, and travel	9,700	-	6,708	25	1,241	17,674	3,688	178	21,540
Marketing and promotion	180	-	5,376	31,656	15	37,227	55	19,663	56,945
Cultivation and stewardship	-	-	495	-	-	495	-	11,559	12,054
Pledge adjustments	38,467	-	-	-	-	38,467	-	-	38,467
Other administration	255	72	351	969	8	1,655	13,176	-	14,831
Special events venue rental/setup, catering and other event costs	-	-	-	-	-	-	-	205,666	205,666
<b>Total expenses</b>	<b>\$ 962,780</b>	<b>\$ 722,530</b>	<b>\$ 261,177</b>	<b>\$ 312,280</b>	<b>\$ 661,197</b>	<b>\$ 2,919,964</b>	<b>\$ 673,693</b>	<b>\$ 859,534</b>	<b>\$ 4,453,191</b>
Less expenses netted in revenue:									
Special events venue rental/setup, catering and other event costs	-	-	-	-	-	-	-	(205,666)	(205,666)
<b>Total functional expenses</b>	<b>\$ 962,780</b>	<b>\$ 722,530</b>	<b>\$ 261,177</b>	<b>\$ 312,280</b>	<b>\$ 661,197</b>	<b>\$ 2,919,964</b>	<b>\$ 673,693</b>	<b>\$ 653,868</b>	<b>\$ 4,247,525</b>

The Notes to Financial Statements are an integral part of this statement.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,018,538	\$ (104,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on sale of investments	(125,413)	(379,392)
Unrealized (gains) losses on investments	(844,013)	2,155,823
Unrealized loss on investments designated for charitable gift annuities	29,412	3,235
Change in value of split-interest agreements	(2,662)	9,683
Pledge adjustments	23,500	38,467
Investments received as gifts – not permanently restricted	(153,236)	(566,375)
Proceeds from sales of investments received as gifts	153,236	566,375
Contributions restricted for endowment	(36,250)	(68,200)
Change in assets and liabilities:		
Pledges receivable	910,652	(460,937)
Other receivables	(83,579)	(7,769)
Accounts payable and accrued expenses	211,150	74,577
	<u>1,101,335</u>	<u>1,261,159</u>
Net cash provided by operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,653,965)	(1,603,197)
Proceeds from sale of investments	2,080,711	1,753,771
Annuity payments	(6,720)	(6,720)
	<u>(579,974)</u>	<u>143,854</u>
Net cash provided by (used in) investing activities		
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	36,250	68,200
	<u>36,250</u>	<u>68,200</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	557,611	1,473,213
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	3,760,321	2,287,108
Ending	<u>\$ 4,317,932</u>	<u>\$ 3,760,321</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES</b>		
Gifts of noncash investments in satisfaction of prior year pledge receivable balances	<u>\$ 24,433</u>	<u>\$ 50,759</u>

The Notes to Financial Statements are an integral part of these statements.

# THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### Note 1. Nature of Activities and Summary of Significant Accounting Policies

#### Nature of activities

The Virginia Foundation for Community College Education, Inc. (the “Foundation”) is a not-for-profit foundation that supports Virginia’s 23 community colleges by generating support and resources for students who aspire to advance their educational training and prepare for employment. The Foundation has a signature scholarship program, the Commonwealth Legacy Scholarship Program, whose focus is to create and endow scholarships in the honor of leaders across Virginia thus further expanding educational access. In addition, the Foundation supports signature programs including the Great Expectations Initiative which helps Virginia youth who have experienced foster care pursue and complete higher education, the Rural Virginia Horseshoe Initiative which is focused on improving rural Virginia’s education pipeline, and providing funds to launch or upgrade community college programs that lead to high-need jobs, workforce certifications, and degrees.

#### Financial statement presentation

Under current accounting standards, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction. The net assets are summarized as follows:

*Net assets without donor restrictions* include amounts that are currently available at the discretion of the Foundation’s Board of Directors for use in the Foundation’s operations.

*Net assets with donor restrictions* include amounts that are stipulated by donors for specific purposes and those restricted to investments in perpetuity. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income from amounts restricted to investments in perpetuity is expendable in accordance with the conditions of each related donation.

#### Use of estimates

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

#### Contributions

Unconditional contributions are recognized as revenues when donors’ commitments are received. Unconditional contributions are recognized at fair value and are classified in the appropriate net asset class based on donor stipulations. Conditional promises to give, that is, those with measurable performance or other barriers, and a right of return, are not recognized until conditions on which they depend are substantially met.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Contributions (Continued)

Contributions of assets other than cash are recorded at their estimated fair value at the time of donation.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Cash and cash equivalents

Cash equivalents have been defined as short-term, liquid investments, which are readily convertible to cash. The Foundation considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Investments

Investments in securities are carried at fair value. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

Gains or losses on the sale of investments are determined using the Foundation's cost basis.

Cash surrender value of life insurance

The Foundation records the cash surrender value of life insurance policies when it is the owner and the beneficiary on a policy contributed by a donor. The cash surrender value approximates the amount to be realized if a policy was to be cancelled or otherwise terminated.

Concentration of credit risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Foundation's cash and investments are invested with several financial institutions whose credit ratings are monitored by management. Cash funds are only insured up to the federally insured limits. Investments in marketable securities are divided among many industries. These policies mitigate the Foundation's exposure to concentration of credit risk. At times, the Foundation's cash balances and cash investments may exceed insured limits. For the years ended June 30, 2023 and 2022, approximately 34% of total contributions and grants came from two funding sources and one funding source, respectively. For the years ended June 30, 2023 and 2022, approximately 71% of gross pledges receivable represent amounts due from two donors.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

Functional expenses

The Foundation allocates expenses on a functional basis among their various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Income taxes

The Foundation is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the *Internal Revenue Code* and the tax statutes of the Commonwealth of Virginia. The Foundation has determined that there are no material unrecognized tax benefits or obligations as of June 30, 2023 and 2022. The tax years of 2020 to 2022 remain subject to examination by the taxing authorities.

**Note 2. Pledges Receivable**

The Foundation's policy is to record only written pledges or other contributions receivable. Pledges receivable is reported at fair value, using the income approach with discounted cash flows. For the years ended June 30, 2023 and 2022, the discount rate was 8.25% and 4.38%, respectively. Pledges receivable is stated net of an allowance for doubtful accounts that is estimated based on historical collections.

Pledges receivable consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Gross amounts expected to be collected in:		
Less than one year	\$ 526,639	\$ 1,600,640
One to five years	280,214	150,074
	<u>806,853</u>	<u>1,750,714</u>
Allowance	(64,093)	(87,536)
Discount	(22,794)	(9,060)
	<u>719,966</u>	<u>1,654,118</u>
Pledges receivable, net	\$ 719,966	\$ 1,654,118

As of June 30, 2023, the Foundation had four conditional pledges that have not been recognized as revenue in the total amount of \$2,245,300.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 3. Investments**

Investments are presented in the financial statements at fair value. A comparison of the investment cost and fair values at June 30 is presented below:

	<b>2023</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Equity securities	\$ 6,524,329	\$ 8,033,491	\$ 1,509,162
Corporate debt securities	185,991	165,325	(20,666)
Mutual funds	1,599,721	1,460,799	(138,922)
Government obligations	301,260	282,579	(18,681)
Real estate investment trusts	132,352	121,008	(11,344)
Real asset funds	225,000	228,818	3,818
Total investments	\$ 8,968,653	\$ 10,292,020	\$ 1,323,367
	<b>2022</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Equity securities	\$ 6,103,371	\$ 6,801,666	\$ 698,295
Corporate debt securities	178,433	159,801	(18,632)
Mutual funds	1,617,828	1,425,600	(192,228)
Government obligations	305,298	281,840	(23,458)
Real estate investment trusts	58,615	73,991	15,376
Total investments	\$ 8,263,545	\$ 8,742,898	\$ 479,353

Investment income is comprised of the following at June 30:

	<b>2023</b>	<b>2022</b>
Interest, dividends, other	\$ 358,594	\$ 185,384
Unrealized gains (losses)	844,013	(2,155,823)
Realized gains	125,413	379,393
Investment fees	(67,697)	(71,452)
Net investment income (loss)	\$ 1,260,323	\$ (1,662,498)

**Note 4. Investments Designated for Charitable Gift Annuities**

During the year ended June 30, 2008, the Foundation entered into charitable gift annuity agreements with two individual donors in which the donors contributed \$100,000 and \$10,000. The Foundation accounts for these agreements by recording their share of the related assets at fair value (based on fair value of underlying investment securities). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Note 4. Investments Designated for Charitable Gift Annuities (Continued)**

In accordance with these agreements, the Foundation pays annuities equal to 5.8% and 9.2%, respectively, of the fair market value of the amounts transferred on the date of the Agreements to the annuitants for their joint lives, and to the survivor. The annuities are payable in equal quarterly installments of \$1,450 and \$230, respectively, on or before the first day of each January, April, July, and October. The annuity payment liabilities are adjusted each year to their net present value using a discount rate of 6% and life expectancy tables included in the *Internal Revenue Code*.

**Note 5. Fair Value Measurements**

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 below:

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

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for similar or identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023:

Equity securities, mutual funds, U.S. Treasury securities, corporate debt securities, real estate investment trusts, other securities, and investments designated for charitable gift annuities

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.



THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Note 5. Fair Value Measurements (Continued)**

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Pledges receivable

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgement or estimation.

The asset's 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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30:

	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ 8,033,491	\$ -	\$ -	\$ 8,033,491
Mutual funds	1,460,799	-	-	1,460,799
Government obligations	-	282,579	-	282,579
Corporate debt securities	-	165,325	-	165,325
Real estate investment trusts	121,008	-	-	121,008
Real asset funds	228,818	-	-	228,818
Pledges receivable	-	-	719,966	719,966
Investments designated for charitable gift annuities	46,721	-	-	46,721
Total assets at fair value	<u>\$ 9,890,837</u>	<u>\$ 447,904</u>	<u>\$ 719,966</u>	<u>\$ 11,058,707</u>

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	\$ 6,801,666	\$ -	\$ -	\$ 6,801,666
Mutual funds	1,425,600	-	-	1,425,600
Government obligations	-	281,840	-	281,840
Corporate debt securities	-	159,801	-	159,801
Real estate investment trusts	73,991	-	-	73,991
Pledges receivable	-	-	1,654,118	1,654,118
Investments designated for charitable gift annuities	48,651	-	-	48,651
Total assets at fair value	<u>\$ 8,349,908</u>	<u>\$ 441,641</u>	<u>\$ 1,654,118</u>	<u>\$ 10,445,667</u>

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 5. Fair Value Measurements (Continued)**

The tables below set forth a summary of changes in the fair value of the Foundation's level 3 financial assets for the year ended June 30:

	<b>Pledges Receivable</b>
	<u>                    </u>
Balance, June 30, 2021	\$ 1,231,648
New pledges received	2,511,300
Collections, pledges receivable	(2,620,317)
Pledge adjustments	(2,607)
Change in allowance	527,233
Change in fair value	<u>6,861</u>
Balance, June 30, 2022	1,654,118
New pledges received	968,920
Collections, pledges receivable	(1,910,680)
Pledge adjustments	(2,101)
Change in allowance	23,443
Change in fair value	<u>(13,734)</u>
Balance, June 30, 2023	<u>\$ 719,966</u>

**Note 6. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Scholarships and student support	\$ 6,579,904	\$ 6,667,306
Great Expectations	2,492,078	1,521,173
Rural Virginia Horseshoe Initiative	765,587	679,411
Workforce Development Initiative	443,552	709,777
System and college support	460,346	337,881
Implied time restriction on pledges receivable without donor restrictions	<u>61,310</u>	<u>125,656</u>
Net assets with donor restrictions	<u>\$ 10,802,777</u>	<u>\$ 10,041,204</u>

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 6. Net Assets with Donor Restrictions (Continued)**

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Scholarships and student support	\$ 2,106,874	\$ 1,036,769
Great Expectations	367,654	343,371
Rural Virginia Horseshoe Initiative	427,175	797,267
Workforce Development Initiative	595,637	672,474
System and college support	499,317	202,569
Decrease in pledges without donor restrictions	<u>64,346</u>	<u>217,095</u>
Net assets released from restrictions	<u>\$ 4,061,003</u>	<u>\$ 3,269,545</u>

**Note 7. Availability and Liquidity of Financial Assets**

The following represents the Foundation's financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,317,932	\$ 3,760,321
Pledges receivable, current portion	476,557	1,520,608
Other receivables	114,439	30,860
Investments	<u>10,292,020</u>	<u>8,742,898</u>
Total financial assets	15,200,948	14,054,687
Less amounts not available to be used within one year:		
Board-designated with liquidity horizons greater than one year	(700,206)	-
Net assets with donor restrictions	<u>(10,802,777)</u>	<u>(10,041,204)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,697,965</u>	<u>\$ 4,013,483</u>

The Foundation's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, the Foundation transfers excess cash into pooled investments managed in accordance with its investment policy. In addition, the Foundation uses a Board-approved spending formula from the endowment to assist in funding general expenditures during the fiscal year.

THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**Note 8. Endowments**

The Foundation's endowments consist of approximately 20 funds established mainly for scholarships and education. Its endowments include donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. On June 27, 2022, the Foundation created a board-designated quasi endowment fund for the DuBois Student Success Fund. The initial transfer of \$614,000 to the board-designated endowment fund occurred September 1, 2023.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds (UPMIFA) law as adopted by the state legislature. Virginia's version of UPMIFA was enacted during 2008. Management and the Board have interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (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.

A summary of the activity in endowment funds for the years ended June 30 is as follows:

Endowment net assets, June 30, 2021	\$ 5,075,505
Investment loss, net	(740,391)
Contributions	68,200
Other changes	(4,747)
Reclassification of amounts converted by donor to endowment fund	198,757
Appropriation for expenditure	<u>(148,588)</u>
Endowment net assets, June 30, 2022	4,448,736
Investment income, net	465,798
Contributions	36,250
Other changes	(3,356)
Appropriation for expenditure	<u>(156,073)</u>
Endowment net assets, June 30, 2023	<u>\$ 4,791,355</u>

In accordance with state UPMIFA law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation 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 Foundation, and (7) the investment policies of the Foundation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2023 and 2022.

**THE VIRGINIA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**Note 8. Endowments (Continued)**

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 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(s). Under this policy, as approved by the Finance and Investment Committee, the endowment assets are invested in a manner that is intended to ensure preservation of capital. The primary objectives of the Foundation's investments are return on investment, safety, and liquidity. Investments are sufficiently liquid to enable the Foundation to meet all reasonable anticipated operating requirements, and return objectives are set based on a standard market rate of return, taking into account the cash flow characteristics of the investments.

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 places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's current spending policy regarding endowment income is established by the Foundation's Finance and Investment Committee on an annual basis, but will not exceed four percent of the rolling three-year average portfolio value.

**Note 9. Contributed Services**

The Foundation received contributed services valued at \$526,604 and \$491,911 during 2023 and 2022, respectively, including accounting, management, and fundraising, provided by employees of the Virginia Community College System (VCCS), a public institution governed by the Virginia State Board for Community Colleges. The Foundation and the VCCS work together in securing resources and generating support on behalf of Virginia's 23 community colleges. The Foundation also uses facilities owned by the VCCS on a no-cost basis.

**Note 10. Commitments**

The Foundation is obligated under a contract for state policy and lobbying consulting through April 2024. The contract calls for monthly payments of \$15,000.

**Note 11. Subsequent Events**

Management has evaluated subsequent events through December 6, 2023, the date the financial statements were available for issue.