

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

Financial Statements
For The Years Ended June 30, 2010 and 2009

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

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

INDEPENDENT AUDITOR'S REPORT

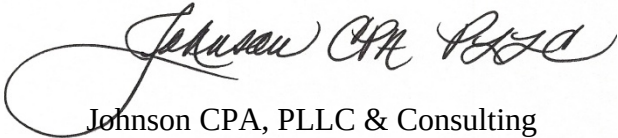
To the Board of Directors
Virginia Highlands Community College
Educational Foundation, Inc.
Abingdon, Virginia

We have audited the accompanying statements of financial position of the Virginia Highlands Community College Educational Foundation, Inc. (the "Foundation"), as of June 30, 2010 and 2009 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, 2010 and 2009, 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
September 9, 2010

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

**Statements of Financial Position
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 469,446	\$ 212,886
Interest receivable		-
Unconditional promises to give, net of allowance	46,468	12,936
Other receivables	<u>1,300</u>	<u>700</u>
Total current assets	517,214	226,522
Long term assets		
Property and equipment, net of accumulated depreciation	63,594	61,469
Works of art	<u>50,550</u>	<u>49,130</u>
Total long term assets	114,144	110,599
Other assets		
Investments	477,968	406,600
Restricted cash	<u>173,305</u>	<u>172,677</u>
Total other assets	<u>651,273</u>	<u>579,277</u>
Total assets	<u><u>\$ 1,282,631</u></u>	<u><u>\$ 916,398</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 64,482	\$ -
Deferred revenue	<u>290</u>	<u>290</u>
Total current liabilities	<u>64,772</u>	<u>290</u>
Net assets		
Unrestricted	162,545	87,802
Temporarily restricted	654,652	427,644
Permanently restricted	<u>400,662</u>	<u>400,662</u>
Total net assets	<u>1,217,859</u>	<u>916,108</u>
Total liabilities and net assets	<u><u>\$ 1,282,631</u></u>	<u><u>\$ 916,398</u></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, 2010 and 2008**

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Totals
Revenue and other support:					
Cash contributions	\$ 20,800	\$ 486,745		\$ 507,545	\$ 462,044
Non cash contributions		500		\$ 500	36,700
Investment income(net of unrealized loss)	36,029	38,823		\$ 74,852	(68,756)
Fundraising income	89,524	2,333		\$ 91,857	-
Assets released from restrictions	303,576	(303,576)		\$ -	-
Other	7,973	5,033		\$ 13,006	21,845
Total revenue and support	457,902	229,858	-	687,760	496,401
Total revenue and support and reclassifications	457,902	229,858	-	687,760	496,401
Expenses:					
Program expenses	347,450	-	-	347,450	245,963
Management and general expense	36,459	-	-	36,459	32,811
Fundraising expense	2,100	-	-	2,100	12,309
Total expenses	386,009	-	-	386,009	291,083
Change in net assets from operating activities	71,893	229,858	-	301,751	205,318
Change in net assets	71,893	229,858	-	301,751	205,318
Net assets-beginning of year	87,802	427,644	400,662	916,108	710,790
Net assets-end of year	\$ 159,695	\$ 657,502	\$ 400,662	\$ 1,217,859	\$ 916,108

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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 301,751	\$ 205,318
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	10,998	12,459
Net unrealized loss (gain) on investments	(71,368)	70,101
(Increase) decrease in operating assets		
Promises to give	(33,532)	(2,271)
Interest receivable	-	301
Other receivable	(500)	(700)
Restricted cash	(628)	(69,324)
Increase (decrease) in operating liabilities		
Accounts payable	64,482	(6,856)
Accrued interest	-	-
Accrued payroll taxes	-	-
Net cash provided by (used in) operating activities	<u>271,203</u>	<u>209,028</u>
Cash Flows from Investing Activities:		
Donations of art work	(1,420)	(35,380)
Purchase of equipment	3,531	-
Land	(1,500)	-
Land Improvements	<u>(15,254)</u>	<u>-</u>
Net cash used in investing activities	<u>(14,643)</u>	<u>(35,380)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	-	-
Principal payments on line of credit	<u>-</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	256,560	173,918
Cash and cash equivalents, beginning of year	<u>212,886</u>	<u>38,968</u>
Cash and cash equivalents, end of year	<u><u>\$ 469,446</u></u>	<u><u>\$ 212,886</u></u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ -	\$ -
Non-cash transactions:		
Educational equipment donated	\$ -	\$ -

The accompanying notes are an integral part of these statements.

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

**Notes to Financial Statements
June 30, 2010 and 2009**

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, 2009 and 2008**

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, 2009 and 2008**

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, 2009 and 2008**

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 2010 and 2009 fiscal year.

Note 4: NET ASSETS

As of June 30, 2010 and 2009, net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets:		
Undesignated	\$ 159,695	\$ 87,802
Temporarily Restricted Net Assets		
Restricted for future use	-	
Purpose restrictions	<u>657,402</u>	<u>427,644</u>
Total temporarily restricted net assets	657,402	427,644
Permanently Restricted Net Assets		
Restricted to endowment funds	<u>400,662</u>	<u>400,662</u>
Total net assets	<u><u>\$ 1,217,759</u></u>	<u><u>\$ 916,108</u></u>

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

**Notes to Financial Statements
June 30, 2010 and 2009**

Note 5: NET ASSETS RELEASED FROM RESTRICTIONS

Restrictions were satisfied as follows for June 30, 2010:

	<u>2010</u>
Purpose restriction accomplished:	
Student financial aid, programs and projects	<u>\$ 303,576</u>
Total	<u><u>\$ 303,576</u></u>

Note 6: PROPERTY AND EQUIPMENT

Property and equipment at year-end as follows:

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ 119,078	\$ 119,078
Additions	17,473	-
Retirements	<u>(7,200)</u>	<u>-</u>
Total Equipment	129,351	119,078
Accumulated Depreciation	<u>(65,757)</u>	<u>(57,609)</u>
Total equipment net of accumulated depreciation	<u><u>\$ 63,594</u></u>	<u><u>\$ 61,469</u></u>

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

**Notes to Financial Statements
June 30, 2010 and 2009**

Note 7: PROMISES TO GIVE

There were no pledges from officers and directors for the year ended June 30, 2010 and June 30, 2009. The Unconditional Promises to Give were adjusted to what is collectible.

Unconditional Promises to Give are as follows:

	2010	2009
Receivable in less than one year	\$ 46,468	\$ 12,936
Other receivables	1,300	\$ 700
Less allowance for uncollectible	-	-
Net receivable due in less than one year	47,768	13,636
Receivable in one to five years	-	-
Less discounts to net present value	-	-
Net receivable due in one to five years	-	-
Total Unconditional Promises to Give	<u>\$ 47,768</u>	<u>\$ 13,636</u>

For the years ended June 30, 2010 and June 30, 2009 it was decided by the foundation that all receivables are deemed collectable and no discount rate was needed.

Note 8: 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, 2010 and 2009 are summarized as follows:

	2010	2009
Money Market	\$ 66,680	\$ 25,431
Common Stock	189,472	186,455
Corporate Bond	211,433	184,687
U. S. Government Bonds	10,383	10,027
Total	<u>\$ 477,968</u>	<u>\$ 406,600</u>

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

**Notes to Financial Statements
June 30, 2010 and 2009**

Note 9: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the Statement of Activities at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
Dividends and interest	\$ 1,025	\$ 2,459		\$ 3,484
Fiduciary fees	-	-		-
Net realized gains (losses)	38,967	42,530		81,497
Net unrealized gains (losses)	<u>(3,963)</u>	<u>(6,166)</u>		<u>(6,166)</u>
Total Investment Return	<u>\$ 36,029</u>	<u>\$ 38,823</u>	<u>\$ -</u>	<u>\$ 74,852</u>

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

	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
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)	<u>(25,544)</u>	<u>(44,557)</u>	<u>(70,101)</u>
Total Investment Return	<u>\$ (25,293)</u>	<u>\$ (43,463)</u>	<u>\$ (68,756)</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:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain(Loss)</u>
First Bank and Trust June 30, 2010	<u>\$ 491,016</u>	<u>\$ 477,968</u>	<u>\$ (13,048)</u>
First Bank and Trust June 30, 2009	<u>\$ 470,628</u>	<u>\$ 406,600</u>	<u>\$ (64,028)</u>

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

**Supplemental Schedules of Functional Expenses
For the Years Ended June 30, 2010 and 2009**

	2010				2009
	Program Services	Management & General	Fund Raising	Total	Totals
Salaries and related expense					
Administrator salary expense	\$ -	\$ -	\$ -	\$ -	\$ -
Total salaries and related expenses	-	-	-	-	-
Other expense					
Scholarship program expenses	347,450	-	2,100	349,550	258,272
Other program expenses	-	-	-	-	-
Accounting fees	-	5,849	-	5,849	6,235
Advertising & marketing expense	-	2,409	-	2,409	96
Board meeting expense	-	-	-	-	-
Donations to VHCC	-	-	-	-	1,409
Miscellaneous	-	13,216	-	13,216	9,799
Printing and reproduction	-	2,345	-	2,345	60
Office supplies	-	96	-	96	413
Insurance expense - D & O liability	-	1,044	-	1,044	1,044
Bank service charges	-	502	-	502	171
Memberships and dues	-	-	-	-	1,100
Insurance expense - Surety Bond	-	-	-	-	-
Interest expense	-	-	-	-	-
Corporate renewal fees	-	-	-	-	25
Total other expense	347,450	25,461	2,100	375,011	278,624
Depreciation expense	-	10,998	-	10,998	12,459
In-kind expenses					
Assistant administrative salary and related payroll taxes expense	-	-	-	-	-
Program support	-	-	-	-	-
Occupancy and telephone expense	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Total In-kind expense	-	-	-	-	-
Total expense	\$ 347,450	\$ 36,459	\$ 2,100	\$ 386,009	\$ 291,083

The accompanying notes are an integral part of these statements.