

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, 2017 and 2016, and have issued our report thereon dated November 13, 2017. 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 June 15, 2017. 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 8, it was determined that the August 31, 2016 financial statements presented deferred grant revenue, which should have been presented within temporarily restricted grants and contributions, causing an overstatement of liabilities and understatement of temporarily restricted net assets. Accordingly, the applicable August 31, 2016 amounts have been restated. 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. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. Additionally, summarized corrected misstatements of the financial statements are also attached.

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 13, 2017.

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 13, 2017

Client: 19507 - Victoria College Foundation, Inc.
Engagement: Audit 2017
Period Ending: 8/31/2017
Trial Balance: 3500.00 - Trial Balance Database
Workpaper: 3300.00 - Passed Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Proposed Journal Entries				
Proposed Journal Entries JE # 6				
To record deposited cash not recorded in the GL as of year end.				
1004.01	Wells Fargo DDA		14,175.00	10,000.00
5002.01	Gift Revenue			4,000.00
5006.01	Scholarship Contributions			175.00
5008.01	Endowment Contributions			
Total			14,175.00	14,175.00
Total Proposed Journal Entries			14,175.00	14,175.00
Total All Journal Entries			14,175.00	14,175.00

Note: The above proposed entry was recorded due to the timing of processing year-end deposits caused by Hurricane Harvey.

Client: 19507 - Victoria College Foundation, Inc.
Engagement: Audit 2017
Period Ending: 8/31/2017
Trial Balance: 3500.00 - Trial Balance Database
Workpaper: 3200.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		6101.00		
To adjust Net Asset accounts for PY audit adjustments not posted as of 08.31.2016.				
1256.03	Endowment - 1		879,399.16	
4112.01	Temporarily Restricted Net Assets		24,194.45	
1305.01	Emergency Assistance Principal			7,789.01
4110.01	Unrestricted Net Assets			16,405.44
4114.01	Permanently Restricted Net Assets			879,399.16
Total			903,593.61	903,593.61
Adjusting Journal Entries JE # 2		4102.02		
To reclassify MMKT acct & adjust MKT value of investments as of 8.31.17				
1256.02	Wells Fargo MMA Endowment - 1a		113,206.31	
1256.03	Endowment - 1		338,199.26	
1256.03	Endowment - 1			113,206.31
5060.01	Mark-To-Market Adjustment			338,199.26
Total			451,405.57	451,405.57
Adjusting Journal Entries JE # 3		4204.00		
To reclass Johnson foundation scholarship funds				
5002.01	Gift Revenue		769,000.00	
5006.01	Scholarship Contributions			769,000.00
Total			769,000.00	769,000.00
Adjusting Journal Entries JE # 4		4751.00		
To record in-kind donations. (Audit only)				
7702.01	Donated Salaries - Audit Purposes		181,781.86	
7704.01	Donated Office Rental-Audit Purp		1,949.40	
7706.01	Donated Supplies - Audit Purposes		2,010.06	
7708.01	Donated Postage - Audit Purposes		2,056.42	
7712.01	Donated Technology Services-Audit Purp		720.00	
7714.01	Donated Copier Rental-Audit Purp		756.00	
7716.01	Donated Travel - Audit Purposes		2,879.37	
7718.01	Donated Media Services-Audit Purp		994.04	
7720.01	Donated Printing - Audit Purposes		7,425.26	
7724.01	Donated Public Relations-Audit Purp		6,858.61	
7730.01	Donated Conference Fees-Audit Purp		1,097.50	
7732.01	Donated Institutional Memberships-Audit		587.25	
7734.01	Donated Central Stores-Audit Purp		635.86	
5014.01	In-Kind Contributions			209,751.63
Total			209,751.63	209,751.63
Adjusting Journal Entries JE # 5		4202.00		
Prior period adjustment to correct the Temporarily Restricted Net Assets as of 8/31/16.				
5004.01	Grant Revenue		1,165,182.85	
4112.01	Temporarily Restricted Net Assets			1,165,182.85
Total			1,165,182.85	1,165,182.85

VICTORIA COLLEGE FOUNDATION, INC.

VICTORIA, TEXAS

Financial Statements

August 31, 2017 and 2016

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Financial Statements
August 31, 2017 and 2016

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CPAs • Tax • Audit & Accounting

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, 2017 and 2016, 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 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, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the previously issued financial statements for the year ended August 31, 2016, have been restated, whereby temporarily restricted net assets were adjusted for the recognition of revenue previously reported as deferred grant revenue. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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 15-16 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
Victoria, Texas
November 13, 2017

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

**Statements of Financial Position
August 31, 2017 and 2016**

	<u>2017</u>	<u>2016 Restated</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 3,000,987	\$ 2,296,477
Pledges receivable	35,220	34,970
Other current assets	150	200
Total Current Assets	<u>3,036,357</u>	<u>2,331,647</u>
Other Assets		
Endowment investments - money market funds	113,207	113,948
Endowment investments - mutual funds	7,449,216	7,321,238
Total Investments - Permanently Restricted	<u>7,562,423</u>	<u>7,435,186</u>
Endowment investments - temporarily restricted mutual funds	4,098,210	3,532,431
Total Other Assets	<u>11,660,633</u>	<u>10,967,617</u>
Total Assets	<u>\$ 14,696,990</u>	<u>\$ 13,299,264</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Due to Victoria College	\$ 168,018	\$ 16,629
Total Liabilities	<u>168,018</u>	<u>16,629</u>
Net Assets		
Unrestricted	165,371	137,186
Temporarily restricted	6,801,178	5,710,263
Permanently restricted	7,562,423	7,435,186
Total Net Assets	<u>14,528,972</u>	<u>13,282,635</u>
Total Liabilities and Net Assets	<u>\$ 14,696,990</u>	<u>\$ 13,299,264</u>

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

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Statements of Activities
Years Ended August 31, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Grants and contributions	\$ 56,614	\$ 1,812,192	\$ 317,089	\$ 2,185,895
In-kind donations	209,752	-	-	209,752
Interest and dividends	1,657	373,830	-	375,487
Net increase in fair value of investments	-	231,241	338,199	569,440
Other changes in net assets	-	-	-	-
Net assets released from restrictions	1,815,107	(1,287,056)	(528,051)	-
Total Revenue and Support	2,083,130	1,130,207	127,237	3,340,574
Expenses				
Program services	1,824,723	-	-	1,824,723
Management and general	23,135	39,292	-	62,427
Fundraising	207,087	-	-	207,087
Total Expenses	2,054,945	39,292	-	2,094,237
Change in Net Assets	28,185	1,090,915	127,237	1,246,337
Net Assets, Beginning of Year	137,186	5,710,263	7,435,186	13,282,635
Net Assets, End of Year	\$ 165,371	\$ 6,801,178	\$ 7,562,423	\$ 14,528,972

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

2016 Restated

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 42,934	\$ 1,565,819	\$ 499,686	\$ 2,108,439
201,044	-	-	201,044
953	396,613	-	397,566
-	12,396	327,543	339,939
103	-	-	103
857,549	(341,831)	(515,718)	-
<u>1,102,583</u>	<u>1,632,997</u>	<u>311,511</u>	<u>3,047,091</u>
866,411	-	-	866,411
23,220	37,320	-	60,540
202,432	-	-	202,432
<u>1,092,063</u>	<u>37,320</u>	<u>-</u>	<u>1,129,383</u>
10,520	1,595,677	311,511	1,917,708
126,666	4,114,586	7,123,675	11,364,927
<u>\$ 137,186</u>	<u>\$ 5,710,263</u>	<u>\$ 7,435,186</u>	<u>\$ 13,282,635</u>

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Statements of Cash Flows
Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>Restated</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,246,337	\$ 1,917,708
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains)/losses on investments	(569,440)	(339,939)
(Increase) decrease in tuition assistance receivable	-	300
(Increase) decrease in pledges receivable	(250)	38,305
(Increase) decrease in other current assets	50	(200)
Increase (decrease) in deferred grant revenue	-	(110,612)
Increase (decrease) in due to Victoria College	151,389	14,751
Net Cash Provided by Operating Activities	<u>828,086</u>	<u>1,520,313</u>
Cash Flows from Investing Activities		
Contributions to endowments	(317,089)	(499,686)
Purchases of investments	(2,053,325)	(990,879)
Sales of investments	1,929,008	640,749
Net Cash Used in Investing Activities	<u>(441,406)</u>	<u>(849,816)</u>
Cash Flows from Financing Activities		
Contributions to endowments	317,089	499,686
Net Cash Provided by Financing Activities	<u>317,089</u>	<u>499,686</u>
Net Increase in Cash and Cash Equivalents	703,769	1,170,183
Cash and Cash Equivalents as of Beginning of Year	<u>2,410,425</u>	<u>1,240,242</u>
Cash and Cash Equivalents as of End of Year	<u>\$ 3,114,194</u>	<u>\$ 2,410,425</u>

Supplemental Disclosures for Cash Flows

Cash and Cash Equivalents consists of the following:

Cash and cash equivalents	\$ 3,000,987	\$ 2,296,477
Endowment investments - money market funds	<u>113,207</u>	<u>113,948</u>
Total Cash and Cash Equivalents	<u>\$ 3,114,194</u>	<u>\$ 2,410,425</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, 2017 and 2016**

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, 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 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 not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a donor-stipulated time restriction ends or a 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.

Permanently Restricted – Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the Foundation.

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, 2017 and 2016**

Note 1 Nature of Organization and Significant Accounting Policies, Continued

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.

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.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 inputs are unobservable inputs for the investment.

The Foundation's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

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 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, 2017 and 2016

Note 1 Nature of Organization and Significant Accounting Policies, Continued

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.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

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 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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 2015, 2016, and 2017 are still open to audit for both federal and state purposes. The Foundation is classified as an organization that is not a private foundation.

Reclassifications

Certain reclassifications have been made to the prior year statements and schedules in order for them to be in conformity with the current year presentation.

Subsequent Events

The Foundation has evaluated subsequent events through November 13, 2017, 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, 2017 and 2016

Note 2 Pledges Receivable

Pledges receivable of \$35,220 and \$34,970 at August 31, 2017 and 2016, respectively, are all receivable in less than one year and are considered fully collectible. Pledges at August 31, 2017 and 2016, consist primarily of pledges made relating to furnishing and equipping the Emerging Technology Center.

	2017	2016
Due in one year	\$ 35,220	\$ 34,970
Due in one to five years	-	-
Total Pledges Receivable	<u>\$ 35,220</u>	<u>\$ 34,970</u>

Note 3 Fair Value Measurements

The following tables summarize assets measured at fair value by classification within the fair value hierarchy at August 31:

	2017		
	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, 2017
Mutual funds:			
Fixed income	\$ 5,706,905	\$ -	\$ 5,706,905
Equities	5,840,521	-	5,840,521
Total Investments	<u>\$ 11,547,426</u>	<u>\$ -</u>	<u>\$ 11,547,426</u>

	2016		
	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, 2016
Mutual funds:			
Fixed income	\$ 5,098,746	\$ -	\$ 5,098,746
Equities	5,754,923	-	5,754,923
Total Investments	<u>\$ 10,853,669</u>	<u>\$ -</u>	<u>\$ 10,853,669</u>

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

**Notes to the Financial Statements, Continued
August 31, 2017 and 2016**

Note 4 Investments

Investments consist of the following at August 31:

	2017	2016
Mutual funds:		
Fixed income	\$ 5,706,905	\$ 5,098,746
Equities	5,840,521	5,754,923
Total Investments	<u>\$ 11,547,426</u>	<u>\$ 10,853,669</u>

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 1,657	\$ 373,830	\$ -	\$ 375,487
Investment fair value change	-	231,241	338,199	569,440
Total Investment Return	<u>\$ 1,657</u>	<u>\$ 605,071</u>	<u>\$ 338,199</u>	<u>\$ 944,927</u>

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 953	\$ 396,613	\$ -	\$ 397,566
Investment fair value change	-	12,396	327,543	339,939
Total Investment Return	<u>\$ 953</u>	<u>\$ 409,009</u>	<u>\$ 327,543</u>	<u>\$ 737,505</u>

Note 5 Endowment Funds

As of August 31, 2017, the Foundation maintains one endowment fund in accordance with UPMIFA. The Victoria College Foundation Endowment consists of one hundred thirteen 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. 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 Victoria College Transfer Student Endowment, which provided 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, was closed in September 2015 being combined with and now held within the Victoria College Foundation managed agency account.

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

**Notes to the Financial Statements, Continued
August 31, 2017 and 2016**

Note 5 Endowment Funds, Continued

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 year ended August 31, 2017, is as follows:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Assets			
Foundation Endowment	\$ 4,098,210	\$ 7,562,423	\$ 11,660,633
Total Assets	<u>\$ 4,098,210</u>	<u>\$ 7,562,423</u>	<u>\$ 11,660,633</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Net Assets	<u>\$ 4,098,210</u>	<u>\$ 7,562,423</u>	<u>\$ 11,660,633</u>
Support and Revenues			
Contributions	\$ -	\$ 317,089	\$ 317,089
Interest and dividends	373,830	-	373,830
Net increase in fair value of investments	231,241	338,199	569,440
Total Support and Revenues	605,071	655,288	1,260,359
Net Assets Released From Restrictions	(39,292)	(528,051)	(567,343)
Net Increase in Net Assets	565,779	127,237	693,016
Net Assets, Beginning of Year	3,532,431	7,435,186	10,967,617
Net Assets, End of Year	<u>\$ 4,098,210</u>	<u>\$ 7,562,423</u>	<u>\$ 11,660,633</u>

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

**Notes to the Financial Statements, Continued
August 31, 2017 and 2016**

Note 5 Endowment Funds, Continued

Summarized financial data for the year ended August 31, 2016, is as follows:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Assets			
Foundation Endowment	\$ 3,532,431	\$ 7,435,186	\$ 10,967,617
Total Assets	<u>\$ 3,532,431</u>	<u>\$ 7,435,186</u>	<u>\$ 10,967,617</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Net Assets	<u>\$ 3,532,431</u>	<u>\$ 7,435,186</u>	<u>\$ 10,967,617</u>
Support and Revenues			
Contributions	\$ -	\$ 499,686	\$ 499,686
Interest and dividends	396,613	-	396,613
Net increase in fair value of investments	12,396	327,543	339,939
Total Support and Revenues	409,009	827,229	1,236,238
Net Assets Released From Restrictions	(37,320)	(515,718)	(553,038)
Net Increase in Net Assets	371,689	311,511	683,200
Net Assets, Beginning of Year	3,160,742	7,123,675	10,284,417
Net Assets, End of Year	<u>\$ 3,532,431</u>	<u>\$ 7,435,186</u>	<u>\$ 10,967,617</u>

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, 2017 and 2016, the College has determined the fair value of donated services, materials and facilities to be \$209,752 and \$201,044, 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 2016-2017. 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, 2017 and 2016**

Note 7 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, 2017 and 2016, the Foundation's uninsured balances totaled approximately \$2,765,162 and \$2,046,477, 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 8 Restatement of Prior Period Financial Statements

During the year ended August 31, 2017, it was determined that the August 31, 2016 financial statements presented deferred grant revenue, which should have been presented within temporarily restricted grants and contributions. This caused an overstatement of liabilities and understatement of temporarily restricted net assets of \$1,165,183. Accordingly, the applicable August 31, 2016 amounts have been restated in these financial statements. The following summarizes the prior period adjustment:

	Previously Reported	Adjustment	Restated Amount
Deferred grant revenue	\$ 1,165,183	\$ (1,165,183)	\$ -
Total liabilities	1,181,812	(1,165,183)	16,629
Temporarily restricted net assets	4,545,080	1,165,183	5,710,263
Total net assets	12,117,452	1,165,183	13,282,635
 Temporarily restricted grants and contributions	 400,636	 1,165,183	 1,565,819
Total revenue and support	467,814	1,165,183	1,632,997
Change in temporarily restricted net assets	430,494	1,165,183	1,595,677
Change in net assets	752,525	1,165,183	1,917,708

Supplementary Information

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

**Schedule of Functional Expenses
Year Ended August 31, 2017**

	August 31, 2017			
	Program	Management and General	Fundraising	Total
Functional Expenses				
Scholarships	\$ 682,004	\$ -	\$ -	\$ 682,004
Grants	1,142,719	-	-	1,142,719
Bank charges	-	39,998	-	39,998
Contracted services	-	700	6,300	7,000
Rent	-	195	1,754	1,949
Salaries	-	18,178	163,604	181,782
Supplies	-	72	660	732
Printing	-	-	7,425	7,425
Public relations	-	-	6,859	6,859
Travel	-	-	2,879	2,879
Conferences	-	-	1,673	1,673
Institutional memberships	-	59	529	588
Reference materials	-	750	6,750	7,500
Postage	-	206	1,851	2,057
Copier rental	-	76	680	756
Technology services	-	72	648	720
Media services	-	99	895	994
Insurance	-	109	4,580	4,689
Repairs and maintenance	-	1,913	-	1,913
Total Functional Expenses	<u>\$ 1,824,723</u>	<u>\$ 62,427</u>	<u>\$ 207,087</u>	<u>\$ 2,094,237</u>

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

**Schedule of Functional Expenses
Year Ended August 31, 2016**

	August 31, 2016			Total
	Program	Management and General	Fundraising	
Functional Expenses				
Scholarships	\$ 540,623	\$ -	\$ -	\$ 540,623
Grants	325,788	-	-	325,788
Bank charges	-	38,146	-	38,146
Contracted services	-	650	5,850	6,500
Rent	-	195	1,755	1,950
Salaries	-	17,536	157,821	175,357
Supplies	-	42	375	417
Printing	-	-	7,858	7,858
Public relations	-	-	5,070	5,070
Travel	-	-	1,131	1,131
Conferences	-	-	450	450
Institutional memberships	-	464	4,182	4,646
Reference materials	-	850	7,650	8,500
Postage	-	45	402	447
Copier rental	-	69	622	691
Technology services	-	81	729	810
Media services	-	73	657	730
Insurance	-	476	7,880	8,356
Repairs and maintenance	-	1,913	-	1,913
Total Functional Expenses	<u>\$ 866,411</u>	<u>\$ 60,540</u>	<u>\$ 202,432</u>	<u>\$ 1,129,383</u>