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**Communication with Those Charged with Governance**

To the Board of Directors of Victoria College Foundation, Inc.

We have audited the financial statements of Victoria College Foundation, Inc. for the years ended August 31, 2019 and 2018, and have issued our report thereon dated November 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

✓ ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Victoria College Foundation, Inc. are described in Note 1 to the financial statements. As described in Note 1, the Foundation changed accounting policies in 2019 related to net asset classifications and reporting of functional expenses by adopting FASB Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of investments is based on unadjusted quoted prices for identical assets in an active market. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.



***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has represented agreement with proposed adjusting and reclassifying journal entries as attached which have been posted to the Organization's accounts.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 15, 2019.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Board of Directors of Victoria College Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Bumgardner, Morrison & Company, LLP*

Bumgardner, Morrison & Company, LLP  
Victoria, Texas  
November 15, 2019

Client: 19507 - Victoria College Foundation, Inc.  
Engagement: Audit 2019  
Period Ending: 8/31/2019  
Trial Balance: 3500.00 - Trial Balance Database  
Workpaper: 3200.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>4751.00</b>		
To record in-kind expenses for FY 19.				
7702.01	Donated Salaries - Audit Purposes		122,815.35	
7704.01	Donated Office Rental-Audit Purp		1,949.40	
7706.01	Donated Supplies - Audit Purposes		299.10	
7708.01	Donated Postage - Audit Purposes		1,767.39	
7712.01	Donated Technology Services-Audit Purp		720.00	
7714.01	Donated Copier Rental-Audit Purp		800.91	
7716.01	Donated Travel - Audit Purposes		1,989.95	
7718.01	Donated Media Services-Audit Purp		1,326.56	
7720.01	Donated Printing - Audit Purposes		7,518.11	
7724.01	Donated Public Relations-Audit Purp		7,205.82	
7730.01	Donated Conference Fees-Audit Purp		76.77	
7732.01	Donated Institutional Memberships-Audit		1,194.53	
7734.01	Donated Central Stores-Audit Purp		765.12	
5014.01	In-Kind Contributions			148,429.01
<b>Total</b>			<b>148,429.01</b>	<b>148,429.01</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>4102.00</b>		
Reclass Money Market Account and Adj MKTvalue of invesments as of 08.31.19				
1256.02	Wells Fargo MMA Endowment - 1a		156,988.03	
5060.01	Mark-To-Market Adjustment		184,919.67	
1256.03	Endowment - 1			156,988.03
1256.03	Endowment - 1			184,919.67
<b>Total</b>			<b>341,907.70</b>	<b>341,907.70</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>6101.00</b>		
To adjust net asset accounts for PY audit adjustments not posted.				
1256.03	Endowment - 1		1,290,348.74	
4110.01	Unrestricted Net Assets		64,116.07	
4114.01	Permanently Restricted Net Assets		2,807,875.60	
7382.01	Other Expenditures		449.50	
1305.01	Emergency Assistance Principal			7,789.01
4112.01	Temporarily Restricted Net Assets			4,155,000.90
<b>Total</b>			<b>4,162,789.91</b>	<b>4,162,789.91</b>



**VICTORIA COLLEGE FOUNDATION, INC.**

**VICTORIA, TEXAS**

**Financial Statements**

**August 31, 2019 and 2018**

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Financial Statements  
August 31, 2019 and 2018

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**Independent Auditors' Report**

To the Board of Directors of the Victoria College Foundation, Inc.

We have audited the accompanying financial statements of Victoria College Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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.

**Auditors' Responsibility**

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 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 auditors' 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 Victoria College Foundation, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bumgardner, Morrison & Company, LLP*

**Bumgardner, Morrison & Company, LLP**  
Victoria, Texas  
November 15, 2019

Bumgardner, Morrison & Company, LLP  
Certified Public Accountants

Members: American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Private Companies Practice Section  
AICPA Employee Benefit Plan Audit Quality Center  
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VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Statements of Financial Position  
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 3,911,697	\$ 2,241,711
Pledges receivable	106,030	8,154
Other current assets	159	350
Total Current Assets	<u>4,017,886</u>	<u>2,250,215</u>
Other Assets		
Restricted Cash - Endowment money market funds	156,988	125,793
Endowment investments	<u>12,270,121</u>	<u>12,235,989</u>
Total Other Assets	<u>12,427,109</u>	<u>12,361,782</u>
Total Assets	<u>\$ 16,444,995</u>	<u>\$ 14,611,997</u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Due to Victoria College	\$ 21,888	\$ 1,290
Total Liabilities	<u>21,888</u>	<u>1,290</u>
Net Assets		
Without donor restriction	7,352	7,403
With donor restriction	<u>16,415,755</u>	<u>14,603,304</u>
Total Net Assets	<u>16,423,107</u>	<u>14,610,707</u>
Total Liabilities and Net Assets	<u>\$ 16,444,995</u>	<u>\$ 14,611,997</u>

The accompanying notes are an integral part of these financial statements.



**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Statement of Activities  
Year Ended August 31, 2019**

	2019		
	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 46,570	\$ 2,749,764	\$ 2,796,334
In-kind donations	148,429	-	148,429
Investment return, net	1,827	456,421	458,248
Net assets released from restrictions	1,393,734	(1,393,734)	-
Total Revenue and Support	1,590,560	1,812,451	3,403,011
<b>Expenses</b>			
Program services	1,407,525	-	1,407,525
Management and general	26,963	-	26,963
Fundraising	156,123	-	156,123
Total Expenses	1,590,611	-	1,590,611
<b>Change in Net Assets</b>	\$ (51)	1,812,451	1,812,400
<b>Net Assets, Beginning of Year</b>	7,403	14,603,304	14,610,707
<b>Net Assets, End of Year</b>	\$ 7,352	\$ 16,415,755	\$ 16,423,107

The accompanying notes are an integral part of these financial statements.



**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Statement of Activities, Continued  
Year Ended August 31, 2018**

	2018		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and Support</b>			
Grants and contributions	\$ 45,247	\$ 1,230,450	\$ 1,275,697
In-kind donations	151,892	-	151,892
Investment return, net	1,478	816,623	818,101
Net assets released from restrictions	1,846,662	(1,846,662)	-
Total Revenue and Support	2,045,279	200,411	2,245,690
<b>Expenses</b>			
Program services	1,947,493	-	1,947,493
Management and general	56,222	-	56,222
Fundraising	160,240	-	160,240
Total Expenses	2,163,955	-	2,163,955
<b>Change in Net Assets</b>	(118,676)	200,411	81,735
<b>Net Assets, Beginning of Year</b>	126,079	14,402,893	14,528,972
<b>Net Assets, End of Year</b>	<u>\$ 7,403</u>	<u>\$ 14,603,304</u>	<u>\$ 14,610,707</u>

The accompanying notes are an integral part of these financial statements.

**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Statement of Functional Expenses  
Year Ended August 31, 2019**

	<b>2019</b>			
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Functional Expenses				
Accounting and legal	\$ -	\$ 7,500	\$ -	\$ 7,500
Bad debt expense	-	420	-	420
Bank charges	-	1,362	-	1,362
Conferences	-	-	952	952
Contracted services	-	-	547	547
Copier rental	80	80	641	801
Grants	349,350	-	-	349,350
Insurance	-	1,196	10,760	11,956
Media services	133	133	1,062	1,328
Postage and printing	929	929	7,429	9,287
Institutional memberships	-	120	1,076	1,196
Rent	195	195	1,559	1,949
Salaries	12,282	12,282	98,252	122,816
Scholarships	1,044,484	-	-	1,044,484
Subscriptions	-	2,568	23,115	25,683
Supplies	-	106	958	1,064
Public relations	-	-	7,206	7,206
Technology services	72	72	576	720
Travel	-	-	1,990	1,990
Total Functional Expenses	<u>\$ 1,407,525</u>	<u>\$ 26,963</u>	<u>\$ 156,123</u>	<u>\$ 1,590,611</u>

The accompanying notes are an integral part of these financial statements.



**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Statement of Functional Expenses, Continued  
Year Ended August 31, 2018**

	2018			
	Program	Management and General	Fundraising	Total
Functional Expenses				
Accounting and legal	\$ -	\$ 7,000	\$ -	\$ 7,000
Bad debt expense	-	30,370	-	30,370
Bank charges	-	660	-	660
Conferences	-	-	1,179	1,179
Contracted services	-	-	224	224
Copier rental	79	79	630	788
Grants	1,014,711	-	-	1,014,711
Insurance	-	784	7,056	7,840
Media services	104	104	837	1,045
Postage and printing	886	886	7,085	8,857
Institutional memberships	-	35	318	353
Rent	195	195	1,559	1,949
Salaries	12,599	12,599	100,790	125,988
Scholarships	918,847	-	-	918,847
Subscriptions	-	3,233	29,102	32,335
Supplies	-	205	1,848	2,053
Public relations	-	-	6,545	6,545
Technology services	72	72	576	720
Travel	-	-	2,491	2,491
Total Functional Expenses	<u>\$ 1,947,493</u>	<u>\$ 56,222</u>	<u>\$ 160,240</u>	<u>\$ 2,163,955</u>

The accompanying notes are an integral part of these financial statements.

**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Statements of Cash Flows  
Years Ended August 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,812,400	\$ 81,735
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains)/losses on investments	97,603	(353,822)
(Increase) decrease in pledges receivable	(97,876)	27,066
(Increase) decrease in other current assets	191	(200)
Increase (decrease) in due to Victoria College	20,598	(166,728)
Net Cash Provided by (Used in) Operating Activities	<u>1,832,916</u>	<u>(411,949)</u>
<b>Cash Flows from Investing Activities</b>		
Contributions to endowments	(192,033)	(383,661)
Purchases of investments	(2,432,679)	(1,931,283)
Sales of investments	2,300,944	1,596,542
Net Cash Used in Investing Activities	<u>(323,768)</u>	<u>(718,402)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions to endowments	192,033	383,661
Net Cash Provided by Financing Activities	<u>192,033</u>	<u>383,661</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,701,181	(746,690)
<b>Cash and Cash Equivalents as of Beginning of Year</b>	2,367,504	3,114,194
<b>Cash and Cash Equivalents as of End of Year</b>	<u>\$ 4,068,685</u>	<u>\$ 2,367,504</u>

**Supplemental Disclosures for Cash Flows**

**Cash and Cash Equivalents consists of the following:**

Cash and cash equivalents	\$ 3,911,697	\$ 2,241,711
Endowment investments - money market funds	156,988	125,793
Total Cash and Cash Equivalents	<u>\$ 4,068,685</u>	<u>\$ 2,367,504</u>

The accompanying notes are an integral part of these financial statements.



**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Notes to the Financial Statements  
August 31, 2019 and 2018**

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**Note 1     Significant Accounting Policies**

**Organization**

The Victoria College Foundation, Inc. (the Foundation) is a nonprofit corporation organized and operated to solicit and receive donations, gifts and grants of money and property, and to administer the same and expend funds on charitable or non-profit basis on behalf of The Victoria County Junior College District (the College), its departments, facilities, and activities. The primary function of the Foundation is to fund programs of the College. The Foundation's support comes primarily from individual donors' contributions.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

Financial statement presentation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. The net assets of the Organization are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

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**Note 1      Significant Accounting Policies, Continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Risks and Uncertainties

The Foundation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Revenue Recognition

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions.

When the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services, Goods, and Facilities

The Foundation receives a substantial amount of services, goods, and facilities donated by the College. Contributions of donated noncash assets are recorded at their fair values in the period received.



VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Notes to the Financial Statements, Continued  
August 31, 2019 and 2018

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**Note 1      Significant Accounting Policies, Continued**

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or supporting service are allocated directly. Certain other costs have been allocated among the programs and supporting services benefited based on estimates of time and effort.

Income Taxes

The Foundation is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes. The tax years ending 2017, 2018, and 2019 are still open to audit for both federal and state purposes. The Foundation is classified as an organization that is not a private foundation.

Adoption of Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting of not-for-profit entities. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. Expenses are also required to be presented by both nature and function and investment return is required to be presented net of expenses. The new standard is effective for the Foundation's year ending August 31, 2019 and thereafter and must be applied on a retrospective basis. The Foundation adopted the ASU effective for the year ending August 31, 2019. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

**Note 2     Pledges Receivable**

Contributions are recognized at their fair value when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional pledges receivable that are expected to be collected within the fiscal year are recorded at their net realizable value which approximates fair value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of estimated cash flows. Pledges receivable are considered fully collectible at August 31, 2019 and 2018. At August 31, 2019, one donor makes up 94% of pledges receivable.

Pledges receivable at August 31, 2019 are expected to be collected as follows:

2020	\$ 56,030
2021	50,000
Total Pledges Receivable	<u>\$ 106,030</u>

**Note 3     Liquidity of Assets**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include \$848,860 and \$726,254 in subsequent year scholarships that were awarded as of August 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 4,017,886	\$ 2,250,215
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(3,988,646)	(2,241,522)
Plus: Restricted scholarship funds available for use within one year	<u>848,860</u>	<u>726,254</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 878,100</u>	<u>\$ 734,947</u>



**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

**Note 4      Fair Value of Endowment Investments**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market.

**Level 2** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.

**Level 3** – Inputs to the valuation methodology are unobservable in the market and require significant management judgment or estimation to measure fair value.

As asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Foundation's assets measured at fair value on a recurring basis by level within the fair value hierarchy as of August 31, 2019 and 2018 are as follows:

		2019			
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at August 31, 2019
Mutual funds:					
	Fixed income	\$ 6,022,513	\$ -	\$ -	\$ 6,022,513
	Equities	6,247,608	-	-	6,247,608
	Total Investments	\$ 12,270,121	\$ -	\$ -	\$ 12,270,121

**VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS**

**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

**Note 4      Fair Value of Endowment Investments, Continued**

		2018		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
				Balance at August 31, 2018
Mutual funds:				
Fixed income	\$	5,970,281	\$ -	\$ -
Equities		6,265,708	-	-
Total Investments	\$	12,235,989	\$ -	\$ -

Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without restrictions unless the income or loss is restricted by donor or law.

**Note 5      Investment Return**

As of August 31, 2019, and 2018, net investment return consisted of the following:

		2019		
		Without Restriction	With Restriction	Total
Interest and dividends	\$	1,827	\$ 596,985	\$ 598,812
Realized gain on investments		-	87,317	87,317
Total Investment Income		1,827	684,302	686,129
Unrealized loss on investments		-	(184,920)	(184,920)
Investment fees		-	(42,961)	(42,961)
Total Investment Return, Net	\$	1,827	\$ 456,421	\$ 458,248



**VICTORIA COLLEGE FOUNDATION, INC.  
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**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

**Note 5      Investment Return, Continued**

	<b>2018</b>		
	Without Restriction	With Restriction	Total
Interest and dividends	\$ 1,478	\$ 505,484	\$ 506,962
Realized gain on investments	-	281,072	281,072
Total Investment Income	1,478	786,556	788,034
Unrealized gain on investments	-	72,750	72,750
Investment fees	-	(42,683)	(42,683)
Total Investment Return, Net	\$ 1,478	\$ 816,623	\$ 818,101

**Note 6      Donated Services, Materials, and Facilities**

The Foundation's administrative and executive services are donated by the College. The College also provides an office, use of furniture, equipment, office supplies, and all other items necessary for the daily operations of the Foundation.

At August 31, 2019 and 2018, the College has determined the fair value of donated services, materials and facilities to be \$148,429 and \$151,892, respectively. The donated services, materials, and facilities are included in contributions and expenses in the statements of activities.

Grants in the amount of \$85,229 and \$71,862 were awarded from the Victoria College Foundation, Inc. to the Victoria College during fiscal years 2019 and 2018, respectively. The grants were to partially support the salary of an Executive Director for the Victoria College Foundation during 2017 and 2018 as well as salary of an Advancement Coordinator and other fundraising expenses in 2018. The funds for these grants were not from any individual, corporation, or foundation. The funds were a portion of a 1% management fee that is assessed to the endowments held by the Foundation. The 1% is assessed to a three-year rolling average of market values for each named endowment. This is the same process used to determine allocations for scholarships/programs. This percent amount varies annually, based on endowment earnings, and is approved by the Foundation Board of Directors.

**VICTORIA COLLEGE FOUNDATION, INC.  
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**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

**Note 7      Endowment Funds**

As of August 31, 2019 and 2018, the Foundation maintained one endowment fund in accordance with UPMIFA, whereby, the Victoria College Foundation Endowment consists of one hundred nineteen and one hundred thirteen endowments, respectively, created by various individuals and organizations. The Foundation maintains detailed records regarding each separate endowment. Income, expenses, and gains or losses on investments are allocated to each endowment based on its percentage in relation to the whole. It is Foundation policy that no income may be transferred from an endowment for use as scholarships until the endowment balance reaches a minimum of \$15,000 and has been established for a full year.

The Foundation's intent is that the portfolio be managed with the intention of achieving competitively high rates of return to secure sufficient income and growth over time to meet the requirements of the Foundation, while adhering to a prudent level of risk. The investment policy is designed for long-term growth because the portfolio is held in perpetuity. The long-term asset allocation for the Victoria College Foundation Endowment is 50% equity and 50% fixed income. There are minimum and maximum ranges around the targeted allocation.

The Foundation conducts a Tradition of Excellence campaign annually in order to raise funds for scholarships, facilities, and faculty grants. Some contributors designate donations for certain endowments. Summarized financial data for the years ended August 31, 2019 and 2018, are as follows:

	<u>Net Assets with Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Foundation Endowment	\$ 12,427,109	\$ 12,361,782
Total Assets	<u>\$ 12,427,109</u>	<u>\$ 12,361,782</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Net Assets	<u>\$ 12,427,109</u>	<u>\$ 12,361,782</u>
Support and Revenues		
Contributions	\$ 192,033	\$ 383,661
Investment return, net	456,421	816,623
Total Support and Revenues	648,454	1,200,284
Net Assets Released From Restrictions	<u>(583,127)</u>	<u>(499,135)</u>
Net increase in net assets	65,327	701,149
Net Assets, Beginning of Year	12,361,782	11,660,633
Net Assets, End of Year	<u>\$ 12,427,109</u>	<u>\$ 12,361,782</u>



**VICTORIA COLLEGE FOUNDATION, INC.  
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**Notes to the Financial Statements, Continued  
August 31, 2019 and 2018**

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**Note 8      Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. As of January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) insures all bank account balances up to \$250,000. At August 31, 2019 and 2018, the Foundation's uninsured balances totaled \$3,666,000 and \$1,992,000, respectively. The Foundation has not experienced any losses on its cash equivalents. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents. The opinion of management is that the Foundation's investments do not represent significant concentrations of market risk in as much as the Foundation's investment portfolio is designed to achieve diversification.

**Note 9      Subsequent Events**

In November 2019, the Foundation was awarded a restricted grant for \$5.25 million for the construction of the new Student Center building. The funds are expected to be collected over a three-year period.

The Foundation has evaluated subsequent events through November 15, 2019, which was the date the financial statements were available to be issued.

**Note 10     Net Assets with Donor Restrictions**

As of August 31, 2019, and 2018, Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Endowment	\$ 12,427,109	\$ 12,361,782
Grants	2,343,046	509,079
Gifts and scholarships	1,645,600	1,732,443
Total Net Assets with Donor Restrictions	<u>\$ 16,415,755</u>	<u>\$ 14,603,304</u>

**Note 11     Net Assets Released from Restriction**

For the year ended August 31, 2019 and 2018, net assets released from restrictions comprised the following:

	<u>2019</u>	<u>2018</u>
Expiration of Purpose Restrictions	\$ 810,607	\$ 1,347,527
Net Appropriation from Endowment Funds	583,127	499,135
Total Net Assets Released from Restriction	<u>\$ 1,393,734</u>	<u>\$ 1,846,662</u>