

**VIRGINIA OUTDOORS FOUNDATION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2007**



## **AUDIT SUMMARY**

Our audit of the Virginia Outdoors Foundation for the year ended June 30, 2007, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be a material weakness; and
- no instances of noncompliance with applicable laws and regulations or other matters required to be reported under Government Auditing Standards.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

As management of The Virginia Outdoors Foundation, we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. Since the Foundation is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- **Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of the Foundation's finances, in a manner similar to a private-sector business. They can be found on pages five through seven of this report.

The *statement of net assets* presents information on the Foundation's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Foundation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The *statement of cash flows* discloses net cash provided by or used for operating activities, capital, and related financing activities, and investing activities.

- **Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages eight through 12 of this report.
- **Other information.** In addition to the basic financial statements and accompanying notes, this section of the report also presents certain other supplementary information concerning the consolidation of financial information and the Foundation's operating expenses (pages 13 through 15).

## Financial Highlights

The Foundation's overall financial position has changed as described below:

- The assets of the Foundation exceeded its liabilities at the close of the most recent fiscal year by \$14,180,092 (net assets). Of this amount, \$1,632,958 (unrestricted net assets) may be used to meet the Foundation's ongoing obligations to customers and creditors.
- The Foundation's total net assets increased by \$1,523,957 this fiscal year. The increase can be attributed to an increase in restricted grants and appropriations for the Open Land Preservation Trust. In addition, the appropriations received from the Commonwealth of Virginia has remained stagnate and recordation fees have decreased while costs related to operations have continued to increase from year to year.
- Cash flows from operations were a positive \$506,265 during the current fiscal year. With cash from capital and related financing activities a negative \$2,325,415 and cash from investing activities a positive \$332,016, the change in cash and cash equivalents was a negative \$1,487,134.

## Net Assets

The following table reflects the Foundation's condensed summary of the Statement of Net Assets as of June 30, 2007 and 2006.

### Summary of Statement of Net Assets As of June 30, 2007 and 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current assets	\$ 3,768,788	\$ 2,910,340
Noncurrent assets	<u>10,578,605</u>	<u>9,918,456</u>
Total assets	<u>14,347,393</u>	<u>12,828,796</u>
Current liabilities	146,791	172,661
Long-term liabilities	<u>20,510</u>	<u>-</u>
Total liabilities	<u>167,301</u>	<u>172,661</u>
Net assets:		
Invested in capital assets, net of debt	8,464,690	6,169,928
Restricted	4,082,444	4,848,529
Unrestricted	<u>1,632,958</u>	<u>1,637,678</u>
Total net assets	<u>\$ 14,180,092</u>	<u>\$12,656,135</u>

The Foundation maintains approximately 59.69 percent of its net assets in investment in capital assets, less any related outstanding debt used to acquire those assets. The Foundation uses these capital assets to perform the operating functions of the Foundation and holds these assets as conservation easements; consequently, these assets are *not* available for future spending. Although the Foundation's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Foundation's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash and investments restricted for use in the Bull Run Mountains. The unrestricted net assets include all other assets not restricted by an external organization or invested in capital assets. However, these unrestricted net assets have been internally reserved as part of a Foundation policy to provide a cushion against unforeseen contingencies, to provide funding for capital projects, and to enable favorable financing terms with creditors.

#### Revenues, Expenses and Changes in Net Assets

The results of the Foundation's operations are reported in the Statement of Revenues, Expenses and Changes in Net Assets. The following table presents a condensed summary of this information for the years ended June 30, 2007 and 2006.

#### Changes in Net Assets For Fiscal Years Ended June 30, 2007 and 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Revenues:		
Commonwealth of Virginia appropriations	\$ 1,925,000	\$ 1,925,000
Recordation fees	835,623	990,723
Other operating revenues	1,173,028	2,691,632
Interest income	332,016	234,574
Rental income	<u>10,250</u>	<u>12,000</u>
Total revenues	<u>4,275,917</u>	<u>5,853,929</u>
Expenses:		
Operating expenses	2,709,472	2,272,022
Depreciation and amortization	42,488	43,038
Distribution of Aldie Mill project	<u>-</u>	<u>1,255,741</u>
Total expenses	<u>2,751,960</u>	<u>3,570,801</u>
Increase in net assets	<u>1,523,957</u>	<u>2,283,128</u>
Net assets beginning of year	<u>12,656,135</u>	<u>10,373,007</u>
Net assets end of year	<u>\$ 14,180,092</u>	<u>\$ 12,656,135</u>

In fiscal year 2007, the Foundation's net assets increased by \$1,523,957, significantly different from the increase in net assets for fiscal year 2006 of \$2,283,128. Key elements of this change are due mainly to changes in the amount of revenues and special one-time expenses.

In fiscal year 2006, the Foundation earned \$234,574 in interest income from investments. In fiscal year 2007, this amount increased to \$332,016, an increase of \$97,442. The increase is the result of additional cash held in Local Government Investment Pool (LGIP) accounts as well as increased rate of return of the LGIP investment.

In fiscal year 2006, the Foundation distributed the Aldie Mill property. The Aldie Mill property, a historic mill located in Loudoun County, Virginia, was given to the Virginia Outdoors Foundation in 1981. Private funds were raised and the mill was restored as an example of 19<sup>th</sup> Century manufacturing. During fiscal year 2006, the mill was given to the Northern Virginia Regional Park Authority, which continues to keep the mill open to the public. This resulted in a one-time expense of \$1,255,741 and also eliminated the annual operating expense of the Aldie Mill Historic Site of approximately \$150,000.

Operating revenues decreased approximately 27 percent from fiscal year 2006 to 2007. The change is predominantly due to a decrease in recordation fees received of \$835,623 in fiscal year 2007 from \$990,723 in fiscal year 2006. As of July 1, 2004, the Commonwealth of Virginia imposes a \$1 fee on every deed admitted to records in those jurisdictions where open-space easements are held by the Virginia Outdoors Foundation. The number of deeds admitted can vary widely from year-to-year and may result in significant changes in revenue, as evident in fiscal year 2007.

Operating expenses increased approximately 23 percent from fiscal year 2006 to 2007. Salaries and related expenses accounted for the majority of those increases. During fiscal year 2007, management made an assessment of the staffing of the Foundation. Management felt it was important to increase the staff on hand in order to manage the growing stewardship program related to the easements held by the Foundation. As a result, salaries and related expenses increased by 28 percent. The Schedule of Operating Expenses on page 15 shows greater detail for fiscal year 2007 operating expenses.

#### Capital Asset Activity

The Foundation's investment in capital assets increased during fiscal year 2007 to \$8,464,690 (net of accumulated depreciation). The increase is a result of annual depreciation expense of \$42,488 and the purchase of additional vehicles and conservation easements. Details of the capital assets can be reviewed in Note 4 on page 12.

#### Contacting Foundation Management

This financial report is designed to provide a general overview of the Foundation's finances for all readers of this report and to demonstrate the Foundation's accountability for the money it receives. Any questions concerning this report or requests for additional information should be directed to the Foundation's Finance Manager, 900 South Main Street, Blacksburg, Virginia 24060, or visit our website at [www.virginiaoutdoorsfoundation.org](http://www.virginiaoutdoorsfoundation.org).

# THE VIRGINIA OUTDOORS FOUNDATION

## Statement of Net Assets

At June 30, 3007

### Assets

#### Current assets:

Cash and cash equivalents (note 3)	\$ 2,957,111
Accounts receivable, including due to/due from relater party	793,600
Prepaid items	<u>18,077</u>
Total current assets	<u>3,768,788</u>

#### Noncurrent assets:

Temporarily restricted cash (note 3)	2,113,915
Depreciable capital assets, net of accumulated depreciation (note 4)	160,940
Conservation land	5,237,350
Open-space easements	3,066,400
Total noncurrent assets	<u>10,578,605</u>
Total assets	<u>14,347,393</u>

### Liabilities and Net Assets

#### Current liabilities:

Accounts payable	9,462
Accrued salaries and wages	71,930
Other liabilities	3,868
Compensated absences, current portion (note 5)	<u>61,531</u>
Total current liabilities	<u>146,791</u>

#### Noncurrent liabilities

Compensated absences, less current portion (note 5)	<u>20,510</u>
Total liabilities	<u>167,301</u>

#### Net assets:

Invested in capital assets, net of debt	<u>8,464,690</u>
Restricted for:	
Open Land Preservation Trust Fund	2,982,444
Bull Run Mountains	<u>1,100,000</u>
Total restricted net assets	<u>4,082,444</u>
Unrestricted:	
Undesignated	682,958
Board-designated – Endowment	<u>950,000</u>
Total unrestricted net assets	<u>1,632,958</u>
Total net assets	<u>\$ 14,180,092</u>

See accompanying notes to financial statements.



# THE VIRGINIA OUTDOORS FOUNDATION

## Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2007

Operating revenue:	
Intergovernmental revenues - Commonwealth of Virginia	\$ 1,925,000
Recordation fees	835,623
Contributions and grants	33,145
Restricted grants	942,358
Charges for services	195,890
Miscellaneous/Other	<u>1,635</u>
Total operating revenue	<u>3,933,651</u>
Operating expenses:	
Wages and salaries	1,602,825
Fringe benefits	274,345
Contractual and professional services	198,667
Other charges	633,635
Depreciation	<u>42,488</u>
Total operating expenses	<u>2,751,960</u>
Operating income	<u>1,181,691</u>
Nonoperating revenues:	
Interest income	332,016
Rental income	<u>10,250</u>
Total nonoperating revenues	<u>342,266</u>
Change in net assets	1,523,957
Net assets, beginning of year	<u>12,656,135</u>
Net assets, end of year	<u>\$ 14,180,092</u>

See accompanying notes to financial statements.

# THE VIRGINIA OUTDOORS FOUNDATION

## Statement of Cash Flows Year Ended June 30, 2007

Cash flows from operating activities:	
Receipts from clients and agencies	\$ 3,225,147
Payments to vendors and governments	(847,005)
Payments to and for employees	<u>(1,871,877)</u>
Net cash provided by operating activities	<u>506,265</u>
Cash flows from capital and related financing activities:	
Purchases of property and equipment	(19,265)
Rental income	10,250
Purchases of easements and preservation land	<u>(2,316,400)</u>
Net cash used in capital and related financing activities	<u>(2,325,415)</u>
Cash flows from investing activities	
Interest received	<u>332,016</u>
Decrease in cash and cash equivalents	(1,487,134)
Cash and cash equivalents at beginning of year	<u>6,558,160</u>
Cash and cash equivalents at end of year	<u>\$ 5,071,026</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	1,181,691
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	42,488
Gain on disposal of assets	(1,585)
Changes in operating assets and liabilities:	
Accounts receivable	(708,504)
Prepaid items	(2,465)
Accounts payable	(20,007)
Accrued salaries and wages	10,388
Other liabilities	(10,653)
Deferred revenue	(500)
Retirement payable	(6,995)
Compensated absences	<u>22,407</u>
Net cash provided by operating activities	<u>\$ 506,265</u>

See accompanying notes to financial statements.

# THE VIRGINIA OUTDOORS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2007

### 1. ORGANIZATION

The Virginia Outdoors Foundation (the “Foundation”) is a conservation organization in the Commonwealth of Virginia. The mission of the Foundation is to promote the preservation of open space lands and to encourage private gifts of money, securities, land and other property to preserve the natural, scenic, historic, open-space and recreational areas of the Commonwealth. The Foundation was organized in 1966 in accordance with Section 10.1-1800 of the Code of Virginia (1950), as amended.

The Foundation’s primary sources of revenue are intergovernmental revenues received from the Commonwealth of Virginia, recordation fees, and interest income. These resources are used for the stewardship of the natural and cultural heritage land resources of Virginia on behalf of present and future citizens. The Foundation is a custodian of the “uncommon wealth” for which Virginia has long been revered.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Determination of the Reporting Entity

The basic criterion for including an organization within the reporting entity, as set forth in GASB No. 14 and as amended by GASB No. 39, is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. The Virginia Outdoors Foundation’s financial statements are included as a nonmajor discrete component unit of the Commonwealth of Virginia.

#### B. Basic Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments. As a result, the financial statements now include a Management Discussion and Analysis (MD&A) section providing an analysis of the Foundation’s overall financial position and results of operations.

Since the Foundation is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Foundation, the basic financial statements and required supplementary information consists of:

- Management’s Discussion and Analysis
- Enterprise fund financial statements

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

C. Basis Of Accounting

The Virginia Outdoors Foundation operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Foundation follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The Foundation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Foundation's principal ongoing operation. The principal operating revenues of the Foundation are intergovernmental revenues received from the Commonwealth of Virginia and recordation fees. Operating expenses include administrative expenses, contractual services, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash And Cash Equivalents

The Foundation's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Land and Land Interest

The Foundation records land and land interests at cost. These assets fall into two primary categories:

- **Conservation land** – real property owned by the Foundation and held to maintain the open-space and recreational areas of the Commonwealth of Virginia.
- **Open-space easements** – intangible assets comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Foundation, almost always in perpetuity, in order to protect the owned property as a significant natural or cultural resource. These intangible assets may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purpose intended by the original grantor. Easements on the balance sheet represent easements purchased by the Foundation.

Conservation land and open-space easements are reported at the original book value. Upon sale or gift, the book value of the land or easement is removed as an asset from the statement of financial position and reported as a program expense. The related proceeds, if any, are reported as revenue in the statement of activities. Open-space easements, by their very nature, do not generate material amounts of cash inflow annually.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Foundation as assets with initial, individual costs of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25
Furniture, fixtures, and equipment	5
Vehicles	5

G. Accounts Receivable

Accounts receivable are stated at book value utilizing the direct-write off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

H. Use of Estimates

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

I. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

J. Restatement

Certain amounts in previously issued financial statements have been restated to conform to current year classifications.

### 3. DEPOSITS AND INVESTMENTS

#### Deposits

All cash of the Foundation is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100 percent of deposits in excess of FDIC limits. Deposits are covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

#### Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation's investment policy requires all deposits to be insured under FDIC or comply with the Virginia Security for Public Deposits Act. At year-end none of the Foundation's deposits are exposed to custodial credit risk.

#### Investments

Statutes authorize the Foundation to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

#### Credit Risk of Debt Securities

The Foundation investment policy for credit risk is consistent with the investments allowed by statute as detailed above. The Foundation's rated debt investments as of June 30, 2007, were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

#### Foundation's Rated Investments

	<u>Fair Quality Ratings</u>				
	AAA	AA	A	A1	Unrated
Local Government Investment Pool	<u>\$4,968,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$4,968,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

#### 4. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Other capital assets:				
Buildings and improvements	\$ 30,000	\$ -	\$ -	\$ 30,000
Furniture, fixtures, and equipment	125,345	-	598	124,747
Vehicles	<u>150,069</u>	<u>19,266</u>	<u>-</u>	<u>169,335</u>
Total other capital assets	<u>305,414</u>	<u>19,266</u>	<u>598</u>	<u>324,082</u>
Less accumulated depreciation for:				
Buildings and improvements	-	1,200	-	1,200
Furniture, fixtures, and equipment	64,875	17,039	2,183	79,731
Vehicles	<u>57,962</u>	<u>24,249</u>	<u>-</u>	<u>82,211</u>
Total accumulated depreciation	<u>122,837</u>	<u>42,488</u>	<u>2,183</u>	<u>163,142</u>
Net capital assets	<u>\$ 182,577</u>	<u>\$ (23,222)</u>	<u>\$ (1,585)</u>	<u>\$ 160,940</u>

#### 5. COMPENSATED ABSENCES

The Foundation employees earn vacation and sick leave each month at a scheduled rate in accordance with the years of service. Accumulated unpaid vacation, other compensatory leave, and sick leave are accrued when incurred. At June 30, 2007, liabilities for compensated absences were approximately \$82,041.

#### 6. LEASES

The Foundation has entered into noncancelable operating leases for office space, which expire at various dates through 2009. The following is a schedule of future minimum lease payments for all operating leases:

<u>Year Ended June 30</u>	
2008	\$ 11,292
2009	<u>3,868</u>
Total minimum lease payments	<u>\$ 15,160</u>

#### 7. RETIREMENT PLANS

The Foundation's employees are eligible after six months of service to participate in the Foundation's retirement plan, in which employees can make voluntary, tax-deferred contributions within specified limits. The plan was established under the provisions of Internal Revenue Code Section 401(k) and has received a favorable determination as to its tax status for the Internal Revenue Service. Expenses related to retirement plans during the year ended June 30, 2007 was \$46,826.

THE VIRGINIA OUTDOORS FOUNDATION  
Consolidating Schedule of Net Assets  
At June 30, 2007

Assets	Virginia Outdoors Foundation	Open Space Lands Preservation Trust Fund	Total
Current assets:			
Cash and cash equivalents	\$ 2,957,111	\$ -	\$ 2,957,111
Accounts receivable, including due to/due from related party	(74,929)	868,529	793,600
Prepaid items	<u>18,077</u>	<u>-</u>	<u>18,077</u>
Total current assets	<u>2,900,259</u>	<u>868,529</u>	<u>3,768,788</u>
Noncurrents assets:			
Temporarily restricted cash	-	2,113,915	2,113,915
Capital assets, net of accumulated depreciation	160,940	-	160,940
Conservation land	5,237,350	-	5,237,350
Open-space easements	<u>750,000</u>	<u>2,316,400</u>	<u>3,066,400</u>
Total noncurrent assets	<u>6,148,290</u>	<u>4,430,315</u>	<u>10,578,605</u>
Total assets	<u>\$ 9,048,549</u>	<u>\$ 5,298,844</u>	<u>\$ 14,347,393</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 9,462	\$ -	\$ 9,462
Accrued salaries and wages	71,930	-	71,930
Other liabilities	3,868	-	3,868
Compensated absences, current position	<u>61,531</u>	<u>-</u>	<u>61,531</u>
Total current liabilities	<u>146,791</u>	<u>-</u>	<u>146,791</u>
Noncurrent liabilities:			
Compensated absences, less current portion	<u>20,510</u>	<u>-</u>	<u>20,510</u>
Total liabilities	<u>167,301</u>	<u>-</u>	<u>167,301</u>
Net assets:			
Invested in capital assets, net of debt	<u>6,148,290</u>	<u>2,316,400</u>	<u>8,464,690</u>
Restricted for:			
Open Land Preservation Trust Fund	-	2,982,444	2,982,444
Bull Run Mountains	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>
Total restricted net assets	<u>1,100,000</u>	<u>2,982,444</u>	<u>4,082,444</u>
Unrestricted:			
Undesignated	682,958	-	682,958
Board-designed – Endowment	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Total unrestricted net assets	<u>1,632,958</u>	<u>-</u>	<u>1,632,958</u>
Total net assets	<u>\$ 8,881,248</u>	<u>\$ 5,298,844</u>	<u>\$ 14,180,092</u>



THE VIRGINIA OUTDOORS FOUNDATION  
Consolidating Schedule of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2007

	Virginia Outdoors Foundation	Open Space Lands Preservation Trust Fund	Consolidating Entries Dr(Cr)	Total
Operating revenue:				
Intergovernmental revenues - Commonwealth of Virginia	\$ 1,300,000	\$ 625,000	\$ -	\$ 1,925,000
Recordation fees	835,623	-	-	835,623
Contributions and grants	33,145	-	-	33,145
Restricted grants	19,858	922,500	-	942,358
Charges for services	-	195,890	-	195,890
Miscellaneous/Other	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>1,635</u>
Total operating revenue	<u>2,190,261</u>	<u>1,743,390</u>	<u>-</u>	<u>3,933,651</u>
Operating expenses:				
Wages and salaries	1,602,825	-	-	1,602,825
Fringe benefits	274,345	-	-	274,345
Contractual and professional services	198,667	-	-	198,667
Other charges	355,514	278,121	-	633,635
Depreciation	<u>42,488</u>	<u>-</u>	<u>-</u>	<u>42,488</u>
Total operating expenses	<u>2,473,839</u>	<u>278,121</u>	<u>-</u>	<u>2,751,960</u>
Operating income (loss)	<u>(283,578)</u>	<u>1,465,269</u>	<u>-</u>	<u>1,181,691</u>
Nonoperating revenues (expenses):				
Interest income	244,966	187,050	(100,000)	332,016
Interest expense	-	(100,000)	100,000	-
Rental income	<u>10,250</u>	<u>-</u>	<u>-</u>	<u>10,250</u>
Total nonoperating revenues	<u>255,216</u>	<u>87,050</u>	<u>-</u>	<u>342,266</u>
Change in net assets	<u>(28,362)</u>	<u>1,552,319</u>	<u>-</u>	<u>1,523,957</u>
Net assets, beginning of year	<u>8,909,610</u>	<u>3,746,525</u>	<u>-</u>	<u>12,656,135</u>
Net assets, end of year	<u>\$ 8,881,248</u>	<u>\$ 5,298,844</u>	<u>\$ -</u>	<u>\$14,180,092</u>

THE VIRGINIA OUTDOORS FOUNDATION  
Schedule of Operating Expenses  
Year Ended June 30, 2007

	Virginia Outdoors Foundation	Open Space Lands Preservation Trust Fund	Total
Wages and salaries:			
Salaries and wages	\$ 1,602,400	\$ -	\$ 1,602,400
Wages to other entities	<u>425</u>	<u>-</u>	<u>425</u>
Total wages and salaries	<u>1,602,825</u>	<u>-</u>	<u>1,602,825</u>
Fringe benefits:			
Payroll taxes	116,375	-	116,375
Insurance	106,988	-	106,988
Retirement	46,826	-	46,826
Other benefits	<u>4,156</u>	<u>-</u>	<u>4,156</u>
Total fringe benefits	<u>274,345</u>	<u>-</u>	<u>274,345</u>
Contractual and professional services:			
Professional services	87,812	-	87,812
IT services	<u>110,855</u>	<u>-</u>	<u>110,855</u>
Total contractual and professional services	<u>198,667</u>	<u>-</u>	<u>198,667</u>
Other charges			
Restricted grant expenses	39,428	278,121	317,549
Utilities	10,946	-	10,946
Postage and delivery	11,776	-	11,776
Telephone	40,999	-	40,999
Insurance	410	-	410
Rent	61,802	-	61,802
Monitoring services	315	-	315
Travel	68,176	-	68,176
Staff training	18,143	-	18,143
Publications	3,435	-	3,435
Supplies	73,799	-	73,799
Miscellaneous	<u>26,285</u>	<u>-</u>	<u>26,285</u>
Total other charges	<u>355,514</u>	<u>278,121</u>	<u>633,635</u>
Depreciation	<u>42,488</u>	<u>-</u>	<u>42,488</u>
Total operating expenses	<u>\$ 2,473,839</u>	<u>\$ 278,121</u>	<u>\$ 2,751,960</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

March 25, 2008

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
And Review Commission

Board of Trustees  
The Virginia Outdoors Foundation

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the **Virginia Outdoors Foundation** as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Virginia Outdoors Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the basic financial statements of the Foundation are intended to present the financial position and the changes in the financial position and cash flows of only that portion of the business-type activities and the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Foundation. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Outdoors Foundation as of June 30, 2007, and the changes in its financial position and its cash flows for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages one through four is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Virginia Outdoors Foundation. The Consolidating Schedule of Net Assets, Consolidation Schedule of Revenues, Expenses and Changes in Net Assets and Schedule of Operating Expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Consolidating Schedule of Net Assets, Consolidating Schedule of Revenues, Expenses and Changes in Net Assets and Schedule of Operating Expense have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole.

#### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

##### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Virginia Outdoors Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Foundation has taken adequate corrective action with respect to audit findings reported in the prior year.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, Board of Trustees and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on April 14, 2008.

AUDITOR OF PUBLIC ACCOUNTS

WJK/wdh

## BOARD OF TRUSTEES

Frank M. Hartz, Chairman

J. William Abel-Smith

Hon. Dr. M Rupert Cutler

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Hon. Jeffrey K. Walker

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Hon. Molly Joseph Ward

## OTHER OFFICIALS

G. Robert Lee, Executive Director