

VICTORIA COLLEGE FOUNDATION, INC.

VICTORIA, TEXAS

Financial Statements

August 31, 2020 and 2019

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Financial Statements
August 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 and Company, LLP

Bumgardner, Morrison & Company, LLP
Victoria, Texas
October 28, 2020

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Statements of Financial Position
August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 7,430,326	\$ 3,911,697
Pledges receivable	1,756,238	106,030
Other current assets	5,389	159
Total Current Assets	<u>9,191,953</u>	<u>4,017,886</u>
Other Assets		
Restricted Cash - Endowment money market funds	138,048	156,988
Endowment investments	<u>13,477,363</u>	<u>12,270,121</u>
Total Other Assets	<u>13,615,411</u>	<u>12,427,109</u>
Total Assets	<u><u>\$ 22,807,364</u></u>	<u><u>\$ 16,444,995</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Due to Victoria College	<u>\$ 5,671</u>	<u>\$ 21,888</u>
Total Liabilities	<u>5,671</u>	<u>21,888</u>
Net Assets		
Without donor restriction	24,411	7,352
With donor restriction	<u>22,777,282</u>	<u>16,415,755</u>
Total Net Assets	<u>22,801,693</u>	<u>16,423,107</u>
Total Liabilities and Net Assets	<u><u>\$ 22,807,364</u></u>	<u><u>\$ 16,444,995</u></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, 2020**

	2020		
	Without Donor	With Donor	
	Restriction	Restriction	Total
Revenue and Support			
Grants and contributions	\$ 43,165	\$ 6,204,767	\$ 6,247,932
In-kind donations	145,972	-	145,972
Investment return, net	1,884	1,463,975	1,465,859
Net assets released from restrictions	1,307,215	(1,307,215)	-
Total Revenue and Support	1,498,236	6,361,527	7,859,763
Expenses			
Program services	1,323,797	-	1,323,797
Management and general	25,070	-	25,070
Fundraising	132,310	-	132,310
Total Expenses	1,481,177	-	1,481,177
Increase in Net Assets	17,059	6,361,527	6,378,586
Net Assets, Beginning of Year	7,352	16,415,755	16,423,107
Net Assets, End of Year	\$ 24,411	\$ 22,777,282	\$ 22,801,693

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, 2019

	2019		
	Without Donor	With Donor	
	Restriction	Restriction	Total
Revenue and Support			
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
Expenses			
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
Change in Net Assets	(51)	1,812,451	1,812,400
Net Assets, Beginning of Year	7,403	14,603,304	14,610,707
Net Assets, End of Year	\$ 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 Functional Expenses
Year Ended August 31, 2020

	2020			
	Program	Management and General	Fundraising	Total
Functional Expenses				
Accounting and legal	\$ -	\$ 8,250	\$ -	\$ 8,250
Bad debt expense	-	415	-	415
Bank charges	-	1,470	-	1,470
Conferences	-	-	1,208	1,208
Contracted services	-	-	475	475
Copier rental	73	73	587	733
Grants	295,970	-	-	295,970
Insurance	-	601	5,412	6,013
Media services	187	187	1,498	1,872
Postage and printing	523	523	4,185	5,231
Institutional memberships	-	120	1,076	1,196
Rent	195	195	1,559	1,949
Salaries	12,033	12,033	96,262	120,328
Scholarships	1,014,720	-	-	1,014,720
Subscriptions	-	777	6,990	7,767
Supplies	-	330	2,966	3,296
Public relations	-	-	6,783	6,783
Technology services	96	96	768	960
Travel	-	-	2,541	2,541
Total Functional Expenses	<u>\$ 1,323,797</u>	<u>\$ 25,070</u>	<u>\$ 132,310</u>	<u>\$ 1,481,177</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, 2019**

	2019			
	Program	Management and General	Fundraising	Total
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

Statements of Cash Flows
Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 6,378,586	\$ 1,812,400
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains)/losses on investments	(1,096,269)	97,603
Increase in pledges receivable	(1,650,208)	(97,876)
Increase in other current assets	(5,230)	191
Increase (decrease) in due to Victoria College	(16,217)	20,598
Net Cash Provided by Operating Activities	<u>3,610,662</u>	<u>1,832,916</u>
Cash Flows from Investing Activities		
Transfer of investment gains to endowment	(327,980)	(192,033)
Purchases of investments	(3,153,184)	(2,432,679)
Sales of investments	3,042,211	2,300,944
Net Cash Used in Investing Activities	<u>(438,953)</u>	<u>(323,768)</u>
Cash Flows from Financing Activities		
Contributions to endowment from cash account	327,980	192,033
Net Cash Provided by Financing Activities	<u>327,980</u>	<u>192,033</u>
Net Increase in Cash and Cash Equivalents	3,499,689	1,701,181
Cash and Cash Equivalents as of Beginning of Year	<u>4,068,685</u>	<u>2,367,504</u>
Cash and Cash Equivalents as of End of Year	<u>\$ 7,568,374</u>	<u>\$ 4,068,685</u>

Supplemental Disclosures for Cash Flows

Cash and Cash Equivalents consists of the following:		
Cash and cash equivalents	\$ 7,430,326	\$ 3,911,697
Endowment investments - money market funds	<u>138,048</u>	<u>156,988</u>
Total Cash and Cash Equivalents	<u>\$ 7,568,374</u>	<u>\$ 4,068,685</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, 2020 and 2019

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, 2020 and 2019

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 are recognized as revenue at fair value when an unconditional commitment is received from a donor or grantor. 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.

Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. As August 31, 2020, the Foundation anticipated receiving and recording a conditional pledge of \$250,000. The referenced pledge will benefit the William Wood Building Project and is anticipated to be recorded as revenue in the next fiscal year. The pledge will culminate based on the attainment of the following two conditions: the award of the Disaster Supplemental Grant from the U.S. Economic Development Administration to Victoria College and the ability of the Foundation to obtain 20% matching funds from other industry partners.

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Notes to the Financial Statements, Continued
August 31, 2020 and 2019

Note 1 Significant Accounting Policies, Continued

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 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 2018, 2019, and 2020 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 June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08. The amendments in the ASU clarify and improve current guidance on determining whether a contribution is conditional or unconditional. The Foundation adopted the new standard effective September 1, 2019, using the retrospective method. Adoption of this standard had no impact on total beginning net assets.

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 Foundation adopted the ASU effective for the year ending August 31, 2019.

Recent Financial Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue to be recognized based on the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The Foundation is evaluating the impact of the new standard on the financial statements.

VICTORIA COLLEGE FOUNDATION, INC.
VICTORIA, TEXAS

Notes to the Financial Statements, Continued
August 31, 2020 and 2019

Note 1 Significant Accounting Policies, Continued

Recent Financial Accounting Pronouncements, Continued

In February 2016, the FASB issued ASU 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2021. The Foundation is evaluating the impact of the new standard on the financial statements.

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. At August 31, 2020 and 2019, one donor makes up 84% and 54%, respectively, of contributions recognized. Pledges receivable are considered fully collectible at August 31, 2020 and 2019. At August 31, 2020 and 2019, one donor makes up 99% and 94% of pledges receivable, respectively. Pledges receivable at August 31, 2020 are expected to be collected within one year of the date of the statement of financial position.

Note 3 Liquidity of Assets

The following reflects the Foundation'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 \$595,582 and \$848,860 in subsequent year scholarships that were awarded as of August 31, 2020 and 2019, respectively.

	2020	2019
Financial assets at year-end	\$ 9,191,953	\$ 4,017,886
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions	(9,161,871)	(3,988,646)
Plus: Restricted scholarship funds available for use within one year	595,582	848,860
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 625,664</u>	<u>\$ 878,100</u>

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

**Notes to the Financial Statements, Continued
August 31, 2020 and 2019**

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, 2020 and 2019 are as follows:

	2020			
	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, 2020
Mutual funds:				
Fixed income	\$ 6,699,891	\$ -	\$ -	\$ 6,699,891
Equities	6,777,472	-	-	6,777,472
Total Investments	<u>\$ 13,477,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,477,363</u>

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

**Notes to the Financial Statements, Continued
August 31, 2020 and 2019**

Note 4 Fair Value of Endowment Investments, Continued

	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	<u>\$ 12,270,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,270,121</u>

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, 2020, and 2019, net investment return consisted of the following:

	2020		
	Without Restriction	With Restriction	Total
Interest and dividends	\$ 1,884	\$ 412,289	\$ 414,173
Realized gain on investments	-	337,350	337,350
Total Investment Income	<u>1,884</u>	<u>749,639</u>	<u>751,523</u>
Unrealized gain on investments	-	758,920	758,920
Investment fees	-	(44,584)	(44,584)
Total Investment Return, Net	<u>\$ 1,884</u>	<u>\$ 1,463,975</u>	<u>\$ 1,465,859</u>

**VICTORIA COLLEGE FOUNDATION, INC.
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**Notes to the Financial Statements, Continued
August 31, 2020 and 2019**

Note 5 Investment Return, Continued

	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

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, 2020 and 2019, the College has determined the fair value of donated services, materials and facilities to be \$145,972 and \$148,429, respectively. The donated services, materials, and facilities are included in contributions and expenses in the statements of activities.

Grants in the amount of \$80,280 and \$85,229 were awarded from the Victoria College Foundation, Inc. to the Victoria College during fiscal years 2020 and 2019, respectively. The grants were to partially support the salary of an Executive Director for the Victoria College Foundation and an Advancement Coordinator during 2020 and 2019 as well as other fundraising expenses in 2019. 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, 2020 and 2019**

Note 7 Endowment Funds

As of August 31, 2020 and 2019, the Foundation maintained one endowment fund in accordance with UPMIFA, whereby, the Victoria College Foundation Endowment consists of one hundred twenty-one and one hundred nineteen 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, 2020 and 2019, are as follows:

	Net Assets with Donor Restrictions	
	2020	2019
Assets		
Foundation Endowment	\$ 13,615,411	\$ 12,427,109
Total Assets	<u>\$ 13,615,411</u>	<u>\$ 12,427,109</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Net Assets	<u>\$ 13,615,411</u>	<u>\$ 12,427,109</u>
Support and Revenues		
Contributions	\$ 327,980	\$ 192,033
Investment return, net	<u>1,463,975</u>	<u>456,421</u>
Total Support and Revenues	<u>1,791,955</u>	<u>648,454</u>
Net Assets Released From Restrictions	<u>(603,653)</u>	<u>(583,127)</u>
Net increase in net assets	<u>1,188,302</u>	<u>65,327</u>
Net Assets, Beginning of Year	<u>12,427,109</u>	<u>12,361,782</u>
Net Assets, End of Year	<u>\$ 13,615,411</u>	<u>\$ 12,427,109</u>

VICTORIA COLLEGE FOUNDATION, INC.
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Notes to the Financial Statements, Continued
August 31, 2020 and 2019

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

The Foundation maintains cash balances at one financial institution. At times, such amounts may be in excess of limits insured by the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000, but the Foundation has not experienced losses in the past due to such amounts. At August 31, 2020 and 2019, the Foundation's uninsured balances totaled \$7,181,826 and \$3,666,000, respectively.

Note 9 **Net Assets with Donor Restrictions**

As of August 31, 2020, and 2019, Net assets with donor restrictions are available for the following purposes:

	2020	2019
Endowment	\$ 13,615,411	\$ 12,427,109
Grants	7,728,197	2,343,046
Gifts and scholarships	1,433,674	1,645,600
Total Net Assets with Donor Restrictions	<u>\$ 22,777,282</u>	<u>\$ 16,415,755</u>

Note 10 **Net Assets Released from Restriction**

For the year ended August 31, 2020 and 2019, net assets released from restrictions comprised the following:

	2020	2019
Expiration of Purpose Restrictions	\$ 703,562	\$ 810,607
Net Appropriation from Endowment Funds	603,653	583,127
Total Net Assets Released from Restriction	<u>\$ 1,307,215</u>	<u>\$ 1,393,734</u>

Note 11 **Subsequent Events**

During the period under audit, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the US, including Texas, have declared a state of emergency. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact the Foundation's financial results for 2021. Potential impacts to the Foundation's business include disruptions or restrictions on its employees' ability to work, potential loss on endowment investments, and loss of future contributions and/or grants.

The Foundation has evaluated subsequent events through October 28, 2020, which was the date the financial statements were available to be issued.