

**THE VIRGINIA COLLEGE FUND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED MAY 31, 2019**

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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 statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

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

*Harris, Hardy & Johnstone, P.C.*

Richmond, Virginia  
September 7, 2019

THE VIRGINIA COLLEGE FUND  
STATEMENT OF FINANCIAL POSITION  
MAY 31, 2019

ASSETS

Cash	\$ 493,900
Contributions receivable	43,806
Prepaid expenses	450
Office equipment and furniture, net of accumulated depreciation of \$5,680	<u>53</u>
	<u><u>\$ 538,209</u></u>

LIABILITIES AND NET DEFICIT

LIABILITIES

Accounts payable and other	\$ 2,074
Undistributed contributions and interest income	477,283
Membership assessments received in advance	<u>60,000</u>

TOTAL LIABILITIES 539,357

NET DEFICIT

Without donor restrictions	<u>(1,148)</u>
	<u><u>\$ 538,209</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2019

	<u>Without Donor Restrictions</u>
REVENUES AND OTHER SUPPORT	
Support	
Contributions	\$ 535,076
Program Services Revenue	
Membership dues	252,381
Other Revenues	
Interest income	<u>2,208</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>789,665</u>
EXPENSES	
Program Services	
Collegiate Support	586,928
Management and General	72,989
Fundraising	<u>122,335</u>
TOTAL EXPENSES	<u>782,252</u>
CHANGE IN NET DEFICIT	7,413
NET DEFICIT, beginning of year	<u>(8,561)</u>
NET DEFICIT, end of year	<u><u>\$ (1,148)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2019

	Collegiate Support	Management and General	Fundraising	Total
Salaries	\$ 30,309	\$ 45,464	\$ 75,774	\$ 151,547
Payroll taxes	2,001	3,002	5,003	10,006
Employee benefits	6,531	9,796	16,327	32,654
	<u>38,841</u>	<u>58,262</u>	<u>97,104</u>	<u>194,207</u>
Grants and contributions	537,284	-	-	537,284
Occupancy	4,362	2,181	4,362	10,905
Accounting	-	8,803	-	8,803
Travel	-	-	6,935	6,935
Printing	597	1,195	4,183	5,975
Conferences and meetings	1,106	-	4,423	5,529
Memberships, dues and subscriptions	2,045	-	2,046	4,091
Web and software support	967	-	967	1,934
Other	763	77	995	1,835
Insurance	-	1,778	-	1,778
Professional development	626	157	784	1,567
Office expense	268	536	536	1,340
Depreciation	69	-	-	69
	<u>69</u>	<u>-</u>	<u>-</u>	<u>69</u>
TOTAL EXPENSES	<u>\$ 586,928</u>	<u>\$ 72,989</u>	<u>\$ 122,335</u>	<u>\$ 782,252</u>

See Independent Auditor's Report and Notes to Financial Statements

THE VIRGINIA COLLEGE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash provided by contributions	\$ 541,270
Cash provided by membership dues	192,381
Cash provided by interest income	2,208
Cash used to pay distributions to member colleges	(494,309)
Cash used to pay salaries and benefits	(194,207)
Cash used to pay other operating expenses	<u>(50,032)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,689)</u>
NET DECREASE IN CASH	(2,689)
CASH, beginning of year	<u>496,589</u>
CASH, end of year	<u><u>\$ 493,900</u></u>

See Independent Auditor's Report and Notes to Financial Statements



# THE VIRGINIA COLLEGE FUND

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019

### 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 small, private colleges in Virginia. Its objective is to solicit contributions from foundations, businesses, and individuals in support of its member colleges.

#### Program

The Fund's single program is collegiate support, as described above.

#### Summary of Significant Accounting Policies

##### Basis of Accounting

The Fund prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by the Fund are described subsequently to enhance the usefulness and understandability of the financial statements.

##### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Fund's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Fund's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

##### Income Taxes

The Fund is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Fund's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

##### Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Fund and various positions related to the potential sources of unrelated business taxable income (UBTI). The Fund has recognized no uncertain tax positions for the year ended May 31, 2019. The Fund believes its tax returns are no longer subject to examination by the Internal Revenue Service for years prior to May 31, 2016.

# THE VIRGINIA COLLEGE FUND

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019

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

#### Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at net realizable value.

#### Office Equipment and Furniture

Office equipment and furniture are reported in the statement of financial position at cost. Acquisitions are capitalized if they have a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using primarily accelerated methods over the estimated useful lives of the related assets.

#### Net Assets

The Fund is required to report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors. The Fund's net assets are all classified as without donor restrictions, since they are available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Fund, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

#### Contributions

Contributions, including unconditional promises to give, are recognized when received and are reported as increases in net assets without donor restrictions. 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 by the Fund as being without donor restrictions. Any donor restrictions on use of the contributions are recognized by the member colleges in their financial statements.

#### Expense Recognition and Allocation

The cost of providing the Fund's program and other activities is summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses that can be identified with the program or support service are charged directly to the program or support service. Costs common to multiple functions have been allocated among the various functions benefited based upon management's estimate of the relative benefit by function.

Management and general expenses include those costs that are not directly identifiable with the program but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Since the Fund's program involves fundraising for its member colleges, joint costs have been allocated among program services, management and general, and fundraising in accordance with standards for accounting for costs of activities that include fundraising. Additionally, any advertising and promotion costs are expensed as incurred.

# THE VIRGINIA COLLEGE FUND

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019

### NOTE B - CHANGE IN ACCOUNTING PRINCIPLE

The Fund implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements
- The financial statements include a disclosure about liquidity and availability of resources.

### NOTE C - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2019 are:

Financial assets:	
Cash	\$ 493,900
Contributions receivable	<u>43,806</u>
Total financial assets available for general expenditures within one year	<u>\$ 537,706</u>

### NOTE D - 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 year ended May 31, 2019, the Executive Committee of the Board of Directors agreed to withhold \$15,000 from each member college's June 2019 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, 2019 were as follows:

Averett University	\$ 123,473
Bluefield College	114,907
Eastern Mennonite University	116,901
Ferrum College	<u>122,002</u>
	<u>\$ 477,283</u>

# THE VIRGINIA COLLEGE FUND

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2019

### NOTE E - 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 totals.

### NOTE F - PENSION PLAN

The Fund maintains a defined contribution pension plan under Internal Revenue Code Section 403(b) covering its employee. The total expense of \$8,914 for the year ended May 31, 2019 has been allocated among program services, management and general and fundraising expenses.

### NOTE G - OPERATING LEASE

The Fund leases its current office space under the terms of a year-to-year lease which commenced on June 1, 2019. The lease currently requires a monthly rent of \$450. The rent increases three percent annually if the lease is not terminated.

Minimum required lease payments under this lease for the year ending May 31, 2020 are \$5,400.

The Fund leased its former office space under the terms of a three-year lease which ended on May 31, 2019. The lease required a monthly rent of \$520.

Total rent expense was \$6,755 for the year ended May 31, 2019 and is included in occupancy expenses.

### NOTE H - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Fund considered subsequent events through September 7, 2019, which was the date the financial statements were available for release.

SUPPLEMENTARY INFORMATION

THE VIRGINIA COLLEGE FUND  
 SCHEDULE OF BUDGETED EXPENSES  
 YEAR ENDED MAY 31, 2019

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
<b>Personnel</b>			
Salaries	\$ 151,547	\$ 151,547	\$ -
Insurance	22,541	23,740	(1,199)
Payroll taxes	10,200	10,006	194
Pension costs	9,093	8,914	179
	<u>193,381</u>	<u>194,207</u>	<u>(826)</u>
<b>General Overhead</b>			
Rent	6,800	6,755	45
Accounting and bookkeeping	6,500	8,803	(2,303)
Telephone and internet	5,200	2,606	2,594
Insurance - other	3,300	1,778	1,522
Contingency	2,400	-	2,400
Equipment maintenance	1,500	1,544	(44)
Office expense	1,000	1,340	(340)
Office equipment/depreciation	300	69	231
	<u>27,000</u>	<u>22,895</u>	<u>4,105</u>
<b>Fundraising</b>			
Travel	10,000	6,935	3,065
Meetings and activities	5,500	5,529	(29)
Web and client management system	5,000	1,934	3,066
Memberships	3,000	4,091	(1,091)
Printing and publications	3,000	5,975	(2,975)
Postage	2,000	384	1,616
Promotions	2,000	1,451	549
Professional development	1,500	1,567	(67)
	<u>32,000</u>	<u>27,866</u>	<u>4,134</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u><u>\$ 252,381</u></u>	<u><u>\$ 244,968</u></u>	<u><u>\$ 7,413</u></u>

See Independent Auditor's Report