



J. SARGEANT REYNOLDS COMMUNITY COLLEGE

REVIEW REPORT FOR THE YEAR ENDED JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 26, 2019

Dr. Paula P. Pando
President, J. Sargeant Reynolds Community College

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of **J. Sargeant Reynolds Community College**, which comprise the Statement of Net Position as of June 30, 2018, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of College management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We have not reviewed the financial statements of J. Sargeant Reynolds Community College Educational Foundation, Inc. and JSRCC Real Estate Foundation, Inc. (Foundation), a discretely presented component unit of J. Sargeant Reynolds Community College, which is presented in a separate column in the accompanying financial statements. These statements were audited by other auditors whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for the Foundation is based solely on the report of other auditors.

SSARs require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, and the report of other auditors, except for the issue noted in the Known Departures from Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Known Departures From Accounting Principles Generally Accepted in the United States of America

Accounting principles generally accepted in the United States of America require that the financial statements for business-type entities include notes to the financial statements, which are considered part of the basic financial statements. The Virginia Community College System consolidates information from its 23 community colleges into the basic financial statements for the System; however, the System does not prepare note disclosures for each individual college. In addition, the System does not prepare for each college certain required supplementary information, such as management's discussion and analysis and pension and other postemployment benefit-related schedules, which is required to be presented to supplement the basic financial statements. Required supplementary information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The effect of these departures from accounting principles generally accepted in the United States of America has not been determined.

Other Matters

J. Sargeant Reynolds Community College is one of 23 community colleges that comprise the Virginia Community College System, which is a component unit of the Commonwealth of Virginia. Federal funds received by the Commonwealth of Virginia are audited at a statewide level by the Auditor of Public Accounts in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of the statewide Single Audit of federal funds, the Auditor of Public Accounts audits Federal Student Financial Aid at Virginia's state-supported colleges and universities. The Auditor of Public Accounts audited J. Sargeant Reynolds Community College's Federal Student Aid programs in fiscal year 2014 and performed follow-up procedures in fiscal years 2015 and 2016 and did not report any material compliance issues. An additional audit of financial aid is ongoing as part of the fiscal year 2018 System financial statement audit. Copies of our audits of

the financial statements of the Virginia Community College System along with copies of our statewide Single Audits may be found on our website at www.apa.virginia.gov.

This letter is intended solely for the information and use of the accreditation review board and is not intended to be and should not be used by anyone other than this specified party. However, this letter is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

EMS/vks

**Virginia Community College System
J. Sargeant Reynolds Community College
Statement of Net Position
As of June 30, 2018**

		Component Units
	Community College	J. Sargeant Reynolds Community College Educational and Real Estate Foundation
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,953,668	\$ 1,028,871
Short term investments	1,790,136	-
Accounts receivable, net	1,003,494	2,280
Pledges receivable	-	975,132
Due from commonwealth	898	-
Due from system office	182,931	-
Prepaid expenses	170,297	9,196
Inventories	13,456	-
Total Current Assets	13,114,880	2,015,479
Noncurrent Assets		
Restricted cash and cash equivalents	134,026	-
Endowment investments	-	9,095,114
Other long-term investments	5,208,576	4,862,649
Pledges receivable	-	1,486,720
Due from commonwealth	3,888	-
Post employment benefit assets	1,101,000	-
Non-depreciable capital assets, net	4,614,701	105,999
Depreciable capital assets, net	80,407,263	28,635
Total Noncurrent Assets	91,469,454	15,579,117
Total Assets	104,584,334	17,594,596
Deferred Outflows of Resources	4,219,511	-
Total Assets and Deferred Outflows of Resources	108,803,845	17,594,596
Liabilities		
Current Liabilities		
Accounts and retainage payable	1,655,555	54,339
Accrued payroll expense	3,181,339	-
Unearned revenue	2,846,370	-
Long-term liabilities-current portion	2,175,888	588
Securities lending obligation	90	-
Deposits	214,730	-
Total Current Liabilities	10,073,972	54,927
Noncurrent Liabilities		
Long-term liabilities	3,444,425	-
Pension and post employment benefit obligations	44,956,247	-
Total Noncurrent Liabilities	48,400,672	-
Total Liabilities	58,474,644	54,927
Deferred Inflows of Resources	6,990,586	-
Total Liabilities and Deferred Inflows of Resources	65,465,230	54,927
Net Position		
Net investment in capital assets	81,650,437	134,634
Restricted for:		-
Nonexpendable	-	9,095,114
Expendable	885,895	7,005,960
Unrestricted	(39,197,717)	1,303,961
Total Net Position	\$ 43,338,615	\$ 17,539,669

See Independent Accountant's Review Report

Virginia Community College System
J. Sargeant Reynolds Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

		Component Units
	Community College	J. Sargeant Reynolds Community College Educational and Real Estate Foundation
Revenues		
Operating Revenue		
Tuition and fees (net of scholarship allowance of \$8,063,662)	\$ 23,268,018	\$ -
Federal grants and contracts	1,795,171	-
State and local grants	25,532	-
Nongovernmental grants	526,087	-
Sales/services of education department	18,121	-
Auxiliary enterprises (net of scholarship allowance of \$26,093)	1,143,659	-
Gifts and contributions	-	3,244,915
Endowment income	-	822,602
Other operating revenues	<u>1,165,358</u>	<u>74,552</u>
Total Operating Revenue	<u>27,941,946</u>	<u>4,142,069</u>
Expenses		
Operating Expenses		
Instruction	31,683,640	-
Public service	1,307,688	-
Academic support	6,106,674	402,558
Student services	5,001,638	-
Institutional support	8,490,083	297,063
Operation and maintenance	7,602,420	-
Scholarships and fellowships	7,572,913	550,204
Auxiliary enterprises	718,071	-
Fundraising	-	55,538
Total Operating Expenses	<u>68,483,127</u>	<u>1,305,363</u>
Operating Income (Loss)	<u>(40,541,181)</u>	<u>2,836,706</u>
Nonoperating Revenues(Expenses)		
State appropriations	25,771,114	-
Local appropriations	232,438	-
Grants and gifts	12,229,567	-
Investment income	24,930	8,061
Interest on capital asset related debt	(89,103)	-
Other nonoperating revenue (expense)	<u>102,955</u>	<u>-</u>
Net Nonoperating Revenue	<u>38,271,901</u>	<u>8,061</u>
Income before other revenues, expenses gains (losses)	<u>(2,269,280)</u>	<u>2,844,767</u>
Capital appropriations-state	276,105	-
Capital appropriations-local	721,676	-
Capital gifts, grants and contracts	353,385	-
Additions to permanent and term endowments	-	664,684
Increase (Decrease) in Net Position	<u>(918,114)</u>	<u>3,509,451</u>
Net Position		
Net Position beginning of year, as restated	<u>44,256,729</u>	<u>14,030,218</u>
Net Position end of year	<u>\$ 43,338,615</u>	<u>\$ 17,539,669</u>

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**Virginia Community College System
J. Sargeant Reynolds Community College
Statement of Cash Flows
For the Year Ended June 30, 2018**

	Community College
Cash flows from operating activities:	
Tuition and fees	\$ 23,384,960
Grants and contracts	2,791,472
Payments to suppliers and others	(10,429,681)
Payments for employee wages	(34,369,011)
Payments for employee fringes and pension benefits	(11,869,652)
Payment for scholarships	(8,294,000)
Payments for utilities	(1,241,734)
Sales and services of education department	18,121
Auxiliary	1,143,659
Other	<u>1,181,574</u>
Net cash used by operating activities	<u>(37,684,292)</u>
Cash flows from non-capital financing activities:	
State appropriations	25,771,114
Local appropriations	232,438
Grants and gifts	12,229,567
Agency receipts	166,315
Agency disbursements	(159,611)
PLUS, Stafford and Direct Lending loan receipts	8,139,546
PLUS, Stafford and Direct Lending loan disbursements	(8,026,212)
Borrowings	400,000
Loan repayments	(400,000)
Other non-operating revenue(expense)	<u>192,162</u>
Net cash provided (used) by non-capital financing activities	<u>38,545,319</u>
Cash flows from capital and related financing activities:	
Capital appropriations-state	599,164
Capital appropriations-local	721,676
Capital grants and gifts	326,891
Purchase capital assets	(3,307,406)
Proceeds from sale of capital assets	2,071
Debt interest payments	(112,012)
Debt principal payments	<u>(295,000)</u>
Net cash provided (used) by capital financing activities	<u>(2,064,616)</u>
Cash flows from investing activities:	
Purchases of investments	(6,443,270)
Sale of investments	2,450,000
Investment income	<u>269,346</u>
Net cash provided (used) by investing activities	<u>(3,723,924)</u>
Net increase (decrease) in cash and cash equivalents	(4,927,513)
Cash and cash equivalents, beginning of year	<u>15,015,117</u>
Cash and cash equivalents, End of Year	<u>\$ 10,087,604</u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(40,541,181)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation expense	3,545,131
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Appropriation available and receivables, net	352,117
Prepaid expenses and other	645,891
Post employment benefits asset	(141,000)
Accrued compensation and leave	(220,798)
Accounts payable and other	(735,391)
Unearned revenue	(51,649)
Pension liability	(6,646,000)
Post employment benefits liability	(1,847,870)
Deferred inflows of resources related to pensions and post employment benefits	5,730,586
Deferred outflows of resources related to pensions and post employment benefits	<u>2,225,872</u>
Net cash used in operating activities	<u>\$ (37,684,292)</u>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents per Statement of Net Position	10,087,694
Less: Securities Lending Cash Equivalents	<u>90</u>
Cash and cash equivalents end of year	<u>\$ 10,087,604</u>
Noncash transactions	
Donated fixed assets	\$ 26,494
Amortization of bond premium	\$ 34,074
Amortization of deferral on debt defeasance	\$ (24,757)

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