

**GERMANNA COMMUNITY COLLEGE
EDUCATIONAL FOUNDATION, INC.**

Locust Grove, Virginia

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Germanna Community College Educational Foundation, Inc.
Locust Grove, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Germanna Community College Educational Foundation, Inc. and Subsidiary (the Foundation) which comprise of the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 of 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 auditor's 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 Germanna Community College Educational Foundation, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
March 26, 2021

GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

Consolidated Statements of Financial Position

December 31, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 633,357	\$ 1,055,292
Accounts receivable	4,583	4,153
Prepaid expenses and other assets	4,500	4,500
Marketable securities	10,461,799	7,667,864
Cash value of life insurance	121,432	118,690
Other assets	312,980	312,980
Land	2,860,228	2,860,228
Real estate held for sale	<u>397,500</u>	<u>397,500</u>
 Total assets	 <u>\$ 14,796,379</u>	 <u>\$ 12,421,207</u>
 Liabilities and Net Assets		
 Liabilities , accounts payable	 <u>\$ 32,042</u>	 <u>\$ 16,444</u>
 Net Assets		
Without donor restrictions:		
Board designated	\$ 1,115,524	\$ 873,702
Undesignated	<u>4,199,695</u>	<u>4,217,268</u>
	<u>\$ 5,315,219</u>	<u>\$ 5,090,970</u>
 With donor restrictions:		
Purpose restrictions	\$ 6,815,988	\$ 4,790,037
Perpetual in nature	<u>2,633,130</u>	<u>2,523,756</u>
	<u>\$ 9,449,118</u>	<u>\$ 7,313,793</u>
 Total net assets	 <u>\$ 14,764,337</u>	 <u>\$ 12,404,763</u>
 Total liabilities and net assets	 <u>\$ 14,796,379</u>	 <u>\$ 12,421,207</u>

See Notes to Consolidated Financial Statements.

GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 731,153	\$ 1,636,588	\$ 2,367,741
In-kind contributions	392,384	--	392,384
Investment return, net	198,551	874,102	1,072,653
Contribution portion of special events	73,698	--	73,698
Exchange portion of special events	1,560	--	1,560
Total revenues, gains and other support	<u>\$ 1,397,346</u>	<u>\$ 2,510,690</u>	<u>\$ 3,908,036</u>
Net assets released from restrictions	<u>\$ 375,365</u>	<u>\$ (375,365)</u>	<u>\$ --</u>
Total revenues, gains and other support	<u>\$ 1,772,711</u>	<u>\$ 2,135,325</u>	<u>\$ 3,908,036</u>
Expenses:			
Program services	\$ 918,434	\$ --	\$ 918,434
Management and general	405,928	--	405,928
Fundraising	224,100	--	224,100
Total expenses	<u>\$ 1,548,462</u>	<u>\$ --</u>	<u>\$ 1,548,462</u>
Change in net assets	<u>\$ 224,249</u>	<u>\$ 2,135,325</u>	<u>\$ 2,359,574</u>
Net Assets, beginning of year	<u>\$ 5,090,970</u>	<u>\$ 7,313,793</u>	<u>\$ 12,404,763</u>
Net Assets, end of year	<u>\$ 5,315,219</u>	<u>\$ 9,449,118</u>	<u>\$ 14,764,337</u>

See Notes to Consolidated Financial Statements.

GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 305,283	\$ 1,078,564	\$ 1,383,847
In-kind contributions	382,637	--	382,637
Investment return, net	146,513	1,005,501	1,152,014
Contribution portion of special events	344,285	--	344,285
Exchange portion of special events	<u>290,272</u>	<u>--</u>	<u>290,272</u>
Total revenues and gains and other support	<u>\$ 1,468,990</u>	<u>\$ 2,084,065</u>	<u>\$ 3,553,055</u>
Net assets released from restrictions	<u>\$ 663,445</u>	<u>\$ (663,445)</u>	<u>\$ --</u>
Total revenues, gains and other support	<u>\$ 2,132,435</u>	<u>\$ 1,420,620</u>	<u>\$ 3,553,055</u>
 Expenses:			
Program services	\$ 866,327	\$ --	\$ 866,327
Management and general	326,761	--	326,761
Fundraising	<u>301,830</u>	<u>--</u>	<u>301,830</u>
Total expenses	<u>\$ 1,494,918</u>	<u>\$ --</u>	<u>\$ 1,494,918</u>
Change in net assets	<u>\$ 637,517</u>	<u>\$ 1,420,620</u>	<u>\$ 2,058,137</u>
Net Assets, beginning of year	<u>\$ 4,453,453</u>	<u>\$ 5,893,173</u>	<u>\$ 10,346,626</u>
Net Assets, end of year	<u>\$ 5,090,970</u>	<u>\$ 7,313,793</u>	<u>\$ 12,404,763</u>

See Notes to Consolidated Financial Statements.

GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 2,359,574	\$ 2,058,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on sale on marketable securities	17,811	(301,576)
Unrealized (gain) on marketable securities	(1,006,642)	(742,008)
Change in cash value of life insurance	6,258	7,322
Gifts to permanent endowment	(109,374)	(90,540)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(430)	819
Decrease in contributions receivable	--	250,000
Increase (decrease) in accounts payable	15,598	(1,809)
Net cash provided by operating activities	\$ 1,282,795	\$ 1,180,345
Cash Flows from Investing Activities		
Purchases of long-term marketable securities	\$ (5,038,142)	\$ (6,357,560)
Proceeds from sale of marketable securities	3,233,038	5,904,128
Payments of life insurance premium	(9,000)	(9,000)
Collections on mortgage receivable	--	5,111
Net cash (used in) investing activities	\$ (1,814,104)	\$ (457,321)
Cash Flows from Financing Activities,		
gifts to permanent endowment	\$ 109,374	\$ 90,540
(Decrease) increase in cash and cash equivalents	\$ (421,935)	\$ 813,564
Cash and Cash Equivalents		
Beginning of year	\$ 1,055,292	\$ 241,728
End of year	\$ 633,357	\$ 1,055,292

See Notes to Consolidated Financial Statements.

GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Germanna Community College Educational Foundation, Inc. (the Educational Foundation) is a nonprofit Foundation formed to foster and promote the growth, progress, and general welfare of Germanna Community College (the College), part of the Virginia Community College System, which is an agency of the Commonwealth of Virginia. The Educational Foundation accomplishes its purposes through fundraising and funds management efforts to benefit the College and its programs. A substantial portion of the Educational Foundation's revenue and support is received in the form of private gifts from alumni and friends of the College.

The Germanna Community College Real Estate Foundation (the Real Estate Foundation) provides expertise and support for all of the Educational Foundation's real estate needs. The Real Estate Foundation creates value by working with the Educational Foundation to accept and manage gifts of real estate, facilitate strategic acquisitions of real estate, create and execute long-term strategic plans to develop properties for the benefit of Germanna Community College, its students and the Commonwealth of Virginia.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacts for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Principles of Consolidation

The consolidated financial statements include the accounts of the Educational Foundation and the Real Estate Foundation (collectively referred to as the "Foundation"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Notes to Consolidated Financial Statements

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Foundation records special events revenue equal to the cost of direct benefits to donors, and a contribution revenue for the difference. The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognition until the conditions on which they depend have been substantially met.

Gifts of cash and other assets for the general use and benefit of the Foundation are presented as net assets without donor restrictions. Other contributions are presented as net assets with donor restrictions if they are received with donor stipulations that further limit the use of the donated assets. When a donor restriction expires, that is, when a 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 statement of activities as net assets released from restrictions. Net assets with donor restrictions whose restrictions are met in the same year are reflected as net assets without donor restrictions. Promises to give are recognized as revenue when the pledge is received from a donor and as an expense when payment is authorized by the Board of Directors. Amounts due to be received or paid are discounted to their net present value. Changes in discounts are recognized as contribution revenue or expense over the period of the pledge.

Cash and Cash Equivalents

The Foundation considers cash in demand deposit, money market accounts, and other highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The balances in these accounts at times may exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Marketable Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net unrealized and realized gains or losses are reflected in the statement of activities.

Gifts of marketable securities are recorded at their fair value (based upon quoted market prices or appraisals if not publicly traded) at the date of gift. Purchases and sales of investments are recorded as of the trade date.

Notes to Consolidated Financial Statements

Income Taxes

The Foundation is a nonprofit Foundation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation adopted the provisions of accounting for uncertainty in income tax positions as required by the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification; however, management does not believe it is exposed to any such positions as they are defined in this guidance. The Foundation files Form 990, *Return of Organization Exempt from Income Tax*, annually with the United States Department of the Treasury.

Functional Allocation of Expenses

The cost of providing various programs and activities has been summarized in the schedule of functional expenses. Certain costs have been allocated among program services, management and general, and fundraising. Such allocations have been made by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Scholarships	Direct costs
Personnel costs	Time and effort
Direct support to the College	Direct costs
Rental expenses	Direct costs
Food, beverages, and entertainment	Direct costs
Professional fees	Direct costs
Office supplies and services	Direct costs
Insurance	Direct costs
Professional development and travel	Direct costs
Repairs and maintenance	Direct costs
Advertising, promotion, and public relations	Direct costs
Property taxes	Direct costs
Other	Direct costs
Software	Direct costs
Communications - postage and telephone	Direct costs
Bank fees and financial expense	Direct costs
Printing	Direct costs
Licenses, fees, and permits	Direct costs

Advertising

The Foundation uses advertising to promote its programs. The costs of advertising are expensed as incurred. During the years ended December 31, 2020 and 2019, advertising costs totaled \$9,778 and \$13,033, respectively.

Notes to Consolidated Financial Statements

Contributed Services

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation reports such contributions at their estimated fair value when received. Many individuals volunteer their time by assisting with committee assignments and campaign solicitations, but these services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent asset and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for its year ending December 31, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its consolidated financial statements.

Note 2. Liquidity and Availability of Resources

The Foundation has \$2,100,621 and \$1,663,516 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure for the years ended December 31, 2020 and 2019, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Foundation has board-designated net assets of \$1,115,524 and \$873,702 as of December 31, 2020 and 2019, respectively. Although the Foundation does not intend to spend from the board designated funds, these amounts could be made available if necessary.

Notes to Consolidated Financial Statements

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2020:

	2020	2019
Financial assets, at year-end:		
Cash and cash equivalents	\$ 633,357	\$ 1,055,292
Accounts receivable	4,583	4,153
Marketable securities	10,461,799	7,667,864
Total financial assets	\$ 11,099,739	\$ 8,727,309
Less amounts not available to be used within one year:		
Restricted by donors for purpose	\$ 5,626,945	\$ 3,912,626
Endowment less amount available for general expenditure within one year	3,372,173	3,151,167
Financial assets not available to be used within one year	\$ 8,999,118	\$ 7,063,793
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,100,621	\$ 1,663,516

Note 3. Marketable Securities

Marketable securities at December 31, 2020 and 2019, carried at fair value as determined by quoted market prices, are as follows:

	2020		
	Cost	Market Value	Unrealized Appreciation
Money market accounts	\$ 976,659	\$ 976,659	\$ --
Mutual funds and exchange traded funds	617,857	818,143	200,286
Corporate bonds	3,435,951	3,611,107	175,156
Equity securities	3,580,872	5,055,890	1,475,018
	\$ 8,611,339	\$ 10,461,799	\$ 1,850,460
	2019		
	Cost	Market Value	Unrealized Appreciation
Money market accounts	\$ 208,412	\$ 208,412	\$ --
Mutual funds and exchange traded funds	596,281	657,376	61,095
Corporate bonds	2,568,937	2,601,758	32,821
Equity securities	3,450,415	4,200,318	749,903
	\$ 6,824,045	\$ 7,667,864	\$ 843,819

Notes to Consolidated Financial Statements

Investment return, net consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 203,704	\$ 193,110
Net realized and unrealized investment gains	988,831	1,043,584
Investment fees	<u>(119,882)</u>	<u>(84,680)</u>
	<u>\$ 1,072,653</u>	<u>\$ 1,152,014</u>

Note 4. Endowment

The Endowment includes net assets with donor restrictions and certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Foundation's Board of Directors has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Notes to Consolidated Financial Statements

The endowment net assets consist of donor restricted endowments and one board designated endowment. Changes therein during the years ended December 31, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2018	\$ 77,491	\$ 2,912,248	\$ 2,989,739
Investment return, net	--	527,066	527,066
Contributions	11,148	90,540	101,688
Appropriation of endowment assets for expenditures	--	(128,687)	(128,687)
Endowment Net Assets, December 31, 2019	\$ 88,639	\$ 3,401,167	\$ 3,489,806
Investment return, net	--	431,416	431,416
Contributions	11,433	110,709	122,142
Appropriation of endowment assets for expenditures	--	(121,119)	(121,119)
Endowment Net Assets, December 31, 2020	<u>\$ 100,072</u>	<u>\$ 3,822,173</u>	<u>\$ 3,922,245</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to ensure preservation of capital. Safety of principal is the primary objective. Investments are sufficiently liquid to enable the Foundation to meet all reasonable anticipated operating requirements, and return objectives are set based on a standard market rate of return, taking into account the cash flow characteristics of the investments.

The Foundation expects its endowment funds, over time, to provide an average rate of return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Notes to Consolidated Financial Statements

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation's spending policy regarding endowment income is established by the Foundation's Finance Committee on an annual basis. The Finance Committee examines the endowment funds' earnings and establishes an earnings spending plan for the upcoming year based on anticipated investment earnings. Spending may be taken from current income or, if current income is less than planned spending, from prior periods' retained earnings. The target annual distribution rate is currently 4.5 percent of the average market value of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation's Finance Committee has elected to cease spending of any underwater endowment fund until the fair value of the fund exceeds the original corpus. At December 31, 2020, the Foundation had two underwater endowment funds with original gift values totaling \$43,015, fair value totaling \$41,853, and deficiencies of \$1,162 were reported in net assets with donor restrictions. At December 31, 2019, the Foundation had two underwater endowment funds with original gift values totaling \$11,565, fair value totaling \$10,896, and deficiencies of \$669 were reported in net assets with donor restrictions.

Note 5. Fair Value Measurements and Disclosures

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a 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 below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Notes to Consolidated Financial Statements

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Money Market Funds and Cash Equivalents: Money market funds and other cash equivalents are valued at a constant net asset value of \$1.00 per share, which approximates fair market value. Money market funds are primarily invested in short-term US Treasury and government backed securities. There are no limitations on redemption or unfunded commitments related to these investments. Fair value is determined using Level 1 inputs.

Mutual Funds and Exchange Traded Funds, Corporate Bonds and Equity Securities: Mutual funds and exchange traded funds, corporate bonds and equity securities, for which a quoted market price is available on an active market, are valued according to Level 1 inputs.

Corporate, Government, and Municipal Bonds: Bond securities and municipal bonds, for which a quoted market price is available on an active market, are valued according to Level 1 inputs.

The table below presents the balances of investments measured at fair value on a recurring basis, by level, within the fair value hierarchy at December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 976,659	\$ --	\$ --	\$ 976,659
Mutual funds and exchange traded funds	818,143	--	--	818,143
Corporate bonds	3,611,107	--	--	3,611,107
Equity securities	<u>5,055,890</u>	<u>--</u>	<u>--</u>	<u>5,055,890</u>
	<u>\$ 10,461,799</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,461,799</u>
Real estate property held for sale	<u>\$ --</u>	<u>\$ 397,500</u>	<u>\$ --</u>	<u>\$ 397,500</u>
	2019			
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 208,412	\$ --	\$ --	\$ 208,412
Mutual funds and exchange traded funds	657,376	--	--	657,376
Corporate bonds	2,601,758	--	--	2,601,758
Equity securities	<u>4,200,318</u>	<u>--</u>	<u>--</u>	<u>4,200,318</u>
	<u>\$ 7,667,864</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,667,864</u>
Real estate property held for sale	<u>\$ --</u>	<u>\$ 397,500</u>	<u>\$ --</u>	<u>\$ 397,500</u>

Notes to Consolidated Financial Statements

Note 6. Real Estate Held for Sale and Other Assets

In 2016, the Foundation was gifted one-half of a 2.8 acre parcel. The gifted land is valued was \$397,500 as of December 31, 2020 and 2019.

Other assets include 50 paintings contributed in 2000 and 949 paintings contributed in 2008. The donations were recorded at fair market value at the dates of donation.

Note 7. Land

In 1998 and 2005, 71 acres and 29 acres of land, respectively, were donated to the Foundation to be used as institutional sites promoting technical education, technical vocational education, and higher learning. In 2005, 34 acres of gifted land was transferred to Germanna Community College for the site of Germanna Center for Advanced Technology for educational purposes.

In 2018, Stafford County, Virginia conveyed approximately 25 acres to the Foundation to establish a Stafford Campus/Center for Germanna Community College. The Foundation has 20 years to meet all applicable requirements included in the Memorandum of Agreement with the County. If the requirements are not met and the Foundation has not constructed or established the Stafford Campus/Center for Germanna Community College, the Foundation shall convey the property back to the County.

Note 8. Life Insurance Policy

The Foundation maintains a life insurance policy on one of its Board members. Under the terms of the policy, the Foundation receives all the benefits upon the death of the insured. As of December 31, 2020 and 2019, the death benefit of the life insurance was \$505,000, with a net cash surrender value of \$121,432 and \$118,690, respectively.

Note 9. Mortgage Receivable

The Foundation holds a mortgage receivable note that bears interest at 6.5% annually. The note matures on June 1, 2020 and is collectible in monthly installments of \$299. The note was paid off during the year ended December 31, 2019.

Notes to Consolidated Financial Statements

Note 10. Leases

In October 2018, the Foundation entered into an agreement to rent office space for an initial base rent of \$4,115 per month with an annual increase of 2%. The future minimum lease payments are as follows:

2021		\$ 51,189
2022		52,221
2023		53,258
2024		<u>8,905</u>
		<u>\$ 165,573</u>

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Culpeper Site	\$ 831,768	\$ 744,000
Stafford Campus	1,323,872	1,184,178
Building	1,503,390	500,000
Scholarships	1,305,431	964,150
Nursing Program	122,065	109,396
Fredericksburg Area Campus	1,823	1,823
Tech Prep	891	891
Locust Grove Campus	352,963	314,841
Other	<u>184,742</u>	<u>93,347</u>
	<u>\$ 5,626,945</u>	<u>\$ 3,912,626</u>
Endowments:		
Scholarships	\$ 2,028,726	\$ 1,980,227
Nursing Fellowship	186,701	186,701
Other	<u>417,703</u>	<u>356,828</u>
	<u>\$ 2,633,130</u>	<u>\$ 2,523,756</u>
Subject to endowment spending policy and appropriation:		
Scholarships	\$ 804,944	\$ 593,297
Nursing Fellowship	160,015	123,430
Other	<u>224,084</u>	<u>160,684</u>
	<u>\$ 1,189,043</u>	<u>\$ 877,411</u>
Total endowments	<u>\$ 3,822,173</u>	<u>\$ 3,401,167</u>
Total net assets with donor restrictions	<u>\$ 9,449,118</u>	<u>\$ 7,313,793</u>

Notes to Consolidated Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Culpeper Site	\$ 7,280	\$ 17,708
Stafford Campus	11,586	--
Scholarships	141,886	201,537
Nursing Program	1,051	18,444
Locust Grove Campus	3,083	2,802
Other	89,360	294,267
	\$ 254,246	\$ 534,758
Subject to endowment spending policy and appropriation:		
Scholarships	\$ 110,000	\$ 109,730
Nursing Fellowship	3,034	2,850
Other	8,085	16,107
	\$ 121,119	\$ 128,687
Total net assets released from donor restrictions	\$ 375,365	\$ 663,445

Note 12. Noncash Contributions

Noncash contributions consisting of personnel costs from the College were \$390,824 and \$354,777 for the years ended December 31, 2020 and 2019, respectively.

Noncash contributions consisting of facilities space from unrelated, outside parties were \$1,560 and \$27,859 for the years ended December 31, 2020 and 2019, respectively.

Note 13. Related Party Transactions

During the years ended December 31, 2020 and 2019, the Foundation awarded \$803,767 and \$644,913, respectively, directly to and on behalf of the College for scholarships and provided \$20,000 and \$10,000 in other direct support during the years ended December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Foundation purchased nursing equipment and supplies in the amount of \$20,013 and \$139,733, respectively, which passed through to the College as a program expense.

In addition, the College charged the Foundation \$27,491 and \$29,071 for personnel costs in 2020 and 2019, respectively. Personnel costs donated to the Foundation from the College are discussed in Note 12 above.

Notes to Consolidated Financial Statements

Note 15. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 26, 2021, the date the consolidated financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.

**GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC. AND
GERMANNA COMMUNITY COLLEGE REAL ESTATE FOUNDATION, INC.**

Combining Statement of Financial Position

December 31, 2020

Assets	Germanna Community College Educational Foundation, Inc.	Germanna Community College Real Estate Foundation, Inc.	Total
Cash and cash equivalents	\$ 633,357	\$ --	\$ 633,357
Accounts receivable	4,583	--	4,583
Intercompany receivable	--	50,089	50,089
Prepaid expenses and other assets	4,500	--	4,500
Marketable securities	10,461,799	--	10,461,799
Cash value of life insurance	121,432	--	121,432
Other assets	312,980	--	312,980
Land	--	2,860,228	2,860,228
Property held for sale	<u>397,500</u>	<u>--</u>	<u>397,500</u>
 Total assets	 <u>\$ 11,936,151</u>	 <u>\$ 2,910,317</u>	 <u>\$ 14,846,468</u>
 Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 32,042	\$ --	\$ 32,042
Intercompany payable	<u>50,089</u>	<u>--</u>	<u>50,089</u>
Total liabilities	<u>\$ 82,131</u>	<u>\$ --</u>	<u>\$ 82,131</u>
 Net Assets			
Without donor restrictions:			
Board designated	\$ 1,115,524	\$ --	\$ 1,115,524
Undesignated	<u>1,289,378</u>	<u>2,910,317</u>	<u>4,199,695</u>
	<u>\$ 2,404,902</u>	<u>\$ 2,910,317</u>	<u>\$ 5,315,219</u>
 With donor restrictions:			
Purpose restrictions	\$ 6,815,988	\$ --	\$ 6,815,988
Perpetual in nature	<u>2,633,130</u>	<u>--</u>	<u>2,633,130</u>
	<u>\$ 9,449,118</u>	<u>\$ --</u>	<u>\$ 9,449,118</u>
 Total net assets	 <u>\$ 11,854,020</u>	 <u>\$ 2,910,317</u>	 <u>\$ 14,764,337</u>
 Total liabilities and net assets	 <u>\$ 11,936,151</u>	 <u>\$ 2,910,317</u>	 <u>\$ 14,846,468</u>

See Independent Auditor's Report

**GERMANNA COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC. AND
GERMANNA COMMUNITY COLLEGE REAL ESTATE FOUNDATION, INC.**

Combining Statement of Activities
For the Year Ended December 31, 2020

	Germanna Community College Educational Foundation, Inc.	Germanna Community College Real Estate Foundation, Inc.	Total
Revenues, Gains, and Other Support:			
Contributions	\$ 2,367,741	\$ --	\$ 2,367,741
In-kind contributions	392,384	--	392,384
Investment return, net of fees	1,072,653	--	1,072,653
Contribution portion of special events	73,698	--	73,698
Exchange portion of special events	<u>1,560</u>	<u>--</u>	<u>1,560</u>
Total revenues, gains and other support	<u>\$ 3,908,036</u>	<u>\$ --</u>	<u>\$ 3,908,036</u>
Expenses:			
Program services	\$ 918,434	\$ --	\$ 918,434
Management and general	405,328	600	405,928
Fundraising	<u>224,100</u>	<u>--</u>	<u>224,100</u>
Total expenses	<u>\$ 1,547,862</u>	<u>\$ 600</u>	<u>\$ 1,548,462</u>
Change in net assets	<u>\$ 2,360,174</u>	<u>\$ (600)</u>	<u>\$ 2,359,574</u>
Net Assets, beginning of year	<u>\$ 9,493,846</u>	<u>\$ 2,910,917</u>	<u>\$ 12,404,763</u>
Net Assets, end of year	<u>\$ 11,854,020</u>	<u>\$ 2,910,317</u>	<u>\$ 14,764,337</u>

See Independent Auditor's Report