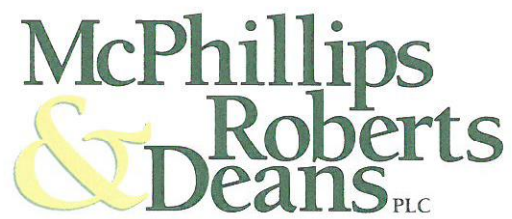


ACCESS COLLEGE FOUNDATION
(A Non-Profit Organization)
Norfolk, Virginia

FINANCIAL REPORT

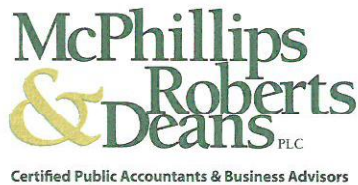
June 30, 2016



Certified Public Accountants
& Business Advisors

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
ACCESS College Foundation
Norfolk, Virginia

We have audited the accompanying financial statements of ACCESS College Foundation (a non-profit organization, the Foundation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audits 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 risks 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 ACCESS College Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McPhillips, Roberts & Deans, PLC

October 31, 2016
Norfolk, Virginia

ACCESS COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,397,146	\$ 1,298,022
Contributions receivable, net	6,784,263	6,112,291
Prepaid expenses	7,540	-
Investments, at fair value	39,183,870	40,327,688
Investments, at cost	75,000	75,000
Property and equipment, net	<u>92,839</u>	<u>92,360</u>
TOTAL ASSETS	<u>\$ 47,540,658</u>	<u>\$ 47,905,361</u>
 Liabilities and Net Assets		
Total Liabilities		
Accounts payable and accrued expenses	<u>\$ 103,731</u>	<u>\$ 115,156</u>
Net Assets		
Unrestricted	1,365,687	1,193,107
Temporarily restricted	13,093,018	17,421,070
Permanently restricted	<u>32,978,222</u>	<u>29,176,028</u>
Total Net Assets	<u>47,436,927</u>	<u>47,790,205</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,540,658</u>	<u>\$ 47,905,361</u>

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

ACCESS COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Contributions	\$ 1,155,143	\$ 419,258	\$ 3,595,101	\$ 5,169,502
Gifts in kind	274,210	-	-	274,210
Interest income	1,509	145,790	-	147,299
Dividend income	-	719,301	-	719,301
Net investment gains (losses)	-	(2,864,078)	-	(2,864,078)
Capital gain distributions	-	16,152	-	16,152
	<u>1,430,862</u>	<u>(1,563,577)</u>	<u>3,595,101</u>	<u>3,462,386</u>
Net assets released from restrictions	<u>2,557,382</u>	<u>(2,557,382)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>3,988,244</u>	<u>(4,120,959)</u>	<u>3,595,101</u>	<u>3,462,386</u>
Expenses				
Program services	2,911,362	-	-	2,911,362
Support services	381,879	-	-	381,879
Fundraising	522,423	-	-	522,423
	<u>3,815,664</u>	<u>-</u>	<u>-</u>	<u>3,815,664</u>
Change in Net Assets	172,580	(4,120,959)	3,595,101	(353,278)
Reclassifications	-	(207,093)	207,093	-
Net Assets, Beginning of Year	<u>1,193,107</u>	<u>17,421,070</u>	<u>29,176,028</u>	<u>47,790,205</u>
NET ASSETS, END OF YEAR	<u>\$ 1,365,687</u>	<u>\$ 13,093,018</u>	<u>\$ 32,978,222</u>	<u>\$ 47,436,927</u>

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,197,066	\$ 958,195	\$ 2,867,456	\$ 5,022,717
203,875	-	-	203,875
3,721	122,101	-	125,822
-	862,188	-	862,188
-	281,782	-	281,782
-	2,877	-	2,877
<u>1,404,662</u>	<u>2,227,143</u>	<u>2,867,456</u>	<u>6,499,261</u>
2,386,870	(2,386,870)	-	-
<u>3,791,532</u>	<u>(159,727)</u>	<u>2,867,456</u>	<u>6,499,261</u>
2,596,610	-	-	2,596,610
356,048	-	-	356,048
580,403	-	-	580,403
<u>3,533,061</u>	<u>-</u>	<u>-</u>	<u>3,533,061</u>
258,471	(159,727)	2,867,456	2,966,200
-	-	-	-
934,636	17,580,797	26,308,572	44,824,005
<u>\$ 1,193,107</u>	<u>\$ 17,421,070</u>	<u>\$ 29,176,028</u>	<u>\$ 47,790,205</u>

ACCESS COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			Total
	Program Services	General and Administrative	Fundraising	
Salaries	\$ 1,433,173	\$ 161,862	\$ 306,086	\$ 1,901,121
Payroll taxes	99,746	16,289	21,255	137,290
Employee benefits	302,824	32,397	34,769	369,990
Total Personnel	1,835,743	210,548	362,110	2,408,401
Bank charges	-	14,226	-	14,226
Dues and subscriptions	425	2,407	3,632	6,464
Insurance	-	14,676	-	14,676
Occupancy	48,728	8,561	8,561	65,850
Office supplies and expenses	34,788	26,819	16,476	78,083
Marketing	11,570	7,713	56,723	76,006
Postage	10,306	876	2,613	13,795
Publications and printing	78,873	5,397	27,212	111,482
Purchased services	153,192	75,712	32,717	261,621
Repairs and maintenance	7,114	5,336	5,336	17,786
Staff recognition	5,229	966	464	6,659
Student grants	663,527	-	-	663,527
Travel and conferences	46,945	7,813	5,750	60,508
Total expenses before depreciation	2,896,440	381,050	521,594	3,799,084
Depreciation	14,922	829	829	16,580
Total	\$ 2,911,362	\$ 381,879	\$ 522,423	\$ 3,815,664

2015

<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
\$ 1,335,289	\$ 111,753	\$ 298,502	\$ 1,745,544
93,013	8,567	23,802	125,382
216,547	11,248	47,058	274,853
<u>1,644,849</u>	<u>131,568</u>	<u>369,362</u>	<u>2,145,779</u>
-	8,003	-	8,003
1,343	1,606	1,103	4,052
-	13,522	-	13,522
35,496	25,704	-	61,200
30,383	30,807	13,213	74,403
3,455	1,719	68,642	73,816
15,061	1,877	15,363	32,301
81,170	2,503	51,324	134,997
108,874	101,791	45,269	255,934
-	19,676	-	19,676
-	7,616	-	7,616
612,334	-	-	612,334
46,527	8,705	15,176	70,408
<u>2,579,492</u>	<u>355,097</u>	<u>579,452</u>	<u>3,514,041</u>
17,118	951	951	19,020
<u>\$ 2,596,610</u>	<u>\$ 356,048</u>	<u>\$ 580,403</u>	<u>\$ 3,533,061</u>

ACCESS COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (353,278)	\$ 2,966,200
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,580	19,020
Payments received on donor restricted pledges	(2,911,760)	(3,597,987)
Realized and unrealized (gains) losses on investments	2,864,078	(281,782)
Capital gain distributions	(16,152)	(2,877)
Changes in operating assets and liabilities		
Contributions receivable	(671,972)	1,660,245
Prepaid expenses	(7,540)	2,014
Accounts payable and accrued expenses	(11,425)	(22,958)
Net Cash Provided by (Used in) Operating Activities	<u>(1,091,469)</u>	<u>741,875</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(17,059)	(1,038)
Purchase of investments	(6,251,701)	(6,123,583)
Proceeds from sales or maturities of investments	4,547,593	1,432,115
Net Cash Used in investing Activities	<u>(1,721,167)</u>	<u>(4,692,506)</u>
Cash Flows Provided by Financing Activities		
Payments received on donor restricted pledges	<u>2,911,760</u>	<u>3,597,987</u>
Net Increase (Decrease) in Cash and Cash Equivalents	99,124	(352,644)
Cash and cash equivalents, beginning of year	<u>1,298,022</u>	<u>1,650,666</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,397,146</u></u>	<u><u>\$ 1,298,022</u></u>

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

The ACCESS College Foundation (the Foundation) is a publicly supported organization exempt from income taxes under Internal Revenue Code Section 501(c)(3). The purpose of the Foundation is to provide students, who may not have the opportunity, the path to attend and complete college. The Foundation provided postsecondary education planning to more than 12,000 high school juniors, seniors, and college students during 2016 and 2015. Of those students, 5,500 families disclosed their income and more than 78% were verified to be low-income. Based on federal free- and reduced-lunch statistics, other families were likely low-income as well, but did not officially disclose their information. Postsecondary education planning includes school-based advisory services for college preparation and success. The Foundation provides guidance to students throughout the college admissions process including assistance with college applications, college tours to prospective campuses, and the leveraging of financial aid, scholarships, and grants needed to attend college. The Foundation awarded more than 600 scholarships to qualifying students in 2016 and 2015. In addition to high school upperclassmen and college students, approximately 18,000 students in grades 7-10 attending a high-need middle or high school participated in early college awareness and readiness informational sessions and activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

Estimates Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents For purposes of the statements of financial position and cash flows, cash and cash equivalents are defined as demand deposits, certificate of deposits and all highly liquid debt instruments purchased with an original maturity of three months or less, other than those maintained as a part of investment portfolios.

Contributions Receivable Contributions receivable represent unconditional promises to give and are recorded at net realizable value. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management’s judgment. Management considers all contributions to be collectible and, accordingly, has not provided an allowance for uncollectible contributions. Conditional promises to give are not included as support until the conditions are substantially met.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Investments Investments in marketable debt and equity securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation holds certain investments in partnerships that are valued at net asset value which management believes approximates fair value. Certain other investments in partnerships were recorded at cost as fair value was not determinable. The related unrealized gains and losses are included in the change in net assets in the statements of activities. Realized gains and losses on investment transactions are determined on an average cost basis. Fees totaling \$55,772 and \$54,150 in 2016 and 2015, respectively, were deducted from investment gains.

Property and Equipment The Foundation capitalizes property and equipment purchased costing \$500 or more with an estimated useful life greater than one year. Property and equipment are recorded at cost and depreciated using the straight-line method, based on the following useful lives:

<u>Asset Category</u>	<u>Useful Life</u>
Furniture and equipment	5 - 7 years
Leasehold improvements	39 years
Software	3 years

Depreciation expense for the years ended June 30, 2016 and 2015 was \$16,580 and \$19,020 respectively.

Donations Donated facilities and services are recorded as revenue and expense in the period of use at fair value. The Foundation's facilities were donated by certain local public schools systems and the City of Norfolk.

Contributions of donated stock and property are immediately sold when received from the donor, by resolution of the board of directors. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. In addition, a substantial number of volunteers have donated significant amounts of their time to further the mission of the Organization. The value of these volunteer services is not reflected in the accompanying statements of activities.

Subsequent Events Management has evaluated subsequent events through October 31, 2016 the date which the financial statements were available for issue.

Income Taxes The Foundation is an organization described in Sections 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Exempt organizations are subject to tax on income from regularly conducted trade or business activities that are not substantially related to the organization's exempt purpose. Returns are generally subject to examinations for three years from the date filed. This period of limitations has expired for returns filed for tax years 2012 and earlier. Management continually evaluates tax positions reflected in the Foundation's tax filings and does not believe that any material uncertain tax positions exist.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 and 2015 are as follows:

	2016	2015
Receivable in less than one year	\$ 2,504,369	\$ 3,202,724
Receivable in one to five years	4,367,440	2,958,019
Receivable in more than five years	5,000	15,000
Total contributions receivable	<u>6,876,809</u>	<u>6,175,743</u>
Less discounts to net present value	<u>(92,546)</u>	<u>(63,452)</u>
Net contributions receivable	<u>\$ 6,784,263</u>	<u>\$ 6,112,291</u>

Long-term contributions receivable are discounted using the Mid-Term Applicable Federal Rate, ranging from 0.95% to 1.91% based on when the promise to give was made. Contributions receivable are principally from donors in the Hampton Roads area. The concentration of credit risk is partially mitigated by the large number of donors. The Foundation does not require collateral in relation to these receivables.

NOTE 4 - INVESTMENTS

Investments at June 30, 2016 and 2015 are summarized as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 1,755,895	\$ 1,795,855	\$ 4,097,749	\$ 4,097,749
Domestic equity mutual funds	2,714,027	3,076,889	3,108,771	2,909,949
Municipal bonds	5,218,668	4,958,698	3,368,808	3,221,444
Corporate bonds	1,497,985	1,465,704	1,739,930	1,742,479
Debt strategy	999,485	1,000,000	-	-
Foreign funds	13,004,155	9,028,087	13,521,070	8,527,791
Real assets, at fair value	2,195,853	2,682,847	2,033,637	2,282,810
Private equity	2,387,921	3,102,210	2,437,555	2,668,576
Multi-strategy and other	<u>9,409,881</u>	<u>6,243,013</u>	<u>10,020,168</u>	<u>6,243,013</u>
Total investments at fair value	39,183,870	33,353,303	40,327,688	31,693,811
Real assets, at cost	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Total investments	<u>\$ 39,258,870</u>	<u>\$ 33,428,303</u>	<u>\$ 40,402,688</u>	<u>\$ 31,768,811</u>

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Net investments gains (losses) for the years ended June 30, 2016 and 2015 are summarized as follows:

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Net realized losses	\$ -	\$ (73,135)	\$ (73,135)	\$ -	\$ (68,394)	\$ (68,394)
Net unrealized gains (losses)	-	(2,790,943)	(2,790,943)	-	350,176	350,176
Net investment gains (losses)	\$ -	\$ (2,864,078)	\$ (2,864,078)	\$ -	\$ 281,782	\$ 281,782

At June 30, 2016, the Foundation had committed aggregate capital of \$9,690,000 to certain partnership investments of which \$3,893,126 had not yet been called.

The following summarizes investments in entities that calculate fair value based on net asset value per share as of June 30, 2016 and 2015:

Description	2016		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Debt strategy	\$ 999,485	\$ -	Ineligible	
Foreign funds	13,004,155	-	Monthly	10 days
Real assets	2,195,853	2,078,126	Ineligible, quarterly	30 days
Private equity	2,387,921	1,815,000	Ineligible	
Multi-strategy and other	9,409,881	-	Ineligible, monthly to biennially	30-120 days
	<u>\$ 27,997,295</u>	<u>\$ 3,893,126</u>		

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Description	2015		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	Fair Value	Unfunded Commitments		
Foreign funds	\$ 13,521,070	\$ -	Monthly	10 days
Real assets	2,033,637	455,786	Ineligible, quarterly	30 days
Private equity	2,437,555	2,247,059	Ineligible	
Multi-strategy and other	10,020,168	-	Ineligible, monthly to biennially	30-120 days
	<u>\$ 28,012,430</u>	<u>\$ 2,702,845</u>		

NOTE 5 - FAIR VALUE MEASUREMENTS

The Foundation's investments are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and the lowest priority to unobservable inputs.

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- 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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

ASC 820 permits, as a practical expedient, an entity holding investments in certain entities that have the attributes described in ASC 946, *Financial Services - Investment Companies*, or have attributes similar to such entities, and calculate Net Asset Value (NAV) per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation uses the practical expedient to value its investments in certain partnerships. At June 30, 2016 and 2015, all of the Foundations were either Level 1, Level 2, or valued using the practical expedient. Investments using the practical expedient or cost basis are not categorized within the fair value hierarchy, and are presented as Other Investments in the following tables for purposes of reconciling to the Statements of Financial Position.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Money market funds and domestic equity mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and municipal bonds: Valued based on a compilation of primarily observable market information in an inactive market.

The following table sets forth by level within the fair value hierarchy, the Company's assets measured at fair value as of June 30, 2016 on a recurring basis:

	Level 1	Level 2	Other Investments	Total
Money market funds	\$ 1,755,895	\$ -	\$ -	\$ 1,755,895
Domestic equity mutual funds	2,714,027	-	-	2,714,027
Municipal bonds	-	5,218,668	-	5,218,668
Corporate bonds	-	1,497,985	-	1,497,985
Debt strategy	-	-	999,485	999,485
Foreign funds	-	-	13,004,155	13,004,155
Real assets	-	-	2,270,853	2,270,853
Private equity	-	-	2,387,921	2,387,921
Multi-strategy and other	-	-	9,409,881	9,409,881
Total	<u>\$ 4,469,922</u>	<u>\$ 6,716,653</u>	<u>\$ 28,072,295</u>	<u>\$ 39,258,870</u>

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level within the fair value hierarchy, the Company's assets measured at fair value as of June 30, 2015 on a recurring basis:

	Level 1	Level 2	Other Investments	Total
Money market funds	\$ 4,097,749	\$ -	\$ -	\$ 4,097,749
Domestic equity mutual funds	3,108,771	-	-	3,108,771
Municipal bonds	-	3,368,808	-	3,368,808
Corporate bonds	-	1,739,930	-	1,739,930
Foreign funds	-	-	13,521,070	13,521,070
Real assets	-	-	2,108,637	2,108,637
Private equity	-	-	2,437,555	2,437,555
Multi-strategy and other	-	-	10,020,168	10,020,168
Total	\$ 7,206,520	\$ 5,108,738	\$ 28,087,430	\$ 40,402,688

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Furniture and equipment	\$ 123,681	\$ 116,118
Leasehold improvements	79,251	79,251
Software	10,034	10,034
Less accumulated depreciation	(120,127)	(113,043)
Property and equipment, net	\$ 92,839	\$ 92,360

NOTE 7 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets were restricted for the following purposes:

	2016	2015
Scholarships and other direct assistance	\$ 12,140,926	\$ 15,423,781
Implementation	538,765	1,512,662
Time restricted for general use	313,327	484,627
Early awareness	100,000	-
	\$ 13,093,018	\$ 17,421,070

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Permanently restricted net assets consist of endowment investments and pledges receivable restricted for investment in perpetuity, the income from which is expendable to provide scholarships, pay student fees and provide other direct assistance, such as advisory services to students, and none shall be used on program administration.

At June 30, 2016 and 2015, permanently restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Endowment cash and investments	\$ 27,009,547	\$ 24,398,554
Pledges receivable	5,968,675	4,777,474
	<u>\$ 32,978,222</u>	<u>\$ 29,176,028</u>

Management determined that certain funds previously thought to be temporarily restricted were in fact permanently restricted. These funds were reclassified during the year ended June 30, 2016.

During 2016 and 2015, net assets were released from donor restrictions by incurring costs for the following purposes or due to the passage of time:

	<u>2016</u>	<u>2015</u>
Scholarships and other direct assistance	\$ 1,382,618	\$ 1,346,742
Implementation	794,442	562,662
Expansion (Virginia Beach)	-	35,960
Portsmouth services	41,000	15,000
Expiration of time restrictions	232,600	242,500
Suffolk services	38,500	37,500
Accelerated success	-	36,697
Early awareness	-	100
Special events	68,122	59,201
College success program	-	50,111
Norfolk services	100	397
	<u>\$ 2,557,382</u>	<u>\$ 2,386,870</u>

NOTE 8 -ENDOWMENTS OF NOT-FOR-PROFIT ORGANIZATIONS

The Foundation's endowments consist of one individual fund established for a variety of purposes. The endowment is a donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Governing Board's Interpretation of Law The Board of Directors has interpreted UPMIFA 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. 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 accordance with UPMIFA, 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 fund;
- (2) The purpose of the Foundation 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 appreciation of investments;
- (6) Other resources of the Foundation;
- (7) The investment policies of the Foundation.

Investment 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 the purchasing power of the endowment assets. Endowment assets are donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested across a globally diversified set of asset classes and security types, avoiding concentration in any one market or security base. The Board of Directors is willing to accept intermediate term volatility in order to achieve a long term growth objective. The fund takes on some degree of illiquidity in order to achieve returns that are expected to be higher than market averages. The Foundation expects its endowment funds, over time, to provide an average rate of return of the Consumer Price Index plus 5 percent annually. Actual returns in any given year may vary from this amount.

Spending Policy The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the preceding 12 quarters using a calendar three year moving average. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to grow in excess of the spending rate plus inflation. 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.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 11,775,524	\$ 32,978,222	\$ 44,753,746

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 15,348,071	\$ 29,176,028	\$ 44,524,099
Contributions	-	3,595,101	3,595,101
Net investment loss	(1,982,835)	-	(1,982,835)
Amounts appropriated for expenditure	(1,382,619)	-	(1,382,619)
Reclassification adjustment	(207,093)	207,093	-
Endowment net assets, end of year	\$ 11,775,524	\$ 32,978,222	\$ 44,753,746

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 15,348,071	\$ 29,176,028	\$ 44,524,099

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 15,425,864	\$ 26,308,572	\$ 41,734,436
Contributions	-	2,867,456	2,867,456
Net investment income	1,268,949	-	1,268,949
Amounts appropriated for expenditure	(1,346,742)	-	(1,346,742)
Endowment net assets, end of year	\$ 15,348,071	\$ 29,176,028	\$ 44,524,099

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016 and 2015.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Foundation offers a 401(k) plan covering substantially all full-time personnel who have attained age 21. The Foundation contributed 50% of the first 6% of employee deferrals to the plan for the years ended June 30, 2016 and 2015. The cost of the plan to the Foundation was \$33,463 and \$25,442 for the years ended June 30, 2016 and 2015, respectively.

The President / Chief Executive Officer was an employee of the Norfolk Public Schools (NPS) system on loan to the Foundation. Part of the compensation that NPS paid and the Foundation reimbursed them for, in advance, was the retirement plan contribution. The Foundation reimbursed NPS \$11,721 for contributions made to the retirement plan for the fiscal year ended June 30, 2015. The contract was terminated during the year ended June 30, 2015.

NOTE 10 - DONATED ASSETS, FACILITIES, AND SERVICES

The estimated fair market value of donated materials, facilities, services and assets included in the financial statements of the Foundation for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Contract services	\$ 14,250	\$ 9,250
Rent	65,800	61,200
Total charged to expense	80,050	70,450
Total donated assets		
Vehicles	194,160	133,425
Total donated assets, facilities and services	\$ 274,210	\$ 203,875

NOTE 11 - NEIGHBORHOOD ASSISTANCE ACT

The Foundation was approved by the Commonwealth of Virginia to solicit contributions in the amount of \$450,199 under the Virginia Neighborhood Assistance Act (VNAA) for the period from July 1, 2015 to June 30, 2016 and \$564,242 for the period from July 1, 2014 to June 30, 2015. Contributions received from taxpaying entities are eligible for 65% Virginia state tax credit under the provisions of the VNAA for 2016 and 2015. As of June 30, 2016 and 2015, respectively, tax credits offered to qualifying entities amounted to \$450,077 and \$557,300.

ACCESS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the statements of financial position.

NOTE 13 - CONCENTRATION OF CREDIT RISK

At various times during the years presented, the Foundation may have had on deposit with a single financial institution more than \$250,000, which is the basic limit currently insured by the Federal Deposit Insurance Corporation (FDIC).