

VICTORIA COLLEGE FOUNDATION, INC.

VICTORIA, TEXAS

Financial Statements

August 31, 2018 and 2017

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Financial Statements
August 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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 12, 2018

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

**Statements of Financial Position
August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 2,241,711	\$ 3,000,987
Pledges receivable	8,154	35,220
Other current assets	350	150
Total Current Assets	<u>2,250,215</u>	<u>3,036,357</u>
Other Assets		
Endowment investments - temporarily restricted mutual funds	4,842,083	4,098,210
Endowment investments - permanently restricted money market funds	125,793	113,207
Endowment investments - permanently restricted mutual funds	7,393,906	7,449,216
Total Other Assets	<u>12,361,782</u>	<u>11,660,633</u>
Total Assets	<u><u>\$ 14,611,997</u></u>	<u><u>\$ 14,696,990</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Due to Victoria College	\$ 1,290	\$ 168,018
Total Liabilities	<u>1,290</u>	<u>168,018</u>
Net Assets		
Unrestricted	7,403	126,079
Temporarily restricted	7,083,605	6,840,470
Permanently restricted	7,519,699	7,562,423
Total Net Assets	<u>14,610,707</u>	<u>14,528,972</u>
Total Liabilities and Net Assets	<u><u>\$ 14,611,997</u></u>	<u><u>\$ 14,696,990</u></u>

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

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 56,614	\$ 1,812,192	\$ 317,089	\$ 2,185,895
149,752	-	-	149,752
1,657	373,830	-	375,487
-	231,241	338,199	569,440
1,815,107	(1,287,056)	(528,051)	-
2,023,130	1,130,207	127,237	3,280,574
1,838,291	-	-	1,838,291
61,749	-	-	61,749
134,197	-	-	134,197
2,034,237	-	-	2,034,237
(11,107)	1,130,207	127,237	1,246,337
137,186	5,710,263	7,435,186	13,282,635
<u>\$ 126,079</u>	<u>\$ 6,840,470</u>	<u>\$ 7,562,423</u>	<u>\$ 14,528,972</u>

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

**Statements of Cash Flows
Years Ended August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 81,735	\$ 1,246,337
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains)/losses on investments	(353,822)	(569,440)
(Increase) decrease in pledges receivable	27,066	(250)
(Increase) decrease in other current assets	(200)	50
Increase (decrease) in due to Victoria College	(166,728)	151,389
Net Cash Provided by (Used in) Operating Activities	<u>(411,949)</u>	<u>828,086</u>
Cash Flows from Investing Activities		
Contributions to endowments	(383,661)	(317,089)
Purchases of investments	(1,931,283)	(2,053,325)
Sales of investments	1,596,542	1,929,008
Net Cash Used in Investing Activities	<u>(718,402)</u>	<u>(441,406)</u>
Cash Flows from Financing Activities		
Contributions to endowments	383,661	317,089
Net Cash Provided by Financing Activities	<u>383,661</u>	<u>317,089</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(746,690)	703,769
Cash and Cash Equivalents as of Beginning of Year	<u>3,114,194</u>	<u>2,410,425</u>
Cash and Cash Equivalents as of End of Year	<u>\$ 2,367,504</u>	<u>\$ 3,114,194</u>

Supplemental Disclosures for Cash Flows

Cash and Cash Equivalents consists of the following:

Cash and cash equivalents	\$ 2,241,711	\$ 3,000,987
Endowment investments - money market funds	<u>125,793</u>	<u>113,207</u>
Total Cash and Cash Equivalents	<u>\$ 2,367,504</u>	<u>\$ 3,114,194</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, 2018 and 2017

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, 2018 and 2017**

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, 2018 and 2017

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.

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. 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.

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 2016, 2017, and 2018 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 financial statements in order for them to be in conformity with the current year presentation. Total net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Foundation has evaluated subsequent events through November 12, 2018, 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, 2018 and 2017**

Note 2 Pledges Receivable

Pledges receivable of \$8,154 and \$35,220 at August 31, 2018 and 2017, respectively, are all receivable in less than one year and are considered fully collectible. Pledges at August 31, 2018, and 2017, consist primarily of pledges from employees of Victoria College and pledges made relating to furnishing and equipping the Emerging Technology Center, respectively.

	2018	2017
Due in one year	\$ 8,154	\$ 35,220
Total Pledges Receivable	<u>\$ 8,154</u>	<u>\$ 35,220</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:

	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	\$ -	\$ -	\$ 5,970,281
Equities	6,265,708	-	-	6,265,708
Total Investments	<u>\$ 12,235,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,235,989</u>

	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>\$ -</u>	<u>\$ 11,547,426</u>

**VICTORIA COLLEGE FOUNDATION, INC.
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**Notes to the Financial Statements, Continued
August 31, 2018 and 2017**

Note 4 Investments

Investments consist of the following at August 31:

	2018	2017
Mutual funds:		
Fixed income	\$ 5,970,281	\$ 5,706,905
Equities	6,265,708	5,840,521
Total Investments	<u>\$ 12,235,989</u>	<u>\$ 11,547,426</u>

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 1,478	\$ 505,484	\$ -	\$ 506,962
Investment fair value change	-	281,072	72,750	353,822
Total Investment Return	<u>\$ 1,478</u>	<u>\$ 786,556</u>	<u>\$ 72,750</u>	<u>\$ 860,784</u>

	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>

Note 5 Endowment Funds

As of August 31, 2018 and 2017, 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.

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

**Notes to the Financial Statements, Continued
August 31, 2018 and 2017**

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, 2018, is as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Assets			
Foundation Endowment	\$ 4,842,083	\$ 7,519,699	\$ 12,361,782
Total Assets	\$ 4,842,083	\$ 7,519,699	\$ 12,361,782
Total Liabilities	\$ -	\$ -	\$ -
Total Net Assets	\$ 4,842,083	\$ 7,519,699	\$ 12,361,782
Support and Revenues			
Contributions	\$ -	\$ 383,661	\$ 383,661
Interest and dividends	505,484	-	505,484
Net increase in fair value of investments	281,072	72,750	353,822
Total Support and Revenues	786,556	456,411	1,242,967
Net Assets Released From Restrictions	(42,683)	(499,135)	(541,818)
Net Increase in Net Assets	743,873	(42,724)	701,149
Net Assets, Beginning of Year	4,098,210	7,562,423	11,660,633
Net Assets, End of Year	\$ 4,842,083	\$ 7,519,699	\$ 12,361,782

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

**Notes to the Financial Statements, Continued
August 31, 2018 and 2017**

Note 5 Endowment Funds, Continued

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	\$ 4,098,210	\$ 7,562,423	\$ 11,660,633
Total Liabilities	\$ -	\$ -	\$ -
Total Net Assets	\$ 4,098,210	\$ 7,562,423	\$ 11,660,633
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	\$ 4,098,210	\$ 7,562,423	\$ 11,660,633

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, 2018 and 2017, the College has determined the fair value of donated services, materials and facilities to be \$151,892 and \$149,752, respectively. The donated services, materials, and facilities are included in contributions and expenses in the statements of activities.

Grants in the amount of \$71,862 and \$60,000 were awarded from the Victoria College Foundation, Inc. to the Victoria College during fiscal years 2018 and 2017, 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, 2018 and 2017

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, 2018 and 2017, the Foundation's uninsured balances totaled \$1,991,711 and \$2,765,162, 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.

Supplementary Information

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Schedule of Functional Expenses
Year Ended August 31, 2018

	August 31, 2018			
	Program	Management and General	Fundraising	Total
Functional Expenses				
Scholarships	\$ 918,847	\$ -	\$ -	\$ 918,847
Grants	1,014,711	-	-	1,014,711
Bank charges	-	43,343	-	43,343
Bad debt expense	-	30,370	-	30,370
Contracted services	-	7,000	224	7,224
Rent	195	195	1,559	1,949
Salaries	12,599	12,599	100,790	125,988
Supplies	-	205	1,848	2,053
Printing	709	709	5,673	7,091
Public relations	-	-	6,545	6,545
Travel	-	-	2,491	2,491
Conferences	-	-	1,179	1,179
Institutional memberships	-	35	318	353
Reference materials	-	3,233	29,102	32,335
Postage	177	177	1,412	1,766
Copier rental	79	79	630	788
Technology services	72	72	576	720
Media services	104	104	837	1,045
Insurance	-	425	7,415	7,840
Total Functional Expenses	<u>\$ 1,947,493</u>	<u>\$ 98,546</u>	<u>\$ 160,599</u>	<u>\$ 2,206,638</u>

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

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

	August 31, 2017			Total
	Program	Management and General	Fundraising	
Functional Expenses				
Scholarships	\$ 682,004	\$ -	\$ -	\$ 682,004
Grants	1,142,719	-	-	1,142,719
Bank charges	-	39,998	-	39,998
Contracted services	-	7,000	-	7,000
Rent	195	195	1,559	1,949
Salaries	12,178	12,178	97,426	121,782
Supplies	-	265	2,381	2,646
Printing	742	742	5,940	7,424
Public relations	-	-	6,859	6,859
Travel	-	-	2,879	2,879
Conferences	-	-	1,673	1,673
Institutional memberships	-	59	528	587
Reference materials	-	750	6,750	7,500
Postage	206	206	1,645	2,057
Copier rental	76	76	605	757
Technology services	72	72	576	720
Media services	99	99	796	994
Insurance	-	109	4,580	4,689
Total Functional Expenses	<u>\$ 1,838,291</u>	<u>\$ 61,749</u>	<u>\$ 134,197</u>	<u>\$ 2,034,237</u>