



Virginia Union University

Financial Report

(In Accordance with the Requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*)

June 30, 2024



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EIN #54-0524516



Virginia Union University

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Independent Auditor's Report

To the Board of Trustees of
Virginia Union University
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Virginia Union University, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows, for the years 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 Union University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 audits.
- 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 Union University'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 Union University'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.

Emphasis of Matter

As described in Note 20 to the financial statements, the previously issued financial statements for the year ended June 30, 2023, have been restated for the correction of a material misstatement in that period. Our opinion is not modified with respect to that matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the financial responsibility supplemental schedule as required by the Department of Education, are presented for purposes of additional analysis and are 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 and the financial responsibility supplemental schedule are 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 September 23, 2024, on our consideration of Virginia Union University'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 Union University'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 Union University's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 23, 2024



Financial Statements

Virginia Union University
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 4,128,474	\$ 3,191,953
Receivables:		
Student receivables, net of allowance for credit losses		
2024 \$8,372,216; 2023 \$13,000,477 (Note 4)	1,383,615	1,796,215
Federal and other receivables, net of allowance		
2024 \$932,070; 2023 \$644,674	4,944,488	3,270,036
Pledges receivable (Note 5)	2,526,299	5,684,544
Investments:		
Endowment fund investments (Notes 6 and 7)	31,909,591	30,874,196
General investments (Notes 6 and 7)	628,214	1,174,220
Assets whose use is limited under loan agreements (Note 7)	1,174,815	540,148
Beneficial interest in perpetual trusts (Note 7)	796,021	760,820
Prepaid expenses and other	1,792,981	1,187,922
Art collection	1,365,560	1,365,560
Property and equipment, net (Note 8)	57,545,182	47,187,367
Total assets	<u>\$ 108,195,240</u>	<u>\$ 97,032,981</u>
LIABILITIES		
Accounts payable and accrued expenses	7,271,132	5,315,535
Accrued payroll liabilities	1,434,412	1,144,480
Credit balances on student accounts (Note 4)	660,539	946,440
Accrued interest	4,907	4,907
Line of credit (Note 9)	-	1,511,523
Amounts held for others	53,147	53,147
Refundable advance - HEERF (Note 18)	1,713,795	1,713,795
Deferred revenue	1,168,516	1,294,855
Finance lease liabilities (Note 10)	891,389	612,901
Debt obligations (Note 11)	20,685,397	9,622,885
Total liabilities	<u>33,883,234</u>	<u>22,220,468</u>
NET ASSETS		
Without donor restrictions	23,647,273	23,457,865
With donor restrictions (Notes 12 and 13)	50,664,733	51,354,648
Total net assets	<u>74,312,006</u>	<u>74,812,513</u>
Total liabilities and net assets	<u>\$ 108,195,240</u>	<u>\$ 97,032,981</u>

Virginia Union University

Statements of Activities

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Student tuition and fees, net of student aid of 2024 \$5,610,997; 2023 \$5,310,473 (Note 14)	\$ 19,084,924	\$ -	\$ 19,084,924	16,894,428	\$ -	\$ 16,894,428
Contributions of cash and financial assets	1,696,100	3,740,866	5,436,966	1,943,726	2,423,946	4,367,672
Contributions of nonfinancial assets (Note 19)	603	-	603	250,921	-	250,921
Government grants and contracts	6,716,938	4,094,809	10,811,747	5,092,171	5,602,461	10,694,632
COVID-19 relief funding (Note 18)	-	-	-	-	3,191,371	3,191,371
Employee retention credit (Note 18)	-	-	-	3,018,702	-	3,018,702
Sales and services of auxiliary enterprises (Note 14)	7,159,107	-	7,159,107	5,289,382	-	5,289,382
Investment earnings, dividends and interest, net of fees (Note 6)	249,994	645,724	895,718	232,215	759,718	991,933
Realized and unrealized gains (Note 6)	566,933	2,403,280	2,970,213	237,454	1,366,859	1,604,313
Other	1,377,790	226,351	1,604,141	884,892	481,716	1,366,608
	36,852,389	11,111,030	47,963,419	33,843,891	13,826,071	47,669,962
Net assets released from restrictions (Note 12)	11,800,945	(11,800,945)	-	12,805,187	(12,805,187)	-
Total revenues, gains and other support	48,653,334	(689,915)	47,963,419	46,649,078	1,020,884	47,669,962
OPERATING EXPENSES						
Education and general:						
Instruction	7,906,252	-	7,906,252	7,008,865	-	7,008,865
Institutional support	13,916,307	-	13,916,307	14,816,566	-	14,816,566
Operation and maintenance	4,492,659	-	4,492,659	4,497,791	-	4,497,791
Student services	5,208,235	-	5,208,235	4,001,497	-	4,001,497
Academic support	5,412,080	-	5,412,080	4,046,598	-	4,046,598
Other	-	-	-	3,340,768	-	3,340,768
Depreciation	2,428,575	-	2,428,575	2,698,142	-	2,698,142
Credit losses, net of recoveries	2,018,762	-	2,018,762	2,486,726	-	2,486,726
Interest expense	-	-	-	259,777	-	259,777
Auxiliary enterprises	7,081,056	-	7,081,056	5,962,888	-	5,962,888
Total expenses (Note 15)	48,463,926	-	48,463,926	49,119,618	-	49,119,618
Change in net assets	189,408	(689,915)	(500,507)	(2,470,540)	1,020,884	(1,449,656)
NET ASSETS						
Beginning of year, as restated (Note 20)	23,457,865	51,354,648	74,812,513	25,928,405	50,333,764	76,262,169
End of year	<u>\$ 23,647,273</u>	<u>\$ 50,664,733</u>	<u>\$ 74,312,006</u>	<u>\$ 23,457,865</u>	<u>\$ 51,354,648</u>	<u>\$ 74,812,513</u>

The Notes to Financial Statements are an integral part of these statements.

Virginia Union University

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	\$ (500,507)	\$ (1,449,656)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Credit losses, net of recoveries	2,018,762	2,486,726
Depreciation	2,428,575	2,698,142
Amortization of debt issuance costs	15,741	2,623
Contributions restricted for long term purposes	(1,118,876)	(1,321,615)
Noncash assets received as contributions	(603)	(250,921)
Finance lease assets given to students	784,500	298,021
Net realized and unrealized gains on investments	(2,970,213)	(1,604,313)
Change in current assets and liabilities:		
Student receivables, net	(1,606,162)	(3,870,382)
Federal and other receivables	(1,674,452)	(2,197,221)
Pledges receivable	3,158,245	(258,673)
Prepaid expenses and other	(605,059)	(308,044)
Accounts payable and accrued expenses	1,572,137	1,920,118
Accrued payroll liabilities	289,932	205,745
Credit balances on student accounts	(285,901)	254,197
Refundable advances	-	(1,887,085)
Deferred revenue	(126,339)	(303,330)
Net cash provided by (used in) operating activities	1,379,780	(5,585,668)
INVESTING ACTIVITIES		
Purchases of investments	(6,961,592)	(12,261,168)
Proceeds from sale and maturities of investments	8,772,548	11,150,705
Purchase of capital assets	(1,626,031)	-
Net cash provided by (used in) investing activities	184,925	(1,110,463)
FINANCING ACTIVITIES		
Principal payments on debt obligations	(423,953)	(435,556)
Proceeds from issuance of debt	694,428	459,042
Payments on finance leases	(506,012)	(152,606)
Contributions restricted for long-term purposes	1,118,876	1,321,615
Net draws on line of credit	(1,511,523)	300,000
Net cash provided by (used in) financing activities	(628,184)	1,492,495
Net increase (decrease) in cash and cash equivalents	936,521	(5,203,636)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,191,953	8,395,589
End of year	\$ 4,128,474	\$ 3,191,953
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 247,640	\$ 257,154
NONCASH SUPPLEMENTAL DISCLOSURES		
Purchases of capital assets included in accounts payable	\$ 1,314,602	\$ 931,142
Debt incurred for the purchase of capital assets	\$ 10,776,296	\$ 6,861,254
Debt incurred for debt issuance costs	\$ -	\$ 456,469

Virginia Union University

Notes to Financial Statements

June 30, 2024

Note 1 – Organization

Virginia Union University (the “University”), founded in 1865, is one of the oldest historically black colleges in America and is a premier liberal arts institution located in Richmond, Virginia. The University is comprised of four schools: The School of Arts and Sciences, The Sydney Lewis School of Business, The Evelyn Syphax Reid School of Education and The Samuel DeWitt School of Theology. The University confers undergraduate and graduate degrees (Bachelor of Arts, Bachelor of Science, Master of Arts, Master of Science, Executive Master of Business Administration, Master of Divinity and Doctor of Ministry).

The University is fully accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the regional accreditation agency. In addition, The School of Theology is accredited by The Association of Theological Schools in the United States and Canada. The School of Business is accredited by the Accreditation Council for Business Schools and Programs (ACBSP). The School of Education is accredited by the Council for the Accreditation of Educator Preparation (CAEP).

Note 2 – Summary of Significant Accounting Policies

Basis of Financial Presentation and Accounting

The financial statements of the University have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the University’s financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or that can be fulfilled by action of the University pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Virginia Union University

Notes to Financial Statements

June 30, 2024

Cash and Cash Equivalents

The University considers all highly liquid general investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. Cash held for long-term investment is classified as investments.

Receivables

Receivables represent amounts for which the University has an unconditional right to receive. Receivables are stated at the amount the University expects to collect from outstanding balances. The University provides for probable uncollectible amounts through a provision for credit losses and an adjustment to a valuation allowance based on its experience, current and forecasted economic conditions and other circumstances which may affect the ability of students and others to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debt expense.

Changes in the allowance for credit losses for the years ended June 30 were as follows:

	2024	2023
Balance, beginning	\$ 13,000,477	\$ 10,371,190
Provision for credit losses	2,018,762	2,486,726
Write-offs, net of recoveries	(6,647,023)	142,561
Balance, ending	<u><u>\$ 8,372,216</u></u>	<u><u>\$ 13,000,477</u></u>

Investments

The fair values for equity securities with readily determinable fair values and for all debt securities are based on quoted market prices. Other investments, such as real estate, are carried at the lower of cost or market value. Net realized and unrealized gains or losses are reflected in the statement of activities.

The fair value of most alternative investments is based on valuations provided by external investment managers. The University believes the carrying value of these financial instruments is a reasonable estimate of fair value. Because some alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material.

Investments received as contributions are recorded at fair value at the date of receipt. Purchases and sales of investments are recorded on the trade date.

Endowment fund investments consist of assets that are Board designated (without donor restrictions), or donor restricted by time restrictions and perpetual restrictions by either the donor or law. General investments consist of assets that are considered to be without donor restrictions and were derived primarily from operating surpluses.

Interest and dividend income is recorded as earned. Income and realized and unrealized net gains on investments of endowment and similar net asset classes are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of an endowment fund to be held in perpetuity or if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;
- As increases in net assets without donor restrictions in all other cases.

The University has various investment vehicles that the carrying value fluctuates with the financial markets. As a result, the value of such investments as of the date of this report may be materially different than year-end values.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Assets Whose Use is Limited Under Loan Agreements

Resources required for debt service under loan agreements are reported as assets whose use is limited. As of June 30, 2024 and 2023, the University's assets whose use is limited consisted of cash and cash equivalents.

Beneficial Interest in Perpetual Trusts

The University is the sole beneficiary of three perpetual trusts (irrevocable trusts under will). The beneficial interest in perpetual trusts is recorded at the fair value of the underlying assets of the trusts.

The University has also been named as a beneficiary under endowments held and managed by a third party, but there is not sufficient information to record the beneficial interest in these funds. The University receives annual distributions from these funds which are without restriction in nature. The distribution amount received was \$118,393 and \$116,318 during the years ended June 30, 2024 and 2023, respectively.

Art Collection

The University owns a collection of artworks, consisting primarily of paintings donated by alumni. The collection is stated at appraised fair value as of the date of donation. Collection items are not to be sold as they are maintained for display perpetually.

Long-Lived Assets

Cash or other assets whose use is restricted to acquire long-lived assets are recorded as assets with donor restrictions until the long-lived assets are placed into service. Once placed into service, the net assets with donor restrictions are reclassified to net assets without donor restrictions. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying value of an asset may not be recoverable.

Property and Equipment

The University capitalizes major additions and betterments. The cost of maintenance and repairs is expensed currently. Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts, except for buildings and equipment acquired prior to July 1, 1972, which are stated at insurance values as of June 30, 1972. Depreciation is computed using the straight-line method. The general range of useful lives is five to ten years for equipment and furnishings and forty to sixty years for buildings and improvements. Construction in process consists of costs associated with various projects that had not been completed and placed in service at year-end.

During the year ended June 30, 2024, the University changed the useful life of some campus buildings from forty to sixty years. This change in accounting estimate resulted in a decrease in depreciation expense and an increase in the change in net assets of \$480,649 in the current year.

Asset Retirement Obligations (AROs)

An asset retirement obligation is a legal liability to the University for the cost of retiring a tangible long-lived asset (e.g., a building containing asbestos) that results from the acquisition, construction, or development and/or the normal operation of the long-lived asset. A conditional ARO is a legal obligation in which the timing and/or method of retirement are conditional on a future event that may or may not be within the control of the University. To reasonably estimate these liabilities, the University must be able to determine (1) the settlement date - the estimated date or range of dates that disposal is anticipated or legally required and (2) the settlement method - how the disposal will take place. The University follows the policy of recording the fair value of such liabilities when they can be reasonably estimated.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Accrued Compensation

The University accrues for salaries and all other compensation earned but not paid.

Refundable Advances

Refundable advances include proceeds from the Higher Education Emergency Relief Fund (HEERF) that are due back to the Department of Education that were not spent according to the grant guidelines.

Deferred Revenue

Deferred revenue includes proceeds from conditional grants that are not yet eligible to be recognized as revenue.

Debt Issuance Costs

Debt issuance costs related to the registration and issuance of debt are carried at cost less accumulated amortization and are being amortized over the life of the debt. Unamortized debt issuance costs are presented as a reduction of the carrying amount of the debt. Amortization of debt issuance costs is reported as interest expense in the statement of activities.

Net Asset Classifications of Institutional Funds

The University holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). "Endowment" is a commonly used term to refer to the resources, including trusts and annuities that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the University's activities. The University's endowment consists of funds established for a variety of purposes. As titled, UPMIFA provides guidance and regulations relative to the management of applicable funds.

In response to UPMIFA, the University adopted the provisions of accounting guidance for the net asset classification of donor-restricted endowment funds for an organization that is subject to UPMIFA, and also required related financial statement disclosures.

Interpretation of UPMIFA

The Board of Trustees of the University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the University classifies as net assets with donor restrictions the historical value of donor-restricted "true" endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable, at the time the accumulation is added to the fund.

Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted "true" endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with UPMIFA, the University 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 University and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the investment policies of the University.

Virginia Union University

Notes to Financial Statements

June 30, 2024

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of various indices, depending on the investment, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately the Consumer Price Index (CPI) plus withdrawals from the fund plus 2% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year a portion of its endowment fund's income for the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment and has set performance targets, as noted above, to include recovery of withdrawals. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of CPI plus 2% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. For the years ended June 30, 2024 and 2023, the Board-approved spending formula for the endowment provided for an annual spending rate of 9.0% and 4.5%, respectively, of the average market values for the three-year period that immediately precedes the year in which the appropriation for expenditures was made. Additional approved draws of \$1,700,000 and \$0- in excess of the spending rate were taken to pay off the line of credit in 2024 and 2023, respectively.

Funds With Deficiencies ("Underwater" Funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration, due to market fluctuations or other draws on the endowment. At June 30, 2024 and 2023, funds with fair value of \$4,921,719 and \$154,842 and original gift values of \$5,270,347 and \$476,236 were "underwater" by \$348,628 and \$321,394, respectively.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give or pledges receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. Unconditional promises to give without donor restrictions are recognized as operating revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Conditional promises to give are not recognized until they become unconditional - that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value based on independent appraisals. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is considered and provided, if necessary, based upon management's judgment including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restriction class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the net asset with donor restriction class; the restrictions are considered to be released at the time such long-lived assets are placed in service, or if the asset has already been placed in service, when the contribution is received.

For the years ended June 30, 2024 and 2023, approximately 18% and 10% of total contributions were received from one donor.

Student-Driven Revenue

The University's primary source of student-driven revenue is tuition and fees generated by providing undergraduate, graduate, and doctoral academic programs. Tuition and fees revenues are recognized over the term of the semester in which the academic instruction is provided in an amount the University expects to receive in exchange for the services.

The University receives auxiliary enterprise revenue by providing housing and dining services to students. The revenue for these services is recognized over the term of the semester in which the housing and dining services are provided in an amount the University expects to receive in exchange for the services.

Enrollment in the University constitutes a contract binding the students for the stated charges for the semester. The University bills students for tuition and fees and housing and dining services once the student is officially enrolled in the University. Payments are due at specified dates based on payment arrangements made by students and the University. Students who withdraw within the first week of the semester will receive an 80% refund of tuition, the refund decreases by 20% for each week thereafter. Students withdrawing after the fourth week of the semester receive no refund. All institutional fees are non-refundable. Residence hall and dining fees cannot be refunded once the housing contract has been signed. The amount of revenue recognized is reduced by refunds issued.

Advertising

The University follows the policy of charging the costs of advertising to expense as incurred.

Credit Risk Concentrations

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, investments, student accounts receivable, and loans receivable. The University places its temporary cash investments with high-credit, quality financial institutions. A portion of the University's bank deposits are in excess of federally insured limits. Concentration of credit risk for investments is limited by the University's policy of diversification of investments. The concentration of credit risk for student accounts receivable and loans receivable are limited due to a large base and geographic dispersion.

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Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code*; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation. The change in net assets and net assets, as previously reported, did not change as a result of these reclassifications.

Adoption of New Accounting Standard

Effective July 1, 2023, the University adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of current expected credit losses (CECL) on certain financial instruments. The University adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the University that are subject to Topic 326 include student receivables. The adoption of ASU 2016-13 did not materially impact the University's changes in net assets, cash flows, or presentation thereof.

Subsequent Events

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 23, 2024, the date the financial statements were available to be issued.

Note 3 – Financial Assets and Liquidity Resources

As part of the University's liquidity management, it invests cash in excess of amounts required for operations in money markets, certificates of deposits, and equity securities in accordance with the University's investment policy. To help manage the liquidity needs, the University has a quasi-endowment. Although the University does not intend to spend from its quasi endowment other than amounts appropriated for general expenditure as part of its annual budget and appropriation, amounts from its quasi endowment could be made available by action of the Board of Trustees, if necessary. Accordingly, the quasi-endowed portion of the University's investments is included within the portion of investments without donor restrictions in the schedule below to arrive at the total financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date.

Financial assets available within one year of the statements of financial position date for general expenditure were as follows:

	2024	2023
Cash and cash equivalents	\$ 4,128,474	\$ 3,191,953
Student receivables, net	1,383,615	1,796,215
Other receivables	1,925,886	251,434
Portion of investments without donor restrictions	3,428,221	3,219,413
Investments appropriated for current use	1,940,491	1,015,317
	<u>\$ 12,806,687</u>	<u>\$ 9,474,332</u>

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Note 4 – Contract Assets and Contract Liabilities

The University's assets and liabilities from contracts with customers consisted of the following at June 30:

	2024	2023	2022
Student receivables, net	\$ 1,383,615	\$ 1,796,215	\$ 412,559
Credit balances on student accounts	(660,539)	(946,440)	(692,243)

The increases and decreases in student receivables and credit balances on student accounts were primarily due to normal timing differences between the University's performance and the student's payments. If a student has a balance after all financial aid has been applied, they are required to enter into a financial agreement with the University. The first payment is due at the time of registration, with the following payments due throughout the semester. Students are required to pay the balance in full by the last day of classes and are not allowed to register for the following semester unless the prior balance has been paid or a new financial agreement has been placed on file. Interest is not charged on financial agreements. When a student leaves the University and has not returned for two consecutive semesters and has a balance on the account, the account is sent to collections.

For the years ended June 30, 2024 and 2023, the University recognized revenue of approximately \$946,000 and \$692,000, respectively, from amounts that were included in credit balances on student accounts at the beginning of the year.

Note 5 – Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable consisted of the following at June 30:

	2024	2023
Expected to be collected in:		
Less than one year	\$ 1,075,848	\$ 3,065,849
One to five years	2,300,000	3,500,000
More than five years	30,000	-
	<u>3,405,848</u>	<u>6,565,849</u>
Less:		
Discount to net present value at 0.5% - 3.7%	(30,910)	(32,666)
Allowance for uncollectible contributions	(848,639)	(848,639)
	<u><u>\$ 2,526,299</u></u>	<u><u>\$ 5,684,544</u></u>

The University provides an allowance for unconditional promises to give equal to the estimated collection losses that may be incurred in the collection of the unconditional promises to give. The estimated losses are based on the prior year experience and management's analysis of specific promises made. Management continually assesses the collectability of its outstanding promises to give. Management determined that an allowance for uncollectible promises to give of \$848,639 was necessary at June 30, 2024 and 2023.

Unconditional promises to give from one and two donors, respectively, represented 59% and 76%, respectively, of pledges receivable at June 30, 2024 and 2023.

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Note 6 – Investments

Investments were comprised of the following as of June 30:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Endowment fund	\$ 29,115,763	\$ 31,909,591	\$ 30,837,672	\$ 30,874,196
General investments	405,075	628,214	876,726	1,174,220
Total investments	\$ 29,520,838	\$ 32,537,805	\$ 31,714,398	\$ 32,048,416

Investment earnings consisted of the following:

	2024	2023
Interest and dividend income	\$ 895,718	\$ 991,933
Realized gains (losses) on sales of securities	229,752	(529,174)
Unrealized gains on investments	2,740,461	2,133,487
	\$ 3,865,931	\$ 2,596,246

Interest and dividend income is shown net of related investment expenses of approximately \$147,000 and \$137,000, respectively, for the years ended June 30, 2024 and 2023.

The classification of investments at June 30 was as follows:

	2024	2023
Without donor restrictions	\$ 3,428,221	\$ 3,219,413
With donor restrictions	29,109,584	28,829,003
	\$ 32,537,805	\$ 32,048,416

Note 7 – Fair Value Measurements

Accounting guidance establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1** Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that management has the ability to access at the measurement date.
- Level 2** Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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Investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 consider several inputs and may include Level 1 and Level 2 inputs as components of the overall fair value measurement.

The following is a description of the valuation techniques and methodologies used for assets measured at fair value on a recurring or nonrecurring basis. No changes were made to these techniques and methodologies used by management during 2024 and 2023.

Investments and assets whose use is limited under loan agreements: Valued by reference to quoted market prices and other relevant information generated by market transactions. The fair value of alternative investments is determined by reference to the net asset value (or its equivalent) allocated to the University at the measurement date, typically by fund managers.

Beneficial interest in perpetual trusts: Valued using the estimated future cash flows expected from the trust, which approximates the fair value of the assets within the trust.

Cash value of life insurance policies: Valued based on the accumulated cash within each policy less any loans taken out against the policies.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables summarize fair value measurements by level for financial assets measured at fair value on a recurring basis:

Assets at Fair Value as of June 30, 2024				
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 987,659	\$ 987,659	\$ -	\$ -
Corporate bonds	1,834,646	1,834,646	-	-
Mutual funds	20,487,229	20,487,229	-	-
Equity securities	8,637,379	8,637,379	-	-
Preferred securities	129,964	129,964	-	-
Limited partnership (a)	460,928	-	-	-
Total assets at fair value	<u><u>\$ 32,537,805</u></u>	<u><u>\$ 32,076,877</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Assets whose use is limited under loan agreements:				
Cash and money market funds	<u><u>\$ 1,174,815</u></u>	<u><u>\$ 1,174,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Beneficial interest in perpetual trusts	<u><u>\$ 796,021</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 796,021</u></u>
Cash surrender value of life insurance policies	<u><u>\$ 1,296,172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,296,172</u></u>	<u><u>\$ -</u></u>

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Assets at Fair Value as of June 30, 2023				
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 1,910,669	\$ 1,910,669	\$ -	\$ -
Corporate bonds	2,075,414	2,075,414	-	-
Mutual funds	17,783,784	17,783,784	-	-
Equity securities	9,482,083	9,482,083	-	-
Preferred securities	185,768	185,768	-	-
Certificates of deposit	610,698	-	610,698	-
Total assets at fair value	<u>\$ 32,048,416</u>	<u>\$ 31,437,718</u>	<u>\$ 610,698</u>	<u>\$ -</u>
Assets whose use is limited under loan agreements:				
Cash and money market funds	\$ 540,148	\$ 540,148	\$ -	\$ -
Beneficial interest in perpetual trusts	\$ 760,820	\$ -	\$ -	\$ 760,820
Cash surrender value of life insurance policies	\$ 1,037,746	\$ -	\$ 1,037,746	\$ -

(a) In accordance with ASU 2015-07 *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent)*, certain investments that are measured at fair value using the net asset per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in this table in the statements of financial position.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements within the University using significant unobservable inputs (Level 3) at June 30:

	2024	2023
Balance, beginning	\$ 760,820	\$ 734,518
Realized and unrealized gain	35,201	26,302
Balance, ending	<u>\$ 796,021</u>	<u>\$ 760,820</u>

The following table summarizes by major category the alternative investments valued at net asset value per share (or its equivalent) as of June 30:

Major Category	2024		2023	
	Fair Value	Unfunded Commitment	Fair Value	Unfunded Commitment
Limited partnership (a)	<u>\$ 460,928</u>	<u>\$ 404,107</u>	<u>\$ -</u>	<u>\$ -</u>

(a) This category includes a limited partnership whose purpose is to achieve a risk-adjusted, superior rate of return through selected investments on a global basis in venture capital and growth equity funds. Investments included in this category are valued as of March 31, 2024, plus net cash flows through June 30, 2024. The net asset value as of June 30, 2024, was not available prior to issuance of these financials. As a result, the net asset value of the fund may have declined between March 31, 2024, and June 30, 2024, and that decline could be material.

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Note 8 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2024	2023
Buildings and improvement	\$ 73,261,631	\$ 73,311,151
Equipment and furnishings	29,790,019	27,486,241
Construction in process	17,538,358	6,881,467
Land	5,233,583	5,347,783
	125,823,591	113,026,642
Accumulated depreciation	(68,278,409)	(65,839,275)
	<u><u>\$ 57,545,182</u></u>	<u><u>\$ 47,187,367</u></u>

Note 9 – Line of Credit

The University had a \$1.8 million line of credit agreement, which was closed in April 2024. Borrowings under credit line bore interest at the daily Secured Overnight Financing Rate plus 3.85% (8.94% at June 30, 2023). Under the terms of the credit agreement, the University was required to meet certain operating and financial covenants, which included maintaining a debt service coverage ratio of not less than 1.2 utilizing the change in net assets without donor restrictions.

Note 10 – Leases

Finance Leases

The University is the lessee of computer equipment under three noncancelable finance leases, which expire on various dates through February 5, 2027. The leases contain \$1 bargain purchase options. The lease agreements do not include any renewal options, residual value guarantees, or restrictive covenants. The measurement of the lease liabilities uses the discount rate implicit in the leases. The University provided the computer equipment related to these leases to students free of charge and without expectation of return. The cost of the equipment was expensed resulting in no right-of-use assets associated with these finance leases.

These leases are classified as finance using the practical expedient.

The University's future payments due under finance leases reconciled to the finance lease liabilities are as follows:

Year Ending	
2025	\$ 455,860
2026	301,938
2027	222,623
Total undiscounted lease payments	980,421
Present value discount	(89,032)
Total finance lease liabilities	<u><u>\$ 891,389</u></u>

As of June 30, 2024, the weighted-average remaining lease term for the University's finance leases was 2.5 years. The weighted-average discount rate associated with finance leases as of June 30, 2024, was 6.0%.

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Operating Leases

The University is the lessor of land under a noncancelable operating lease, which expires on January 15, 2100. There is no renewal option. At the end of the lease, ownership of all improvements made on the land will revert to the University.

The University is the lessor of a building under a noncancelable operating lease, which expires on January 31, 2026. There are three additional three-year renewal options available. The lease does not contain a purchase option or transfer ownership to the lessee.

Minimum future rental income on these leases as of June 30, 2024, is as follows:

<u>Year Ending</u>	
2025	\$ 150,205
2026	115,205
2027	66,205
2028	66,205
2029	66,205
Thereafter	1,293,750
	<u><u>\$ 1,757,775</u></u>

Subsequent to year end, the University entered into a lease purchase agreement for computer equipment with a \$1 bargain purchase option. The lease is payable in eight semi-annual installments of \$86,301 starting in July 2024.

Subsequent to the year end, the University entered into a lease agreement for administrative and class space in New York City that commences on July 15, 2024. The lease is payable in monthly payments of \$83,215 for ten years starting in March 2025.

Subsequent to year end, the University entered into a lease agreement for office and warehouse space in Richmond, Virginia that commences on August 1, 2024. The lease is payable in sixty monthly payments of \$6,150 starting in August 2024.

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Note 11 – Debt Obligations

Debt obligations consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Series A 2023-1 – \$13,500,000 bond payable to Regions Bank in semi-annual installments starting at \$146,000 and increasing to \$374,000 by maturity, plus interest at 3.58%, with final payment and interest due May 1, 2053. Funds will be drawn as needed. The first principal payment is May 1, 2025. Under the terms of the Series A 2023-1 bonds, the University is required to establish an escrow account, which is reported as assets whose use is limited under loan agreements on the statements of financial position, equal to 5.26315% of the Series A 2023-1 bonds issued. Secured by Deed of Trust.	\$ 13,139,895	\$ 6,933,373
Series A 2023-2 – \$6,000,000 bond payable to Regions Bank in semi-annual installments starting at \$83,000 and increasing to \$127,000 by maturity, plus interest at the rate determined by the Federal Financing Bank which uses the 6-month T-bill as an indicative rate (5.052% and 5.47% as of June 30, 2024 and 2023, respectively), with final payment and interest due May 1, 2053. Funds will be drawn as needed. The first principal payment is May 1, 2025. Under the terms of the Series A 2023-1 bonds, the University is required to establish an escrow account, which is reported as assets whose use is limited under loan agreements on the statements of financial position, equal to 5.26315% of the Series A 2023-1 bonds issued. Secured by Deed of Trust.	740,305	740,305
Loan payable – \$2,125,000 to VCC Bank, entered into June 2021, payable in monthly installments of \$11,481, including interest at 4.25%, with final payment of unpaid principal and interest due June 2026. Secured by Deed of Trust.	1,979,985	2,031,480
Note Payable – \$1,128,639 to FieldTurf, entered into March 2022, payable in monthly payments that range from \$5,000 to \$93,304, including interest at 5.00%, with final payment of unpaid principal and interest due December 2023.	-	371,573
Note payable – \$5,263,316 to ABM Building Services, entered into November 2023, payable in annual installments of \$765,042, including imputed interest at 7.446%, with final payment of unpaid principal and interest due April 2034. Secured by equipment.	5,263,316	-
	21,123,501	10,076,731
	(438,104)	(453,846)
Unamortized debt issuance costs	<u>\$ 20,685,397</u>	<u>\$ 9,622,885</u>

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Scheduled principal payments by fiscal year are as follows:

Year Ending	Debt	Amortization of Debt Issuance Costs	Total
2025	\$ 656,254	\$ (15,215)	\$ 641,039
2026	921,501	(15,215)	906,286
2027	964,845	(15,215)	949,630
2028	1,017,519	(15,215)	1,002,304
2029	1,066,695	(15,215)	1,051,480
Thereafter	16,496,687	(362,029)	16,134,658
	\$ 21,123,501	\$ (438,104)	\$ 20,685,397

Pursuant to the Series A 2023-1 and 2023-2 bond agreements, the University is subject to certain debt covenants; the most restrictive of which is the requirement to maintain net income available for debt service equal to at least 120% of maximum annual debt service. As of June 30, 2024, the University was not in compliance with this covenant. At the time that these financial statements were available to be issued, September 23, 2024, the University was in the process of formally requesting a written waiver of noncompliance with the lender. The approval and any additional terms of such waiver are unknown at this time. However, it should be noted that the noncompliance as of June 30, 2024, was primarily caused by the inclusion in the principal payments within the calculation the payoff of a \$1,800,000 line of credit during 2024. Without this unusual event included in the calculation for 2024, the University would have been in compliance with the covenant on June 30, 2024. As such, management feels the lender will issue a written waiver, and the presentation of future principal and interest payments has not been impacted by this noncompliance.

Note 12 – Net Assets with Donor Restrictions

The endowment portion of net assets with donor restrictions is composed of funds received from Endowment Challenge Grants under the Department of Education. Under the terms of this grant, the University receives annual funding of the grants of \$200,000 which must be maintained in separate annual trust funds by year. During the term of the endowments (20 years) disbursements may be made out of the fund earnings at a rate of 50% of annual earnings per fund as long as matching donations have been obtained and deposited into that year's endowment fund. These funds must remain in that year's endowment account for 20 years from the date on which the initial funding was received, at which time they become net assets without donor restrictions. The University received initial grant funding under this program during fiscal year ended June 30, 2007, therefore, funds will begin being released to net assets without donor restrictions during fiscal year ended June 30, 2027, and will continue each year thereafter during which the University meets the restriction period.

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Net assets with donor restrictions consisted of the following:

	2024	2023
Purpose and/or time restrictions:		
Endowment	\$ 6,624,272	\$ 6,746,427
Institutional support	13,371,895	15,327,992
Physical plant	1,000,003	1,191,580
Future periods	2,026,148	2,026,148
Instruction	1,841,562	1,478,738
Academic support	1,490,282	1,427,269
Other	313,098	313,098
	<u>26,667,260</u>	<u>28,511,252</u>
Perpetual restrictions:		
Perpetually restricted endowments (see Note 13)	23,201,452	22,082,576
Beneficial interest in perpetual trusts	796,021	760,820
	<u>23,997,473</u>	<u>22,843,396</u>
Total net assets with donor restrictions	<u>\$ 50,664,733</u>	<u>\$ 51,354,648</u>

Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of specified events or by the change of restrictions specified by donors.

Net assets released from donor restrictions were as follows:

	2024	2023
Student aid	\$ 6,286,199	\$ 5,875,137
Institutional support	3,406,083	2,210,222
Instruction	1,851,852	1,159,016
Physical plant	256,811	1,277,610
COVID-19 qualifying expenditures	-	2,283,202
	<u>\$ 11,800,945</u>	<u>\$ 12,805,187</u>

Note 13 – Endowment

Endowment net asset composition by type of fund for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowments	\$ 2,800,006	\$ -	\$ 2,800,006
Term endowments	-	6,624,272	6,624,272
Donor-designated endowments	-	23,201,452	23,201,452
	<u>\$ 2,800,006</u>	<u>\$ 29,825,724</u>	<u>\$ 32,625,730</u>

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Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,045,192	\$ 28,829,003	\$ 30,874,195
Investment return:			
Investment income, net of fees	156,114	645,724	801,838
Realized and unrealized gains	484,700	2,403,280	2,887,980
Total investment return	640,814	3,049,004	3,689,818
Contributions and transfers	200,000	1,163,913	1,363,913
Endowment payouts	(86,000)	(3,216,196)	(3,302,196)
Endowment net assets, end of year	<u>\$ 2,800,006</u>	<u>\$ 29,825,724</u>	<u>\$ 32,625,730</u>

Endowment net asset composition by type of fund for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowments	\$ 2,045,192	\$ -	\$ 2,045,192
Term endowments	-	6,746,427	6,746,427
Donor-designated endowments	-	22,082,576	22,082,576
	<u>\$ 2,045,192</u>	<u>\$ 28,829,003</u>	<u>\$ 30,874,195</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,758,625	\$ 27,199,299	\$ 28,957,924
Investment return:			
Investment income, net of fees	139,229	759,718	898,947
Realized and unrealized gains	177,495	1,366,859	1,544,354
Total investment return	316,724	2,126,577	2,443,301
Contributions and transfers	-	800,624	800,624
Endowment payouts	(30,157)	(1,279,497)	(1,327,654)
Endowment net assets, end of year	<u>\$ 2,045,192</u>	<u>\$ 28,829,003</u>	<u>\$ 30,874,195</u>

Note 14 – Revenues

The following table shows the University's revenues from contracts with customers disaggregated by service type:

	2024	2023
Student tuition and fees, net	<u>\$ 19,084,924</u>	<u>\$ 16,894,428</u>
Auxiliary enterprises:		
Housing services plant	3,626,448	2,731,636
Dining services	3,532,659	2,557,746
	<u>\$ 7,159,107</u>	<u>\$ 5,289,382</u>

Student tuition and fees include regular-session tuition for the University's undergraduate and graduate regular and summer sessions, as well as miscellaneous fees.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Note 15 – Operating Expenses

The table below presents expenses by both their nature and function for 2024:

	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Sub-Total	Institutional Support	Total
Salaries	\$ 5,662,486	\$ 2,020,876	\$ 1,889,692	\$ 1,676,406	\$ 11,249,460	\$ 5,994,692	\$ 17,244,152
Employee benefits and payroll taxes	790,452	267,657	251,022	234,354	1,543,485	862,426	2,405,911
Equipment rental, maintenance and utilities	-	-	-	-	-	1,530,131	1,530,131
General, office and instructional supplies	31,399	18,653	57,260	16,470	123,782	265,429	389,211
Contract services	911,626	1,022,007	1,777,469	65,400	3,776,502	3,742,665	7,519,167
Insurance	-	-	-	-	-	1,155,009	1,155,009
Travel	164,049	141,536	113,439	415,483	834,507	56,802	891,309
Printing, publications and advertising	3,272	86,512	-	16,964	106,748	339,999	446,747
Student meal plan	-	-	-	3,221,327	3,221,327	-	3,221,327
Postage	65	35	1,504	266	1,870	11,221	13,091
Other	364,969	680,698	1,115,334	1,013,435	3,174,436	4,893,138	8,067,574
Depreciation	607,144	121,429	194,286	947,144	1,870,003	558,572	2,428,575
Operations and maintenance	252,914	50,583	80,932	394,545	778,974	232,681	1,011,655
Rent	10,489	-	2,513	87,151	100,153	21,152	121,305
Credit losses	-	-	-	-	-	2,018,762	2,018,762
	<u>\$ 8,798,865</u>	<u>\$ 4,409,986</u>	<u>\$ 5,483,451</u>	<u>\$ 8,088,945</u>	<u>\$ 26,781,247</u>	<u>\$ 21,682,679</u>	<u>\$ 48,463,926</u>

The table below presents expenses by both their nature and function for 2023:

	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Sub-Total	Institutional Support	Total
Salaries	\$ 5,275,034	\$ 2,246,195	\$ 1,779,395	\$ 1,708,460	\$ 11,009,084	\$ 5,307,675	\$ 16,316,759
Employee benefits and payroll taxes	763,526	280,775	253,489	238,017	1,535,807	774,888	2,310,695
Equipment rental, maintenance and utilities	13,609	-	-	-	13,609	1,588,532	1,602,141
General, office and instructional supplies	72,526	18,385	53,640	3,159	147,710	223,288	370,998
Contract services	145,680	1,146,098	1,309,172	126,227	2,727,177	4,019,966	6,747,143
Interest expense	-	-	-	-	-	259,777	259,777
Insurance	-	-	-	-	-	1,247,182	1,247,182
Travel	158,236	11,606	22,601	158,612	351,055	79,253	430,308
Printing, publications and advertising	17,228	1,540	5,582	2,022	26,372	62,168	88,540
Student meal plan	-	-	-	2,844,368	2,844,368	-	2,844,368
Postage	147	351	1,093	14,358	15,949	16,223	32,172
Other	409,195	799,553	566,527	1,837,293	3,612,568	7,727,467	11,340,035
Depreciation	674,536	134,907	215,851	1,052,276	2,077,570	620,572	2,698,142
Operations and maintenance	70,748	14,150	22,637	110,367	217,902	65,087	282,989
Rent	-	-	-	48,083	48,083	13,560	61,643
Credit losses	-	-	-	-	-	2,486,726	2,486,726
	<u>\$ 7,600,465</u>	<u>\$ 4,653,560</u>	<u>\$ 4,229,987</u>	<u>\$ 8,143,242</u>	<u>\$ 24,627,254</u>	<u>\$ 24,492,364</u>	<u>\$ 49,119,618</u>

Virginia Union University
Notes to Financial Statements
June 30, 2024

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, interest, and operations and maintenance of physical plant which are all allocated based on management's estimates of usage.

Fundraising costs were approximately \$849,000 and \$501,000 for the years ended June 30, 2024 and 2023, respectively. Such amounts are included in institutional support expenses in the accompanying statement of activities.

Note 16 – Retirement Plan

Upon completing one year of service, full-time employees of the University are eligible to participate in a contributory retirement plan. The University matches participant contributions to the Plan. The University's contribution to the Plan was \$231,760 and \$237,872 for the years ended June 30, 2024 and 2023, respectively.

Note 17 – Commitments and Contingencies

Contractual Commitments

The University is under contract with a food service provider through June 30, 2027. Charges are based on the number of students with meal plans, and expenses are billed weekly during the school year. Costs are expected to be approximately \$3.1 million for the year ending June 30, 2025.

The University is under contract with a construction company to complete renovations on Industrial Hall at a total estimated cost of \$10,583,000. As of June 30, 2024, the University had a remaining commitment balance of approximately \$220,000.

The University is under contract with a software provider through the fiscal year 2026. As of June 30, 2024, the University had a remaining commitment balance of approximately \$385,000.

Insurance Claims

During 2023, the University had two material loss events both of which were covered by insurance. One such event related to water damage from frozen pipes in three campus buildings. This event occurred on December 24, 2022 and the related damage and covered insurance claim was approximately \$5,900,000. The other event related to wind damage to one campus building. This event occurred on April 1, 2023, and the related damage and covered insurance claim was approximately \$1,100,000. As of June 30, 2024, the University has an approximately \$549,000 liability recorded related to insurance payments in excess of repair expenses incurred and paid for by the University. Also, during 2024, the University recorded approximately \$169,000 to Other Revenue related to payment for lost revenue on the water damage claim. Further, as of June 30, 2024, University management feels that any remaining expenses discovered and incurred related to either claim will be fully covered by insurance.

Legal Matters

The University, in the ordinary course of its business, is the subject of, or a party to, various pending or threatened legal actions involving private interests. In the opinion of management, the ultimate liability arising from these actions will not have a material effect on the University's financial position.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Federal Programs

The University receives the majority of its federal funding from the U.S. Department of Education (DOE). The University's compliance with the requirements of federal programs is subject to an annual audit by an independent auditor. Such compliance audits are subject to review by the DOE and the University has the right to appeal any liabilities that may be asserted by the DOE. The liabilities, if any, arising from such compliance audits cannot be determined at this time. Management is of the opinion that the liability, if any, would not have a material adverse effect on the University's financial position.

Asset Retirement Obligations (AROs)

The University is unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to encapsulated asbestos, that is not subject to abatement unless the buildings containing them are demolished, and non-encapsulated asbestos that the University would remediate only if it performed major renovations of the applicable buildings. Because these conditional obligations have indeterminate settlement dates, the University could not develop a reasonable estimate of their fair values. The University will continue to assess its ability to estimate fair values at each future reporting date. The related liability, if any, will be recognized once sufficient additional information becomes available.

Accreditation Status

On December 5, 2023, the University was formally notified in a Disclosure Statement Regarding the Status of the University from Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) that the University was continued in accreditation for good cause and placed on probation in regard to its accreditation under SACSCOC.

Program Review – Title IV, HEA Programs

The University was notified on May 16, 2023, that the Department of Education would be conducting an off-site review to assess the University's administration of the Title IV, HEA programs in which it participates. The review initially covered the 2021-2022 and 2022-2023 award years but may be expanded if appropriate. At the time these audited financial statements were available to be issued, September 23, 2024, the University had not been made aware of any formal determination or findings related to this review.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Note 18 – COVID-19 Relief Funding

Under various pieces of legislation, the University received HEERF funding, which is an allotment of funding for higher education institutions for budgetary relief. Each institution received one grant comprised of two parts - student aid and institutional aid. Monies for student aid had to be paid directly to qualifying students in a pass-through transaction that could be elected by the student as a direct credit on their student account or as a cash payment. The institutional portion of the grants could be used as institutional aid to cover costs related to significant changes in the delivery of instruction or to replace lost revenue suffered due to the COVID-19 outbreak. The University had been allotted \$11,748,736 in HEERF funds with the student portion totaling \$5,274,247 and institutional portion totaling \$6,474,489. The University accounted for these funds as conditional contributions included in COVID-19 relief funding with donor restrictions on the statement of activities. Amounts were released from restriction as qualified expenses were incurred. For the years ended June 30, 2024 and 2023, the University released funds totaling \$-0- and \$2,564,340, respectively. The remainder of \$52,879 for the student portion and \$1,660,916 for the institutional portion, totaling \$1,713,795, will be refunded to the Department of Education due to the program ending on June 30, 2023. For the years ended June 30, 2024 and 2023, a refundable advance of \$1,713,795 is shown on the statement of financial position for HEERF funds drawn down but not spent according to grant guidelines. During the year ending June 30, 2024, the University underwent a Department of Education (DOE) program determination review which requires the University to refund the \$1,713,795 to the DOE or enter into a repayment agreement among other corrective actions.

The University also received funds under Section 18004(a)(2) of the CARES act for Historically Black Colleges and Universities. Proceeds were to be used to defray expenses, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff training, and payroll. The proceeds could also be used for grants to students for any component of the student's cost of attendance, including food, housing, course materials, technology, health care, and childcare. The University had been allotted \$12,082,010. The University accounted for these funds as conditional contributions included in COVID-19 relief funding with donor restrictions on the statement of activities. Amounts were released from restriction as qualified expenses were incurred. For the years ended June 30, 2024 and 2023, the University released funds totaling \$-0- and \$1,155,881. The funds were completely expended in 2023.

During fiscal year 2023, the University filed for the Employee Retention Credit (ERC). The ERC is a refundable tax credit against certain employment tax equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021, and 70% of the qualified wages paid to employees after December 31, 2020, through June 30, 2021. Eligible employers, such as the University, have immediate access to the credit by reducing employment deposits they are otherwise required to make. The University filed amended prior quarters employer's federal tax returns (941's) in 2023. The total credit claimed and awaiting to be received by the University at June 30, 2024, and recorded as revenue in 2023 is \$3,018,702. The total is included in employee retention credit on the statements of activities and federal and other receivables on the statements of financial position.

Virginia Union University
Notes to Financial Statements
June 30, 2024

Note 19 – Contributed Nonfinancial Assets

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	2024	2023
Art Collection	\$ -	\$ 220,000
Miscellaneous	603	30,921
	\$ 603	\$ 250,921

The University recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed art will be displayed as part of the University's art collection. In valuing the contributed artwork, the University estimated the fair value on the basis of the donor's independent professional appraisal valuation.

The contributed miscellaneous items will be used for instructional activities. In valuing the contributed miscellaneous items, the University estimated the fair value on the basis of the estimated purchase cost for similar materials.

Note 20 – Prior Period Restatement

During 2024, it was determined that twenty-three life insurance policies purchased in fiscal year 2019 were not recorded on the books. As such, fiscal year 2023 was restated as follows:

	Previously Reported June 30, 2023	Restatement	As Stated June 30, 2024
Prepaid expenses and other	\$ 580,559	\$ 607,363	\$ 1,187,922
Total assets	96,425,618	607,363	97,032,981
Net assets without donor restrictions	22,850,502	607,363	23,457,865
Total net assets	74,205,150	607,363	74,812,513
Institutional support	15,082,081	(265,515)	14,816,566
Total expenses	49,385,133	(265,515)	49,119,618
Beginning net assets without donor restrictions	25,586,557	341,848	25,928,405

Virginia Union University
Notes to Financial Statements
June 30, 2024

Note 21 – Financial Responsibility Requirements

The following items address elements included in the financial responsibility supplemental schedule as required by the U.S. Department of Education.

	2024
Land, Buildings and Equipment (LB&E):	
LB&E, pre-implementation	\$ -
LB&E, post-implementation with outstanding debt	20,685,397
LB&E, post-implementation without outstanding debt	19,321,427
Construction in progress	17,538,358
	<u>\$ 57,545,182</u>
Debt:	
Long-term debt, pre-implementation	\$ -
Long-term debt, post-implementation	20,685,397
	<u>\$ 20,685,397</u>
	2023
Land, Buildings and Equipment (LB&E):	\$
LB&E, pre-implementation	-
LB&E, post-implementation with outstanding debt	9,622,885
LB&E, post-implementation without outstanding debt	30,683,015
Construction in progress	6,881,467
	<u>\$ 47,187,367</u>
Debt:	\$
Long-term debt, pre-implementation	-
Long-term debt, post-implementation	9,622,885
	<u>\$ 9,622,885</u>

The University had no related party activity during the years ended June 30, 2024 or 2023.



U.S. Department of Education Requirements

Virginia Union University
Summary Schedule of Financial Responsibility
Year Ended June 30, 2024

Primary Reserve Ratio

		<u>2024</u>	<u>2023</u>
	<u>Expendable Net Assets</u>		
Statement of Financial Position	Net assets without donor restrictions	\$ 23,647,273	\$ 23,457,865
Statement of Financial Position	Net assets with donor restrictions	50,664,733	51,354,648
Statement of Financial Position	Property, plant, and equipment, net (includes Construction in progress)	57,545,182	47,187,367
Note 21 of the Financial Statements - land, buildings, and equipment	Property, plant, and equipment pre-implementation	-	-
Note 21 of the Financial Statements - land, buildings, and equipment	Property, plant, and equipment post-implementation with outstanding debt for original purchase	20,685,397	9,622,885
Note 21 of the Financial Statements - land, buildings, and equipment	Property, plant, and equipment post-implementation without outstanding debt for original purchase	19,321,427	30,683,015
Note 21 of the Financial Statements - land, buildings, and equipment	Construction in progress	17,538,358	6,881,467
Statement of Financial Position	Long-term debt - for long term purposes	20,685,397	9,622,885
Note 21 of the Financial Statements - Financial Responsibility Requirements	Long-term debt - for long term purposes post-implementation	20,685,397	9,622,885
Note 12 of the Financial Statements - Net Assets	Net assets with donor restrictions: restricted in perpetuity	23,997,473	22,843,396

Total Expenses and Losses

Statement of Activities	Total expenses without donor restrictions	48,463,926	49,119,618
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Equity Ratio

	<u>Modified Assets</u>		
Statement of Financial Position	Net assets without donor restrictions	23,647,273	23,457,865
Statement of Financial Position	Net assets with donor restrictions	50,664,733	51,354,648
	<u>Modified Assets</u>		
Statement of Financial Position	Total assets	108,195,240	97,032,981

Net Income Ratio

Statement of Activities	Change in Net Assets Without Donor Restrictions	190,408	(2,470,540)
Statement of Activities	Total revenues, gains, and other support	48,653,334	46,649,078

See Independent Auditor's Report.



Compliance Section

**Independent Auditor's 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 Trustees of
Virginia Union University
Richmond, 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 the Virginia Union University, which comprise of the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Union University'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 Union University's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Union University'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 identified no deficiencies in internal control that we consider to be material weaknesses. However, we did identify deficiencies in internal control that we consider to be significant deficiencies (see 2024-001 through 2024-004). However, material weaknesses or other significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Union University'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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (see 2024-001 through 2024-004).

Virginia Union University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Virginia Union University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Virginia Union University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the 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 Virginia Union University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia Union University's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 23, 2024

Virginia Union University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Student Education Opportunity Grants	84.007	N/A	\$ 204,518
Federal Work-Study	84.033	N/A	202,379
Federal Pell Grant Program	84.063	N/A	5,124,368
Federal Direct Loan Program	84.268	N/A	<u>15,281,731</u>
Total Student Financial Assistance Cluster			<u>20,812,996</u>
TRIO Cluster:			
TRIO: Upward Bound	84.047A	N/A	293,423
TRIO: McNair Post-Baccalaureate Achievement	84.217	N/A	274,078
TRIO: Talent Search	84.044	N/A	270,443
TRIO: Talent Search - Upward Bound Math and Science Program	84.044M	N/A	267,160
TRIO: Student Support Services	84.042	N/A	<u>279,221</u>
Total TRIO Cluster			<u>1,384,325</u>
Title III, Higher Education Institutional Aid:			
Strengthening Historically Black Colleges and Universities	84.031B	N/A	2,162,692
Strengthening Historically Black Colleges and Universities - SAFRA	84.031F	N/A	<u>458,706</u>
Total Title III, Higher Education Institutional Aid			<u>2,621,398</u>
Fulbright-Hays Group Projects Abroad Program	84.021A	N/A	<u>119,602</u>
Office of Postsecondary Education	84.116Z	N/A	<u>545,961</u>
Total U.S. Department of Education			<u>25,484,282</u>
National Science Foundation:			
Education and Human Resources	47.076	N/A	<u>367,430</u>
Department of Commerce:			
Connecting Minority Communities Pilot Program	11.028	N/A	<u>1,451,430</u>
National Endowment for the Humanities (NEH):			
Passed through The Teagle Foundation:			
Promotion of Humanities Teaching and Learning Resources and Curriculum Development	45.162	AH-274009-20	68,168
Direct Funding:			
Institute of Museum and Library Sciences	45.309	N/A	<u>58,556</u>
Total National Endowment for the Humanities (NEH)			<u>126,724</u>
Total expenditures of federal awards			<u><u>\$ 27,429,866</u></u>

Virginia Union University

Note to Schedule of Expenditures of Federal Awards

June 30, 2024

Summary of Significant Accounting Policies

General

The University participates in several programs sponsored by various government agencies as listed in the accompanying Schedule of Expenditures of Federal Awards. All programs are subject to audit by the various agencies which have the authority to determine liabilities and limit or suspend the University's participation in the federal programs.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Virginia Union University (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements. The College's major programs are as follows:

Student Financial Aid

Student Financial Aid includes certain awards to provide financial aid to students, primarily under the Federal Work-Study (FWS), Federal Pell Grant (Pell), Federal Teach Grant (TEACH), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs of the U.S. Department of Education. The College also receives awards to make loans to eligible students under a federal student loan program and the Federal Direct Loan program.

Title III, Higher Education Institutional Aid

The Title III Aid includes certain awards to provide financial aid to students and the University, primarily under the Strengthening Historically Black Colleges and Universities and Strengthening Historically Black Colleges and Universities – SAFRA programs of the U.S. Department of Education.

Connecting Minority Communities Pilot Program

The Connecting Minority Communities Pilot Program awards funding for services and equipment to improve broadband internet services or expanded connectivity to minority communities and institutions through the U.S. Department of Commerce.

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for all major programs except the Connecting Minority Communities Pilot Program for which it did elect the 10-percent de minimis indirect cost rate.

Federal Loan Programs

The University is responsible for the performance of certain administrative and compliance duties with respect to the Federal Direct Loan Programs. It is not practical to determine the balance of loans outstanding to students and former student of the University under these programs through the year ended June 30, 2024. These loans are not included in the University's financial statement.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Virginia Union University
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Virginia Union University's 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 Union University's major federal programs for the year ended June 30, 2024. Virginia Union University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Virginia Union University 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 Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Virginia Union University 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 Union University'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 Union University's federal programs.

Auditor's 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 Union University'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 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 Union University'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 Union University'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 Union University'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 Union University'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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2024-005 through 2024-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Virginia Union University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Virginia Union University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We did not identify deficiencies in internal control over compliance to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2024-005 and 2024-006 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Virginia Union University's response to the internal control over compliance findings identified in our compliance audit described in the accompany schedule of findings and questioned costs. Virginia Union University is responsible for preparing a corrective action plan to address each audit finding identified in the report. Virginia Union University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 23, 2024

Virginia Union University
Summary Schedule of Findings and Questioned Costs
June 30, 2024

A – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiency(s)?

X Yes _____ None reported

Noncompliance material to financial statement noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?

_____ Yes X No

Significant deficiency(s)?

X Yes _____ None reported

Noncompliance material to federal awards?

_____ Yes X No

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (a)?

X Yes _____ No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

Title IV – Student Financial Aid Cluster:

84.007 Federal Supplemental Opportunity Grant

84.033 Federal Work Study

84.063 Federal Pell Grant Program

84.268 Federal Direct Loan Program

Title III – Higher Education Institutional Aid:

84.031B Strengthening Historically Black Colleges and Universities

84.031F Strengthening Historically Black Colleges and Universities – SAFRA

11.028 Connecting Minority Communities Pilot Program

Dollar threshold used to distinguish between

Type A and Type B Programs:

\$750,000

Auditee qualified as a low risk auditee?

_____ Yes X No

Virginia Union University
Summary Schedule of Findings and Questioned Costs
June 30, 2024

B – Findings – Financial Statement Audit

2024-001 – Reconciliation and Monitoring of Federal and Private Grants (Significant Deficiency)

Criteria: The University is required to account for federal and private grant activity properly and defer any revenue related to these grants that hasn't met the requirements of income recognition accordingly

Condition: The University did not track deferred grant activity accurately leading to the posting of two audit adjustments that reduced this balance by a total of \$506,767.

Cause: The University does appear to have policies and procedures in place to properly monitor this activity. However, these procedures were not adhered to when reconciling deferred revenue.

Effect: Audit entries were required to be posted to correct the balances of related deferred revenue and revenue at June 30, 2024.

Identification of repeat findings: Partial repeat finding. See IC-2023-008.

Recommendations: We recommend that the University start FY25 with our ending deferred revenue detail and reconcile activity to the balance regularly (preferably monthly) throughout the year.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and will implement auditor's recommendations. See Client's Corrective Action Plan – Internal Controls over Financial Reporting Findings.

2024-002 – Restricted Net Assets (Significant Deficiency)

Criteria: The University should have sufficient assets without donor restrictions to cover operational expenses and should not be using donor restricted funds for operations.

Condition: The University doesn't have enough assets to cover its net assets with donor restrictions. This is primarily due to using donor restricted funds for operations.

Cause: The University does appear to have policies and procedures in place to ensure that donor restricted funds are not used for operations currently. However, these policies and procedures were not adhered to in the past, thus creating the deficiency.

Effect: Donor restricted funds are being used for purposes other than those intended by the donor.

Identification of repeat findings: Partial repeat finding. See IC-2023-007.

Recommendations: We recommend that management review donor restricted net asset balances to ensure that releases have been properly recorded based on donor restrictions.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and will implement auditor's recommendations. See Client's Corrective Action Plan – Internal Controls over Financial Reporting Findings.

Virginia Union University
Summary Schedule of Findings and Questioned Costs
June 30, 2024

2024-003 – Net Cash Surrender Value of Life Insurance Policies (Significant Deficiency)

Criteria: All valid assets of the University should be recorded in its accounting records

Condition: Financial management at the University discovered twenty-three whole-life policies acquired in a prior year were not recorded on the University's books.

Cause: The University does not appear to have policies and procedures in place to ensure that all assets are properly reflected in their accounting system.

Effect: Significant assets of the University were not properly recorded in prior years in the University's financial statements, requiring a prior period adjustment.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend the client determine why these insurance policies were not recorded and establish policies to monitor and ensure recording of such activity going forward.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and will implement auditor's recommendations. See Client's Corrective Action Plan – Internal Controls over Financial Reporting Findings.

2024-004 – Direct Loan Receivable Allowance (Significant Deficiency)

Criteria: The direct loan receivable account should only reflect balances and transactions related to such activities.

Condition: It was noted that the allowance for direct loans receivable needed to be increased to cover all balances in this receivable account not processed and collected after year end related to direct loan funds posted to student's individual receivable balances (funded by the University) before year end.

Cause: The University does appear to have policies and procedures in place to properly monitor and reconcile the activity being recorded to this account. However, these procedures were not adhered to when reconciling the direct loan receivable allowance account.

Effect: Activity unrelated to the purpose of this account has been posted to this account.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend that the client continue to investigate these differences and remove all receivables and the related allowance that are no longer valid - adjust to the appropriate balance that can be supported by subsequent receipts and remove all other balances and allowances and then continue to perform monthly reconciliations to ensure that only valid activity is posted to this receivable account.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding and will implement auditor's recommendations. See Client's Corrective Action Plan – Internal Controls over Financial Reporting Findings.

Virginia Union University
Summary Schedule of Findings and Questioned Costs
June 30, 2024

C – Findings and Questioned Costs – Major Federal Awards

2024-005 – US Department of Education (Significant Deficiency), Department of Education, SFA Cluster

Criteria: Regulations require that the Institution calculate refunds for students who withdrew during the semester, and any refunds should be remitted to the Department of Education in a timely manner, typically within 45 days of withdrawal.

Condition: Eleven students were selected for withdrawal test work. Of these eleven students, the Institution calculated an amount that needed to be returned for seven (four students tested did not require a return of any funds). Two of those students who required funds be refunded were not returned timely.

Cause: Process and controls over the return of funds for students are insufficient.

Effect: Funds were held in the University's cash account longer than necessary and such funds were no longer technically the property of the University after the student withdrew from the University.

Questioned costs: \$-0-

Perspective information: See table below:

Population	Total Population (in students)	Sample Size	Number in Sample Size that Separated from the University and required return of previously awarded funds to the Department of Education.	Number of Exceptions Found in the Preceding Column
Return of Title IV funds – students with Title IV assistance who officially withdrew and received all failing and/or incomplete grades.	111	11	7	2

Identification of repeat findings: Yes, see FA-2023-005.

Recommendation: The University should increase its efforts through training to ensure that federal refunds are calculated and remitted timely when students withdraw from the Institution.

Views of responsible officials: The University agrees with the finding. See Client's Corrective Action Plan – Single Audit Findings.

Virginia Union University
Summary Schedule of Findings and Questioned Costs
June 30, 2024

*2024-006 – National Student Loan Database System (NSLDS) Reporting (Significant Deficiency),
Department of Education, SFA Cluster*

Criteria: Under the Pell grant and direct loan programs, institutions are responsible for timely enrollment reporting to NSLDS whether they report directly or via a third-party servicer such as the National Student Clearinghouse (NSC). Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 60 days whenever the enrollment status changes for students, unless a roster will be submitted within 60 days.

Condition: We tested NSLDS Enrollment Detail Records for eleven students with changes in enrollment. Out of these eleven students tested, we noted that the NSLDS status was not changed in a timely manner for eight of them.

Cause: The enrollment data transmitted to NSC was not accurate until changes in the status were reported.

Effect: Enrollment statuses in NSLDS for the affected individuals were not correct and may have resulted in improper loan deferments and interest subsidiaries on outstanding loans.

Questioned costs: \$-0-

Perspective information: See table below:

Population	Total Population (in students)	Sample Size	Number in Sample Size that Separated from the University and required a timely change in NSLDS status	Number of Exceptions Found in the Preceding Column
Return of Title IV funds – students with Title IV assistance who officially withdrew and received all failing and/or incomplete grades.	111	11	11	8

Identification of repeat findings: Yes, see FA-2023-002.

Recommendation: The University should work with its Information Technology Department and NSC to determine the root cause of the enrollment reporting issues and develop a corrective action as soon as possible to avoid future reporting inaccuracies. The corrective action should be closely monitored by the Registrar on a regular basis to ensure the process is functioning as intended and resulting in accurate enrollment reporting.

Views of responsible officials: The University agrees with the finding. See Client's Corrective Action Plan – Single Audit Findings.

Virginia Union University

Summary Schedule of Findings and Questioned Costs

June 30, 2024

2024-007 – Monitoring of Student Withdrawal Activity, Department of Education, SFA Cluster

Criteria: Regulations require Institutions to consider students who have stopped attending classes in the semester to be considered an unofficial withdrawal. If a student withdraws officially or unofficially within the first 60% of the semester, the Institution must calculate a refund to the student's account statement. If a student withdraws after the 60% date in the semester, they are considered to have earned their aid and will not have a refund calculated.

Condition: We tested the withdrawal process for eleven students. Out of these eleven, seven students withdrew in a period of 60% and needed a calculation of the return of funds to be made. We noted that one of these students received a refund of aid, though they did not cease attending their classes until after the 60% mark.

Cause: Process and controls over attendance records and unofficial withdrawals are insufficient.

Effect: Federal funds were returned to the Department of Education when the student had in fact earned the aid for the semester.

Questioned costs: -\$4,983

Perspective information: See table below:

Population	Total Population (in students)	Sample Size	Number in Sample Size that Separated from the University and required return of previously awarded funds to the Department of Education.	Number of Exceptions Found in the Preceding Column
Return of Title IV funds – students with Title IV assistance who officially withdrew and received all failing and/or incomplete grades.	111	11	7	1

Identification of repeat findings: Not a repeat finding.

Recommendation: The University should closely monitor the attendance records of students to ensure that if a student stops attending but returns later in the semester, that any issues with federal aid are addressed timely and appropriately.

Views of responsible officials: The University agrees with the finding. See Client's Corrective Action Plan – Single Audit Findings.

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

A – Prior Year Audit Findings – Financial Statement Audit

IC-2023-001 – Internal Control Over Financial Reporting (Material Weakness)

During the audit, we posted 44 adjusting and reclassifying journal entries. Substantially all the entries were to correct bookkeeping errors or to make other adjustments that should have been made by the accounting department. The net effect of these entries was to increase the change in net assets by approximately \$1.1 million. It is not only inefficient from an audit standpoint to post such a large number of entries during the audit, but it indicates that the reports provided to management and the Board during the year were not accurate. The Board and management rely on accurate financial information to make informed decisions for the University. While there has been some improvement over the last two years, this material weakness still exists. Repeat comment from FY22.

Status: While we did post some audit adjustments during the current year audit, they were not of the magnitude or materiality as in prior years. Therefore, this is not considered a material weakness or significant deficiency for 2024.

IC-2023-002 – Internal Control Over Student Financial Aid Reporting and Reconciliation (Significant Deficiency)

Activity recorded by the Financial Aid department and the corresponding activity recorded in the general ledger was not reconciled or monitored during the year. The lack of oversight and reconciliation of student account activity and financial aid activity resulted in discrepancies noted during the review of reconciliations of related general ledger accounts with the underlying financial aid activity records that netted to amounts that were not material and, as such, were posted to the summary of adjustments passed (not posted). However, these errors were not identified and corrected by the University. Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

IC-2023-003 – Student Accounts Monitoring (Material Weakness)

During our audit it was noted that the student accounts receivable balance has continued to increase approximately by \$4 million from the prior year balance due to the lack of efforts by the University to collect those balances. It was also noted that the greater than one-year receivables grew approximately \$1.9 million from the prior year. We recommend that policies for collection and monitoring of the receivables be implemented immediately and strictly enforced to prevent the loss of revenue.

It was further noted that the ageing system was not completely reliable as it didn't properly reflect the age of some student balances tested. We recommend that training be obtained from the University Jenazbar consultant on proper posting, reporting and correcting student account activity so that proper monitoring of collections can be performed.

It was also noted that some very old student receivable balances that had been fully allowed for in past years were still reflected on the general ledger and on student account detail. We recommend the old balances as well as the related allowance be removed from the trial balance as well as the student account detail. Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

IC-2023-004 – Account Reconciliations (Significant Deficiency)

It was noted that of the total outstanding checks of \$325,553 in the Federal bank account only \$70,546 were less than one year old. Some of these outstanding checks date back to 2018. We recommend that these stale dated checks be remitted to the state as unclaimed property. It was also noted that checks issued to students for COVID relief were not able to be delivered to some students. These voided checks totaled \$96,764. We recommend that these checks be remitted to the state as unclaimed property as well.

During the audit, it was also noted that the Subsidiary Property & Equipment schedule did not agree to the general ledger at year-end. We recommend that the University perform regular reconciliations of the Property & Equipment detail reports to the general ledger to capture all activity throughout the year and make the appropriate corrections to either the general ledger or the Subsidiary ledger to ensure that the differences discovered in the audit are resolved. This will ensure that all activity is captured timely and properly and that issues noted in the audit are corrected. Reconciliations should also be reviewed by someone other than the preparer and initialed with the date of review.

We also noted passed adjustments were made to restricted other receivables for both over and understatements of the balance. We recommend reconciliations of all receivable balances be performed and reviewed monthly and all discrepancies investigated and properly addressed prior to monthly close. Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

IC-2023-005 – Unrecorded Accounts Payable and Accrued Liabilities (Material Weakness)

During the audit we made adjustments to increase the accounts payables and accrued liabilities by a net adjustment for the current year of approximately \$514,000. We also noted legal fees that had been duplicated in the accrued liabilities balance by approximately \$121,000. This discrepancy was recorded in the Summary of Adjustments Passed (not posted). Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

IC-2023-006 – Internal Control Over Student Accounts (Significant Deficiency)

The student account credit aging detail contains numerous errors relating back to the errors discovered in prior years (students with charges that weren't enrolled, and students enrolled without charges) resulting in some overstatement of some student credit balances. Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

IC-2023-007 – Net Assets and Permanently Restricted Net Assets (Significant Deficiency)

Beginning net assets did not agree to the prior year audit's ending net assets due to the client not posting all of the prior year audit adjustments properly. We recommend that, each year, after posting audit adjustments, net assets be reconciled to the audited financial statements to ensure that all adjusting journal entries have been recorded properly.

During the audit, it was discovered that permanently restricted net assets needed to be adjusted for erroneous payments of endowed scholarships posted to permanently restricted net assets instead of temporarily net assets. This resulted in the University not having a detailed list of all permanently restricted net assets that agrees with the financial statement. We recommend that this be corrected.

The University does not have enough assets to cover its net assets with donor restrictions. This is due to borrowing from the endowment fund by not remitting all permanently restricted gifts for investment and using those funds for operations. This resulted in the endowed gifts not receiving a share of the investment earnings. In order to correct this, the University will need to record a loan from the endowment and pay interest annually on the outstanding balance which should be allocated among the endowed funds. – Not a repeat comment from FY22.

Status: During FY24 we did not note material issues with beginning net assets agreeing to the prior year audit's ending net assets nor did we note that erroneous payments had been made out of permanently restricted net assets (first two paragraphs above). However, the University still does not have enough assets to cover its net assets with donor restrictions (3rd paragraph above). See 2024-002 – partial repeat finding, related to this remaining issue.

IC-2023-008 – Reconciliation and Monitoring of Federal and Private Grants (Material Weakness)

During the current year audit, we noted numerous errors in accounting for grants leading to ten audit adjustment and seven passed audit adjustments including a prior period adjustment totaling \$527,542 for overstating HEERF revenue due to unallowable expenditures. Repeat comment from FY22.

Status: Still applicable – partial repeat finding. See 2024-001.

IC-2023-009 – Remittance of Amounts Due (Control Deficiency)

During the audit, it was noted that the prior year payable due to the Department of Education for federal funds received by the University on behalf of students that were not enrolled during FY21 still had not been remitted. Repeat comment from FY22.

Status: We did not encounter similar issues during the 2024 audit.

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

B – Prior Year Audit Findings – Major Federal Awards

FA-2023-001: Direct Loan Reconciliations (Significant Deficiency), Department of Education, SFA Cluster (Repeat Finding)

Criteria: Institutions are required to report all Direct Loan (DL) disbursements and submit required records to the Department of Education's Common Origination and Disbursement (COD) which is a web-based system for processing, storing, and reconciling DL financial aid data. Each month, the COD provides Institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the Institution's financial records ("DL Reconciliations"). While the University has made significant improvements in this reconciliation process and that of the other related federal award programs, there are still unreconciled differences in all three major federal pass-through program's reconciliations as noted in the financial statement audit. However, for FY23, these differences netted to an immaterial difference overall and were not adjusted/passed during the financial statement audit. However, differences still remain, and the reconciliation process still needs to be improved upon.

Condition: We tested the University's monthly Direct Loan, Pell and SEOG reconciliations and noted continued overall differences on each reconciliation.

Status: We did not encounter similar issues during the 2024 audit.

FA-2023-002: National Student Loan Database System (NSLDS) Reporting (Significant Deficiency), Department of Education, SFA Cluster (Repeat Finding)

Criteria: Under the Pell grant and ED loan programs, Institutions are responsible for timely enrollment reporting to NSLDS whether they report directly or via a third-party servicer such as the National Student Clearinghouse (NSC). Enrollment reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 60 days whenever enrollment status changes for students unless a roster is submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Condition: We tested NSLDS Enrollment Detail Records for nine students with changes in enrollment. Out of those nine, we noted that none of NSLDS status was changed within a timely manner.

Status: Still applicable. See 2024-006.

FA-2023-003: Exit Loan Counseling (Significant Deficiency), Department of Education, SFA Cluster (Repeat Finding)

Criteria: Regulations require the Institution ensure exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate borrower shortly before the student borrower ceases at least half-time study. Exit counseling must be conducted within 30 days after the school learns the student borrower has withdrawn from school or failed to complete the exit counseling [34 CFR 685.304(b), (1) & 34 CFR 674.42(b)].

Condition: For 11 of student files examined where students with direct loans withdrew during FY23, we did not find satisfactory documentation to show that the University complied with exit counseling requirements for four of them and for six of them, counseling wasn't done timely (total exceptions 10 out of 11 files where such counseling was required).

Status: We did not encounter similar issues during the 2024 audit.

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

FA-2023-004: US Department of Education (Significant Deficiency), Department of Education, SFA Cluster (Repeat Finding)

Criteria: The Institution must verify that the student remains eligible to receive financial aid prior to disbursement of funds. From appendix A of compliance supplement: Student must maintain good standing, or satisfactory academic progress (34 CFRs 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 685.200, 686.11, 20 USC 1070h; 42 CFR 57.306; 42 USC 293a(d)(2)). Satisfactory academic progress (SAP) is defined as Maintenance of satisfactory progress (2.0 GPA).

Condition: For two of the 49 student files tested receiving financial aid during FY23, the GPA was below two out of 10 students with unsatisfactory academic progress were allowed to continue to receive federal aid with no evidence of obtaining a waiver.

Status: We did not encounter similar issues during the 2024 audit.

FA-2023-005: US Department of Education (Material Weakness), Department of Education, SFA Cluster (Repeat Finding)

Criteria: Regulations require the Institution refunds calculated for students who withdrew during a semester be remitted to the Department of Education timely, within 45 days of withdrawal.

Condition: Fourteen students were selected for withdrawal test work. Of those fourteen students, the Institution calculated an amount that needed to be returned for 8 of those students (four students tested didn't have to return any funds, met the requirement to keep all aid received). Six of those eight students who required funds to be returned based upon their withdrawal terms and resulting return of funding calculations were not returned timely to the Department of Education.

Status: Still applicable. See 2024-005.

FA-2023-006: US Department of Education (Significant Deficiency), Department of Education, SFA Cluster

Criteria: The Institution must verify that the student with Verification code V4 or V5 has a high school completion status and has signed an Identity of education purpose statement.

Condition: For one of the five student files tested that required verification of high school completion and a signed Identity of education statement of the total 49 students tested who received financial aid during FY23, the verification process was not documented.

Status: We did not encounter similar issues during the 2024 audit.

FA-2023-007: US Department of Education (Material Weakness), Department of Education, HEERF (Repeat Finding)

Criteria: The CARES, CRRSAA, and ARP institutional quarterly portion reporting requirements involve publicly posting completed forms on the Institution's website. The forms must be conspicuously posted on the Institution's primary website on the same page as the reports of the IHE's activities as to the emergency financial aid grants to students (Student Aid Portion) are posted. This information must also be updated no later than 10 days after the end of each calendar quarter (September 30, and December 31, March 31, June 30).

Virginia Union University
Summary Schedule of Prior Year Audit Findings
June 30, 2024

Condition: We tested two quarterly reports prepared by Virginia Union University to verify timely posting to website and accuracy in reporting. Of the two tested we were not able to verify that one had been posted timely to VUU's website and for one of the two tested, the form was not accurate; the amount distributed did not agree with underlying documentation.

Status: We did not encounter similar issues during the 2024 audit.

FA-2022-008: US Department of Education (Material Weakness), Department of Education, HEERF

Criteria: Recipients of HEERF funding must acknowledge that it may not condition the receipt of an emergency financial aid grant on continued or future enrollment with the Recipient. Recipients also acknowledge that it may not require a student to consent to the application of the emergency financial aid grant to the student's outstanding account balance as a condition of receipt of or eligibility for an emergency financial aid grant funding. The recipient also acknowledges that adding preconditions to receiving a financial aid grant that thwart this requirement may be subjected to oversight and corrective action. In consideration for this award, Recipients agree that they hold these grant funds in trust for students and act in the nature of a fiduciary for students.

Condition: We tested 36 students receiving student aid to verify that students had been notified of their award, received the funds directly and funds were applied as student requested on their signed and dated HEERF Notification and Authorization Form. Of the 36 tested 10 had issues. For 3 students, their account was credited for the award, and they had authorized payment by check; For 7 students, there was no form found directing how funds should be disbursed to them from VUU..

Status: We did not encounter similar issues during the 2024 audit.

Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

2024-001 – Reconciliation and Monitoring of Federal and Private Grants (Significant Deficiency)

Partial repeat comment

The University is required to account for federal and private activity properly and defer any revenue related to these grants that hasn't met the requirements of income recognition accordingly. The University is still not tracking deferred grant activity accurately leading to the posting of two audit adjustments that reduced this balance by a total of \$507,767.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action:

Now that FY24 is completed, although VUU has monthly reconciliation and closing procedures in place, VUU will use the format suggested by auditors to begin FY25 with audited ending deferred revenue detail, which agrees to the final balance in deferred revenue. The corrections will be completed as part of the August 31, 2024 month end close.

Responsible Person(s):

Stephanie M. White, AVP/Comptroller swhite@vuu.edu 804 257-5745

Robert Burns, Assistant Comptroller rburns@vuu.edu 804 342-3931

Planned Date of Completion of Corrective Action: September 30, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

2024-002 – Restricted Net Assets (Significant Deficiency)

Partial repeat comment

The University should have sufficient assets without donor restrictions to cover operational expenses and should not be using donor restricted funds for operations. The University does not have enough assets to cover its net assets with donor restrictions. This is primarily due to using donor restricted funds for operations.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action:

Now that FY24 is completed, VUU will look for any potential restriction releases. In addition, VUU will develop a plan to contact donors with dormant account activity and obtain approval to re-purpose temporarily restricted balances for general scholarships.

Responsible Person(s):

Stephanie M. White, AVP/Comptroller swhite@vuu.edu 804 257-5745

Planned Date of Completion of Corrective Action: September 30, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Audit did not encounter similar issues in 2024

Virginia Union University

Corrective Action Plan

June 30, 2024

2024-003 – Net Cash Surrender Value of Life Insurance Policies (Significant Deficiency)

New Comment

In FY 24, financial management at the University discovered twenty-three whole-life policies acquired in a prior year were not recorded on the University's books. The cash value was recorded during FY24 and a prior year adjustment posted for FY23.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action:

Now that FY24 is completed, VUU will establish a policy related to insurance policies and potential other assets. Once accounting is made aware of any new assets, a discussion will take place between accounting and audit firm.

Responsible Person(s)

Stephanie M. White, AVP/Comptroller swhtie@vuu.edu 804 257-5745

Brent Jackson, Esq, CLO/VP Legal Affairs bjackson@vuu.edu 804 399-6099

Planned Date of Completion of Corrective Action: September 30, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

2024-004 – Direct Loan Receivable Allowance (Significant Deficiency)

New Comment

It was noted that the allowance for direct loans receivable needed to be increased to cover all balances not representing legitimate direct loan receivables at June 30, 2024. As such, activity unrelated to direct loans receivable continues to be posted to this account.

The University concurs with this audit finding and will adhere to the corrective action plan.

Corrective Action:

As suggested by the auditors, the direct loan receivable account will be researched to ensure all federal funds have been received. If there are amounts that are not collectible, offsets to the allowance with any variances will be posted to bad debt recovery account. The corrections will be completed as part of the August 31, 2024 month end close.

Responsible Persons(s):

Stephanie M. White, AVP/Comptroller swhite@vuu.edu 804 257-5745

Planned Date of Completion of Corrective Action: September 30, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

2024-005 – US Department of Education
(Significant Deficiency), Department of Education, SFA Cluster

Criteria: Regulations require that the Institution calculate refunds for students who withdrew during the semester, and any refunds should be remitted to the Department of Education in a timely manner, typically within 45 days of withdrawal.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action Plan:

Although Official Withdrawals were calculated weekly, Unofficial Withdrawals for the Fall were calculated after the end of the semester. With the assistance of IT and the Registrar, Virginia Union University implemented a report to identify students who stopped attending classes for more than 14 days. As a result, Unofficial Withdrawals from the Spring were calculated in a timely manner. The report will be reviewed annually by the end of the add/drop deadline of the 16-week classes. Afterwards, it will continue to be utilized weekly to identify Unofficial Withdrawals.

Responsible Person(s):

Doreen Dixon, Registrar, ddixon@vu.edu 804-257-5845

Robert Merino, Executive Director of Financial Aid, jrmerino@vu.edu 804-254-3973

Planned Date of Completion of Corrective Action: August 31, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

**2024-006 – National Student Loan Database System (NSLDS) Reporting
(Significant Deficiency), Department of Education, SFA Cluster**

Criteria: Under the Pell grant and ED loan programs, Institutions are responsible for timely enrollment reporting to NSLDS whether they report directly or via a third-party servicer such as the National Student Clearinghouse (NSC). Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 60 days whenever the enrollment status changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absences.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action Plan:

Virginia Union University has significantly improved its compliance with federal regulations for enrollment reporting to the National Student Loan Data System (NSLDS). During FY24, a comprehensive review of all files from FY21 to FY23 was conducted to ensure accurate and timely reporting of students' enrollment statuses to the NSLDS. In addition to reviewing previous years, any delinquent reporting for FY24 was also updated to reflect the current status. By April 2024, reporting to NSLDS was synched to a cycle to ensure compliance with the 60-day window.

In October 2023, Virginia Union revised its Enrollment Reporting Policy to outline the reporting schedule for submissions to the National Student Clearinghouse (NSC). This updated policy sets forth the timeline and guidelines for enrollment reporting.

In addition, Virginia Union University implemented a process to code students who are identified as Unofficial Withdrawal in the Jenzabar system. This process will ensure these students are included in the monthly reporting to the National Student Clearinghouse even if they do not complete the formal withdrawal process.

Responsible Person(s):

Doreen Dixon, Registrar, ddixon@vu.edu 804-257-5845

Robert Merino, Executive Director of Financial Aid, jrmerino@vu.edu 804-254-3973

Planned Date of Completion of Corrective Action: August 31, 2024



Virginia Union University
Client's Corrective Action Plan
June 30, 2024

VIRGINIA UNION UNIVERSITY

1503 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University

Corrective Action Plan

June 30, 2024

**2024-007 – Monitoring of Student Withdrawal Activity,
Department of Education, SFA Cluster**

Criteria: Regulations require Institutions to consider students who have stopped attending classes in the semester to be considered an unofficial withdrawal. If a student withdraws officially or unofficially within the first 60% of the semester, the Institution must calculate a refund to the student's account statement. If a student withdraws after the 60% date in the semester, they are considered to have earned their aid and will not have a refund calculated.

The University concurs with the audit finding and will adhere to the corrective action plan.

Corrective Action Plan:

With the assistance of IT and the Registrar, Virginia Union University implemented a report to identify students who stopped attending classes for more than 14 days. Students in this situation are considered as Unofficial Withdrawals. Once these students are identified, Return to Title IV calculations are performed, and funds are returned accordingly. Sometimes, students return to classes and reestablish eligibility, as was the case for the student in question. If the students continue to attend courses through the 60% point of the semester, aid can be reinstated once the student is identified. The aid for the student in question has been reinstated. From this point forward, the weekly attendance reports will be compared from week to week to ensure aid is reinstated to students who return to classes. In addition, the Return to Title IV policy and procedures will be updated to account for students who return to classes.

Responsible Person(s):

Doreen Dixon, Registrar, ddixon@vuu.edu 804-257-5845

Robert Merino, Executive Director of Financial Aid, rmerino@vuu.edu 804-254-3973

Planned Date of Completion of Corrective Action: December 31, 2024



Virginia Union University
Client's Status of Prior Year Findings
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University
Status of Prior Year Findings
June 30, 2023

IC-2023-001 – Internal Control Over Financial Reporting (Material Weakness)

During the audit 44 adjusting and reclassifying journal entries were posted.

Current status of prior year finding

While some adjustments were posted in FY24, they were not of the magnitude or materiality as in prior years. Therefore, this finding is not considered a material weakness or significant deficiency for 2024.

IC-2023-002 – Internal Control Over Student Financial Aid Reporting and Reconciliation (Significant Deficiency)

Activity recorded by the Financial Aid department and the corresponding activity recorded in the general ledger was not reconciled or monitored during the year.

Current status of prior year finding

Audit did not encounter similar issues in 2024.

IC-2023-003 – Student Accounts Monitoring (Material Weakness)

During the audit it was noted that student accounts receivable balance has continued to increase approximately by \$4 million from the prior year balance due to the lack of efforts by the University to collect those balances.

Current Status of prior year finding

Audit did not encounter similar issues in 2024

IC-2023-004 – Account Reconciliations (Significant Deficiency)

It was noted that of the total outstanding checks of \$325,553 in the Federal bank account only \$70,546 were less than one year old. Some of the outstanding checks date back to 2018.

Current status of prior year finding

Audit did not encounter similar issues in 2024



Virginia Union University
Client's Status of Prior Year Findings
June 30, 2024

VIRGINIA UNION UNIVERSITY

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Virginia Union University

Status of Prior Year Findings

June 30, 2023

IC-2023-005 – Unrecorded Accounts Payable and Accrued Liabilities (Material Weakness)

During the audit adjustments were made to increase the accounts payable and accrued liabilities by net adjustment for the current year of approximately \$514,000. Legal fees were also noted that had been duplicated in accrued liabilities balance by approximately \$121,000.

Current status of prior year finding

Audit did not encounter similar issues in 2024.

IC-203-006 – Internal Control Over Student Accounts (Significant Deficiency)

The student account credit aging detail contains numerous errors relating back to the errors discovered in prior years resulting in over overstatement of some student credit balances.

Current status of prior year finding

Audit did not encounter similar issues in 2024.

IC-2023-007 – Net Assets and Permanently Restricted Net Assets (Significant Deficiency)

Beginning Net Assets did not agree to the prior year audit's ending net assets due to client not posting all of the prior year audit adjustments properly. Also, during the audit, it was discovered that the University does not have enough assets to cover its net assets with donor restrictions as well as permanently restricted net assets needed to be adjusted for erroneous payments of endowed scholarships posted to permanently restricted net assets instead of temporarily net assets.

Current status of prior year finding

Audit did not encounter material issues with beginning net assets agreeing to prior year audit's ending net assets nor was it noted that erroneous payments had been made out of permanently restricted net assets. However, the finding was not addressed on having enough assets with donor restrictions. See Corrective Action at 2024-002.



Virginia Union University
Client's Status of Prior Year Findings
June 30, 2024

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1500 NORTH LOMBARDY STREET, RICHMOND, VIRGINIA 23220



Virginia Union University
Status of Prior Year Findings

June 30, 2023

IC-2023-008 – Reconciliation and Monitoring of Federal and Private Grants (Material Weakness)

During the audit it was noted that numerous errors in accounting for grants leading to ten audit adjustment and seven passed audit adjustments including a prior period adjustment totaling \$527,542 for overstating HEERF revenue due to unallowable expenditures.

Current Status of prior year finding

Audit encounter only one error in accounting for deferred revenue in 2024. The finding has not been completely addressed in 2024. See Corrective Action at 2024-001.



Virginia Union University
Client's Status of Prior Year Findings
June 30, 2024

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Virginia Union University

Status of Prior Year Findings

June 30, 2023

FA-2023-001 – Direct Loan Reconciliations (Significant Deficiency)

Institutions are required to report all Direct Loan disbursements and submit required records to the Department of Education's Common Origination and Disbursement which is a web-based system for processing, storing and reconciling DL financial aid data. The school is required to reconcile these files to the Institution's financial records.

Current Status of prior year finding

Audit did not encounter similar issues in 2024.

FA-2023-002 – National Student Loan Database System (NSLDS) Reporting (Significant Deficiency)

Under the Pell grant and ED loan programs, Institutions are responsible for timely enrollment reporting to NSLDS whether they report directly or via a third-party servicer such as the National Student Clearinghouse.

Current Status of prior year finding

Virginia Union has significantly improved its compliance with federal regulations for enrollment reporting on the National Student Loan Data System (NSLDS). However, the finding was not completely addressed. See Corrective Action at 2024-006.

FA-2023-003 – Exit Counseling

Regulations require the Institution ensure exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate borrower shortly before the student borrower ceases at least half-time study.

Current Status of prior year finding

Audit did not encounter similar issues in 2024.



Virginia Union University
Client's Status of Prior Year Findings
June 30, 2024

VIRGINIA UNION UNIVERSITY

1500 NORTH LOMBARDY STREET RICHMOND, VIRGINIA 23220



Virginia Union University
Status of Prior Year Findings
June 30, 2023

FA-2023-004 – US Department of Education (significant Deficiency)

The Institution must verify that the student remains eligible to receive financial aid prior to disbursement of funds.

Current Status of prior year finding

Audit did not encounter similar issues in 2024.

FA-2023-005 – US Department of Education, SFA Cluster (Material Weakness)

Regulations require the Institution refunds calculated for students who withdrew during a semester be remitted to the Department of Education timely, within 45 days of withdrawal.

Current Status of prior year finding

This finding has not been fully addressed. See Corrective Action at 2024-005.

FA-2023-006 – US Department of Education, SFA Cluster (Significant Deficiency)

The Institution must verify that the student with Verification code V4 or V5 has a high school completion status and has signed an identity of education purpose statement.

Current Status of prior year finding

Audit did not encounter similar issues in 2024.

FA-2023-007 – US Department of Education (Significant Deficiency)

The CARES, CRRSAA, and ARP institutional quarterly portion reporting requirements involve publicly posting completed forms on the Institution's website.

Current Status of prior year finding

Audit did not encounter similar issues in 2024.



Virginia Union University
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June 30, 2024

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Virginia Union University
Status of Prior Year Findings
June 30, 2023

FA-2023-008 – US Department of Education HEERF (Material Weakness)

Recipients of HEERF funding must acknowledge that it may not condition the receipt of an emergency financial aid grant on continued or future enrollment with the Recipient.

Current Status of prior year finding

Audi did not encounter similar issues in 2024.

