



LOUDOUN EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

LOUDOUN EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF TRUSTEES OF
LOUDOUN EDUCATION FOUNDATION, INC.
ASHBURN, VIRGINIA**

We have audited the accompanying financial statements of Loudoun Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 Loudoun Education Foundation, Inc. as of June 30, 2021, 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
May 5, 2022

FINANCIAL STATEMENTS

Loudoun Education Foundation, Inc.
Statement of Financial Position
At June 30, 2021

ASSETS

Current assets:		
Cash and cash equivalents	\$	2,125,768
Unconditional promises to give, current portion		159,254
Prepaid expenses		<u>10,920</u>
Total current assets	\$	<u>2,295,942</u>
Unconditional promises to give, net of current portion	\$	209,377
Investments		<u>683,082</u>
Total noncurrent assets	\$	<u>892,459</u>
Total assets	\$	<u><u>3,188,401</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Current liabilities:		
Accounts payable	\$	6,368
Deferred revenue		<u>19,500</u>
Total liabilities	\$	<u>25,868</u>
Net assets		
Without donor restrictions	\$	2,082,994
With donor restrictions		<u>1,079,539</u>
Total net assets	\$	<u><u>3,162,533</u></u>
Total liabilities and net assets	\$	<u><u>3,188,401</u></u>

The accompanying notes are an integral part of this statement.

Loudoun Education Foundation, Inc.
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and support:			
Donations and contributions	\$ 1,516	\$ 752,142	\$ 753,658
Gift Campaign	3,478	-	3,478
Outreach programs	-	1,093,029	1,093,029
Golf tournament	88,795	-	88,795
Excellence in education banquet	100	-	100
Teacher recognition	11,500	-	11,500
Grants	-	37,500	37,500
Interest income	8,895	170	9,065
Investment income, net	51,080	-	51,080
Net assets released from restrictions	<u>1,390,597</u>	<u>(1,390,597)</u>	<u>-</u>
Total revenue, gains and support	<u>\$ 1,555,961</u>	<u>\$ 492,244</u>	<u>\$ 2,048,205</u>
Expenses:			
Program expenses:			
Recognition functions	\$ 66,870	\$ -	\$ 66,870
Grants	1,181,423	-	1,181,423
Scholarships	139,752	-	139,752
Outreach programs	243,733	-	243,733
School business partnership breakfast	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Total program expenses	<u>\$ 1,633,728</u>	<u>\$ -</u>	<u>\$ 1,633,728</u>
Supporting services:			
Management and general	\$ 50,887	\$ -	\$ 50,887
Fundraising	<u>35,518</u>	<u>-</u>	<u>35,518</u>
Total supporting services	<u>\$ 86,405</u>	<u>\$ -</u>	<u>\$ 86,405</u>
Total expenses	<u>\$ 1,720,133</u>	<u>\$ -</u>	<u>\$ 1,720,133</u>
Change in net assets	<u>\$ (164,172)</u>	<u>\$ 492,244</u>	<u>\$ 328,072</u>
Net assets, beginning of year	<u>\$ 2,247,166</u>	<u>\$ 587,295</u>	<u>\$ 2,834,461</u>
Net assets, end of year	<u><u>\$ 2,082,994</u></u>	<u><u>\$ 1,079,539</u></u>	<u><u>\$ 3,162,533</u></u>

The accompanying notes are an integral part of this statement.

Loudoun Education Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program expenses				Supporting services			Total
	Recognition Functions	Grants	Scholarships	Outreach Programs	School Business Partnership Breakfast	Management and General	Fundraising	
Salaries and payroll taxes	\$ 35,046	\$ -	\$ -	\$ 141,166	\$ -	\$ 24,489	\$ -	\$ 200,701
Classroom grants	-	20,499	-	-	-	-	-	20,499
Food purchases	-	-	-	27,341	-	-	-	27,341
Mentor program grants	-	10,000	-	-	-	-	-	10,000
STEM grants	-	599,452	-	-	-	-	-	599,452
Gift campaign	-	-	-	75,000	-	-	-	75,000
Other grants	-	551,472	-	-	-	-	-	551,472
Meal debt relief	-	-	-	32	-	-	-	32
Teacher scholarships	-	-	64,752	-	-	-	-	64,752
Classified scholarships	-	-	75,000	-	-	-	-	75,000
Excellence in education expenses	11,225	-	-	-	-	-	-	11,225
Outstanding teacher banquet	20,599	-	-	-	-	-	-	20,599
School Business partnership	-	-	-	-	1,950	-	-	1,950
Golf tournament	-	-	-	-	-	-	35,518	35,518
Bank fees	-	-	-	-	-	213	-	213
Miscellaneous expenses	-	-	-	194	-	26,185	-	26,379
Total	\$ 66,870	\$ 1,181,423	\$ 139,752	\$ 243,733	\$ 1,950	\$ 50,887	\$ 35,518	\$ 1,720,133

The accompanying notes are an integral part of this statement.

Loudoun Education Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:

Change in net assets	\$ 328,072
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Investment income, net	(51,080)
Change in receivables	1,156,325
Change in prepaid expenses	4,558
Change in accounts payable	3,739
Change in deferred revenue	<u>(42,750)</u>
Net cash provided by (used for) operating activities	\$ <u>1,398,864</u>

Cash flows from investing activities:

Purchase of investments	\$ <u>(26,941)</u>
Net cash provided by (used for) investing activities	\$ <u>(26,941)</u>

Net increase (decrease) in cash and cash equivalents \$ 1,371,923

Cash and cash equivalents, beginning of year 753,845

Cash and cash equivalents, end of year \$ 2,125,768

The accompanying notes are an integral part of this statement.

Loudoun Education Foundation, Inc.
Notes to Financial Statements
At June 30, 2021

Note 1 – Summary of Significant Accounting Policies:

Nature of Activities

Loudoun Education Foundation, Inc. (the Foundation) is a not-for-profit corporation organized in May 1991 in the Commonwealth of Virginia. The Foundation was formed to support the citizens of Loudoun County by providing scholarships, grants, and educational recognition funding to deserving students within Loudoun County. The Foundation's support comes primarily from individual donors' contributions, fundraising events, and various grants.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the following two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, or the net assets that were donated with donor-imposed stipulations and released from restriction within the same fiscal year. Net assets without donor restrictions for the year ended June 30, 2021, amounted to \$2,082,994.

Net assets with donor restrictions – Net assets with donor restrictions are resources whose use by the Foundation is limited by donor-imposed restrictions. This category includes both donor restrictions that are temporary in nature, and those that neither expire by being used in accordance with a donor's restriction nor by passage of time. Net assets with donor restrictions for the year ended June 30, 2021, amounted to \$1,079,539 consisting of donations which are restricted by the donors for use in various educational programs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation's cash and cash equivalents consists of demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less.

Note 1 – Summary of Significant Accounting Policies: (continued)

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and fringe benefits, which are allocated on the basis of estimates of time and effort.

Recognition functions

All expenses incurred to recognize excellence in education and outstanding teachers in Loudoun County. Recognition functions primarily include (1) the annual Excellence In Education Banquet honoring Loudoun County's top academic high school performers and (2) the Outstanding Teachers Banquet honoring Loudoun County teachers nominated for The Washington Post's Agnes Meyer Outstanding Teacher Award.

Grants

All expenses incurred to provide grants to teachers, administrators, and parent support organizations for innovative academic projects. Grants awarded include (1) classroom grant awards to teachers to supplement and/or enhance the standard curriculum and ordinary teaching methods; (2) multi-cultural grants to assist schools implement programs on multicultural education, targeted primarily towards students, to help them better understand and embrace diversity; (3) parent support group grants available to PTO, PTA and other parent support groups to reward or promote academic achievement; and (4) special program grants outside of the normal grant application cycle for specialized programs such as art purchase awards, social science fair awards, and summer school grants.

Scholarships

All expenses incurred to provide scholarships to students, teachers, and classified employees in Loudoun County. Scholarship programs include (1) Future Educator Scholarships for Loudoun County Public High School seniors, (2) teacher scholarships for current Loudoun County Public School teachers seeking endorsements in critical teaching shortage areas, and (3) classified scholarships for Loudoun County Public School classified personnel to further their education.

Outreach programs

All expenses to develop and implement outreach programs for Loudoun County Public School students including the backpack program and the community outreach program.

School business partnership breakfast

All expenses in hosting the school business partnership breakfast, the purpose of which is to provide leadership to promote and develop successful partnerships between the Loudoun County Public Schools and businesses in Loudoun County.

Management and general

All other operating expenses incurred by the Foundation in the accomplishment of its tax-exempt purpose.

Fundraising

All expenses incurred with the purpose of raising funds.

Note 1 – Summary of Significant Accounting Policies: (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Equity securities contributed to the Foundation are recorded at their fair value on the date of donation and sold almost immediately thereafter. For purposes of the Statement of Cash Flows, sales are reported as being from operating activities in accordance with FASB ASC 230-10-45-21A.

Income taxes

The Foundation has received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not classified as a private foundation by the Internal Revenue Service.

Accounting for Uncertain Tax Positions

The Foundation accounts for uncertain tax positions in accordance with FASB ASC 740. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in financial statements tax positions taken or expected to be taken on a tax return, including the position that the Foundation is exempt from income taxes.

Donated Services, Materials, and Facilities

Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the year ended June 30, 2021, there were no donated services.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Loudoun Education Foundation, Inc.
Notes to Financial Statements
At June 30, 2021

Note 2 – Investments:

Investments are stated at fair value based on quoted market prices. Investments are comprised of the following at June 30, 2021:

Equities	\$	25,434
Money market funds		610,869
Exchange traded funds		46,779
Total	\$	<u>683,082</u>

Investment income for the year ended June 30, 2021, is comprised of the following in the accompanying statement of activities:

		Without Donor Restrictions
Dividends	\$	7,385
Unrealized gain (loss)		40,939
Realized gain (loss)		5,977
Investment fees		<u>(3,221)</u>
Total	\$	<u>51,080</u>

Note 3 – Deferred Revenue

Deferred revenue consists of golf tournament fees paid in advance. At June 30, 2021, deferred revenue totaled \$19,500.

Note 4 – Financial Risks and Concentrations

The Foundation maintains its cash balance in one financial institution located in Leesburg, Virginia. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021, the Foundation had \$1,809,599 in uninsured balances.

The Foundation invests in professionally managed portfolios that contain corporate stock, mutual funds, and other securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statement.

Note 5 – Fair Value Measurements

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 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 or inputs used to measure fair value are as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices 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 of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In determining the appropriate levels, the Foundation performs a detail analysis of the assets and liabilities that are subject to fair market measurements. At each reporting period, all assets, and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 or 3 inputs for any assets held by the Foundation at June 30, 2021.

The following information summarizes the Foundation’s fair value measured in a recurring basis:

	Fair Value Measurement at Reporting Date Using	
	Fair Value at 6/30/2021	Quoted Prices in Active Market for Identical Assets (Level 1)
	<u> </u>	<u> </u>
Investments:		
Equities	\$ 25,434	\$ 25,434
Money market funds	610,869	610,869
Exchange traded funds	<u>46,779</u>	<u>46,779</u>
Total	<u>\$ 683,082</u>	<u>\$ 683,082</u>

Note 6 – Board Designated Endowment Funds

The Board of Directors established the Loudoun Education Foundation Endowment Fund (the Fund). The Board of Directors designated the fund for the general support of the Foundation. The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The Fund is invested in a well-diversified portfolio that currently places a greater emphasis in equity investments. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to ensure that the Fund is not exposed to unacceptable levels of risk.

The following table summarizes the changes in the Board Designated endowment:

	<u>Designated</u>
Endowment net assets, beginning of year	\$ <u>607,010</u>
Investment return:	
Investment income, net of fees	\$ 4,164
Net realized and unrealized gains	<u>46,916</u>
Total investment return	\$ <u>51,080</u>
Contributions	\$ <u>28,093</u>
Endowment net assets, end of year	\$ <u><u>686,183</u></u>

Interpretation of relevant law

UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The accounting standard issued in response to the act improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

In accordance with VUPMIFA, the Foundation directors consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund (2) the purposes of the organization and the donor restricted endowment fund (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 organization and (7) the investment policies of the organization.

The Board of Directors of the Foundation has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (VUPMIFA) 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 stipulation to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the 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 of accumulation is added to the fund.

Note 6 – Board Designated Endowment Funds: (continued)

Return objective and risk parameters

The Foundation’s objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. We recognize and accept that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Foundation targets a diversified asset allocation that places a greater emphasis on equity securities investments to achieve its long-term return objectives within prudent risk constraints. The Foundation has established a policy portfolio or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Foundation has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

Spending policy

Once the fund has a balance exceeding \$2.5 million, the Foundation may appropriate for expenditure in its annual budget a maximum of 100% of the annual earnings, net of fees and expenses associated with the maintenance of the fund. There may be times when the Foundation may opt not to take the maximum spending rate, but to rather reinvest some or all of the annual return.

Note 7 – Donor Restricted Endowment Funds

On August 5, 2016, the Foundation established The Donald Cooper Endowment Fund (the Fund) to provide university scholarships to students at Loudoun Valley High School. The Fund is to be funded with a gift of \$50,000 from Donald Cooper that will be given to the Foundation through payments of \$10,000 a year for the next five years. At June 30, 2021, the Fund has \$50,000 in permanent endowment funds.

The following table summarizes the changes in the Donor Restricted endowment:

	<u>Restricted</u>
Endowment net assets, beginning of year	\$ <u>50,000</u>
Investment return:	
Investment income, net of fees	\$ <u>170</u>
Total investment return	\$ <u>170</u>
Earnings released from restrictions	\$ <u>(170)</u>
Endowment net assets, end of year	\$ <u><u>50,000</u></u>

Loudoun Education Foundation, Inc.
Notes to Financial Statements
At June 30, 2021

Note 8 – Unconditional Promises to Give

Unconditional promises to give, which were established as the result of the gift campaign, have been discounted to net present value at an effective interest rate of 5.50% and are as follows:

Period Ended	Gift Campaign Contributions
June 30, 2021	\$ 387,363
Discount	(18,732)
Present Value	\$ 368,631
Due within one year	(159,254)
Long-term	\$ <u>209,377</u>

Note 9 – Net Assets with Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods.

Teacher scholarships	\$ 154,438
Student scholarships	77,845
Outreach programs	639,131
Classroom grants	13,010
STEM projects	107,962
Cooper endowment	50,000
Other	37,153
Total	\$ <u>1,079,539</u>

Net assets released from restrictions by incurring expense satisfying the purpose or time restrictions specified by donors are as follows:

Teacher scholarships	\$ 95,498
Student scholarships	416,716
Outreach programs	247,419
Classroom grants	32,108
STEM projects	597,662
Other	1,194
	\$ <u>1,390,597</u>

Loudoun Education Foundation, Inc.
Notes to Financial Statements
At June 30, 2021

Note 10 – Liquidity and Availability

The following reflects the Foundation's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing that could be drawn upon if governing board deemed it necessary.

Financial assets at year-end:

Cash and cash equivalents	\$ 2,125,768
Investments	683,082
Current portion of unconditional promises to give	<u>159,254</u>
Total financial assets at year-end	\$ 2,968,104
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions:	
Subject to appropriation and satisfaction of donor restrictions	<u>(159,254)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,808,850</u>
Cash and cash equivalents	\$ 2,125,768
Investments	<u>683,082</u>
	<u>\$ 2,808,850</u>

None of the financial assets available for use are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial position date. The Foundation's liquidity reserves may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the Foundation's normal course of business.

Note 11 – Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure through May 5, 2022, when the financial statements were available to be issued.