

LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2020

**LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.
MIDDLETOWN, VIRGINIA**

We have audited the accompanying financial statements of Lord Fairfax Community College Educational Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 the Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year comparative information has been derived from the Foundation's 2019 financial statements which were audited by other auditors whose report dated August 3, 2020, expressed an unmodified audit opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, Cox Associates

Staunton, Virginia
June 29, 2021

FINANCIAL STATEMENTS

**LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)**

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 5,865,853	\$ 4,923,276
Inventory	-	4,939
Unconditional promises to give, net	216,614	374,351
Accounts receivable	-	2,208
Total current assets	<u>\$ 6,082,467</u>	<u>\$ 5,304,774</u>
Noncurrent assets:		
Unconditional promises to give, net	\$ 321,287	\$ 595,845
Investments	8,153,223	8,286,015
Beneficial interest in a trust	991,892	918,513
Property and equipment, net	18,111,435	12,381,634
Total noncurrent assets	<u>\$ 27,577,837</u>	<u>\$ 22,182,007</u>
TOTAL ASSETS	<u><u>\$ 33,660,304</u></u>	<u><u>\$ 27,486,781</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 590,516	\$ 171,551
Retainage payable	230,849	-
Due to LFCC	59,245	28,377
Bonds payable current portion	259,185	251,685
Total current liabilities	<u>\$ 1,139,795</u>	<u>\$ 451,613</u>
Long term liabilities:		
Bonds payable, net of current portion	\$ 5,372,400	\$ 5,624,420
Construction loan payable	4,085,514	-
Total liabilities	<u>\$ 10,597,709</u>	<u>\$ 6,076,033</u>
Net assets:		
Without donor restrictions	\$ 7,179,998	\$ 6,750,873
With donor restriction	15,882,597	14,659,875
Total net assets	<u>\$ 23,062,595</u>	<u>\$ 21,410,748</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 33,660,304</u></u>	<u><u>\$ 27,486,781</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES, GAINS, & OTHER SUPPORT				
Public support	\$ 40,493	\$ 1,453,526	\$ 1,494,019	\$ 834,441
Investment return, net	-	507,326	507,326	1,153,697
Change in value of beneficial interest in a trust	-	73,377	73,377	78,659
Other income	10,842	12,535	23,377	248,278
Subway sales, net of discounts and refunds	17,596	-	17,596	121,471
Lease revenue	700,000	-	700,000	700,000
Management fee revenue	33,931	-	33,931	20,781
In-kind contribution of services	331,229	311,649	642,878	735,975
Net assets released from restriction	1,135,691	(1,135,691)	-	-
Total revenues, gains, & other support	<u>\$ 2,269,782</u>	<u>\$ 1,222,722</u>	<u>\$ 3,492,504</u>	<u>\$ 3,893,302</u>
EXPENSES				
Program services				
Projects in support of the college	\$ 1,161,449	\$ -	\$ 1,161,449	\$ 826,874
Scholarships	344,452	-	344,452	343,071
Total program services	<u>\$ 1,505,901</u>	<u>\$ -</u>	<u>\$ 1,505,901</u>	<u>\$ 1,169,945</u>
Supporting services				
Management and general	229,966	-	229,966	414,388
Fundraising	104,790	-	104,790	104,859
Total expenses	<u>\$ 1,840,657</u>	<u>\$ -</u>	<u>\$ 1,840,657</u>	<u>\$ 1,689,192</u>
Changes in net assets	\$ 429,125	\$ 1,222,722	\$ 1,651,847	\$ 2,204,110
Net assets at beginning of year	<u>6,750,873</u>	<u>14,659,875</u>	<u>21,410,748</u>	<u>19,206,638</u>
Net assets at end of year	<u>\$ 7,179,998</u>	<u>\$ 15,882,597</u>	<u>\$ 23,062,595</u>	<u>\$ 21,410,748</u>

The accompanying notes to financial statements are an integral part of this statement.

**LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2018)**

	2020					2019 Total
	Program Services		Supporting Services		Total	
	Projects in Support of the College	Scholarships	Management and General	Fund Raising		
Advertising	\$ 1,497	\$ -	\$ -	\$ -	\$ 1,497	\$ 13,069
Depreciation expense	240,940	-	-	-	240,940	240,942
Dues and subscriptions	-	-	170	-	170	707
Fundraising and public relations	-	-	4,945	16,140	21,085	39,245
Insurance	5,069	-	11,245	-	16,314	9,301
In-kind contribution of services	100,953	-	141,626	88,650	331,229	255,713
Interest expense	239,717	-	-	-	239,717	188,398
Meetings and conferences	-	-	27	-	27	358
Miscellaneous	5,412	-	6,150	-	11,562	9,867
Occupancy	-	-	-	-	-	419,128
Office supplies	-	-	365	-	365	2,311
Postage and printing	-	-	568	-	568	-
Professional development	-	-	1,000	-	1,000	-
Professional services	-	-	25,417	-	25,417	12,476
Projects in support of the college	480,529	-	-	-	480,529	-
Repairs and maintenance	300	-	25,300	-	25,600	14,417
Royalties	2,642	-	-	-	2,642	14,599
Salaries and wages	83,966	-	13,122	-	97,088	123,824
Scholarships	-	344,452	-	-	344,452	343,071
Supplies	56	-	-	-	56	1,266
Taxes and licenses	368	-	31	-	399	488
Training and development	-	-	-	-	-	12
Total	<u>\$ 1,161,449</u>	<u>\$ 344,452</u>	<u>\$ 229,966</u>	<u>\$ 104,790</u>	<u>\$ 1,840,657</u>	<u>\$ 1,689,192</u>

The accompanying notes to financial statements are an integral part of this statement.

**LORD FAIRFAX COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,651,847	\$ 2,204,110
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	240,940	240,942
Amortization of bond issuance costs	4,237	4,237
Net realized (gains) losses on investments	(91,178)	(16,631)
Net unrealized (gains) losses on investments	(216,935)	(956,754)
Reinvested dividends and interest	(206,669)	(246,203)
Investment expenses paid with investment funds	46,882	109,639
Contributed property	-	(260,000)
(Increase) decrease in inventory	4,939	(61)
(Increase) decrease in unconditional promises to give	432,295	241,135
(Increase) decrease in accounts receivable	2,208	(2,208)
(Increase) decrease in beneficial interest in a trust	(73,379)	(78,659)
Increase (decrease) in accrued wages	30,868	-
Increase (decrease) in accrued expenses	-	(78,399)
Increase (decrease) in accounts payable	418,965	158,052
Net cash provided by (used for) operating activities	<u>\$ 2,245,020</u>	<u>\$ 1,319,200</u>
Cash flows from investing activities		
Sale (purchase) of investments, net	\$ 600,692	\$ 2,555,953
Purchase of property and equipment	<u>(5,739,892)</u>	<u>(553,109)</u>
Net cash provided by (used for) investing activities	<u>\$ (5,139,200)</u>	<u>\$ 2,002,844</u>
Cash flows from financing activities		
Proceeds from indebtedness	\$ 4,085,514	\$ -
Payments of long term obligations	<u>(248,757)</u>	<u>(477,868)</u>
Net cash provided by (used for) financing activities	<u>\$ 3,836,757</u>	<u>\$ (477,868)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 942,577</u>	<u>\$ 2,844,176</u>
Cash and cash equivalents, beginning of year	<u>4,923,276</u>	<u>2,079,100</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,865,853</u></u>	<u><u>\$ 4,923,276</u></u>

The accompanying notes to financial statements are an integral part of this statement.

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1—DESCRIPTION OF THE ORGANIZATION:

Lord Fairfax Community College Educational Foundation, Inc. (the “Foundation”) is a Virginia nonprofit corporation. Its purpose is to promote the growth, progress, and general welfare of Lord Fairfax Community College.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to any donor-imposed stipulations. At December 31, 2020, the Foundation had net assets without donor restrictions of \$7,179,998.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Foundation or the passage of time. At December 31, 2020, the Foundation had net assets with donor restrictions of \$15,882,597.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments that can be readily converted to cash or with a maturity of three months or less when purchased, to be cash equivalents. Cash and cash equivalents include the bank accounts without withdrawal restrictions, cash, and money market funds.

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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis. Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specifically identifiable expense are directly allocated.

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 179(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Inventory

Inventory, consisting of food and drink supplies for the Subway operations, are stated at cost.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Beneficial Interest in a Trust

The Foundation is a beneficiary of an irrevocable charitable remainder annuity trust. The Foundation's beneficial interest in the trust is reported at its fair value. The value of the beneficial interest in the trust is adjusted annually for the change in its fair value. Those changes in value are reported as change in net assets with donor restrictions because the trust assets are not available for distribution until the death of the donor and the other trust beneficiary.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Materials and Services

Donated capital assets, including real estate, investments, and equipment, are shown as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been shown in the statements for other donated services since they do not meet the criteria for recognition as contributed services.

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 3—CONCENTRATION OF CREDIT RISK:

From time to time the Foundation’s cash in bank balance exceeds the Federal Deposit Insurance Corporation limit of \$250,000. At December 31, 2020, the Foundation’s cash balances in insured accounts exceeded FDIC insurance coverage by \$2,708,065. Cash equivalents held at the Foundation’s brokerage, most of which are not insured, were \$227,685 at December 31, 2020.

NOTE 4—PROMISES TO GIVE:

Unconditional promises to give as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give at December 31:		
Promises to give expected to be collected in:		
Less than one year	\$ 301,467	\$ 489,530
One to five years	447,142	779,173
	<u>748,609</u>	<u>1,268,703</u>
Less allowance for uncollectible promises to give	(112,291)	(190,305)
Less discount on promises to give	(98,417)	(108,202)
Net unconditional promises to give	<u>\$ 537,901</u>	<u>\$ 970,196</u>

NOTE 5—INVESTMENTS:

Investments are stated at fair value and are summarized as follows as of December 31, 2020 and 2019.

	<u>2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual funds	\$ 3,372,909	\$ 3,472,545	\$ 3,472,545
Equity securities	3,654,628	4,680,678	4,680,678
Total	<u>\$ 7,027,537</u>	<u>\$ 8,153,223</u>	<u>\$ 8,153,223</u>
	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Money market funds	\$ 227,685	227,685	227,685
U.S. corporate bonds and notes	1,017,249	1,009,040	1,009,040
Mutual funds	2,263,257	2,624,066	2,624,066
Equity securities	3,869,065	4,425,224	4,425,224
Total	<u>\$ 7,377,256</u>	<u>\$ 8,286,015</u>	<u>\$ 8,286,015</u>

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 6—FAIR VALUE MEASUREMENTS:

The Foundation applies generally accepted accounting principles for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is used that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2.* Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3.* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value for the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following information summarizes the Foundation's fair value measurements:

	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	\$ 3,472,545	\$ 3,472,545	\$ -
Equity securities	4,680,678	4,680,678	-
Beneficial interest in a trust	991,892	-	991,892
Total investments	\$ 9,145,115	\$ 8,153,223	\$ 991,892

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (CONTINUED)

NOTE 7—ENDOWMENT:

The Foundation's endowment consists of approximately 80 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the organization and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3.5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: During 2011, the Foundation adopted an endowment spending policy of appropriating for distribution each year 3.5% of its endowment fund's rolling average fair value of the prior three years. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return. The policy became effective January 1, 2011.

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 7—ENDOWMENT: (CONTINUED)

The net asset composition of the endowment as of December 31, 2020 and 2019 is as follows:

2020	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Type of Endowment Fund			
Donor-restricted funds			
Perpetual endowment	\$ -	\$ 14,890,705	\$ 14,890,705
Remainder charitable trust	-	991,892	991,892
Board designated endowment	1,520,788	-	1,520,788
Total	<u>\$ 1,520,788</u>	<u>\$ 15,882,597</u>	<u>\$ 17,403,385</u>
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
2019			
Type of Endowment Fund			
Donor-restricted funds			
Perpetual endowment	\$ -	\$ 13,741,362	\$ 13,741,362
Remainder charitable trust	-	918,513	918,513
Board designated endowment	1,244,847	-	1,244,847
Total	<u>\$ 1,244,847</u>	<u>\$ 14,659,875</u>	<u>\$ 15,904,722</u>

Changes in endowment net assets as of December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, December 31, 2018	\$ 968,906	\$ 13,721,750	\$ 14,690,656
Investment return	-	1,153,697	1,153,697
Change in value of beneficial interest in a trust	-	78,659	78,659
Contributions	-	791,206	791,206
Other income	-	166,265	166,265
Lease revenue	700,000	-	700,000
Amounts appropriated for expenditure	(424,059)	(1,251,702)	(1,675,761)
Endowment net assets, December 31, 2019	<u>1,244,847</u>	<u>14,659,875</u>	<u>15,904,722</u>
Investment return	-	507,326	507,326
Change in value of beneficial interest in a trust	-	73,377	73,377
Contributions	-	1,765,175	1,765,175
Other income	-	12,535	12,535
Lease revenue	700,000	-	700,000
Amounts appropriated for expenditure	(424,059)	(1,135,691)	(1,559,750)
Endowment net assets, December 31, 2020	<u>\$ 1,520,788</u>	<u>\$ 15,882,597</u>	<u>\$ 17,403,385</u>

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 8—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,382,500	\$ 3,382,500
Building	9,637,619	9,637,619
Works of art	1,650	1,650
Construction in progress	6,654,543	683,802
Less: Accumulated depreciation	<u>(1,564,877)</u>	<u>(1,323,937)</u>
Property and equipment, net	<u>\$ 18,111,435</u>	<u>\$ 12,381,634</u>

NOTE 9—BOND ORIGATION COSTS:

Bond origination costs as of December 31, consisted of the following:

	<u>2020</u>	<u>2019</u>
Bond origination costs	\$ 127,118	\$ 127,118
Accumulated amortization of bond origination costs	<u>(29,659)</u>	<u>(25,422)</u>
Bond origination costs, net	<u>\$ 97,459</u>	<u>\$ 101,696</u>

NOTE 10—BONDS PAYABLE:

Bonds payable as of December 31, consisted of the following:

	<u>2020</u>	<u>2019</u>
Bonds payable:		
Series 2012A (Tax-Exempt) Educational Facilities Revenue Bond	\$ 5,729,044	\$ 5,977,801
Less bond origination costs, net of amortization	<u>(97,459)</u>	<u>(101,696)</u>
Total bonds payable	\$ 5,631,585	\$ 5,876,105
Less current portion	<u>(259,185)</u>	<u>(251,685)</u>
Bonds payable, net of current portion	<u>\$ 5,372,400</u>	<u>\$ 5,624,420</u>

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 10—BONDS PAYABLE: (CONTINUED)

Annual retirements to retire long term debt are as follows:

Year Ending December 31,	Bonds Payable	
	Principal	Interest
2021	\$ 259,185	\$ 164,874
2022	266,908	157,150
2023	274,862	149,197
2024	283,053	141,006
2025	291,488	132,571
Thereafter	4,353,548	833,877
	<u>\$ 5,729,044</u>	<u>\$ 1,578,675</u>

On December 28, 2012, the Foundation issued and sold to the Industrial Development Authority of Clarke County, Virginia, a political subdivision of the Commonwealth of Virginia, \$8,400,000 of tax-exempt revenue bonds to finance the costs of constructing, equipping, improving and developing a multi-purpose student union building which will be located on the Lord Fairfax Community College main campus in Middletown, Virginia. The bond principal and interest are secured by promissory notes issued by United Bank. Principal and interest payments began on July 28, 2014 and will continue to be payable on a monthly basis until maturity on December 28, 2042. The annual rate of interest charged on the tax-exempt bonds is 2.94%.

NOTE 11—CONSTRUCTION LOAN PAYABLE:

During the year, the Foundation entered into a construction loan agreement with Blue Ridge Bank for the construction of Jenkins Hall (Luray-Page County Center). The loan amount is good for up to \$5,000,000. During the construction period of up to 18 months, interest only payments at a rate of 4.275% are required to be paid. As of the year ended December 31, 2020, the loan payable balance is \$4,085,514.

NOTE 12—BENEFICIAL INTEREST IN A TRUST:

The Foundation has been named the residual beneficiary of an irrevocable charitable remainder annuity trust. This trust is neither in the possession of nor under the control of the Foundation. Per the trust agreement, the primary beneficiary receives an annuity amount paid in equal monthly amounts for such time as she survives. Immediately following the death of the primary beneficiary, the Trustee shall distribute all of the then principal and income of the trust to the Foundation. The Foundation has recorded the receipt of this remainder interest and subsequent changes in the fair value as net assets with donor restrictions until such time as the trust proceeds are available for distribution.

A reconciliation of the changes in the beneficial interest in a trust for the year ended December 31, 2020 is as follows:

	Charitable Remainder Annuity Trust
Balance at December 31, 2019	\$ 918,513
Change in value of beneficial interest	73,379
Balance at December 31, 2020	<u>\$ 991,892</u>

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 13—CONTRIBUTED SERVICES:

The Foundation received contributed services valued at \$331,229 and \$254,698 during the years ended December 31, 2020 and December 31, 2019, respectively, including accounting, management, and fundraising, provided by employees of Lord Fairfax Community College (LFCC), a public institution governed by the Virginia State Board for Community Colleges. The Foundation and LFCC work together securing resources and generating support on behalf of the college. The Foundation also uses facilities owned by LFCC on a no-cost basis. The amounts above have been recorded as in-kind contributions of services for the years ended December 31, 2020 and 2019.

In-kind equipment and labor hours were used in the construction of the Luray-Page County Center of \$311,649 and \$220,262 during the years ended December 31, 2020 and December 31, 2019, respectively. This amount was included in construction in progress. The remaining unused portion of equipment and labor hours was shown as a contribution receivable of \$0 and \$115,427 as of December 31, 2020 and 2019, respectively.

NOTE 14—SUBWAY OPERATIONS:

The Foundation signed an agreement in 2016 to open and operate a Subway franchise on the Middletown campus of Lord Fairfax Community College. The Community College paid the initial franchise fee for the Foundation and incurred necessary costs to outfit the space for the Subway location. The total amount paid in 2016 by the Community College for the Foundation related to the opening of the Subway location was \$121,884. This amount was capitalized by the Community College and therefore was not recorded as a contribution to the Foundation.

The following is a summary of the Subway's operating activity for the year ended December 31, 2020, which is included on the Foundation's Statement of Activities:

Activity from subway operations:		
Sales revenue, net of discounts and refunds	\$	35,452
Cost of goods sold		<u>(17,856)</u>
Subway operations gross profit	\$	<u>17,596</u>
Subway operating expenses:		
Advertising	\$	1,497
Salaries and wages		30,867
Utilities		1,158
Repairs and maintenance		504
Franchisee expenses		2,642
Other operating expenses		<u>2,274</u>
Total subway operating expenses	\$	<u>38,942</u>
Subway operations net profit	\$	<u>(21,346)</u>

On March 13, 2020, Subway operations ceased and permanent closure was effective January 8, 2021.

LORD FAIRFAX COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)**

NOTE 15 –LIQUIDITY AND AVAILABILITY:

The following reflects the Organization’s financial assets as of December 31, 2020, reduced by amounts not available for general use because of donor and board designations. Amounts not available include amounts set aside for liquidity reserves.

Financial assets at year-end:	
Cash and cash equivalents	\$ 5,865,853
Unconditional promises to give	537,901
Investments	8,153,223
Beneficial interest in a trust	991,892
Total financial assets available for use at year-end	\$ 15,548,869
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment funds (net of endowed property and equipment)	(8,475,596)
Beneficial interest in a trust	(991,892)
Less those unavailable for general expenditures within one year, due to:	
Contributions receivable	(321,287)
Board designations:	
Board designated endowment fund	(1,520,788)
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,239,306</u>

The Foundation is greatly supported by contributions, as well as investment income. Because these restrictions require resources to be used in a particular manner in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors and Board. Thus, financial assets may not be available for general expenditure within one year.

In addition, the Foundation’s financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

Cash and cash equivalents	\$ 4,022,692
Unconditional promises to give	216,614
	\$ <u>4,239,306</u>

NOTE 16—DATE OF MANAGEMENT’S REVIEW:

In the preparation of its financial statements, Lord Fairfax Community College Educational Foundation, Inc. considered subsequent events and transactions for potential recognition or disclosure through June 29, 2021, which was the date the financial statements were available to be issued.