

Virginia Humanities

FINANCIAL AND COMPLIANCE REPORTS

FOR THE YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY
CHARLOTTESVILLE, VIRGINIA**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Virginia Foundation for the Humanities and Public Policy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Foundation for the Humanities and Public Policy as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Foundation for the Humanities and Public Policy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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.

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 Virginia Foundation for the Humanities and Public Policy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Virginia Foundation for the Humanities and Public Policy'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 Virginia Foundation for the Humanities and Public Policy'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of Virginia Foundation for the Humanities and Public Policy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Virginia Foundation for the Humanities and Public Policy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Foundation for the Humanities and Public Policy's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

February 21, 2025

- Financial Statements -

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Statement of Financial Position
At June 30, 2024**

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,472,677
Investments	7,176,414
Contributions receivable	268,318
Prepaid expenses	405
Total current assets	<u>\$ 10,917,814</u>
Fixed assets:	
Leasehold improvements	\$ 1,384,903
Furniture and office equipment	453,265
Right of use operating lease assets	6,716,901
Sub-total	<u>\$ 8,555,069</u>
Less: accumulated depreciation	(687,087)
Less: accumulated amortization	(584,539)
Total fixed assets	<u>\$ 7,283,443</u>
Other assets:	
Investments - endowment not subject to expenditure	\$ 946,194
Total other assets	<u>946,194</u>
Total assets	<u><u>\$ 19,147,451</u></u>
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 9,463
Accrued expenses	653,126
Compensated absences, current portion	13,928
Operating lease liabilities, current portion	207,956
Total current liabilities	<u>\$ 884,473</u>
Long-term liabilities:	
Compensated absences, net of current portion	\$ 125,355
Operating lease liabilities, net of current portion	6,128,464
Total long-term liabilities	<u>\$ 6,253,819</u>
Total liabilities	<u>\$ 7,138,292</u>
Net assets:	
Without donor restrictions	\$ 8,808,106
With donor restrictions	3,201,053
Total net assets	<u>\$ 12,009,159</u>
Total liabilities and net assets	<u><u>\$ 19,147,451</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Statement of Activities
For the Year Ended June 30, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions and grants:			
National Endowment for the Humanities	\$	\$ 1,447,743	\$ 1,447,743
National Endowment for the Arts		40,000	40,000
State appropriations and other state funds	2,826,153	1,269,386	4,095,539
Other grants and contributions	277,415	757,427	1,034,842
Investment return	148,634	415,383	564,017
Program fees	-	318,552	318,552
Royalty income	2,755	-	2,755
Other income	6,058	-	6,058
Net assets released from restrictions due to satisfaction of program restrictions	<u>4,519,545</u>	<u>(4,519,545)</u>	<u>-</u>
Total revenues, gains and other support	\$ <u>7,780,560</u>	\$ <u>(271,054)</u>	\$ <u>7,509,506</u>
Expenses and losses:			
Program services			
Development and support of education, research, and public programs in the humanities	\$ 5,775,089	\$ -	\$ 5,775,089
Supporting services:			
Management and general	1,030,092	-	1,030,092
Fundraising	<u>1,090,251</u>	<u>-</u>	<u>1,090,251</u>
Total expenses	\$ <u>7,895,432</u>	\$ <u>-</u>	\$ <u>7,895,432</u>
Changes in net assets	\$ (114,872)	\$ (271,054)	\$ (385,926)
Net assets, beginning	<u>8,922,978</u>	<u>3,472,107</u>	<u>12,395,085</u>
Net assets, ending	<u><u>\$ 8,808,106</u></u>	<u><u>\$ 3,201,053</u></u>	<u><u>\$ 12,009,159</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Statement of Functional Expenses
For the Year Ended June 30, 2024**

	Program Services							
	Center for the the Book	Community Initiatives	Digital Programs	Education	General Program Services	Fellowship	Folklife	Grant Program
Salaries and wages	\$ 215,214	\$ 145,200	\$ 337,794	\$ 97,022	\$ 277,027	\$ 44,054	\$ 135,692	\$ 131,548
Employee benefits and payroll taxes	74,308	40,150	113,345	36,481	88,924	15,655	46,838	42,822
Depreciation	-	-	-	-	-	-	-	-
Amortization	8,624	3,505	7,541	2,063	15,694	5,602	3,387	4,273
Dues and memberships	75	-	-	-	-	-	270	1,000
Equipment rental	-	-	-	-	-	-	-	-
Foundation sponsored seminars and workshops	110,205	8,379	600	18,728	-	3,189	16,541	807
Furniture and equipment (not capitalized)	-	-	6,969	-	7,868	-	-	-
Grants and fellowships	-	130,000	15,244	34,000	-	115,000	100,150	586,064
Graphic design	2,300	-	-	-	-	-	-	-
Insurance	-	-	-	-	2,409	-	-	-
Licenses and fees	9,469	2,400	31,250	1,194	8,523	8,382	2,147	2,371
Postage and shipping	66	-	730	63	1,269	-	579	-
Printing and copying	704	-	-	-	1,579	-	218	-
Professional fees and consultants	112,152	261	28,589	-	1,229,298	-	19,780	3,750
Promotion	17,635	-	1,187	1,187	-	-	1,408	183
Publication/subscriptions	323	-	88	80	-	-20	-	-
Rent and occupancy	36,824	14,967	32,202	8,811	67,018	23,924	14,464	18,247
Repairs and maintenance	-	-	-	-	11,701	-	-	-
Software	372	-	28,867	-	61,126	-	360	252
Staff development	5,531	9,412	7,944	2,170	2,247	-	1,882	4,125
Supplies	1,026	825	1,947	1,047	(935)	1,518	4,310	860
Technical services and web design	-	-	-	-	-	-	-	-
Telephone	299	449	916	448	5,577	450	451	459
Travel and meeting	9,966	4,729	5,965	-	32	321	10,359	1,964
Total	\$ 605,093	\$ 360,277	\$ 621,178	\$ 203,294	\$ 1,779,357	\$ 218,075	\$ 358,836	\$ 798,725

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Statement of Functional Expenses
For the Year Ended June 30, 2024 (Continued)**

	Program Services				Supporting Services		Total Expenses
	Virginia Arts of the Book	Virginia Indian Heritage Program	With Good Reason	Total Program Services	Management and General	Fundraising	
Salaries and wages	\$ 73,780	\$ 63,129	\$ 292,347	\$ 1,812,807	\$ 380,915	\$ 663,522	\$ 2,857,244
Employee benefits and payroll taxes	28,214	23,936	115,126	625,799	137,382	248,379	1,011,560
Depreciation	-	-	-	-	203,243	-	203,243
Amortization	9,858	2,602	10,795	73,944	17,613	13,786	105,343
Dues and memberships	-	-	-	1,345	21,229	103	22,677
Equipment rental	157	-	-	157	-	-	157
Foundation sponsored seminars and workshops	13,668	794	8,792	181,703	1,375	6,602	189,680
Furniture and equipment (not capitalized)	6,741	-	-	21,578	2,889	5,409	29,876
Grants and fellowships	2,700	-	-	983,158	63,908	-	1,047,066
Graphic design	12	-	-	2,312	-	6,718	9,030
Insurance	-	-	-	2,409	-	-	2,409
Licenses and fees	4,463	41	4,588	74,828	29,401	5,289	109,518
Postage and shipping	6	-	24	2,737	54	3,144	5,935
Printing and copying	71	-	-	2,572	-	18,297	20,869
Professional fees and consultants	10,929	18,000	4,008	1,426,767	39,033	5,743	1,471,543
Promotion	-	100	5,000	26,700	-	11,269	37,969
Publication/subscriptions	-	-	11,788	12,259	21	493	12,773
Rent and occupancy	42,096	11,109	46,098	315,760	75,213	58,870	449,843
Repairs and maintenance	992	-	0	12,693	-	-	12,693
Software	450	-	120	91,547	8,670	17,160	117,377
Staff development	-	2,276	637	36,224	16,463	5,035	57,722
Supplies	4,979	825	1,732	18,134	2,260	2,510	22,904
Technical services and web design	-	-	-	-	-	8,132	8,132
Telephone	1,396	451	503	11,399	904	899	13,202
Travel and meeting	-	34	4,887	38,257	29,519	8,891	76,667
Total	\$ 200,512	\$ 123,297	\$ 506,445	\$ 5,775,089	\$ 1,030,092	\$ 1,090,251	\$ 7,895,432

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Statement of Cash Flows
For the Year Ended June 30, 2024**

Cash Flows from Operating Activities:	
Cash received from contributors and grants	\$ 6,365,806
Cash received from service recipients	321,307
Other income	6,058
Cash paid for grants	(1,051,066)
Cash paid to employees and instructors	(3,783,679)
Cash paid to suppliers	(2,664,381)
Net cash provided by (used for) operating activities	\$ <u>(805,955)</u>
Cash Flows from Investing Activities:	
Transferred from (to) investments	\$ <u>(15,437)</u>
Net cash provided by (used for) investing activities	\$ <u>(15,437)</u>
Net increase (decrease) in cash and cash equivalents	\$ (821,392)
Cash and cash equivalents:	
Beginning	4,294,069
Ending	\$ <u><u>3,472,677</u></u>
Reconciliation of Changes in Net Assets to Net Cash	
Provided by (Used for) Operating Activities:	
Changes in net assets	\$ (385,926)
Adjustments to reconcile changes in net assets to net cash	
provided by (used for) operating activities:	
Depreciation	203,243
Amortization	295,198
Unrealized (gain) loss	(564,017)
Change in operating assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	(252,318)
Prepaid expenses	18,861
Increase (decrease) in:	
Accounts payable	(2,531)
Accrued expenses	85,125
Grants payable	(4,000)
Compensated absences	(9,737)
Operating lease liabilities	(189,853)
Net cash provided by (used for) operating activities	\$ <u><u>(805,955)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to Financial Statements At June 30, 2024

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

A. Nature of Organization:

Virginia Foundation for the Humanities and Public Policy (the Foundation) is a not-for-profit entity formed to develop and support education, research, and public programs in the humanities in Virginia and southeastern regions of the United States.

A summary of the Foundation's significant accounting policies follows.

B. Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

C. Support and Revenue Recognition:

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

The Foundation recognizes program fee revenue for sales of goods, as well as tickets and registration for events. Program fee revenue is recognized as the performance obligation is satisfied, at the point in time at which the good or service is transferred to the customer.

D. Financial Statement Presentation:

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – The portion of the net assets not subject to donor-imposed restrictions. Net assets without donor restrictions generally result from contributions and grants, royalty income that are not subject to donor-imposed restrictions, income from investing excess operating cash, reduced by expenses incurred in providing services, raising contributions, and performing administrative functions.

Notes to Financial Statements
At June 30, 2024 (Continued)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

D. Financial Statement Presentation: (Continued)

Net assets with donor restrictions – The portion of the net assets of the Foundation that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Foundation's choices when using these resources because the Foundation has a fiduciary responsibility to its donors to follow the donor's instructions.

E. Cash and Cash Equivalents:

The Foundation deposits funds with the University of Virginia (the "University") and the Alumni Association (the "Association") of the University of Virginia. The Foundation's cash and cash equivalents are pooled with other organizations' funds by the University and the Association and no specific cash is held in the Foundation's name. Investment decisions are made by the University and the Association and therefore, the Foundation has no control over where its funds are invested. These amounts are not insured by FDIC; however, the Foundation does not believe it is subjected to significant credit risk as a result of these investments. The Foundation considers these investments cash and cash equivalents.

F. Other Receivables:

Other receivables are recorded at fair market value. Receivables are charged off by specific identification when they are identified as uncollectable. No other receivables were written off during the year ended June 30, 2024. All other receivables are considered to be collectable and are expected to be collected during the fiscal year ending June 30, 2025.

G. Investments:

Investments represent funds held by the Association on behalf of the Foundation. These funds represent a pro rata percentage ownership of an investment portfolio administered by the Association for the benefit of various state and not-for-profit organizations. The Association has diversified the investment portfolio by investing in various types of marketable securities with various brokers and investment managers. Included in the portfolio are various types of financial investments including debt instruments, equity securities, puts, calls, options and futures contracts; however, the Foundation is not exposed to risk of loss greater than the amount of investment in the portfolio. Investments are carried at fair value as determined by the Association. Accordingly, unrealized changes in the related fair values are recognized in the statement of activities in the period in which they occur.

The Board of Directors has interpreted donor restrictions to extend to earnings on the investment of donor restricted funds. The Foundation reports such earnings as a change in net assets with donor restrictions or as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Notes to Financial Statements
At June 30, 2024 (Continued)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

H. Fixed Assets:

Fixed asset acquisitions of \$5,000 or greater are recorded at cost or, if donated, at the appropriate fair value at the date of the donation. Depreciation is determined by the straight-line method based on the estimated useful lives of the assets of 5-7 years. Depreciation expense for the year ended June 30, 2024 was \$203,243.

I. Grants Payable:

Grants are awarded to subgrantees throughout the year by the Board. The grants are expended in various installments depending on the progress of the project the grant is funding. Grants that have been awarded but not expended are recorded as grants payable. All grants represent unconditional support of Humanities programs.

J. Leases:

The Foundation recognizes an asset for the right to use the underlying leased assets for the lease terms and records lease liabilities based on the present value of the Foundation's obligations to make lease payments under the leases.

The Foundation evaluates options included in its lease agreements to extend or terminate the leases. The Foundation will reflect the effect of exercising those options in the lease terms when it is reasonably certain that it will exercise those options. In assessing whether it's reasonably certain that the Foundation will exercise an option, the Foundation considers factors such as:

- The lease payments due in any optional period;
- Penalties for failure to exercise (or not exercise) the option;
- Market factors such as the availability of similar assets and current rental rates for such assets;
- The nature of the underlying leased asset and its importance to the Foundation's operations; and
- The remaining useful lives of any related leasehold improvements.

Lease expense for the operating leases is recognized on a straight-line basis over the lease term. Variable lease payments, if any, are recognized in the period when the obligation to make those payments is incurred. Lease incentives received prior to lease commencement are recorded as a reduction in the right-of-use asset. Fixed lease

K. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

L. Income Taxes:

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and has been determined to be a 501(c)(3) exempt educational organization which qualifies donations to the Foundation as charitable contributions for tax purposes.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to Financial Statements At June 30, 2024 (Continued)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

M. Functional Allocation of Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, and rent and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. All other costs are allocated directly among the programs and supporting services benefited.

N. Compensated Absences:

The Foundation has policies which allow for the accumulation and vesting of annual and sick leave. Amounts of such absences are accrued when incurred in the statement of financial position. At June 30, 2024 this accrued liability totaled \$139,283.

O. Promotion:

Promotion costs are expensed as incurred. Total promotion expense was \$37,969 for the year ended June 30, 2024.

Note 2 - Net Assets with Donor Restrictions:

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

Federal Awards:	
NEH Support	\$ 809,565
Folklife	75,799
UVA CARES Act Funds	9,564
National Records	7,111
Total	<u>\$ 902,039</u>
Other Restrictions:	
Women's History Endowment	\$ 811,341
STRUPPA Endowment	78,431
SAHC Endowment	476,583
Freehling	186,557
Virginia Foundation Center for the Book	63,896
Sephardic Music Endowment	6,532
Latimer Endowment	150,439
Schewel Endowment	525,235
Total	<u>\$ 2,299,014</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,201,053</u>

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to Financial Statements At June 30, 2024 (Continued)

Note 3 - Operating Leases:

The Foundation leases office space at Dairy Central. The lease agreement calls for monthly payments over the lease term, with the monthly payment amount increasing by 3% each year. The lease provides for a renewal option for two additional 5-year periods.

The Foundation also leases space at the Jefferson School. The lease agreement calls for monthly payments over the lease term, with the monthly payment amount increasing by 2.5% each year. The lease provides for a renewal option for two additional 5-year periods.

ASU 2016-02, Leases, requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The applicable federal rate for long-term arrangements as of July 1, 2022 of 3.22% was used as the discount rate in order to determine the present value.

The maturities of lease liabilities as of June 30, 2024 are as follows:

Fiscal Year Ended June 30,	Dairy Market Lease	Jefferson School Lease	Total
2025	\$ 369,352	\$ 39,600	\$ 408,952
2026	380,432	40,590	421,022
2027	391,845	41,607	433,452
2028	403,600	42,647	446,247
2029	415,709	43,713	459,422
2030 - 2034	2,273,265	160,784	2,434,049
2035 - 2039	2,635,337	-	2,635,337
2040 - 2041	1,117,390	-	1,117,390
Total future minimum lease payments	7,986,930	368,941	8,355,871
Less imputed interest	(1,972,114)	(47,337)	(2,019,451)
Total	\$ 6,014,816	\$ 321,604	\$ 6,336,420

Total principal payments on the leases amounted to \$189,854 in 2024.

Note 4 - Concentration of Credit Risk:

The Foundation receives a substantial amount of support from federal and Virginia government grants and appropriations. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Foundation's programs and activities. Federal support comprises 20% of total revenues while state funds represent 55%.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to Financial Statements
At June 30, 2024 (Continued)

Note 5 - Contingent Liabilities:

Federal programs in which the Foundation participates were audited in accordance with the provisions of *the Uniform Guidance*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 6 - Program Services:

Program services for the year ended June 30, 2024 were as follows:

Center for the Book	\$	605,093
Community Initiatives		360,277
Digital Programs		621,178
Education		203,294
General Program Services		1,779,357
Fellowship		218,075
Folklife		358,836
Grant Program		798,725
Virginia Arts of the Book		200,512
Virginia Indian Heritage Program		123,297
With Good Reason		<u>506,445</u>
Total Program Services	\$	<u><u>5,775,089</u></u>

Notes to Financial Statements
At June 30, 2024 (Continued)

Note 7 - Fair Value Measurements:

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Those assets measured at fair value on a recurring basis in the statement of financial position and the types of inputs used to estimate fair values are as follows at June 30, 2024:

Fair Value Measurements at Reporting Date Using				
	6/30/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
UVA pooled investments	\$ 8,122,608	\$ -	\$ 8,122,608	\$ -
Total	\$ 8,122,608	\$ -	\$ 8,122,608	\$ -

The Level 2 assets represent amounts invested in the investment pool held by the University of Virginia Investment Management Company (UVIMCO). The valuation of this investment is based upon the inputs used by UVIMCO to value the underlying assets.

Note 8 - Endowment:

The Foundation's endowments consist of eight individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to Financial Statements At June 30, 2024 (Continued)

Note 8 - Endowment: (Continued)

Interpretation of Relevant Law:

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as not subject to expenditure net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to permanent endowments, and (c) accumulation to permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as not subject to expenditure is classified as subject to expenditure until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of the investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2024

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,352,820	\$ 946,194	\$ 2,299,014
Board-designated endowment funds	2,724,177	-	-	2,724,177
Total Funds	\$ 2,724,177	\$ 1,352,820	\$ 946,194	\$ 5,023,191

Changes in Endowment Net Assets for the Year Ended June 30, 2024

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,561,993	\$ 1,260,129	\$ 918,127	\$ 4,740,249
Investment return:				
Net increase (decrease) in value	\$ 180,583	\$ 145,410	\$ -	\$ 325,993
Dividend income	344	-	-	344
Management fees	(20,243)	(16,848)	-	(37,091)
Total investment return	\$ 160,684	\$ 128,562	\$ -	\$ 289,246
Contributions	\$ 2,500	\$ 5,000	\$ 28,067	\$ 35,567
Appropriation of endowment assets for expenditure	\$ (1,000)	\$ (40,871)	\$ -	\$ (41,871)
Endowment net assets, end of year	\$ 2,724,177	\$ 1,352,820	\$ 946,194	\$ 5,023,191

Notes to Financial Statements
At June 30, 2024 (Continued)

Note 8 - Endowment: (Continued)

Spending Policy:

The Foundation determines the appropriate amount of endowment earnings to distribute on an individual endowment basis. Donor restrictions, rate of return, and original value are all considered in determining the amount to be distributed and re-invested each fiscal year.

Note 9 – Liquidity and Availability of Financial Assets:

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash and cash equivalents	\$	3,472,677
Investments		8,122,608
Less: donor restricted assets		<u>(3,201,053)</u>
	\$	<u>8,394,232</u>

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient donations, program income and other revenues and by utilizing donor-restricted resources from current and prior years’ donations, as needed. The statement of cash flows identifies the sources and uses of the Foundation’s cash.

Note 10 – Date of Management’s Review:

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through February 21, 2025 the date the financial statements were available to be issued.

- Compliance -



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO THE BOARD OF DIRECTORS
VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY
CHARLOTTESVILLE, VIRGINIA**

We have audited, in accordance with the 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, the financial statements of Virginia Foundation for the Humanities and Public Policy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Foundation for the Humanities and Public Policy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Foundation for the Humanities and Public Policy's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Foundation for the Humanities and Public Policy's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Foundation for the Humanities and Public Policy's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

February 21, 2025



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE BOARD OF DIRECTORS
VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY
CHARLOTTESVILLE, VIRGINIA**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Virginia Foundation for the Humanities and Public Policy's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Virginia Foundation for the Humanities and Public Policy's major federal programs for the year ended June 30, 2024. Virginia Foundation for the Humanities and Public Policy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Virginia Foundation for the Humanities and Public Policy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Virginia Foundation for the Humanities and Public Policy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Virginia Foundation for the Humanities and Public Policy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Virginia Foundation for the Humanities and Public Policy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Virginia Foundation for the Humanities and Public Policy's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Virginia Foundation for the Humanities and Public Policy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Virginia Foundation for the Humanities and Public Policy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Virginia Foundation for the Humanities and Public Policy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Virginia Foundation for the Humanities and Public Policy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
February 21, 2025

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES:</u>			
Direct Payments:			
Promotion of the Humanities - Federal/State Partnership	45.129	N/A	\$ 1,771,687
Pass-through Payments:			
University of Virginia:			
Promotion of the Humanities - Division of Preservation and Access	45.149	GH10137-170105	\$ <u>67,890</u>
Total National Endowment for the Humanities			\$ <u>1,839,577</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS:</u>			
Pass-through Payments:			
University of Virginia:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	GG12208-161972	\$ <u>39,978</u>
Total Expenditures of Federal Awards			\$ <u><u>1,879,555</u></u>

The accompanying notes are an integral part of this schedule.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Virginia Foundation for the Humanities and Public Policy under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Virginia Foundation for the Humanities and Public Policy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Virginia Foundation for the Humanities and Public Policy.

Note 2 - Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the Foundation's basic financial statements as follows:

Federal revenues per the basic financial statements:	\$ 1,487,743
Amount expended in current year from grants received in prior years	963,490
Amount received in current year to be expended in future years	<u>(571,678)</u>
 Total federal expenditures per basic financial statements	 \$ <u>1,879,555</u>
 Total federal expenditures per the Schedule of Expenditures of Federal Awards	 \$ <u>1,879,555</u>

Note 4 - Indirect Cost Rate

Virginia Foundation for the Humanities and Public Policy did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	
Assistance	
Listing #	Name of Federal Program or Cluster
45.129	Promotion of the Humanities Federal/State Partnership
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

VIRGINIA FOUNDATION FOR THE HUMANITIES AND PUBLIC POLICY

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024**

There are no prior year findings to report.