

THE VIRGINIA COLLEGE FUND

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2015 AND 2014

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Virginia College Fund
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Virginia College Fund (the "Fund") (a nonprofit organization), which comprise the statements of financial position as of May 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Virginia College Fund as of May 31, 2015 and 2014, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of supporting services are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
August 6, 2015

THE VIRGINIA COLLEGE FUND

STATEMENTS OF FINANCIAL POSITION

MAY 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 730,869	\$ 623,361
Other	525	525
TOTAL CURRENT ASSETS	<u>731,394</u>	<u>623,886</u>
PROPERTY AND EQUIPMENT		
Office equipment and furniture	5,733	6,741
Less accumulated depreciation	4,686	4,961
NET PROPERTY AND EQUIPMENT	<u>1,047</u>	<u>1,780</u>
	<u>\$ 732,441</u>	<u>\$ 625,666</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Undistributed contributions and interest income, net	\$ 737,382	\$ 644,259
Accounts payable and other	8,552	10,028
TOTAL CURRENT LIABILITIES	<u>745,934</u>	<u>654,287</u>
NET ASSETS (DEFICIT), unrestricted	<u>(13,493)</u>	<u>(28,621)</u>
	<u>\$ 732,441</u>	<u>\$ 625,666</u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE		
Support:		
Public contributions	\$ 741,808	\$ 652,125
Membership assessments	283,746	280,682
TOTAL SUPPORT	<u>1,025,554</u>	<u>932,807</u>
Revenue:		
Interest income and other	574	1,975
TOTAL SUPPORT AND REVENUE	<u>1,026,128</u>	<u>934,782</u>
EXPENSES		
Program services:		
Distributions to member colleges	707,382	653,955
Supporting services:		
Personnel	254,292	254,114
General overhead	25,093	24,379
Fundraising	24,233	30,351
TOTAL EXPENSES	<u>1,011,000</u>	<u>962,799</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS (DEFICIT)	15,128	(28,017)
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(28,621)</u>	<u>(604)</u>
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (13,493)</u>	<u>\$ (28,621)</u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ 15,128	\$ (28,017)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation	733	1,674
Increase (decrease) in:		
Undistributed contributions and interest income, net	93,123	9,383
Accounts payable and other	<u>(1,476)</u>	<u>8,139</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>107,508</u>	<u>(8,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment and furniture	<u>-</u>	<u>(1,518)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(1,518)</u>
NET INCREASE (DECREASE) IN CASH	107,508	(10,339)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>623,361</u>	<u>633,700</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 730,869</u></u>	<u><u>\$ 623,361</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

NOTES TO FINANCIAL STATEMENTS - Continued

MAY 31, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Virginia College Fund (the "Fund") is a Virginia not-for-profit association of four smaller, private colleges in Virginia. Its objective is to solicit contributions from foundations, businesses, and individuals in support of its member colleges.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation: The Fund is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund has no temporarily or permanently restricted net assets.

Estimates: Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from the estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Fund considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed using primarily accelerated methods over the estimated useful lives of the related assets. Depreciation expense of \$733 and \$1,674 for the years ended May 31, 2015 and 2014, respectively, is included in general overhead expenses.

Public Contributions: Public contributions received are required to be recorded as unrestricted, temporarily restricted, or permanently restricted. Since the Fund merely acts as a conduit for the collection of public contributions that pass through annually to its member colleges, all public contributions are considered unrestricted by the Fund. Any donor restrictions on use of the contributions are recognized by the member colleges in their financial statements.

Advertising Costs: Advertising and promotion costs are expensed as incurred and totaled \$2,287 and \$500 for the years ended May 31, 2015 and 2014, respectively. This expense is included in fundraising expenses.

Income Tax Status: The Fund qualifies as a non-profit organization under Internal Revenue Code Section 501(c)(3) and is exempt from income taxes. Its Forms 990, Return of Organization Exempt from Income Tax, for the current year and the three previous years are subject to examination by the Internal Revenue Service.

THE VIRGINIA COLLEGE FUND

NOTES TO FINANCIAL STATEMENTS - Continued

MAY 31, 2015 AND 2014

NOTE B - DISTRIBUTIONS TO MEMBER COLLEGES

Under Article XIII of the Bylaws of the Fund, the distribution of public contributions received and interest income to the member colleges is based on the following formula:

75% in equal shares to the member colleges and the remaining
25% to the member colleges on the basis of relative enrollment

For the years ended May 31, 2015 and 2014, the Executive Committee of the Board of Directors agreed to withhold \$7,500 from each member college's June 2015 and 2014 distributions in order to reduce cash flow problems for the Fund during the summer months. The amounts withheld constitute advances on the membership assessments for the following year.

Net distributions due to the member colleges for the years ended May 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Averett University	\$ 184,326	\$ 163,090
Bluefield College	166,108	140,275
Eastern Mennonite University	166,348	142,342
Ferrum College	190,600	168,552
Virginia Intermont College	-	9,696
	<u>\$ 707,382</u>	<u>\$ 623,955</u>

Effective June 24, 2014, Virginia Intermont College, one of the Fund's member institutions, ceased operations and closed. Membership assessments for the year ended May 31, 2015 were charged to the remaining four institutions based on the Fund's approved operating expense budget, and all distributions for the year ended May 31, 2015 were allocated to these institutions.

NOTE C - CONCENTRATION OF RISK

The Fund maintains its cash balances at three financial institutions. From time to time, these balances are in excess of Federal Deposit Insurance Corporation limits. The Fund anticipates no losses related to the uninsured total.

NOTE D - PENSION PLAN

The Fund maintains a defined contribution pension plan under Internal Revenue Code Section 403(b) covering both of its employees. For the years ended May 31, 2015 and 2014, a total of six percent of salaries was contributed to the plan. The total expense of \$11,551 and \$11,324 for the years ended May 31, 2015 and 2014, respectively, is included in personnel expenses.

THE VIRGINIA COLLEGE FUND

NOTES TO FINANCIAL STATEMENTS - Continued

MAY 31, 2015 AND 2014

NOTE E - OPERATING LEASE

The Fund formerly leased its current office space under the terms of a three-year lease which expired on July 31, 2014 and required a monthly rent of \$743. The lessor initiated a building renovation effective March 1, 2013, and the Fund was forced to move into temporary quarters with a monthly rental of \$940 until November 2013. The lessor reimbursed the Fund for the rent difference during the time it leased the temporary offices.

The Fund has now signed a new three-year lease commencing on August 1, 2014. The new lease requires an initial monthly base rent of \$978, with a three percent escalation each year of the lease term. As an incentive to negotiate the new lease, the lessor paid the Fund \$3,128, which will be offset against the base rent over the three-year initial term. The lease contains one three-year renewal option.

Net rent expense was \$9,134 and \$8,497 for the years ended May 31, 2015 and 2014, respectively.

Estimated future minimum base rentals under the current lease are as follows at May 31, 2015:

<u>Year Ending May 31,</u>	
2016	\$ 12,027
2017	12,387
2018	2,075
	<u>\$ 26,489</u>

NOTE F - SUBSEQUENT EVENTS

In the preparation of the financial statements, the Fund considered subsequent events through August 6, 2015, which was the date the financial statements were available for release.

SUPPLEMENTARY INFORMATION

THE VIRGINIA COLLEGE FUND

SCHEDULE OF SUPPORTING SERVICES

YEAR ENDED MAY 31, 2015

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
Personnel			
Salaries	\$ 192,513	\$ 188,641	\$ 3,872
Insurance benefits	41,659	41,449	210
Payroll taxes	14,289	12,651	1,638
Pension costs	11,551	11,551	-
	<u>260,012</u>	<u>254,292</u>	<u>5,720</u>
General overhead			
Rent	9,134	9,134	-
Accounting	5,500	5,500	-
Telephone	5,200	4,811	389
Office expense	1,500	2,410	(910)
Equipment maintenance	1,500	1,435	65
Insurance - other	1,250	1,070	180
Office equipment/depreciation	1,000	733	267
	<u>25,084</u>	<u>25,093</u>	<u>(9)</u>
Fundraising			
Travel	15,150	14,611	539
Memberships	3,500	2,609	891
Printing	2,500	2,520	(20)
Promotions	1,500	2,287	(787)
Postage	2,000	1,238	762
Meetings and activities	2,000	596	1,404
Professional development	1,000	372	628
Web and marketing design	500	-	500
Publications	500	-	500
	<u>28,650</u>	<u>24,233</u>	<u>4,417</u>
TOTAL SUPPORTING SERVICES	<u><u>\$ 313,746</u></u>	<u><u>\$ 303,618</u></u>	<u><u>\$ 10,128</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

SCHEDULE OF SUPPORTING SERVICES

YEAR ENDED MAY 31, 2014

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
Personnel			
Salaries	\$ 188,739	\$ 188,705	\$ 34
Insurance benefits	41,545	41,545	-
Payroll taxes	14,001	12,540	1,461
Pension costs	11,324	11,324	-
	<u>255,609</u>	<u>254,114</u>	<u>1,495</u>
General overhead			
Rent	8,869	8,497	372
Accounting	5,500	5,500	-
Telephone	5,200	4,855	345
Office equipment/depreciation	1,500	1,674	(174)
Equipment maintenance	1,500	1,457	43
Office expense	1,500	1,296	204
Insurance - other	1,250	1,100	150
	<u>25,319</u>	<u>24,379</u>	<u>940</u>
Fundraising			
Travel and travel contingency	15,150	14,417	733
Meetings and activities	1,500	4,010	(2,510)
Professional development	3,500	3,845	(345)
Printing and publications	3,000	3,345	(345)
Memberships	2,000	2,355	(355)
Postage	2,000	1,729	271
Promotions	1,000	500	500
Web and marketing design	500	150	350
	<u>28,650</u>	<u>30,351</u>	<u>(1,701)</u>
TOTAL SUPPORTING SERVICES	<u>\$ 309,578</u>	<u>\$ 308,844</u>	<u>\$ 734</u>

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