

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

Financial Statements
For The Years Ended June 30, 2008 and 2007

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EDUCATIONAL FOUNDATION, INC.**

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For The Years Ended June 30, 2008 and 2007

Johnson Certified Public Accountant, PLLC & Consulting

2501 Franklin Turnpike
Danville, Virginia 24540
www.cpa-johnson.com
Phone: (434) 836-4498
Fax: (434) 836-4493
Contact: Ronnie L. Johnson, CPA
rjohnson@cpa-johnson.com

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 11
Supplemental Schedules of Functional Expenses	12



*Certified Public Accountant, PLLC
& Consulting*

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Highlands Community College
Educational Foundation, Inc.
Abingdon, Virginia

We have audited the accompanying statements of financial position of the Virginia Highlands Community College Educational Foundation, Inc. (the "Foundation"), as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnson CPA, PLLC & Consulting

Johnson CPA, PLLC & Consulting
August 25, 2008



2501 Franklin Turnpike • Danville, Virginia 24540
Phone: (434) 836-4498 • Fax: (434) 836-4493
Email: cpajohnson@yahoo.com • Website: www.cpa-johnson.com

Member of:
VA Society of CPA's
NC Association of CPA's
American Institute of CPA's

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statements of Financial Position
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 38,968	\$ 33,558
Interest receivable	301	119
Unconditional promises to give, net of allowance	9,240	5,829
Total current assets	48,509	39,505
Long term assets		
Unconditional promises to give, net of discount	1,425	1,425
Property and equipment, net of accumulated depreciation	73,928	71,456
Works of art	13,750	9,500
Total long term assets	89,103	82,381
Other assets		
Investments	476,702	478,930
Restricted Cash	103,352	61,175
Total other assets	580,054	540,105
Total assets	<u>\$ 717,666</u>	<u>\$ 661,991</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 6,530	\$ 756
Accrued payroll taxes	56	56
Deferred revenue	290	290
Accrued interest	-	333
Note payable	-	30,000
Total current liabilities	6,876	31,435
Net assets		
Unrestricted	66,751	28,960
Temporarily restricted	360,294	336,679
Permanently restricted	283,745	264,915
Total net assets	710,790	630,555
Total liabilities and net assets	<u>\$ 717,666</u>	<u>\$ 661,991</u>

The accompanying notes are an integral part of these statements.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statements of Activities
For the Years Ended June 30, 2008 and 2007**

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Totals
Revenue and other support:					
Cash contributions	\$ 66,987	\$ 192,871	\$ 30,544	\$ 290,402	\$ 86,993
Non cash contributions	-	12,305	-	12,305	27,205
Investment income	(7,478)	(13,998)	-	(21,476)	46,864
Fundraising income	-	-	-	-	30,379
Total revenue and support	59,509	191,178	30,544	281,231	191,441
Total revenue and support and reclassifications	59,509	191,178	30,544	281,231	191,441
Expenses:					
Scholarships, Programs and Projects	2,545	167,563	11,714	181,821	71,502
In-kind program materials and supplies	-	-	-	-	24,955
Depreciation and amortization	5,015	-	-	5,015	4,522
Interest expense	1,416	-	-	1,416	2,334
Operating expenses	12,744	-	-	12,744	47,936
Total expenses	21,720	167,563	11,714	200,997	151,250
Change in net assets from operating activities	37,789	23,615	18,830	80,234	40,191
Change in net assets	37,789	23,615	18,830	80,234	40,191
Net assets-beginning of year	28,962	336,679	264,915	630,556	590,366
Net assets-end of year	\$ 66,751	\$ 360,295	\$ 283,745	\$ 710,791	\$ 630,556

The accompanying notes are an integral part of these statements.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 80,235	\$ 40,190
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	5,015	4,522
Net unrealized loss (gain) on investments	1,607	(29,830)
Net realized loss (gain) on investments	19,239	(2,832)
(Increase) decrease in operating assets	(3,411)	14,927
Promises to give	(183)	202
Interest receivable	-	2,160
Other receivable	(42,177)	(61,175)
Increase (decrease) in operating liabilities	5,774	(89)
Accounts payable	(333)	96
Accrued interest	-	(1,248)
Accrued payroll taxes	-	(6,721)
Net cash provided by (used in) operating activities	<u>65,765</u>	<u>(39,798)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(19,575)	(6,542)
Sale of investments	956	33,559
Purchase of equipment	(11,737)	(1,850)
Purchase of land improvements	-	(9,710)
Net cash used in investing activities	<u>(30,356)</u>	<u>15,457</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	-	9,834
Principal payments on line of credit	(30,000)	-
Net cash (used in) provided by financing activities	<u>(30,000)</u>	<u>9,834</u>
Net increase (decrease) in cash and cash equivalents	5,410	(14,507)
Cash and cash equivalents, beginning of year	<u>33,558</u>	<u>48,065</u>
Cash and cash equivalents, end of year	<u>\$ 38,968</u>	<u>\$ 33,558</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 1,416	\$ 2,334
Non-cash transactions:		
Educational equipment donated	\$ 337	\$ 1,850

The accompanying notes are an integral part of these statements.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 1: NATURE OF THE ORGANIZATION

Educational Foundations have been established by every community college in Virginia at the suggestions of the Chancellor and the State Board for Virginia Community College System. The purpose of the foundation is to help individual Community Colleges raise funds for student aid and support for the College. The Virginia Highlands Community College Educational Foundation, Inc. (the "Foundation") was established on March 26, 1981 to fulfill this purpose. The foundation is a non-stock Virginia corporation.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles applicable to non-profit organizations. The Foundations reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets include designated and undesignated resources available to support the Foundation's activities.

Temporarily restricted net assets include donor time and purpose restricted resources that will become available for support of the Foundation's activities once the restrictions are satisfied.

Permanently restricted net assets include those resources of the Foundation that are permanently restricted by donors for a specific purpose.

UNRESTRICTED AND RESTRICTED SUPPORT

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction is satisfied (that is, when the stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

PROMISES TO GIVE

Unconditional promises to give are recognized as support in a period in which the promise is made. Conditional promises to give are recognized in the period when its conditions on which they depend on are substantially met. The Foundation estimates its allowance for the uncollectible accounts based on prior years' experience and management's analysis of possible non- collections.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates and assumptions.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect amounts reported in the statements of financial position.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Foundation's various programs and supporting services have been summarized in a functional basis in the accompanying statements of activities. The functional expenses of the various programs and supporting services include those cost directly attributable to the specific program as well as an allocation of supporting service expenditures that, in the estimation of management, are indirectly attributable to the program.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalent. Cash and cash equivalents shown on the Statements of Financial Position and Cash Flows are limited to the cash available in the checking account, and certificates of deposit.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED PROPERTY, EQUIPMENT, SERVICES, AND FACILITIES

Donations of property and equipment are recorded as support at their estimate fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Material donations of services requiring specific expertise are recorded as support at their estimated fair value at the date of the donation. No amounts have been reflected in the accompanying financial statements for other donated services inasmuch as no objective basis is available to value such services.

ADVERTISING COST

The Foundation expenses advertising and promotion cost as incurred.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Net unrealized gains and realized gains or losses are reflected in the statement of activities. Net losses on investments held in donor-restricted endowment funds first reduce (a) net gains from funds earned in prior periods and held in temporarily restricted net assets and (b) temporarily restricted income earned by the investments in the donor-restricted endowment fund for which the donor restrictions have not been met. Any losses in excess of those amounts are recorded as decreases in unrestricted net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Gifts of investments are recorded at their fair market value at date of the gift. Purchases and sales of investments are recorded on the trade date.

INVESTMENT POOLS

The Foundation maintains master investment accounts for its donor-restricted endowments and unrestricted contributions. Dividends, interest, and realized and unrealized gains and losses (net of fiduciary fees) from securities in the master investment accounts are allocated quarterly to individual accounts. These allocations are based on the relationship of the market values of the master investment accounts, as adjusted for additions to or deductions from those accounts.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost at date of acquisition or fair market value at date of the gift less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of 5 – 15 years with no salvage value for equipment. Expenditures for major renewals and betterments that extend useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Note 3: IN-KIND SERVICES

In-kind services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received in-kind services for the administrative assistant salary and related payroll taxes. There were no in-kind services received in the 2008 fiscal year. The value of in-kind services is included as a non-cash contribution and in-kind expense in the statement of activities is as follows for June 30, 2007:

Note 4: NET ASSETS

As of June 30, 2008 and 2007, net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets:		
Undesignated	\$ 66,751	\$ 28,960
Temporarily Restricted Net Assets		
Restricted for future use	-	632
Purpose restrictions	<u>360,294</u>	<u>336,047</u>
Total temporarily restricted net assets	360,294	336,679
Permanently Restricted Net Assets		
Restricted to endowment funds	<u>283,745</u>	<u>264,915</u>
Total net assets	<u><u>\$ 710,790</u></u>	<u><u>\$ 630,555</u></u>

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 5: NET ASSETS RELEASED FROM RESTRICTIONS

Restrictions were satisfied as follows for June 30, 2007:

	<u>2007</u>
Purpose restriction accomplished:	
Student financial aid, programs and projects	\$ 4,548
In-kind program materials and supplies	24,955
Equipment depreciation	4,522
Administrative fees	<u>-</u>
Total	<u><u>\$ 34,025</u></u>

Note 6: PROPERTY AND EQUIPMENT

Property and equipment at year-end as follows:

	<u>2008</u>	<u>2007</u>
Beginning Balance	\$ 111,591	\$ 100,031
Additions	7,487	11,560
Retirements	<u>-</u>	<u>-</u>
 Total Equipment	 119,078	 111,591
Accumulated Depreciation	(45,150)	(40,135)
Total equipment net of accumulated depreciation	<u><u>\$ 73,928</u></u>	<u><u>\$ 71,456</u></u>

Note 8: NOTE PAYABLE

Note Payable at June 30, 2007 consisted of the following:

	<u>2007</u>
An unsecured note payable Line of Credit payable to Highlands Union Bank with interest of 8.75%. The maximum amount available under the line of credit agreement is \$30,000 and interest is due monthly. The note agreement sets forth a maturity date of February 20, 2007	<u>\$ 30,000</u>
Total Notes Payable	<u>30,000</u>
Current Portion of Note	<u><u>\$ 30,000</u></u>

Interest expense on the note above for the years ended June 30, 2008 and 2007 amounted to \$1,416 and \$2,266 respectively.

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 7: PROMISES TO GIVE

Included in the Unconditional Promises to Give for the year ended June 30, 2008 and 2007 are \$948 and \$1948 respectively due from officers and directors. The Unconditional Promises to Give were adjusted to what is collectible.

Unconditional Promises to Give are as follows:

	2008	2007
Receivable in less than one year	\$ 9,991	\$ 6,580
Less allowance for uncollectible	(751)	(751)
Net receivable due in less than one year	9,240	5,829
Receivable in one to five years	1,500	1,500
Less discounts to net present value	(75)	(75)
Net receivable due in one to five years	1,425	1,425
Total Unconditional Promises to Give	<u>\$ 10,665</u>	<u>\$ 7,254</u>

The discount rate used on long-term unconditional promises to give was 5% for the years ended June 30, 2008 and 2007.

Note 9: INVESTMENTS

Investments are stated at fair value with the net realized and unrealized gain or loss reflected as an increase or decrease in unrestricted and temporarily restricted net assets. Investments at June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Money Market	\$ 58,687	\$ 61,251
Common Stock	222,877	188,119
Corporate Bond	175,079	44,892
U. S. Government Bonds	20,058	184,668
Total	<u>\$ 476,702</u>	<u>\$ 478,930</u>

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Notes to Financial Statements
June 30, 2008 and 2007**

Note 9: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the Statement of Activities at June 30, 2008:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ -	\$ 957	\$ 957
Fiduciary fees	(435)	(1,152)	(1,587)
Net realized gains	(5,436)	(13,803)	(19,239)
Net unrealized gains (losses)	(1,607)	-	(1,607)
	<u> </u>	<u> </u>	<u> </u>
Total Investment Return	<u>\$ (7,478)</u>	<u>\$ (13,998)</u>	<u>\$ (21,476)</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities at June 30, 2007:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 6,532	\$ 15,532	\$ 22,064
Fiduciary fees	(1,961)	(5,901)	(7,862)
Net realized gains	2,832	-	2,832
Net unrealized gains (losses)	7,896	21,934	29,830
	<u> </u>	<u> </u>	<u> </u>
Total Investment Return	<u>\$ 15,299</u>	<u>\$ 31,565</u>	<u>\$ 46,864</u>

First Bank & Trust Company serves as investment manager for the Foundation. The Foundation's primary goal is income growth and preservation of principal.

The cost basis and market value for Investments consist of the following:

	Cost	Market Value	Unrealized Gain(Loss)
First Bank and Trust June 30, 2008	<u>\$ 478,310</u>	<u>\$ 476,702</u>	<u>\$ (1,607)</u>
First Bank and Trust June 30, 2007	<u>\$ 449,100</u>	<u>\$ 478,930</u>	<u>\$ 29,830</u>

**VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Supplemental Schedules of Functional Expenses
For the Years Ended June 30, 2008 and 2007**

	2008			2007
	Program Services	Management & General	Fund Raising	Totals
Salaries and related expense				
Administrator salary expense	\$ -	\$ 6,495	\$ -	\$ 31,474
Fringes	-	-	-	2,257
Payroll taxes	-	-	-	2,408
Total salaries and related expenses	-	6,495	-	36,139
Other expense				
Scholarship program expenses	181,821	-	-	71,502
Other program expenses	5,014	-	-	5,735
Accounting fees	-	4,200	-	2,950
Advertising & marketing expense	-	109	-	1,000
Board meeting expense	-	32	-	24
Miscellaneous	-	119	-	928
Printing and reproduction	-	505	-	2,861
Office supplies	-	67	-	893
Insurance expense - D & O liability	-	919	-	919
Continuing education and training	-	-	-	627
Bank service charges	-	-	-	244
Insurance expense - Surety Bond	-	115	-	115
Interest expense	1,416	-	-	2,334
Corporate renewal fees	-	35	-	25
Total other expense	188,251	6,101	-	90,157
Depreciation expense	-	5,015	-	4,522
In-kind expenses				
Assistant administrative salary and related payroll taxes expense	-	-	-	14,552
Program support	150	-	-	4,388
Occupancy and telephone expense	-	-	-	6,000
Materials and supplies	-	-	-	15
Total In-kind expense	150	-	-	24,955
Total expense	\$ 188,401	\$ 12,596	\$ -	\$ 151,251

The accompanying notes are an integral part of these statements.