

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

Financial Statements
For The Years Ended June 30, 2011 and 2010

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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

I have audited the accompanying statements of financial position of the Virginia Highlands Community College Educational Foundation, Inc. (the "Foundation"), as of June 30, 2011 and 2010 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. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010, 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.

My 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Johnson CPA, PLLC & Consulting
September 6, 2011

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

**Statements of Financial Position
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 575,698	\$ 469,445
Interest receivable		-
Unconditional promises to give, net of allowance	17,135	46,468
Other receivables promises to give	2,585	1,300
Total current assets	595,418	517,213
Long term assets		
Property and equipment, net of accumulated depreciation	75,590	63,594
Works of art	50,550	50,550
Total long term assets	126,140	114,144
Other assets		
Investments	807,297	477,968
Restricted cash	9,020	173,304
Total other assets	816,317	651,272
Total assets	<u>\$ 1,537,875</u>	<u>\$ 1,282,629</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 82,873	\$ 64,482
Deferred revenue	290	290
Total current liabilities	83,163	64,772
Net assets		
Unrestricted	200,725	159,694
Temporarily restricted	804,766	657,501
Permanently restricted	449,221	400,662
Total net assets	1,454,712	1,217,857
Total liabilities and net assets	<u>\$ 1,537,875</u>	<u>\$ 1,282,629</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, 2011 and 2010**

	2011			2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and other support:				
Grant Income	\$ -	\$ 114,800		\$ 114,800
Cash contributions	35,169	476,633		511,802
Non cash contributions		7,177	48,559	55,736
Investment income(net of unrealized loss)	1,841	53,823		55,664
Fundraising income	48,189	905		49,094
Net Assets Released From Restrictions				
Student Financial Aid Programs	510,725	(510,725)		-
Other	-	4,653		4,653
				13,006
Total revenue and support	595,924	147,266	48,559	791,749
Total revenue and support and reclassifications	595,924	147,266	48,559	791,749
Expenses:				
Program expenses	506,359	-	-	506,359
Management and general expense	31,544	-	-	31,544
Fundraising expense	16,991	-	-	16,991
Total expenses	554,894	-	-	554,894
Change in net assets from operating activities	41,030	147,266	48,559	236,855
Change in net assets	41,030	147,266	48,559	236,855
Net assets-beginning of year	159,695	657,500	400,662	1,217,857
Net assets-end of year	\$ 200,725	\$ 804,766	\$ 449,221	\$ 1,454,712
				\$ 1,217,857

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 236,855	\$ 301,751
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	7,795	10,998
Net unrealized loss (gain) on investments	(33,326)	(71,368)
(Increase) decrease in investments	(296,003)	-
(Increase) decrease in operating assets		
Promises to give	29,333	(33,532)
Interest receivable	-	-
Other receivable	(1,285)	(500)
Restricted cash	164,285	(628)
Increase (decrease) in operating liabilities		
Accounts payable	18,391	64,482
Accrued interest	-	-
Accrued payroll taxes	-	-
Net cash provided by (used in) operating activities	<u>126,045</u>	<u>271,203</u>
Cash Flows from Investing Activities:		
Donations of art work	-	(1,420)
Purchase of equipment	(19,793)	3,531
Land	-	(1,500)
Land Improvements	-	(15,254)
Net cash used in investing activities	<u>(19,793)</u>	<u>(14,643)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	-	-
Principal payments on line of credit	-	-
Net cash (used in) provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	106,252	256,560
Cash and cash equivalents, beginning of year	<u>469,446</u>	<u>212,885</u>
Cash and cash equivalents, end of year	<u><u>\$ 575,698</u></u>	<u><u>\$ 469,445</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, 2011 and 2010**

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 Foundation 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, 2011 and 2010**

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, 2011 and 2010**

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, 2011 and 2010**

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 2011 and 2010 fiscal year.

Note 4: NET ASSETS

As of June 30, 2011 and 2010, net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted Net Assets:		
Undesignated	\$ 200,725	\$ 159,694
Temporarily Restricted Net Assets		
Restricted for future use	-	-
Purpose restrictions	<u>804,766</u>	<u>657,501</u>
Total temporarily restricted net assets	804,766	657,501
Permanently Restricted Net Assets		
Restricted to endowment funds	<u>449,221</u>	<u>400,662</u>
Total net assets	<u>\$ 1,454,712</u>	<u>\$ 1,217,857</u>

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

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 5: NET ASSETS RELEASED FROM RESTRICTIONS

Restrictions were satisfied as follows for June 30, 2011:

	<u>2011</u>
Purpose restriction accomplished:	
Student financial aid, programs and projects	<u>\$ 510,725</u>
Total	<u><u>\$ 510,725</u></u>

Note 6: PROPERTY AND EQUIPMENT

Property and equipment at year-end as follows:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 129,351	\$ 119,078
Additions	19,793	17,473
Retirements	<u>-</u>	<u>(7,200)</u>
Total Equipment	149,144	129,351
Accumulated Depreciation	<u>(73,554)</u>	<u>(65,757)</u>
Total equipment net of accumulated depreciation	<u><u>\$ 75,590</u></u>	<u><u>\$ 63,594</u></u>

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

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 7: PROMISES TO GIVE

There were no pledges from officers and directors for the year ended June 30, 2011 and June 30, 2010. The Unconditional Promises to Give were adjusted to what is collectible.

Unconditional Promises to Give are as follows:

	2011	2010
Receivable in less than one year	\$ 17,135	\$ 46,468
Other receivables promises to give	2,585	\$ 1,300
Less allowance for uncollectible	-	-
Net receivable due in less than one year	19,720	47,768
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>\$ 19,720</u>	<u>\$ 47,768</u>

For the years ended June 30, 2011 and June 30, 2010 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, 2011 and 2010 are summarized as follows:

	2011	2010
Money Market	\$ 184,418	\$ 66,680
Common Stock	348,867	189,472
Corporate Bond	243,607	211,433
U. S. Government Bonds	20,060	-
Municipal Bonds	10,345	10,383
Total	<u>\$ 807,297</u>	<u>\$ 477,968</u>

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

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 9: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the Statement of Activities at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
Dividends and interest	\$ 1,841	\$ 1,307	-	\$ 3,148
Fiduciary fees	-	-	-	-
Net realized gains (losses)	-	19,190	-	19,190
Net unrealized gains (losses)	-	33,326	-	33,326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investment Return	<u>\$ 1,841</u>	<u>\$ 53,823</u>	<u>\$ -</u>	<u>\$ 55,664</u>

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)	(3,963)	(6,166)	-	(10,129)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investment Return	<u>\$ 36,029</u>	<u>\$ 38,823</u>	<u>\$ -</u>	<u>\$ 74,852</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, 2011	<u>\$ 778,300</u>	<u>\$ 807,297</u>	<u>\$ 28,997</u>
First Bank and Trust June 30, 2010	<u>\$ 491,016</u>	<u>\$ 477,968</u>	<u>\$ (13,048)</u>

SUPPLEMENTAL INFORMATION

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

**Supplemental Schedules of Functional Expenses
For the Years Ended June 30, 2011 and 2010**

	2011				2010
	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	506,359	-	16,991	523,350	349,550
Other program expenses	-	1,700	-	1,700	-
Accounting fees	-	5,482	-	5,482	5,849
Advertising & marketing expense	-	-	-	-	2,409
Board meeting expense	-	-	-	-	-
Donations to VHCC	-	-	-	-	-
Miscellaneous	-	13,795	-	13,795	13,216
Printing and reproduction	-	1,140	-	1,140	2,345
Office supplies	-	529	-	529	96
Insurance expense - D & O liability	-	903	-	903	1,044
Bank service charges	-	200	-	200	502
Memberships and dues	-	-	-	-	-
Insurance expense - Surety Bond	-	-	-	-	-
Interest expense	-	-	-	-	-
Corporate renewal fees	-	-	-	-	-
Total other expense	506,359	23,749	16,991	547,099	375,011
Depreciation expense	-	7,795	-	7,795	10,998
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	<u>\$ 506,359</u>	<u>\$ 31,544</u>	<u>\$ 16,991</u>	<u>\$ 554,894</u>	<u>\$ 386,009</u>

The accompanying notes are an integral part of these statements.