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

Financial Statements
For The Years Ended June 30, 2009 and 2008

**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

**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, 2009 and 2008 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, 2009 and 2008, 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

Johnson CPA, PLLC & Consulting
July 23, 2009

VIRGINIA HIGHLANDS COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.

## Statements of Financial Position
## June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 212,886 | $ 38,968 |
| Interest receivable | - | 301 |
| Unconditional promises to give, net of allowance | 12,936 | 9,240 |
| Other receivables | 700 | - |
| Total current assets | 226,522 | 48,509 |
| Long term assets | | |
| Unconditional promises to give, net of discount | - | 1,425 |
| Property and equipment, net of accumulated depreciation | 61,469 | 73,928 |
| Works of art | 49,130 | 13,750 |
| Total long term assets | 110,599 | 89,103 |
| Other assets | | |
| Investments | 406,600 | 476,702 |
| Restricted cash | 172,677 | 103,352 |
| Total other assets | 579,277 | 580,054 |
| Total assets | $ 916,398 | $ 717,666 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | $ - | $ 6,530 |
| Accrued payroll taxes | - | 56 |
| Deferred revenue | 290 | 290 |
| Total current liabilities | 290 | 6,876 |
| Net assets | | |
| Unrestricted | 87,802 | 66,751 |
| Temporarily restricted | 427,644 | 360,294 |
| Permanently restricted | 400,662 | 283,745 |
| Total net assets | 916,108 | 710,790 |
| Total liabilities and net assets | $ 916,398 | $ 717,666 |

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, 2009 and 2008

| | 2009 | | | | 2008 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Totals |
| Revenue and other support: | | | | | |
| Cash contributions | $ 20,802 | $ 316,242 | $ 125,000 | $ 462,044 | $ 290,402 |
| Non cash contributions | - | 1,320 | 35,380 | 36,700 | 12,305 |
| Investment income(net of unrealized loss) | - | (25,293) | (43,463) | (68,756) | (21,476) |
| Fundraising income | 35,391 | 9,177 | - | 44,568 | - |
| Assets released from restrictions | 249,928 | (249,928) | - | - | - |
| Other | 6,013 | 15,832 | - | 21,845 | - |
| Total revenue and support | 312,134 | 67,350 | 116,917 | 496,401 | 281,231 |
| Total revenue and support and reclassifications | 312,134 | 67,350 | 116,917 | 496,401 | 281,231 |
| Expenses: | | | | | |
| Program expenses | 245,963 | - | - | 245,963 | 188,401 |
| Management and general expense | 32,811 | - | - | 32,811 | 12,596 |
| Fundraising expense | 12,309 | - | - | 12,309 | - |
| Total expenses | 291,083 | - | - | 291,083 | 200,997 |
| Change in net assets from operating activities | 21,051 | 67,350 | 116,917 | 205,318 | 80,234 |
| Change in net assets | 21,051 | 67,350 | 116,917 | 205,318 | 80,234 |
| Net assets-beginning of year | 66,751 | 360,294 | 283,745 | 710,790 | 630,556 |
| Net assets-end of year | $ 87,802 | $ 427,644 | $ 400,662 | $ 916,108 | $ 710,790 |

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, 2009 and 2008**

| | 2009 | 2008 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Change in net assets | $ 205,318 | $ 80,235 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 12,459 | 5,015 |
| Net unrealized loss (gain) on investments | 70,101 | 2,228 |
| (Increase) decrease in operating assets | | |
| Promises to give | (2,271) | (3,411) |
| Interest receivable | 301 | (183) |
| Other receivable | (700) | - |
| Restricted cash | (69,324) | (42,177) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (6,586) | 5,773 |
| Accrued interest | - | (333) |
| Accrued payroll taxes | - | - |
| Net cash provided by (used in) operating activities | 209,298 | 47,147 |
| Cash Flows from Investing Activities: | | |
| Donations of art work | (35,380) | - |
| Purchase of equipment | - | (11,737) |
| Net cash used in investing activities | (35,380) | (11,737) |
| Cash Flows from Financing Activities: | | |
| Proceeds from line of credit | - | - |
| Principal payments on line of credit | - | (30,000) |
| Net cash (used in) provided by financing activities | - | (30,000) |
| Net increase (decrease) in cash and cash equivalents | 173,918 | 5,410 |
| Cash and cash equivalents, beginning of year | 38,968 | 33,558 |
| Cash and cash equivalents, end of year | $ 212,886 | $ 38,968 |
| Supplemental Disclosures of Cash Flow Information | | |
| Interest paid | $ - | $ 1,416 |
| Non-cash transactions: | | |
| Educational equipment donated | $ - | $ 337 |

The accompanying notes are an integral part of these statements.

**Notes to Financial Statements**
**June 30, 2009 and 2008**

## 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 is 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.

## 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 postion.

### 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.

## 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.

## 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. There were no in-kind services received in the 2009 and 2008 fiscal year.

## Note 4: NET ASSETS

As of June 30, 2009 and 2008, net assets consist of the following:

| | 2009 | 2008 |
|---|---|---|
| **Unrestricted Net Assets:** | | |
| Undesignated | $ 87,802 | $ 66,751 |
| **Temporarily Restricted Net Assets** | | |
| Restricted for future use | - | - |
| Purpose restrictions | 427,644 | 360,294 |
| Total temporarily restricted net assets | 427,644 | 360,294 |
| **Permanently Restricted Net Assets** | | |
| Restricted to endowment funds | 400,662 | 283,745 |
| Total net assets | $ 916,108 | $ 710,790 |

## Note 5: NET ASSETS RELEASED FROM RESTRICTIONS

Restrictions were satisfied as follows for June 30, 2008:

| | 2008 |
|---|---|
| Purpose restriction accomplished: | |
| Student financial aid, programs and projects | $ 249,928 |
| Total | $ 249,928 |

## Note 6: PROPERTY AND EQUIPMENT

Property and equipment at year-end as follows:

| | 2009 | 2008 |
|---|---|---|
| Beginning Balance | $ 119,078 | $ 111,591 |
| Additions | - | 7,487 |
| Retirements | - | - |
| Total Equipment | 119,078 | 119,078 |
| Accumulated Depreciation | (57,609) | (45,150) |
| Total equipment net of accumulated depreciation | $ 61,469 | $ 73,928 |

## Note 7: NOTE PAYABLE

In 2008 there was an unsecured note payable line of credit to Highlands Union Bank with interest of 8.75%. The maximum amount available under the line of credit agreement was $30,000 and interest is due monthly. Interest expense for June 30, 2008 for the line of credit was $1,416. The line of credit was paid off in 2008 and is no longer utilized.

**Notes to Financial Statements**
**June 30, 2009 and 2008**

## Note 8: PROMISES TO GIVE

Included in the Unconditional Promises to Give for the year ended June 30, 2008 is $948 due from officers and directors. There were no pledges from officers and directors for the year ended June 30, 2009. The Unconditional Promises to Give were adjusted to what is collectible.

Unconditional Promises to Give are as follows:

| | 2009 | 2008 |
|---|---|---|
| Receivable in less than one year | $ 12,936 | $ 9,991 |
| Other receivables | 700 | |
| Less allowance for uncollectible | - | (751) |
| Net receivable due in less than one year | 13,636 | 9,240 |
| Receivable in one to five years | - | 1,500 |
| Less discounts to net present value | - | (75) |
| Net receivable due in one to five years | - | 1,425 |
| Total Unconditional Promises to Give | $ 13,636 | $ 10,665 |

The discount rate used on long-term unconditional promises to give was 5% for the years ended June 30, 2008. For June 30, 2009 it was decided by the foundation that all receivables are deemed collectable and no discount rate was needed.

## 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, 2009 and 2008 are summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| Money Market | $ 25,431 | $ 58,687 |
| Common Stock | 186,455 | 222,877 |
| Corporate Bond | 184,687 | 175,079 |
| U. S. Government Bonds | 10,027 | 20,058 |
| Total | $ 406,600 | $ 476,702 |

## Note 9: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the Statement of Activities at June 30, 2009:

| | Temporarily Restricted | Restricted | Total |
|---|---|---|---|
| Dividends and interest | $ 9,185 | $ 5,629 | $ 14,814 |
| Fiduciary fees | (2,324) | (1,424) | (3,748) |
| Net realized gains (losses) | (6,610) | (3,111) | (9,721) |
| Net unrealized gains (losses) | (25,544) | (44,557) | (70,101) |
| Total Investment Return | $ (25,293) | $ (43,463) | $ (68,756) |

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

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

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, 2009 | $ 470,628 | $ 406,600 | $ (64,028) |
| First Bank and Trust June 30, 2008 | $ 478,310 | $ 476,702 | $ (1,608) |

## VIRGINIA HIGHLANDS COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**Supplemental Schedules of Functional Expenses**
**For the Years Ended June 30, 2009 and 2008**

| | 2009 | | | | 2008 |
|---|---|---|---|---|---|
| | Program Services | Management & General | Fund Raising | Total | Totals |
| Salaries and related expense | | | | | |
| Administrator salary expense | $ - | $ - | $ - | $ - | $ 6,495 |
| Total salaries and related expenses | - | - | - | - | 6,495 |
| Other expense | | | | | |
| Scholarship program expenses | 245,963 | - | 12,309 | 258,272 | 181,821 |
| Other program expenses | - | - | - | - | 5,735 |
| Accounting fees | - | 6,235 | - | 6,235 | 4,200 |
| Advertising & marketing expense | - | 96 | - | 96 | 109 |
| Board meeting expense | - | - | - | - | 32 |
| Donations to VHCC | - | 1,409 | - | 1,409 | - |
| Miscellaneous | - | 9,799 | - | 9,799 | 119 |
| Printing and reproduction | - | 60 | - | 60 | 505 |
| Office supplies | - | 413 | - | 413 | 67 |
| Insurance expense - D & O liability | - | 1,044 | - | 1,044 | 919 |
| Bank service charges | - | 171 | - | 171 | - |
| Memberships and dues | - | 1,100 | - | 1,100 | - |
| Insurance expense - Surety Bond | - | - | - | - | 115 |
| Interest expense | - | - | - | - | 1,416 |
| Corporate renewal fees | - | 25 | - | 25 | 35 |
| Total other expense | 245,963 | 20,352 | 12,309 | 278,624 | 189,338 |
| Depreciation expense | - | 12,459 | - | 12,459 | 5,015 |
| In-kind expenses | | | | | |
| Assistant administrative salary and related payroll taxes expense | - | - | - | - | - |
| Program support | - | - | - | - | 150 |
| Occupancy and telephone expense | - | - | - | - | - |
| Materials and supplies | - | - | - | - | - |
| Total In-kind expense | - | - | - | - | 150 |
| Total expense | $ 245,963 | $ 32,811 | $ 12,309 | $ 291,083 | $ 200,997 |

The accompanying notes are an integral part of these statements.