



THE VIRGINIA FOUNDATION

for COMMUNITY COLLEGE EDUCATION

The Virginia Foundation for Community College Education, Inc.

Financial Report

June 30, 2024

Officers and Board of Directors Listing Year Ended June 30, 2024

Officers and Board of Directors

Justin Ballard
Xavier Beale
Sally Caldwell
Darren Conner
Ed Dalrymple
Ben Davenport, Jr., Chair
David Doré
Christopher French
Jennifer Sager Gentry
Philip H. Goodpasture, General Counsel
Cedric Green, Secretary
William Hazel, Jr.
Amy Henecke
Ronald Holmes
Anna James, Treasurer
Maurice Jones
Gaye Montgomery
Mary Morris
Michael O’Kane
John J. Rainone
Jennie Reynolds
Caroline Petters Sauer
Leah Fried Sedwick
Julia Gilliam Sterling
Fred Thompson

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

The Virginia Foundation for Community College Education, Inc.

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Independent Auditor's Report

To the 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, 2024 and 2023, 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, 2024 and 2023, 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.

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 Information

Management is responsible for the other information included in The Virginia Foundation for Community College Education, Inc.'s financial statements. The other information comprises of the Officers and Board of Directors Listing but it does not include the financial statement and our auditor's report thereon. Our

opinion on the financial statements does not cover the other information, and we did not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

CERTIFIED PUBLIC ACCOUNTANTS

Colonial Heights, Virginia
November 7, 2024



Financial Statements

The Virginia Foundation for Community College Education, Inc.

Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,890,238	\$ 4,317,932
Cash, restricted (Note 1)	1,371,444	-
Current portion of pledges receivable, net (Note 2)	457,557	476,557
Other receivables	45,631	114,439
Total current assets	4,764,870	4,908,928
NONCURRENT ASSETS		
Pledges receivable, less current portion, net (Note 2)	368,602	243,409
Investments (Note 3)	11,958,276	10,292,020
Investments designated for charitable gift annuities (Note 4)	44,143	46,721
Total noncurrent assets	12,371,021	10,582,150
Total assets	\$ 17,135,891	\$ 15,491,078
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 626,751	\$ 626,301
Refundable advance, federal earmarks	1,298,728	-
Interest earned on refundable advance, federal earmarks	72,716	-
Current portion of charitable gift annuities payable (Note 4)	5,472	5,800
Total current liabilities	2,003,667	632,101
CHARITABLE GIFT ANNUITIES PAYABLE, less current portion (Note 4)	-	4,834
Total liabilities	2,003,667	636,935
NET ASSETS		
Without donor restrictions	3,266,070	3,251,160
Without donor restrictions - board-designated (Note 8)	809,478	800,206
With donor restrictions (Note 6):		
Restricted by purpose or time	7,547,520	7,341,903
Restricted in perpetuity (Note 8)	3,509,156	3,460,874
Total net assets	15,132,224	14,854,143
Total liabilities and net assets	\$ 17,135,891	\$ 15,491,078

The Virginia Foundation for Community College Education, Inc.

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants:			
Contributions and private grants	\$ 153,502	\$ 3,694,682	\$ 3,848,184
Federal grants	364,772	-	364,772
Contributed services and gifts in kind (Note 9)	571,250	-	571,250
Change in value of split interest agreements	-	4,700	4,700
	1,089,524	3,699,382	4,788,906
Investment income, net (Note 3)	844,281	894,062	1,738,343
Net assets released from restrictions (Note 6)	4,339,545	(4,339,545)	-
	6,273,350	253,899	6,527,249
FUNCTIONAL EXPENSES			
Program	4,617,448	-	4,617,448
Management and general	824,406	-	824,406
Fundraising	807,314	-	807,314
	6,249,168	-	6,249,168
Change in net assets	24,182	253,899	278,081
NET ASSETS			
Beginning	4,051,366	10,802,777	14,854,143
Ending	\$ 4,075,548	\$ 11,056,676	\$ 15,132,224

The Virginia Foundation for Community College Education, Inc.

Statement of Activities

Year Ended June 30, 2023

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

The Virginia Foundation for Community College Education, Inc.

Statement of Functional Expenses

Year Ended June 30, 2024

	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	\$ 1,782,340	\$ 670,952	\$ 391,331	\$ 693,325	\$ 279,348	\$ 3,817,296	\$ 1,250	\$ -	\$ 3,818,546
Salaries	54,500	-	-	54,586	-	109,086	404,559	421,109	934,754
Contributed services salaries (Note 9)	-	-	-	-	-	-	295,626	275,624	571,250
Professional fees	175,160	-	4,460	1,120	-	180,740	24,640	56,000	261,380
Professional counsel	-	-	270,000	-	-	270,000	-	-	270,000
Conferences, meetings, and events	23,859	-	98,895	3,363	1,987	128,104	74,141	7,231	209,476
Supplies, printing, postage, and travel	37,074	-	6,328	2,886	368	46,656	2,933	75	49,664
Marketing and promotion	20,111	-	14,242	16,625	-	50,978	3,450	27,824	82,252
Cultivation and stewardship	-	-	222	200	-	422	-	19,451	19,873
Pledge adjustments	6,986	-	5,150	-	-	12,136	-	-	12,136
Other administration	434	73	646	874	3	2,030	17,807	-	19,837
Total expenses	\$ 2,100,464	\$ 671,025	\$ 791,274	\$ 772,979	\$ 281,706	\$ 4,617,448	\$ 824,406	\$ 807,314	\$ 6,249,168

The Virginia Foundation for Community College Education, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

	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	\$ 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 (Note 9)	-	-	-	-	-	-	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
Total expenses	\$ 2,034,423	\$ 390,494	\$ 484,442	\$ 315,987	\$ 576,528	\$ 3,801,874	\$ 820,753	\$ 671,298	\$ 5,293,925

The Virginia Foundation for Community College Education, Inc.

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	\$ 278,081	\$ 1,018,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on sale of investments	(611,675)	(125,413)
Unrealized gains on investments	(771,977)	(844,013)
Unrealized loss on investments designated for charitable gift annuities	-	29,412
Change in value of split-interest agreements	(4,700)	(2,662)
Pledge adjustments	12,136	23,500
Investments received as gifts – not permanently restricted	(658,773)	(153,236)
Proceeds from sales of investments received as gifts	658,773	153,236
Contributions restricted for endowment	(50,859)	(36,250)
Change in assets and liabilities:		
Pledges receivable	(118,329)	910,652
Other receivables	68,808	(83,579)
Accounts payable and accrued expenses	450	211,150
Refundable advance, federal earmarks	1,298,728	-
Interest earned on refundable advance, federal earmarks	72,716	-
Net cash provided by operating activities	173,379	1,101,335
INVESTING ACTIVITIES		
Purchase of investments	(6,908,904)	(2,653,965)
Proceeds from sale of investments	6,634,446	2,080,711
Annuity payments	(6,030)	(6,720)
Net cash used in investing activities	(280,488)	(579,974)
FINANCING ACTIVITIES		
Contributions restricted for endowment	50,859	36,250
Net cash provided by financing activities	50,859	36,250
Net change in cash and cash equivalents, and restricted cash	(56,250)	557,611
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning	4,317,932	3,760,321
Ending	\$ 4,261,682	\$ 4,317,932
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 2,890,238	\$ 4,317,932
Cash, restricted	1,371,444	-
Net cash used in investing activities	\$ 4,261,682	\$ 4,317,932
SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES		
Gifts of noncash investments in satisfaction of prior year pledge receivable balances	\$ -	\$ 24,433

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

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 non-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 and Governmental Grants

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.

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

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

Governmental grant revenue is recognized as a contribution in the period the Foundation meets the conditions for revenue recognition, namely when it incurs reimbursable program expenditures. Amounts received prior to incurring qualified reimbursable program expenditures and interest earned on unspent funds are reported as a refundable advance liability in the statements of financial position. As of June 30, 2024, net unexpended funds and interest earned on those funds totaled \$1,371,444 and are recorded as a refundable advance liability.

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.

Restricted Cash

The Foundation's restricted cash balances consist of unexpended federal refundable advance amounts as well as interest earned on such amounts.

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.

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. Included in cash and cash equivalents are amounts invested in the Local Government Investment Pool that are valued at amortized cost with a rating of AAA. At times, the Foundation's cash balances and cash investments may exceed insured limits. For the years ended June 30, 2024 and 2023, approximately 38% and 34%, respectively, of total contributions and private grants came from two funding sources. For the years ended June 30, 2024 and 2023, approximately 89% and 71%, respectively, of gross pledges receivable represent amounts due from two donors.

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.

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

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, 2024 and 2023. The tax years of 2021 to 2023 remain subject to examination by the taxing authorities.

New Accounting Pronouncement

Effective July 1, 2023, the Foundation adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. Financial instruments held by the Foundation that are subject to ASU 2016-13 include investments in fixed income securities. The adoption of the ASU did not have a material impact on the Foundation's financial statements.

Note 2 – Pledges Receivable

The Foundation's policy is to record only written pledges. Pledges receivable is reported at fair value, using the income approach with discounted cash flows. For the years ended June 30, 2024 and 2023, the discount rate was 8.50% and 8.25%, 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>2024</u>	<u>2023</u>
Gross amounts expected to be collected in:		
Less than one year	\$ 481,639	\$ 526,639
One to five years	439,924	280,214
	<u>921,563</u>	<u>806,853</u>
Allowance	(46,079)	(64,093)
Discount	(49,325)	(22,794)
Pledges receivable, net	<u>\$ 826,159</u>	<u>\$ 719,966</u>

As of June 30, 2024, the Foundation had five conditional pledges that have not been recognized as revenue in the total amount of \$3,448,800.

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:

	<u>2024</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equity securities	\$ 7,021,345	\$ 9,271,959	\$ 2,250,614
Corporate debt securities	200,192	180,703	(19,489)
Mutual funds	2,018,006	1,868,208	(149,798)

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

U.S government obligations	306,837	276,490	(30,347)
Real estate investment trusts	16,552	15,115	(1,437)
Real asset funds	300,000	345,801	45,801
Total investments	<u>\$ 9,862,932</u>	<u>\$ 11,958,276</u>	<u>\$ 2,095,344</u>

	2023		
	Cost	Fair Value	Unrealized Gain (Loss)
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)
U.S 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	<u>\$ 8,968,653</u>	<u>\$ 10,292,020</u>	<u>\$ 1,323,367</u>

Net investment income is comprised of the following at June 30:

	2024	2023
Interest, dividends, other	\$ 422,701	\$ 358,594
Unrealized gains	771,977	844,013
Realized gains	611,675	125,413
Investment fees	(68,010)	(67,697)
Net investment income	<u>\$ 1,738,343</u>	<u>\$ 1,260,323</u>

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.

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:

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

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, 2024.

Equity Securities, Mutual Funds, U.S. Government Obligations, 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.

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 – Pledges receivable are reported at net realizable value if at the time the promise is made and payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and, in subsequent periods, fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

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

	2024			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 9,271,959	\$ -	\$ -	\$ 9,271,959
Mutual funds	1,868,208	-	-	1,868,208

The Virginia Foundation for Community College Education, Inc.

Notes to Financial Statements

June 30, 2024

	2024			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	-	276,490	-	276,490
Corporate debt securities	-	180,703	-	180,703
Real estate investment trusts	15,115	-	-	15,115
Real asset funds	345,801	-	-	345,801
Pledges receivable	-	-	826,159	826,159
Investments designated for charitable gift annuities – Mutual funds	44,143	-	-	44,143
Total assets at fair value	<u>\$ 11,545,226</u>	<u>\$ 457,193</u>	<u>\$ 826,159</u>	<u>\$ 12,828,578</u>

	2023			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 8,033,491	\$ -	\$ -	\$ 8,033,491
Mutual funds	1,460,799	-	-	1,460,799
U.S. 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 – Mutual funds	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>

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:

	Pledges Receivable
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	(13,734)
Balance, June 30, 2023	719,966
New pledges received	805,000
Collections, pledges receivable	(635,140)
Pledge adjustments	(55,150)
Change in allowance	18,014
Change in fair value	(26,531)
Balance, June 30, 2024	<u>\$ 826,159</u>

The Virginia Foundation for Community College Education, Inc.

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Note 6 – Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Scholarships and student support	\$ 7,053,532	\$ 6,579,904
Great Expectations	2,916,055	2,492,078
Rural Virginia Horseshoe Initiative	285,235	765,587
Workforce Development Initiative	322,109	443,552
System and college support	437,499	460,346
Implied time restriction on pledges receivable without donor restrictions	42,246	61,310
Net assets with donor restrictions	<u>\$ 11,056,676</u>	<u>\$ 10,802,777</u>

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>2024</u>	<u>2023</u>
Scholarships and student support	\$ 1,921,851	\$ 2,106,874
Great Expectations	717,249	367,654
Rural Virginia Horseshoe Initiative	680,784	427,175
Workforce Development Initiative	293,062	595,637
System and college support	707,535	499,317
Decrease in pledges without donor restrictions	19,064	64,346
Net assets released from restrictions	<u>\$ 4,339,545</u>	<u>\$ 4,061,003</u>

Note 7 – Availability and Liquidity of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,261,682	\$ 4,317,932
Pledges receivable, current portion	457,557	476,557
Other receivables	45,631	114,439
Investments	<u>11,958,276</u>	<u>10,292,020</u>
Total financial assets	16,723,146	15,200,948
Less amounts not available to be used within one year:		
Board-designated with liquidity horizons greater than one year	(709,478)	(700,206)
Refundable advances and interest earned on refundable advances	(1,371,444)	-
Net assets with donor restrictions	<u>(11,056,676)</u>	<u>(10,802,777)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,585,548</u>	<u>\$ 3,697,965</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

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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.

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, 2022.

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, 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	4,791,355
Investment income, net	691,211
Contributions	50,859
Other changes	(40,172)
Appropriation for expenditure	<u>(146,034)</u>
Endowment net assets, June 30, 2024	<u><u>\$ 5,347,219</u></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, 2024 and 2023.

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

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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 \$571,250 and \$526,604 during 2024 and 2023, 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. The Foundation is not able to obtain from VCCS an estimate of the market price of space utilized and as such, the Foundation has not recorded rent expense or related in-kind revenue for the use of this office space.

Note 10 – Commitments

The Foundation is obligated under a contract for state policy and advocacy consulting through April 2024 and thereafter, on a month-to-month basis. The contract calls for monthly payments of \$15,000.

Note 11 – Subsequent Events

Management has evaluated subsequent events through November 7, 2024, the date the financial statements were available for issue.

In September 2024, the Foundation was notified by the U.S. Department of Education that the unused principal of the Great Expectations federal earmark be returned. On September 25, 2024, the funds in the amount of \$753,800 were refunded by wire transfer. Even though the funds were returned, they are still available for drawdown through September 30, 2026. Going forward, funds will be drawn down as expenses are incurred, either monthly or quarterly, dependent on activity.