

LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2022

**LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.
MIDDLETOWN, VIRGINIA**

Opinion

We have audited the accompanying financial statements of Laurel Ridge Community College Educational Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objects are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, Cox Associates

Staunton, Virginia
August 2, 2023

FINANCIAL STATEMENTS

**LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)**

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 9,068,404	\$ 6,955,160
Contributions receivable, net	<u>174,471</u>	<u>264,646</u>
Total current assets	<u>\$ 9,242,875</u>	<u>\$ 7,219,806</u>
Noncurrent assets:		
Contributions receivable, net	\$ 283,018	\$ 400,893
Investments	6,865,057	8,791,482
Property and equipment, net	<u>18,612,305</u>	<u>18,056,549</u>
Total noncurrent assets	<u>\$ 25,760,380</u>	<u>\$ 27,248,924</u>
TOTAL ASSETS	<u><u>\$ 35,003,255</u></u>	<u><u>\$ 34,468,730</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 634,522	\$ 165,187
Retainage payable	41,512	-
Deferred revenue	810,000	810,000
Notes payable, current portion	112,601	88,018
Bonds payable, current portion	<u>274,862</u>	<u>266,908</u>
Total current liabilities	<u>\$ 1,873,497</u>	<u>\$ 1,330,113</u>
Long term liabilities:		
Bonds payable, net of current portion	\$ 4,843,890	\$ 5,112,141
Notes payable	<u>4,442,586</u>	<u>4,573,217</u>
Total liabilities	<u>\$ 11,159,973</u>	<u>\$ 11,015,471</u>
Net assets:		
Without donor restrictions	\$ 11,917,469	\$ 11,695,280
With donor restrictions	<u>11,925,813</u>	<u>11,757,979</u>
Total net assets	<u>\$ 23,843,282</u>	<u>\$ 23,453,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 35,003,255</u></u>	<u><u>\$ 34,468,730</u></u>

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

**LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES, GAINS, AND OTHER SUPPORT				
Public support	\$ 65,039	\$ 3,031,279	\$ 3,096,318	\$ 1,594,526
Investment return, net	-	(1,206,376)	(1,206,376)	1,041,977
Interest income	-	90,685	90,685	-
Change in value of beneficial interest in a trust	-	-	-	(31,062)
Other income	6,284	11,576	17,860	43,947
Lease revenue	810,000	-	810,000	755,000
Management fee revenue	54,432	-	54,432	81,494
In-kind contributions	445,383	-	445,383	443,234
Net assets released from restriction	1,759,330	(1,759,330)	-	-
Total revenues, gains, and other support	\$ 3,140,468	\$ 167,834	\$ 3,308,302	\$ 3,929,116
EXPENSES				
Program services				
Projects in support of the college	\$ 1,991,398	\$ -	\$ 1,991,398	\$ 2,566,117
Scholarships	427,428	-	427,428	531,286
Total program services	\$ 2,418,826	\$ -	\$ 2,418,826	\$ 3,097,403
Supporting services				
Management and general	343,747	-	343,747	290,248
Fundraising	155,706	-	155,706	150,801
Total expenses	\$ 2,918,279	\$ -	\$ 2,918,279	\$ 3,538,452
Changes in net assets	\$ 222,189	\$ 167,834	\$ 390,023	\$ 390,664
Net assets at beginning of year	11,695,280	11,757,979	23,453,259	23,062,595
Net assets at end of year	<u>\$ 11,917,469</u>	<u>\$ 11,925,813</u>	<u>\$ 23,843,282</u>	<u>\$ 23,453,259</u>

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

**LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	2022					2021 Total
	Program Services		Supporting Services		Total	
	Projects in Support of the College	Scholarships	Management and General	Fund Raising		
Depreciation expense	\$ 409,198	\$ -	\$ -	\$ -	\$ 409,198	\$ 353,112
Dues and subscriptions	-	-	323	-	323	1,041
Fundraising and public relations	-	-	4,348	43,811	48,159	29,867
Insurance	6,268	-	8,994	-	15,262	15,713
In-kind contribution of services	120,787	-	180,665	111,895	413,347	443,234
Interest expense	363,631	-	-	-	363,631	369,927
Meetings and conferences	-	-	51	-	51	151
Miscellaneous	4,800	-	7,109	-	11,909	14,137
Office supplies	-	-	482	-	482	458
Postage and printing	-	-	913	-	913	485
Professional development	-	-	4,109	-	4,109	5,434
Professional services	-	-	31,691	-	31,691	15,678
Projects in support of the college	981,894	-	-	-	981,894	1,491,713
Repairs and maintenance	-	-	22,484	-	22,484	24,091
Salaries and wages	104,820	-	72,952	-	177,772	242,075
Scholarships	-	427,428	-	-	427,428	531,286
Taxes and licenses	-	-	9,626	-	9,626	50
Total	<u>\$ 1,991,398</u>	<u>\$ 427,428</u>	<u>\$ 343,747</u>	<u>\$ 155,706</u>	<u>\$ 2,918,279</u>	<u>\$ 3,538,452</u>

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

**LAUREL RIDGE COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

**Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 390,023	\$ 390,664
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	409,198	353,112
Amortization of bond issuance costs	4,237	4,237
Investment return, net	1,206,376	(989,283)
Contributed property	-	(40,000)
(Increase) decrease in unconditional promises to give	208,050	(127,638)
(Increase) decrease in beneficial interest in a trust	-	991,892
Increase (decrease) in accrued wages	-	(59,245)
Increase (decrease) in deferred revenue	-	810,000
Increase (decrease) in accounts payable	469,335	(425,329)
Net cash provided by (used for) operating activities	<u>\$ 2,687,219</u>	<u>\$ 908,410</u>
Cash flows from investing activities		
Sale (purchase) of investments, net	\$ 720,049	\$ 351,024
Purchase of property and equipment	<u>(923,442)</u>	<u>(489,075)</u>
Net cash provided by (used for) investing activities	<u>\$ (203,393)</u>	<u>\$ (138,051)</u>
Cash flows from financing activities		
Proceeds from indebtedness	\$ -	\$ 575,721
Payments of long term obligations	<u>(370,582)</u>	<u>(256,773)</u>
Net cash provided by (used for) financing activities	<u>\$ (370,582)</u>	<u>\$ 318,948</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 2,113,244</u>	<u>\$ 1,089,307</u>
Cash and cash equivalents, beginning of year	<u>6,955,160</u>	<u>5,865,853</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,068,404</u></u>	<u><u>\$ 6,955,160</u></u>

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

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1—DESCRIPTION OF THE ORGANIZATION:

Laurel Ridge Community College Educational Foundation, Inc. (the “Foundation”) is a Virginia nonprofit corporation. Its purpose is to promote the growth, progress, and general welfare of Laurel Ridge 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, 2022, the Foundation had net assets without donor restrictions of \$11,917,469.

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, 2022, the Foundation had net assets with donor restrictions of \$11,925,813 and consisted of the following:

	<u>2022</u>
Contributions with time restrictions	\$ 3,384,425
Endowment	8,541,388
Total net assets with donor restrictions	<u>\$ 11,925,813</u>

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.

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

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

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.

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).

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.

Contributions Receivable

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 contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Materials and Services

Donated fixed 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.

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)

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

Property and Equipment

Purchased property and equipment are stated at cost. Major renewals and betterments are capitalized. The cost of maintenance, repairs, and minor renewals are charged to operations as incurred. Depreciation is provided for using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	39
Furniture, fixtures, and equipment	5-10
Land improvements	15

Revenue Recognition

ASC 606 has been considered and does not apply to the revenue reported in the financial statements.

Recently Adopted Accounting Pronouncements

In 2022, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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, 2022, the Foundation's cash balances in insured accounts exceeded FDIC insurance coverage by \$716,852.

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)

NOTE 4—CONTRIBUTIONS RECEIVABLE:

Contributions receivable as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable at December 31:		
Contributions expected to be collected in:		
Less than one year	\$ 224,509	\$ 344,098
One to five years	364,187	521,250
	<u>588,696</u>	<u>865,348</u>
Less allowance for uncollectible contributions receivable	(88,304)	(129,802)
Less discount on contributions receivable	(42,903)	(70,007)
Net contributions receivable	<u>\$ 457,489</u>	<u>\$ 665,539</u>

NOTE 5—INVESTMENTS:

Investments are stated at fair value and are summarized as follows as of December 31, 2022 and 2021.

	<u>2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Equity exchange traded funds	\$ 3,302,556	\$ 4,006,868	\$ 4,006,868
Pooled equity funds	460,077	483,732	483,732
Fixed income securities	883,290	802,557	802,557
Income exchange traded funds	1,729,400	1,571,900	1,571,900
Total	<u>\$ 6,375,323</u>	<u>\$ 6,865,057</u>	<u>\$ 6,865,057</u>
	<u>2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual funds	3,230,734	3,227,635	3,227,635
Equity securities	3,765,425	5,563,847	5,563,847
Total	<u>\$ 6,996,159</u>	<u>\$ 8,791,482</u>	<u>\$ 8,791,482</u>

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (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, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)
	<u> </u>	<u> </u>
Equity exchange traded funds	\$ 4,006,868	\$ 4,006,868
Pooled equity funds	483,732	483,732
Fixed income securities	802,557	802,557
Income exchange traded funds	<u>1,571,900</u>	<u>1,571,900</u>
Total investments	<u>\$ 6,865,057</u>	<u>\$ 6,865,057</u>

NOTE 7—MANAGEMENT FEE REVENUE:

The Organization collects a monthly 5% management fee on all contributions to non-endowed funds.

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (CONTINUED)

NOTE 8—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 2021, 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, 2021.

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)

NOTE 8—ENDOWMENT: (CONTINUED)

The net asset composition of the endowment as of December 31, 2022 and 2021 is as follows:

<u>2022</u>	<u>With Donor Restrictions</u>
Type of Endowment Fund	
Donor-restricted funds	
Perpetual endowment	\$ <u>8,541,388</u>
Total	\$ <u><u>8,541,388</u></u>
<u>2021</u>	<u>With Donor Restrictions</u>
Type of Endowment Fund	
Donor-restricted funds	
Perpetual endowment	\$ <u>8,830,314</u>
Total	\$ <u><u>8,830,314</u></u>

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, December 31, 2020	\$ 8,962,492
Investment return	1,041,977
Change in value of beneficial interest in a trust	(31,062)
Contributions	1,467,729
Other income	38,664
Amounts appropriated for expenditure	<u>(2,649,486)</u>
Endowment net assets, December 31, 2021	8,830,314
Investment return	(1,168,619)
Contributions	1,207,000
Amounts appropriated for expenditure	<u>(327,307)</u>
Endowment net assets, December 31, 2022	\$ <u><u>8,541,388</u></u>

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

NOTE 9—PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,422,500	\$ 3,422,500
Building	16,367,909	16,367,909
Works of art	1,650	1,650
Construction in progress	1,147,433	182,479
Less: Accumulated depreciation	<u>(2,327,187)</u>	<u>(1,917,989)</u>
Property and equipment, net	<u>\$ 18,612,305</u>	<u>\$ 18,056,549</u>

NOTE 10—BOND ORIGATION COSTS:

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

	<u>2022</u>	<u>2021</u>
Bond origination costs	\$ 127,118	\$ 127,118
Accumulated amortization of bond origination costs	<u>(38,133)</u>	<u>(33,896)</u>
Bond origination costs, net	<u>\$ 88,985</u>	<u>\$ 93,222</u>

NOTE 11—BONDS PAYABLE:

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

	<u>2022</u>	<u>2021</u>
Bonds payable:		
Series 2012A (Tax-Exempt) Educational Facilities Revenue Bond	\$ 5,207,737	\$ 5,472,271
Less bond origination costs, net of amortization	<u>(88,985)</u>	<u>(93,222)</u>
Total bonds payable	\$ 5,118,752	\$ 5,379,049
Less current portion	<u>(274,862)</u>	<u>(266,908)</u>
Bonds payable, net of current portion	<u>\$ 4,843,890</u>	<u>\$ 5,112,141</u>

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

NOTE 11—BONDS PAYABLE (CONTINUED):

Annual retirements to retire the bonds payable are as follows:

Year Ending December 31,	Bonds Payable	
	Principal	Interest
2023	\$ 274,862	\$ 149,197
2024	283,053	141,006
2025	291,488	132,571
2026	300,174	123,885
2027	309,119	114,940
Thereafter	3,749,041	595,052
	<u>\$ 5,207,737</u>	<u>\$ 1,256,651</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 Laurel Ridge 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 in 2022 on the tax-exempt bonds is 2.94%.

NOTE 12—NOTES PAYABLE:

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

	<u>2022</u>	<u>2021</u>
Notes payable:		
Luray-Page County Center Note	\$ 4,555,187	\$ 4,661,235
Less current portion	<u>(112,601)</u>	<u>(88,018)</u>
Bonds payable, net of current portion	<u>\$ 4,442,586</u>	<u>\$ 4,573,217</u>

Annual retirements to retire the notes payable are as follows:

Year Ending December 31,	Notes Payable	
	Principal	Interest
2023	\$ 112,601	\$ 193,316
2024	117,510	188,407
2025	122,633	183,283
2026	127,980	177,937
2027	133,560	172,357
Thereafter	3,940,903	1,817,024
	<u>\$ 4,555,187</u>	<u>\$ 2,732,324</u>

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

NOTE 13—CONTRIBUTED SERVICES:

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included the following:

Services contributed by the college	\$	413,347
Construction-related items		27,236
Supplies		4,800
	\$	<u>445,383</u>

The Foundation received contributed services valued at \$413,347 and \$443,234 during the years ended December 31, 2022 and December 31, 2021, respectively, including accounting, management, and fundraising, provided by employees of Laurel Ridge Community College (LRCC), a public institution governed by the Virginia State Board for Community Colleges. The Foundation and LRCC work together securing resources and generating support on behalf of the college. The Foundation also uses facilities owned by LRCC on a no-cost basis. The amounts above have been recorded as in-kind contributions of services for the years ended December 31, 2022 and 2021.

Construction-related contributions were used in the construction of the Trades Building and are included in construction in progress.

Contributed supplies are recorded at their estimated value at the date of receipt. These items are used in projects in support of the college.

All in-kind contributions during the year ended December 31, 2022 were unrestricted.

NOTE 14 –LIQUIDITY AND AVAILABILITY:

The following reflects the Organization’s financial assets as of December 31, 2022, 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	\$	9,068,404
Contributions receivable		457,489
Investments		6,865,057
Total financial assets available for use at year-end	\$	<u>16,390,950</u>
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted endowment funds		(8,541,388)
Donor-restricted funds		(3,384,425)
Less those unavailable for general expenditures within one year, due to:		
Contributions receivable		<u>(283,018)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>4,182,119</u>

LAUREL RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

NOTE 14 –LIQUIDITY AND AVAILABILITY (CONTINUED):

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	\$	4,007,648
Contributions receivable		174,471
	\$	<u>4,182,119</u>

NOTE 15—DEFERRED REVENUE:

Deferred revenue is made up of the 2022 lease payments for the Student Union and Luray-Page County Center. As of December 31, 2022, deferred revenue amounted to \$810,000.

NOTE 16—LEASE REVENUE:

The Foundation leases both the Student Union and the Luray-Page County Center to Laurel Ridge Community College. Lease revenue from these leases is recognized on a straight-line basis. Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>		
2023	\$	810,000
2024		110,000
2025		110,000
2026		110,000
2027		110,000
Thereafter		<u>440,000</u>
Total future minimum revenues	\$	<u>1,690,000</u>

NOTE 17—DATE OF MANAGEMENT'S REVIEW:

In the preparation of its financial statements, Laurel Ridge Community College Educational Foundation, Inc. considered subsequent events and transactions for potential recognition or disclosure through August 2, 2023, which was the date the financial statements were available to be issued.