

**VICTORIA COLLEGE FOUNDATION, INC.**

**VICTORIA, TEXAS**

**Financial Statements**

**August 31, 2015 and 2014**

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Financial Statements  
August 31, 2015 and 2014

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## Independent Auditors' Report

### **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, 2015 and 2014, and the related statements of activities 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 auditor's 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, 2015 and 2014, 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.

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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  
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**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 13-14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Bumgardner, Morrison & Company, LLP*

Bumgardner, Morrison & Company, LLP  
November 3, 2015

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Statements of Financial Position  
August 31, 2015 and 2014

	2015	2014
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 1,119,425	\$ 1,242,361
Tuition assistance receivable	300	1,942
Pledges receivable		
Temporary restricted	73,275	53,487
Total Current Assets	1,193,000	1,297,790
Other Assets		
Endowment investments - money market funds	120,817	383,597
Endowment investments - equity securities	7,002,858	7,428,078
Total Investments - Permanently Restricted	7,123,675	7,811,675
Endowment investments - temporarily restricted	3,160,742	2,752,076
Total Other Assets	10,284,417	10,563,751
Total Assets	\$ 11,477,417	\$ 11,861,541
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Due to Victoria College	\$ 1,878	\$ 12,665
Deferred grant revenue	110,612	125,688
Total Liabilities	112,490	138,353
Net Assets		
Unrestricted	126,666	120,872
Temporarily restricted	4,114,586	3,790,641
Permanently restricted	7,123,675	7,811,675
Total Net Assets	11,364,927	11,723,188
Total Liabilities and Net Assets	\$ 11,477,417	\$ 11,861,541

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

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Statements of Activities  
Years Ended August 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted	
Support and revenues				
Grants and contributions	\$ 45,957	\$ 1,119,648	\$ 198,273	\$ 1,363,878
In-kind donations	192,548	-	-	192,548
Interest and dividends	2,480	367,176	-	369,656
Net increase (decrease) in fair value of investments	-	80,370	(465,080)	(384,710)
Total Unrestricted Support and Revenues	240,985	1,567,194	(266,807)	1,541,372
Net assets released from restrictions	1,625,232	(1,204,039)	(421,193)	-
Net assets returned to donors	-	(300)	-	(300)
Other changes in net assets	-	-	-	-
Total Unrestricted Support and Revenues and Reclassifications	1,866,217	362,855	(688,000)	1,541,072
Expenses				
Program	1,638,682	-	-	1,638,682
Management and general	23,898	38,910	-	62,808
Fundraising	197,843	-	-	197,843
Total Unrestricted Expenses	1,860,423	38,910	-	1,899,333
Increase (decrease) in Net Assets	5,794	323,945	(688,000)	(358,261)
Net Assets, Beginning of Year	120,872	3,790,641	7,811,675	11,723,188
Net Assets, End of Year	\$ 126,666	\$ 4,114,586	\$ 7,123,675	\$ 11,364,927

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

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 51,302	\$ 473,871	\$ 672,369	\$ 1,197,542
193,924	-	-	193,924
218	285,432	-	285,650
-	200,583	726,032	926,615
245,444	959,886	1,398,401	2,603,731
894,721	(557,232)	(337,489)	-
-	(3,200)	-	(3,200)
(249)	-	-	(249)
1,139,916	399,454	1,060,912	2,600,282
914,759	-	-	914,759
21,781	36,062	-	57,843
192,498	-	-	192,498
1,129,038	36,062	-	1,165,100
10,878	363,392	1,060,912	1,435,182
109,994	3,427,249	6,750,763	10,288,006
<u>\$ 120,872</u>	<u>\$ 3,790,641</u>	<u>\$ 7,811,675</u>	<u>\$ 11,723,188</u>

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

**Statements of Cash Flows**  
**Years Ended August 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Cash Flows from Operating Activities		
Changes in net assets	\$ (358,261)	\$ 1,435,182
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains)/losses on investments	384,710	(926,615)
(Increase) decrease in tuition assistance receivable	1,642	-
(Increase) decrease in pledges receivable	(19,788)	(49,788)
(Increase) decrease in due from Victoria College	-	370
Increase (decrease) in deferred grant revenue	(15,076)	125,688
Increase (decrease) in due to Victoria College	(10,787)	(11,310)
Net Cash Provided by (Used in) Operating Activities	(17,560)	573,527
Cash Flows from Investing Activities		
Contributions to endowments	(198,273)	(672,369)
Purchases of investments	(2,767,832)	(2,125,199)
Sales of investments	2,399,676	1,633,445
Net Cash Used in Investing Activities	(566,429)	(1,164,123)
Cash Flows from Financing Activities		
Contributions to endowments	198,273	672,369
Net Cash Provided by Financing Activities	198,273	672,369
Net Increase (Decrease) in Cash and Cash Equivalents	(385,716)	81,773
Cash and Cash Equivalents as of Beginning of Year	1,625,958	1,544,185
Cash and Cash Equivalents as of End of Year	\$ 1,240,242	\$ 1,625,958

**Supplemental Disclosures for Cash Flows**

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

Cash and cash equivalents	\$ 1,119,425	\$ 1,242,361
Endowment investments - money market funds	120,817	383,597
Total Cash and Cash Equivalents	\$ 1,240,242	\$ 1,625,958

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



VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Notes to the Financial Statements  
August 31, 2015 and 2014

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**Note 1**    **Nature of Organization and Significant Accounting Policies**

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 and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets. The net assets of the Foundation are classified and reported as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted* – Net assets that are subject to donor-imposed stipulations that may or will be met either by action of the Foundation and/or the passage of time.

*Permanently Restricted* – Net assets that are required by donor-imposed stipulations to be maintained permanently by the Foundation.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking, certificates of deposit, money market accounts and investments with original maturities of less than three months.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities or mutual funds are measured at fair value (based on quoted market prices for those or similar investments) in the statements of financial position. 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 unrestricted net assets unless the income or loss is restricted by donor or law.

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Notes to the Financial Statements, Continued  
August 31, 2015 and 2014

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**Note 1**    **Nature of Organization and Significant Accounting Policies, Continued**

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Foundation is a nonprofit corporation whose revenue is derived from contributions and is not subject to federal or state 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 2013, 2014, and 2015 are still open to audit for both federal and state purposes. The foundation is classified as an organization that is not a private foundation.

**Subsequent Events**

The Foundation has evaluated subsequent events through November 3, 2015, which was the date the financial statements were available to be issued.

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

**Notes to the Financial Statements, Continued  
August 31, 2015 and 2014**

**Note 2    Investment Income**

Investment income from cash equivalents and investments is comprised of the following:

	August 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 2,480	\$ 367,176	\$ -	\$ 369,656
Investment fair value change	-	80,370	(465,080)	(384,710)
Total	\$ 2,480	\$ 447,546	\$ (465,080)	\$ (15,054)
	August 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 218	\$ 285,432	\$ -	\$ 285,650
Investment fair value change	-	200,583	726,032	926,615
Total	\$ 218	\$ 486,015	\$ 726,032	\$ 1,212,265

**Note 3    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, 2015 and 2014, the College has determined the fair value of donated services, materials and facilities to be \$192,548 and \$193,924, respectively. The donated services, materials, and facilities are included in contributions and expenses in the statements of activities.

A grant in the amount of \$60,000 was awarded from the Victoria College Foundation, Inc. to the Victoria College during fiscal year 2014-2015. The grant was to partially support the salary of an Executive Director for the Victoria College Foundation. The funds for this grant 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.  
VICTORIA, TEXAS

Notes to the Financial Statements, Continued  
August 31, 2015 and 2014

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**Note 4**    **Functional Allocation of Expenses**

The costs of providing the programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 5**    **Pledges Receivable**

Pledges receivable of \$73,275 and \$53,487 at August 31, 2015 and 2014, respectively, are all receivable in less than one year and are considered fully collectible. Pledges at August 31, 2015 and 2014, consist primarily of pledges made relating to furnishing and equipping the Emerging Technology Center.

	<u>2015</u>	<u>2014</u>
Due in one year	\$ 73,275	\$ 28,487
Due in one to five years	<u>-</u>	<u>25,000</u>
Total Pledges Receivable	<u>\$ 73,275</u>	<u>\$ 53,487</u>

**Note 6**    **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, 2015 and 2014, the Foundation's uninsured balances totaled approximately \$902,567 and \$995,861, 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.

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

**Notes to the Financial Statements, Continued  
August 31, 2015 and 2014**

**Note 7    Endowment Funds**

The Foundation maintains two endowed funds. The Victoria College Foundation Endowment consists of one hundred eight endowments 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.

The Victoria College Transfer Student Endowment contains contributions made by various individuals and organizations with the intent to provide funds to generate scholarships for students transferring to either the University of Texas or Texas A&M University after completion of their work at The Victoria College. 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, while the allocation for the Victoria College Transfer Student Endowment is 35% equity and 65% fixed income (with a 10% variance allowed). There are minimum and maximum ranges around the targeted allocation.

The Foundation conducts the Tradition of Excellence annually in order to raise funds for scholarships, facilities, and faculty grants. Some contributors designate donations for certain endowments. Summarized financial data for the year ended August 31, 2015, is as follows:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>			
Foundation Endowment	\$ 3,035,942	\$ 6,923,228	\$ 9,959,170
Transfer Student Endowment	124,800	200,447	325,247
<b>Total Assets</b>	<u>\$ 3,160,742</u>	<u>\$ 7,123,675</u>	<u>\$ 10,284,417</u>
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Net Assets</b>	<u>\$ 3,160,742</u>	<u>\$ 7,123,675</u>	<u>\$ 10,284,417</u>
<b>Support and Revenues</b>			
Contributions	\$ -	\$ 198,273	\$ 198,273
Interest and dividends	367,176	-	367,176
Net increase (decrease) in fair value of investments	80,370	(465,080)	(384,710)
<b>Total Support and Revenues</b>	<u>447,546</u>	<u>(266,807)</u>	<u>180,739</u>
<b>Net Assets Released From Restrictions</b>	<u>(38,880)</u>	<u>(421,193)</u>	<u>(460,073)</u>
<b>Net Increase (Decrease) in Net Assets</b>	<u>408,666</u>	<u>(688,000)</u>	<u>(279,334)</u>
<b>Net Assets, Beginning of Year</b>	<u>2,752,076</u>	<u>7,811,675</u>	<u>10,563,751</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,160,742</u>	<u>\$ 7,123,675</u>	<u>\$ 10,284,417</u>

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Notes to the Financial Statements, Continued  
August 31, 2015 and 2014

**Note 7    Endowment Funds, Continued**

Summarized financial data for the year ended August 31, 2014, is as follows:

	2014		
	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>			
Foundation Endowment	\$ 2,639,139	\$ 7,583,408	\$ 10,222,547
Transfer Student Endowment	112,937	228,267	341,204
<b>Total Assets</b>	<u>\$ 2,752,076</u>	<u>\$ 7,811,675</u>	<u>\$ 10,563,751</u>
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Net Assets</b>	<u>\$ 2,752,076</u>	<u>\$ 7,811,675</u>	<u>\$ 10,563,751</u>
<b>Support and Revenues</b>			
Contributions	\$ -	\$ 672,369	\$ 672,369
Interest and dividends	285,432	-	285,432
Net increase in fair value of investments	200,583	726,032	926,615
<b>Total Support and Revenues</b>	486,015	1,398,401	1,884,416
<b>Net Assets Released From Restrictions</b>	(36,093)	(337,489)	(373,582)
<b>Net Increase in Net Assets</b>	449,922	1,060,912	1,510,834
<b>Net Assets, Beginning of Year</b>	2,302,154	6,750,763	9,052,917
<b>Net Assets, End of Year</b>	<u>\$ 2,752,076</u>	<u>\$ 7,811,675</u>	<u>\$ 10,563,751</u>

## Schedules of Functional Expenses

VICTORIA COLLEGE FOUNDATION, INC.  
VICTORIA, TEXAS

Schedule of Functional Expenses  
Year Ended August 31, 2015

	August 31, 2015			Total
	Program	Management and General	Fundraising	
Functional Expenses				
Scholarships	\$ 753,265	\$ -	\$ -	\$ 753,265
Grants	885,417	-	-	885,417
Bank charges	-	39,737	-	39,737
Contracted services	-	650	5,850	6,500
Rent	-	185	1,662	1,847
Salaries	-	16,919	152,266	169,185
Supplies	-	81	732	813
Printing	-	-	9,405	9,405
Public relations	-	-	7,277	7,277
Travel	-	-	1,375	1,375
Conferences	-	-	543	543
Institutional memberships	-	67	604	671
Reference materials	-	550	4,950	5,500
Postage	-	268	2,413	2,681
Copier rental	-	73	661	734
Technology services	-	72	648	720
Media services	-	83	751	834
Insurance	-	568	8,706	9,274
Emergency assistance	-	1,642	-	1,642
Repairs and maintenance	-	1,913	-	1,913
Total Functional Expenses	<u>\$ 1,638,682</u>	<u>\$ 62,808</u>	<u>\$ 197,843</u>	<u>\$ 1,899,333</u>



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

**Schedule of Functional Expenses  
Year Ended August 31, 2014**

	August 31, 2014			Total
	Program	Management and General	Fundraising	
Functional Expenses				
Scholarships	\$ 476,429	\$ -	\$ -	\$ 476,429
Grants	438,330	-	-	438,330
Bank charges	-	37,200	-	37,200
Contracted services	-	610	5,490	6,100
Salaries	-	16,308	146,775	163,083
Supplies	-	223	2,006	2,229
Printing	-	-	11,359	11,359
Public relations	-	-	4,395	4,395
Travel	-	-	3,405	3,405
Conferences	-	-	1,170	1,170
Institutional memberships	-	192	1,728	1,920
Reference materials	-	550	4,950	5,500
Postage	-	217	1,952	2,169
Copier rental	-	86	778	864
Technology services	-	72	648	720
Media services	-	100	897	997
Insurance	-	372	6,945	7,317
Repairs and maintenance	-	1,913	-	1,913
<b>Total Functional Expenses</b>	<b>\$ 914,759</b>	<b>\$ 57,843</b>	<b>\$ 192,498</b>	<b>\$ 1,165,100</b>