



ACCESS College Foundation

Financial Statements
Years ended June 30, 2023 and 2022

ACCESS College Foundation

Financial Statements
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ACCESS College Foundation

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Independent Auditor's Report

The Board of Directors
ACCESS College Foundation
Norfolk, Virginia

Opinion

We have audited the financial statements of ACCESS College Foundation (a non-profit organization, the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

BDO USA, P.C.

November 16, 2023

Financial Statements

ACCESS College Foundation

Statements of Financial Position

| <i>June 30,</i> | 2023 | 2022 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,738,620 | \$ 1,496,825 |
| Restricted cash | 836,446 | 702,091 |
| Promises to give, net | 226,829 | 552,540 |
| Investments, at fair value | 65,845,280 | 59,691,990 |
| Property and equipment, net | 73,991 | 82,609 |
| Prepays | 27,250 | - |
| Total Assets | \$ 68,748,416 | \$ 62,526,055 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 308,766 | \$ 333,903 |
| Net Assets | | |
| Net assets without donor restrictions | | |
| Undesignated | 1,676,093 | 1,315,881 |
| Board designated | 3,683,695 | 1,957,075 |
| Net assets without donor restrictions | 5,359,788 | 3,272,956 |
| Net assets with donor restrictions | 63,079,862 | 58,919,196 |
| Total Net Assets | 68,439,650 | 62,192,152 |
| Total Liabilities and Net Assets | \$ 68,748,416 | \$ 62,526,055 |

See accompanying notes to financial statements.

ACCESS College Foundation

Statements of Activities

| <i>Year Ended June 30, 2023</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Operating Revenue | | | |
| Contributions | \$ 3,094,541 | \$ 3,546,413 | \$ 6,640,954 |
| Contributions - nonfinancial assets | 384,753 | - | 384,753 |
| | 3,479,294 | 3,546,413 | 7,025,707 |
| Net assets released from restrictions for operations | 3,508,118 | (3,508,118) | - |
| Total Operating Revenue | 6,987,412 | 38,295 | 7,025,707 |
| Operating Expenses | | | |
| Program services | 4,021,192 | - | 4,021,192 |
| General and administrative | 463,737 | - | 463,737 |
| Fundraising | 652,429 | - | 652,429 |
| Total Operating Expenses | 5,137,358 | - | 5,137,358 |
| Change in Net Assets from Operations | 1,850,054 | 38,295 | 1,888,349 |
| Nonoperating Income (Expense) | | | |
| Investment income (loss), net | 236,778 | 4,122,371 | 4,359,149 |
| Change in Net Assets | 2,086,832 | 4,160,666 | 6,247,498 |
| Net Assets, beginning of year | 3,272,956 | 58,919,196 | 62,192,152 |
| Net Assets, end of year | \$ 5,359,788 | \$ 63,079,862 | \$ 68,439,650 |

See accompanying notes to financial statements.

ACCESS College Foundation

Statements of Activities

| <i>Year Ended June 30, 2022</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Operating Revenue | | | |
| Contributions | \$ 1,261,074 | \$ 1,396,127 | \$ 2,657,201 |
| Contributions - nonfinancial assets | 358,959 | - | 358,959 |
| | 1,620,033 | 1,396,127 | 3,016,160 |
| Net assets released from restrictions for operations | 3,283,896 | (3,283,896) | - |
| Total Operating Revenue | 4,903,929 | (1,887,769) | 3,016,160 |
| Operating Expenses | | | |
| Program services | 3,603,342 | - | 3,603,342 |
| General and administrative | 440,643 | - | 440,643 |
| Fundraising | 638,447 | - | 638,447 |
| Total Operating Expenses | 4,682,432 | - | 4,682,432 |
| Change in Net Assets from Operations | 221,497 | (1,887,769) | (1,666,272) |
| Nonoperating Income (Expense) | | | |
| Investment income (loss), net | (135,892) | (4,356,211) | (4,492,103) |
| Change in Net Assets | 85,605 | (6,243,980) | (6,158,375) |
| Net Assets, beginning of year | 3,187,351 | 65,163,176 | 68,350,527 |
| Net Assets, end of year | \$ 3,272,956 | \$ 58,919,196 | \$ 62,192,152 |

See accompanying notes to financial statements.

ACCESS College Foundation
Statements of Functional Expenses

| <i>Year Ended June 30, 2023</i> | Program Services | General and Administrative | Fundraising | Total |
|---------------------------------|---------------------|----------------------------------|-------------------|---------------------|
| Operating Expenses | | | | |
| Salaries | \$ 2,159,381 | \$ 250,512 | \$ 332,509 | \$ 2,742,402 |
| Payroll taxes | 152,754 | 15,101 | 28,425 | 196,280 |
| Employee benefits | 498,727 | 14,618 | 28,667 | 542,012 |
| Total Personnel | 2,810,862 | 280,231 | 389,601 | 3,480,694 |
| Bank charges | - | 11,450 | - | 11,450 |
| Donated services and facilities | 107,832 | 16,331 | 33,877 | 158,040 |
| Dues and subscriptions | 6,892 | 1,984 | 4,188 | 13,064 |
| Insurance | - | 19,612 | 1,076 | 20,688 |
| Marketing | 11,139 | 11,368 | 52,416 | 74,923 |
| Office supplies and expenses | 99,691 | 18,703 | 50,830 | 169,224 |
| Postage | 69 | 496 | 518 | 1,083 |
| Publications and printing | 2,726 | 7,888 | 5,634 | 16,248 |
| Purchased services | 124,540 | 84,167 | 103,888 | 312,595 |
| Repairs and maintenance | 7,364 | 4,777 | 3,963 | 16,104 |
| Staff recognition | 8,996 | 1,109 | 1,024 | 11,129 |
| Student grants | 797,084 | - | - | 797,084 |
| Travel and conferences | 30,295 | 1,500 | 2,931 | 34,726 |
| | 4,007,490 | 459,616 | 649,946 | 5,117,052 |
| Depreciation | 13,702 | 4,121 | 2,483 | 20,306 |
| Total Operating Expenses | \$ 4,021,192 | \$ 463,737 | \$ 652,429 | \$ 5,137,358 |

See accompanying notes to financial statements.

ACCESS College Foundation
Statements of Functional Expenses

| <i>Year Ended June 30, 2022</i> | Program Services | General and Administrative | Fundraising | Total |
|---------------------------------|---------------------|----------------------------------|-------------------|---------------------|
| Operating Expenses | | | | |
| Salaries | \$ 1,963,934 | \$ 246,584 | \$ 303,122 | \$ 2,513,640 |
| Payroll taxes | 138,406 | 14,848 | 26,242 | 179,496 |
| Employee benefits | 461,148 | 33,337 | 53,508 | 547,993 |
| Total Personnel | 2,563,488 | 294,769 | 382,872 | 3,241,129 |
| Bank charges | - | 9,595 | - | 9,595 |
| Donated services and facilities | 106,966 | 16,331 | 51,662 | 174,959 |
| Dues and subscriptions | 2,035 | 1,879 | 100 | 4,014 |
| Insurance | - | 19,008 | 161 | 19,169 |
| Marketing | 19,149 | 14,671 | 57,615 | 91,435 |
| Office supplies and expenses | 101,897 | 13,793 | 49,744 | 165,434 |
| Postage | 174 | 491 | 1,134 | 1,799 |
| Publications and printing | 1,148 | 7,333 | 7,782 | 16,263 |
| Purchased services | 116,854 | 53,574 | 79,354 | 249,782 |
| Repairs and maintenance | 7,734 | 1,998 | 3,614 | 13,346 |
| Staff recognition | 6,625 | 560 | 594 | 7,779 |
| Student grants | 656,189 | - | - | 656,189 |
| Travel and conferences | 8,350 | 2,488 | 989 | 11,827 |
| | 3,590,609 | 436,490 | 635,621 | 4,662,720 |
| Depreciation | 12,733 | 4,153 | 2,826 | 19,712 |
| Total Operating Expenses | \$ 3,603,342 | \$ 440,643 | \$ 638,447 | \$ 4,682,432 |

See accompanying notes to financial statements.

ACCESS College Foundation

Statements of Cash Flows

| Year Ended June 30, | 2023 | 2022 |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 6,247,498 | \$ (6,158,375) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 20,306 | 19,712 |
| Payments received on endowment promises to give | (4,988) | (17,828) |
| Net realized and unrealized (gains) losses on investments | (3,547,334) | 5,452,338 |
| Changes in operating assets and liabilities | | |
| Promises to give | 325,711 | 164,722 |
| Prepaid expenses | (27,250) | 50,923 |
| Accounts payable and accrued expenses | (25,137) | 39,325 |
| Net Cash Provided by (Used in) Operating Activities | 2,988,806 | (449,183) |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (11,688) | (10,942) |
| Purchase of investments | (35,585,157) | (12,750,575) |
| Proceeds from sales or maturities of investments | 32,979,201 | 13,157,362 |
| Net Cash Provided by (Used in) Investing Activities | (2,617,644) | 395,845 |
| Cash Flows Provided by Financing Activities | | |
| Payments received on endowment promises to give | 4,988 | 17,828 |
| Net Change in Cash, Cash Equivalents and Restricted Cash | 376,150 | (35,510) |
| Cash, Cash Equivalents and Restricted Cash , beginning of year | 2,198,916 | 2,234,426 |
| Cash, Cash Equivalents and Restricted Cash, end of year | \$ 2,575,066 | \$ 2,198,916 |
| Reconciliation to Statement of Financial Position | | |
| Cash and cash equivalents | \$ 1,738,620 | \$ 1,496,825 |
| Restricted cash | 836,446 | 702,091 |
| Cash, Cash Equivalents and Restricted Cash, end of year | \$ 2,575,066 | \$ 2,198,916 |

See accompanying notes to financial statements.

ACCESS College Foundation

Notes to Financial Statements

1. Nature of Organization

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 educational pathways leading to certification or college degree attainment and career opportunities for students, particularly those who may not otherwise have access. The Foundation provided postsecondary education planning to more than 4,800 and 3,900 high school juniors, seniors, and college students during 2023 and 2022, respectively. Of those students, 3,392 and 2,879 families disclosed their income and more than 71% and 73% were verified to be low-income in 2023 and 2022, respectively. 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 500 scholarships to qualifying students in both 2023 and 2022.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Recently Adopted Authoritative Guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Foundation adopted the new lease standard on July 1, 2022, using the alternative transition method. Under this transition method, results for reporting periods beginning on July 1, 2022 are presented under Topic 842 while reporting periods prior to July 1, 2022 will be presented under legacy lease accounting standards.

The adoption of Topic 842 did not materially impact the Foundation's statements of activities or statements of cash flows for the year ended June 30, 2023 and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Estimates

Management uses estimates and assumptions in preparing these financial statements. 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.

ACCESS College Foundation

Notes to Financial Statements

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.

Restricted Cash

Restricted cash consists of funds set aside for donor designations for scholarships and other direct assistance.

Promises to Give

Promises to give 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 promises to give is provided based upon management's judgment. Management considers all promises to give to be collectible and, accordingly, has not provided an allowance for uncollectible promises to give. Conditional promises to give are not included as support until the conditions are substantially met.

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. 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 \$149,715 and \$137,050 in 2023 and 2022, 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:

| | Years |
|-------------------------|-------------|
| Furniture and equipment | 5 - 7 years |
| Leasehold improvements | 39 years |
| Software | 3 years |

ACCESS College Foundation

Notes to Financial Statements

Leases

The Foundation determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to a party the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The lease term at the commencement date includes any renewal options or termination options when it is reasonably certain that the Foundation will exercise or not exercise those options, respectively. The Foundation recognizes a lease liability at the lease commencement date, discounted using the rate implicit in the lease or using the risk-free interest rate as a practical expedient when the implicit rate cannot be determined. An ROU lease asset is recognized based on the lease liability value and adjusted for any prepaid lease payments, initial direct costs, or lease incentive amounts.

Additionally, the Foundation has elected a number of practical expedients allowed under ASU 2016-02. The Foundation has elected to not separate lease and nonlease components for all asset classes. Further, any leases with an initial term of 12 months or less are not recorded on the statement of financial position but recognized as lease expense on a straight-line basis over the lease term.

Net Asset Classification

The Foundation classifies its net assets into two categories as defined below:

Net Assets without Donor Restrictions - Net assets without donor restrictions consist of amounts available for the general operations of the Foundation as well as net assets that have been designated by the Board of Directors for specific purposes.

Net Assets with Donor Restrictions - Net assets with donor restrictions consists of gifts of cash or other assets whose use is subject to stipulations imposed by donors. 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 restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on the related investments for general or specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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-school systems and a private real estate entity in 2023 and 2022.

Contributions of donated stock and assets 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 estimated fair values at the time of the donation. In addition, a substantial number of volunteers have donated significant amounts of their time to further the mission of the Foundation. The value of these volunteer services is not reflected in the accompanying statements of activities.

ACCESS College Foundation

Notes to Financial Statements

Operating Measure

The statement of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of items attributable to the Foundation's ongoing program services. Nonoperating activities are limited to resources that generate return from investments as well as other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. Other expenses are allocated based on estimates of time and effort.

Income Taxes

The Foundation is an organization described in Section 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 prior to 2019. Management continually evaluates tax positions reflected in the Foundation's tax filings and does not believe that any material uncertain tax positions exist.

Subsequent Events

Management has evaluated subsequent events through November 16, 2023, the date which the financial statements were available for issue.

3. Related Party Transactions

During 2023 and 2022, a member of the Board of Directors was an owner in Brown Advisory, the Foundation's investment advisor. The Foundation paid Brown Advisory \$93,293 and \$72,055 in advisory and management fees for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the Foundation had \$9,724,480 and \$25,743,697, respectively, in various investment funds exclusive to Brown Advisory.

During 2023 and 2022, a member of the Board of Directors was an officer of Harbor Group International, with whom the Foundation has investments. The Foundation paid Harbor Group International \$2,009 and \$64,995 in management and acquisition fees for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022 the Foundation had \$3,902,398 and \$4,114,091, respectively, in various investment funds managed by Harbor Group International.

ACCESS College Foundation

Notes to Financial Statements

4. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

| <i>June 30,</i> | 2023 | 2022 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,738,620 | \$ 1,496,825 |
| Restricted cash | 836,446 | 702,091 |
| Promises to give, net | 226,829 | 552,540 |
| Investments | 65,845,280 | 59,691,990 |
| Total Financial Assets | 68,647,175 | 62,443,446 |
| Adjustments for amounts not available for general expenditures within one year | | |
| Net assets with donor restrictions | (63,079,862) | (58,919,196) |
| Net assets without donor restrictions - board designated | (3,683,695) | (1,957,075) |
| Promises to give expected to be received for general expenditures within one year | 47,764 | 329,736 |
| Endowment spending-rate distributions and appropriations | 2,614,060 | 2,440,247 |
| Total Financial Assets Available for General Expenditures within One Year | \$ 4,545,442 | \$ 4,337,158 |

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

5. Promises to Give

Promises to give are summarized as follows:

| <i>June 30,</i> | 2023 | 2022 |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 114,681 | \$ 337,236 |
| Receivable in one to five years | 115,825 | 224,567 |
| Total promises to give | 230,506 | 561,803 |
| Less discount to net present value (ranging from .4% - 2.9%) | (3,677) | (9,263) |
| Promises to Give, net | \$ 226,829 | \$ 552,540 |

Promises to give 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 promises to give.

ACCESS College Foundation

Notes to Financial Statements

6. Investment Income (Loss)

Net investment income (loss) consist of the following:

| <i>June 30,</i> | 2023 | 2022 |
|---|---------------------|-----------------------|
| Interest and dividends, net | \$ 811,816 | \$ 960,235 |
| Capital gain distributions | 16,651,980 | 3,315,632 |
| Realized gain (loss) on investments | 255,710 | (172,478) |
| Unrealized loss on investments | (13,360,357) | (8,595,492) |
| Total Net Investment Income (Loss) | \$ 4,359,149 | \$ (4,492,103) |

7. 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.

The Foundation uses the practical expedient to value its investments in certain partnerships. At June 30, 2023 and 2022, all of the Foundation's investments were either Level 1, Level 2, or valued using the practical expedient. Investments using the practical expedient are not categorized within the fair value hierarchy but are included in the NAV column in the following tables for purposes of reconciling to the statements of financial position.

ACCESS College Foundation

Notes to Financial Statements

The 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, 2023 and 2022.

Money market funds, domestic equity mutual funds, equity securities, certain foreign funds, and certain multi-strategy and other 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 Foundation's investments measured at fair value as of June 30, 2023 on a recurring basis:

| | Level 1 | Level 2 | Level 3 | NAV | Total |
|------------------------------|----------------------|---------------------|-------------|----------------------|----------------------|
| Money market funds | \$ 7,105,859 | \$ - | \$ - | \$ - | \$ 7,105,859 |
| Domestic equity mutual funds | 6,858,881 | - | - | - | 6,858,881 |
| Municipal bonds | - | 2,217,987 | - | - | 2,217,987 |
| Fixed Income | - | - | - | 1,476,913 | 1,476,913 |
| Corporate bonds | - | 297,262 | - | - | 297,262 |
| Debt strategy | - | - | - | 1,606,265 | 1,606,265 |
| Foreign funds | - | - | - | 3,137,840 | 3,137,840 |
| Real assets | - | - | - | 6,258,316 | 6,258,316 |
| Private equity | - | - | - | 5,791,598 | 5,791,598 |
| Multi-strategy and other | 2,446,786 | - | - | 28,647,573 | 31,094,359 |
| Total | \$ 16,411,526 | \$ 2,515,249 | \$ - | \$ 46,918,505 | \$ 65,845,280 |

The following table sets forth by level within the fair value hierarchy, the Foundation's investments measured at fair value as of June 30, 2022 on a recurring basis:

| | Level 1 | Level 2 | Level 3 | NAV | Total |
|------------------------------|----------------------|---------------------|-------------|----------------------|----------------------|
| Money market funds | \$ 3,327,480 | \$ - | \$ - | \$ - | \$ 3,327,480 |
| Domestic equity mutual funds | 7,851,188 | - | - | - | 7,851,188 |
| Equity securities | 2,008,448 | - | - | - | 2,008,448 |
| Municipal bonds | - | 5,011,557 | - | - | 5,011,557 |
| Corporate bonds | - | 1,050,822 | - | - | 1,050,822 |
| Debt strategy | - | - | - | 1,890,628 | 1,890,628 |
| Foreign funds | 751,502 | - | - | 12,870,985 | 13,622,487 |
| Real assets | - | - | - | 7,277,535 | 7,277,535 |
| Private equity | - | - | - | 6,030,525 | 6,030,525 |
| Multi-strategy and other | 2,021,258 | - | - | 9,600,062 | 11,621,320 |
| Total | \$ 15,959,876 | \$ 6,062,379 | \$ - | \$ 37,669,735 | \$ 59,691,990 |

ACCESS College Foundation

Notes to Financial Statements

The following summarizes the liquidity of investments that calculate fair value based on net asset value per share as of June 30, 2023:

| Description | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments |
|-----------------|----------------------|--------------------------|----------------------|----------------------|
| Debt strategy | Illiquid | | \$ 1,606,265 | \$ - |
| Foreign funds | Annual | 4 months | 2,141,600 | - |
| Foreign funds | Monthly | 45 days | 996,240 | - |
| Fixed income | Quarterly | 105 days | 1,476,913 | - |
| Real assets | Illiquid | | 6,258,316 | 1,436,920 |
| Private equity | Illiquid | | 5,791,598 | 1,077,882 |
| Absolute return | Quarterly | 105 days | 27,663,063 | - |
| Absolute return | Illiquid | | 984,510 | 4,753,172 |
| Total | | | \$ 46,918,505 | \$ 7,267,974 |

For investments with an illiquid redemption frequency, the redemptions of these investments are left to the discretion of the general partner or manager of the funds. At June 30, 2023, the Foundation had committed aggregate capital of \$19,630,000 to certain partnership investments of which \$7,267,974 had not yet been called.

The following summarizes the liquidity of investments that calculate fair value based on net asset value per share as of June 30, 2022:

| Description | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments |
|-----------------|----------------------|--------------------------|----------------------|----------------------|
| Debt strategy | Illiquid | | \$ 1,890,628 | \$ - |
| Foreign funds | Monthly | 10 days | 9,827,452 | - |
| Foreign funds | Monthly | 45 days | 1,313,733 | - |
| Foreign funds | Annual | 4 months | 1,729,800 | - |
| Real assets | Quarterly | 30 days | 644,253 | - |
| Real assets | Illiquid | | 6,633,282 | 1,368,095 |
| Private equity | Illiquid | | 6,030,525 | 1,303,140 |
| Absolute return | Biennially | 105 days | 4,667,072 | - |
| Absolute return | Annual | 90 days | 4,932,990 | - |
| Total | | | \$ 37,669,735 | \$ 2,671,235 |

The following is a summary of the various investment strategies for investments valued based on net asset value per share:

Debt strategy includes investments in the origination and securitization of senior mortgages, primarily multi-family properties.

Foreign funds include long term investments primarily in China listed equities and derivatives and separately managed accounts where the managers invest in stocks throughout the world.

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Notes to Financial Statements

Fixed income includes fund of funds investing primarily in domestic and international securities, treasury, agency, corporate, sovereign and supranational issuers.

Real assets include investments in natural gas and wind energy properties, fund of funds invested in diversified property types, and fund of funds focused on income producing opportunities.

Private equity includes investments in diversified partnerships used to invest in illiquid asset classes, fund of funds focused on diversified US private equity and venture capital managers, and fund of funds investing primarily in early-stage venture capital funds.

Absolute return includes fund of funds pursuing absolute returns by offering exposure to long/short equity hedge funds and fund of funds investing in diversified managers.

8. Property and Equipment

Property and equipment consisted of the following:

| <i>June 30,</i> | 2023 | 2022 |
|------------------------------------|------------------|------------------|
| Furniture and equipment | \$ 173,442 | \$ 161,754 |
| Software | 43,909 | 43,909 |
| Less accumulated depreciation | (143,360) | (123,054) |
| Property and Equipment, net | \$ 73,991 | \$ 82,609 |

9. Board-Designated Net Assets

Board-designated net assets include quasi-endowment funds which consists of unrestricted income which the board has designated for program and supporting services use and unrestricted cash designated for scholarships. The quasi-endowment funds follow the spending policy of the Foundation's endowments as discussed in Note 12. Since all board designated net assets result from an internal designation, they are not considered net assets with donor restrictions, but are classified and reported as net assets without donor restrictions.

Board-designated net assets are available for the following purposes:

| <i>June 30,</i> | 2023 | 2022 |
|--|---------------------|---------------------|
| Operating reserves | \$ 3,521,785 | \$ 1,744,210 |
| Scholarships | 161,910 | 212,865 |
| Total Board-Designated Net Assets | \$ 3,683,695 | \$ 1,957,075 |

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Notes to Financial Statements

10. Net Assets with Donor Restrictions

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

| <i>June 30,</i> | 2023 | 2022 |
|--|----------------------|----------------------|
| Restricted for specific purpose or time | | |
| Scholarships and other direct assistance | \$ 23,511,886 | \$ 21,683,165 |
| Promises to give | 97,948 | 547,540 |
| Special events | 41,525 | - |
| Virginia Beach | 179,376 | 99,163 |
| Total restricted for specific purpose or time | 23,830,735 | 22,329,868 |
| Restricted in perpetuity | | |
| Scholarships and other direct assistance | 39,249,127 | 36,584,328 |
| Promises to give | - | 5,000 |
| Total restricted in perpetuity | 39,249,127 | 36,589,328 |
| Total Net Assets with Donor Restrictions | \$ 63,079,862 | \$ 58,919,196 |

11. Net Assets Released from Restrictions

Net assets of the Foundation were released from donor restrictions by satisfying the purposes or time restrictions specified by the donor as follows:

| <i>Year ended June 30,</i> | 2023 | 2022 |
|--|---------------------|---------------------|
| Scholarships and other direct assistance | \$ 2,758,471 | \$ 2,489,105 |
| Expiration of time restrictions | 415,470 | 470,389 |
| Suffolk services | 54,000 | 40,200 |
| Chesapeake services | 10,000 | - |
| Virginia Beach services | 104,720 | 39,000 |
| High schools | - | 291 |
| Special events | 51,237 | 83,269 |
| Norfolk services | 61,720 | 61,598 |
| Virginia 529 Program | 52,500 | 45,000 |
| Western Tidewater expansion | - | 55,044 |
| Total Net Assets Released from Restrictions | \$ 3,508,118 | \$ 3,283,896 |

12. Endowments

The Foundation's endowment consists of one individual fund established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

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Notes to Financial Statements

Governing Board's Interpretation of Law

The Board of Directors has interpreted the 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. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts 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 by us 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 purpose of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and appreciation of investments;
- Other resources of the Foundation;
- 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 as well as board-designated funds. 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

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor and UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2023 and 2022.

Endowment net asset composition by type of fund is as follows:

| <i>June 30, 2023</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Board-designated endowment funds | \$ 3,302,309 | \$ - | \$ 3,302,309 |
| Amounts required to be maintained in perpetuity by donor | - | 39,249,127 | 39,249,127 |
| Accumulated investment gains losses | 219,476 | 22,767,461 | 22,986,937 |
| Total Endowment Funds | \$ 3,521,785 | \$ 62,016,588 | \$ 65,538,373 |

| <i>June 30, 2022</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Board-designated endowment funds | \$ 1,729,998 | \$ - | \$ 1,729,998 |
| Amounts required to be maintained in perpetuity by donor | - | 36,589,328 | 36,589,328 |
| Accumulated investment gains | 14,212 | 21,085,337 | 21,099,549 |
| Total Endowment Funds | \$ 1,744,210 | \$ 57,674,665 | \$ 59,418,875 |

Changes in endowment net assets are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|-------------------------------|----------------------------|---------------|
| Balance, June 30, 2021 | \$ 1,412,033 | \$ 63,894,969 | \$ 65,307,002 |
| Contributions | 479,998 | 465,906 | 945,904 |
| Investment return, net | (136,553) | (4,356,212) | (4,492,765) |
| Appropriation for expenditure | (11,268) | (2,329,998) | (2,341,266) |
| Balance, June 30, 2022 | 1,744,210 | 57,674,665 | 59,418,875 |
| Contributions | 1,572,311 | 2,659,799 | 4,232,110 |
| Investment return, net | 234,055 | 4,122,371 | 4,356,426 |
| Appropriation for expenditure | (28,791) | (2,440,247) | (2,469,038) |
| Balance, June 30, 2023 | \$ 3,521,785 | \$ 62,016,588 | \$ 65,538,373 |

ACCESS College Foundation

Notes to Financial Statements

13. Employee Benefit Plans

The Foundation offers a 401(k) plan covering substantially all full-time personnel. The Foundation contributed 100% and 50% of the first 1% and next 5%, respectively, of employee deferrals to the plan for the years ended June 30, 2023 and 2022. The cost of the plan to the Foundation was \$72,285 and \$66,011 for the years ended June 30, 2023 and 2022, respectively.

14. Contributions of Nonfinancial Assets

The estimated fair market value of donated nonfinancial assets and services included in the financial statements of the Foundation for the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|------------|------------|
| Contract services | \$ 16,482 | \$ 34,267 |
| Rent | 141,558 | 140,692 |
| Total charged to expense | 158,040 | 174,959 |
| Donated assets, vehicles | 226,713 | 184,000 |
| Total Contributions of non-financial assets | \$ 384,753 | \$ 358,959 |

All donated services and assets were utilized in the Foundation's programs. There were no donor-imposed restrictions associated with the donated services and assets. All donated vehicles were sold and are valued according to the actual cash proceeds on their disposition. Donated services and rent were recorded at the estimated fair value at the estimated market rates charged for similar services and facilities.

15. Neighborhood Assistance Act

The Foundation was approved by the Commonwealth of Virginia to solicit contributions in the amount of \$468,735 under the Virginia Neighborhood Assistance Act (VNAA) for the period from July 1, 2022 to June 30, 2023 and \$358,085 for the period from July 1, 2021 to June 30, 2022. Contributions received from taxpaying entities are eligible for a 65% Virginia state tax credit under the provisions of the VNAA for 2023 and 2022. As of June 30, 2023, and 2022, respectively, tax credits offered to qualifying entities amounted to \$468,735 and \$358,085.

16. Risks and Uncertainties

Market Risk

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.

ACCESS College Foundation

Notes to Financial Statements

17. 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).