



Virginia Law Foundation

Independent Auditor's Report and Financial Statements

December 31, 2024



Virginia Law Foundation
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Independent Auditor's Report

Board of Directors
Virginia Law Foundation
Charlottesville, Virginia

Opinion

We have audited the financial statements of Virginia Law Foundation, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Virginia Law Foundation as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Law Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Law Foundation'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 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, we:

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

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

Forvis Mazars, LLP

**Richmond, Virginia
September 17, 2025**

Virginia Law Foundation
Statement of Financial Position
December 31, 2024

ASSETS

Assets

Cash and cash equivalents	\$ 228,878
Accounts receivable, net	237,654
Inventories	93,270
Prepaid expenses	169,342
Investments	22,759,295
Property and equipment, net	1,553,038
Right of use asset, operating lease, net	142,510
	<hr/>

Total Assets **\$ 25,183,987**

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 234,687
Accrued liabilities	195,388
Deferred revenue	1,207,232
Note payable - leasehold improvements	43,904
Operating lease liability	187,936
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Total Liabilities **1,869,147**

Net Assets

Without donor restrictions	555,545
Without donor restrictions, reserve account	2,141,402
Without donor restrictions, Board designated, endowment	20,617,893
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Total Net Assets Without Donor Restrictions **23,314,840**

Total Liabilities and Net Assets **\$ 25,183,987**

Virginia Law Foundation
Statement of Activities
Year Ended December 31, 2024

Revenue and Support

Conduct of institute and programs	\$ 4,599,700
Sales of publications and materials	468,877
Contributions	148,432
Miscellaneous revenue	6,448
Transfer of endowment earnings for grant expenditures	700,000

Total Revenue and Support

5,923,457

Expenses

Program services	4,979,271
Management and general	2,122,830

Total Expenses

7,102,101

Change in Net Assets from Operations

(1,178,644)

Nonoperating Income

Investment income, net of investment expenses totaling \$99,090	505,179
Net unrealized gains	884,034
Net realized gains	768,115
Transfer of endowment earnings for grant expenditures	(700,000)

Change in Net Assets from Nonoperating Activities

1,457,328

Change in Net Assets

278,684

Net Assets Without Donor Restrictions, Beginning of Year

23,036,156

Net Assets Without Donor Restrictions, End of Year

\$ 23,314,840

Virginia Law Foundation
Statement of Functional Expenses
Year Ended December 31, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Expenses			
Payroll, payroll taxes and benefits	\$ 2,185,449	\$ 1,456,966	\$ 3,642,415
Conduct of institutes and programs	1,386,969	72,354	1,459,323
Grants	693,730	-	693,730
Professional services	161,366	107,578	268,944
Computer	110,701	73,801	184,502
Credit card fees	-	178,717	178,717
Advertising	157,092	-	157,092
General and administrative	61,642	93,990	155,632
Depreciation and amortization	61,572	41,048	102,620
Rent and building occupancy	48,672	32,448	81,120
Insurance	47,206	31,471	78,677
Office equipment and maintenance	25,159	16,773	41,932
Real estate taxes	13,394	8,929	22,323
Miscellaneous	10,262	6,841	17,103
Coordinator	13,187	-	13,187
Travel and meetings	2,870	1,914	4,784
Total Expenses	<u>\$ 4,979,271</u>	<u>\$ 2,122,830</u>	<u>\$ 7,102,101</u>

Virginia Law Foundation
Statement of Cash Flows
Year Ended December 31, 2024

Operating Activities

Change in net assets	\$ 278,684
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	102,620
Bad debts	55,530
Realized and unrealized gains on investments	(1,652,149)
Noncash operating lease expense	59,049
Change in	
Accounts receivable	13,328
Inventories	101,719
Prepaid expenses	51,340
Accounts payable and accrued liabilities	55,470
Operating lease liability	(74,563)
Deferred revenue	280,244

Net Cash Used by Operating Activities (728,728)

Investing Activities

Proceeds from the sale of marketable securities	6,205,064
Purchases of marketable securities	(5,609,215)
Purchases of property and equipment	(85,595)

Net Cash Provided by Investing Activities 510,254

Financing Activities

Payments on note payable	(16,454)
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Net Decrease in Cash and Cash Equivalents (234,928)

Cash and Cash Equivalents, Beginning of Year 463,806

Cash and Cash Equivalents, End of Year \$ 228,878

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ 4,234
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Note 1. Foundation and Nature of Activities

The Virginia Law Foundation (“Foundation”) is a Virginia nonstock corporation organized under the laws of the Commonwealth of Virginia and qualified as a 501(c)(3) charitable Foundation under regulations of the Internal Revenue Service to provide support for charitable and educational purposes related to the legal profession in Virginia. Based in Charlottesville, Virginia, the Foundation derives revenue from gifts and contributions, investments and Virginia Continuing Legal Education with primary sources of revenue generated from continuing legal education programing and publication of legal treatises, form books and other continuing legal education materials. The financial statements include all Foundation accounts.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The financial statements report amounts separately by class of net assets as follows:

Net Assets with Donor Restrictions

Are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. The Foundation currently has no net assets with donor restrictions.

Net Assets without Donor Restrictions

Are those currently available at the discretion of the Foundation’s Board of Directors for use in the Foundation’s operations.

Cash and Cash Equivalents

The Foundation considers as cash and cash equivalents all cash accounts not subject to withdrawal restrictions or penalties. Cash and highly liquid investments restricted for long-term purposes are included with investments.

Accounts Receivable

Accounts receivable consist of charges for educational programs and other charges. Accounts receivable are reported at their estimated realizable value, net of an estimated allowance for expected credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The Foundation does not charge interest on past due accounts. The allowance for credit losses as of December 31, 2024 is \$52,895. The balance of accounts receivable as of January 1, 2024 was \$306,512.

Revenue Recognition

Revenues accounted for under U.S. GAAP include seminars, bundles of available seminars, passes for seminars and webcasts, handbooks, other media, and access to an online law library that are reported at amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for providing the contracted good or services. The Foundation determines the transaction price based on the stated fixed price of the good or annual subscription. The nature of the Foundation’s exchange contracts generally do not include variable consideration that require significant judgements to estimate the transaction price or related constraints due to risk of significant reversal.

Virginia Law Foundation
Notes to Financial Statements
December 31, 2024

Performance obligations are determined based on the nature of delivery of the goods and services provided. Performance obligations for bundles, passes, and access to an online law library are generally recognized over time based on the available use period. Performance obligations for seminars, handbooks and other media are recognized at a point in time when the seminar is held, or the product is provided to the customer.

The following table disaggregates the Foundation's revenue based on timing of the satisfaction of performance obligations for the year ended December 31, 2024:

Performance obligations satisfied at a point in time	\$ 3,944,202
Performance obligations satisfied over time	<u>1,130,823</u>
Total	<u>\$ 5,075,025</u>

The Foundation does not incur costs to obtain customer contracts that are incremental to a given contract (e.g., commissions) or recoverable. In some cases, the Foundation may receive payment prior to recognition of revenue. These contract liabilities are reported as deferred revenue on the statement of financial position. The balance of deferred revenue as of January 1, 2024 was \$926,988.

Estimates

The preparation of the Foundation's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates and assumptions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

Realized and unrealized gains and losses are included in the statement of activities. Interest income on investments in debt securities is computed by the effective interest rate method over their contractual lives. Dividend income on marketable equity securities is recognized in income when dividends are declared. Investment income is shown net of investment expenses.

Inventory

Inventories of educational materials used to provide continuing education have been stated at the lower of cost or net realizable value determined on a first-in, first-out basis.

Prepaid Expenses

The Foundation records expenses incurred as of year-end, which are applicable to the subsequent year's educational programs, as prepaid expenses.

Property and Equipment

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred. Additions and betterments with a cost in excess of \$500 are capitalized. The cost and related accumulated depreciation and amortization on property and equipment sold or otherwise disposed are removed from the accounts and any gain or loss is reported in current year's operations.

Virginia Law Foundation
Notes to Financial Statements
December 31, 2024

Depreciation and amortization are computed using the straight-line method based on the following estimated useful lives.

Buildings	39 years
Building and leasehold improvements	39 years
Computers and equipment	3 - 7 years

Deferred Revenue

Conference and seminar fees collected in advance are reported as unearned revenue and recognized as revenue in the period when they occur.

Income Taxes

The Foundation is a qualifying nonprofit Foundation as defined in Section 501(c)(3) Internal Revenue Code and the tax statutes of the Commonwealth of Virginia, and therefore is exempt from federal and state income taxes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Contributions

Unconditional contributions are recognized as revenues when received. They are recognized at fair value and are classified in the appropriate net asset class based on donor stipulation. Conditional contributions are recognized as revenue when the conditions are substantially met. All donor-restricted support is reported as an increase in net assets with donor restrictions.

Advertising Costs

The Foundation expenses general advertising as incurred, while specific seminar or conference advertising costs are matched and expensed against the respective event revenue. General advertising expense was \$157,092 for 2024.

Concentrations

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation maintains cash balances in various financial institutions. Certain accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents when purchased.

Shipping and Handling Costs

The Foundation incurred shipping and handling expenses related to its educational program. Due to the immaterial amounts charged to registrants for shipping and handling, these amounts are netted against shipping expenses as cost of sales and are included in program services on the statement of activities.

Sales Tax

The Foundation collects sales tax from customers and remits the entire amount to the taxing jurisdictions. The Foundation's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and cost of sales.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Payroll and related costs are allocated on the basis of time and effort. Occupancy and related costs as well as administrative expenses are allocated based on square footage. The remaining categories are allocated based on the specific activity to which the expenses are attributable.

Leases

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and equipment.

The Foundation uses the implicit rate when readily determinable. If the lease does not provide an implicit rate, the Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Foundation has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 17, 2025, the date the financial statements were available to be issued.

Note 3. Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2024:

Financial assets at year-end	
Cash and cash equivalents	\$ 228,878
Accounts receivable, net	237,654
Investments	<u>22,759,295</u>
Total financial assets	23,225,827
Amounts not available to be used within one year	
Board designated net assets	<u>(20,617,893)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,607,934</u>

The Foundation's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Foundation's liquidity plan, excess cash is invested in highly liquid investments. Although the Foundation does not intend to spend from its board designated endowment (other than amounts appropriated for general expenditures as part of the Board approved annual budget), these amounts could be made available for expenditure if necessary.

Note 4. Investments

The fair values of investments held are as follows at December 31, 2024:

Cash equivalents	\$ 1,695,035
Equity securities	14,670,266
Money market funds	776,226
Mutual funds	<u>5,617,768</u>
	<u>\$ 22,759,295</u>

Note 5. Fair Value Measurement

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for similar or identical 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2024.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Equity Securities, Cash Equivalents, Mutual Funds, and Money Market Funds

Valued at the closing price reported on the active markets on which the individual securities are traded.

The preceding method 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 Foundation 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.

Virginia Law Foundation
Notes to Financial Statements
December 31, 2024

The following table sets forth, by level within the fair value hierarchy, the Foundation's assets at fair value at December 31, 2024:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity securities				
U.S. large cap growth	\$ 9,129,428	\$ 9,129,428	\$ -	\$ -
U.S. mid cap growth	412,056	412,056	-	-
U.S. small cap growth	197,537	197,537	-	-
EAFE equity	1,402,651	1,402,651	-	-
European large cap	1,171,092	1,171,092	-	-
Japanese large cap	832,128	832,128	-	-
Emerging market	1,311,401	1,311,401	-	-
Global	213,972	213,972	-	-
Cash equivalents	1,695,036	1,695,036	-	-
Money market funds	776,226	776,226	-	-
Mutual funds	<u>5,617,768</u>	<u>5,617,768</u>	-	-
Total assets in the fair value hierarchy	<u>\$ 22,759,295</u>	<u>\$ 22,759,295</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Property and Equipment

Property and equipment consist of the following at December 31, 2024:

Land	\$ 328,900
Buildings	1,560,600
Building and leasehold improvements	436,780
Computers and equipment	<u>1,273,650</u>
	3,599,930
Accumulated depreciation and amortization	<u>(2,046,892)</u>
Property and equipment, net	<u>\$ 1,553,038</u>

Note 7. Endowment Funds

The Foundation's endowment consists of a board-designated fund established to provide grants and support the operations of the Foundation. As required by U.S. GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A summary of the activity in unrestricted board-designated endowment fund is as follows:

Endowment net assets, December 31, 2023	\$ 19,266,663
Investment return	
Investment income, net	497,842
Net realized and unrealized gain	1,652,478
Appropriation for expenditure – grants	(700,000)
Appropriation for expenditure – operating expenses	<u>(99,090)</u>
Endowment net assets, December 31, 2024	<u>\$ 20,617,893</u>

Virginia Law Foundation
Notes to Financial Statements
December 31, 2024

As noted above, a portion of the endowment earnings are used to fund grants. While the investment earnings of the endowment are included in nonoperating income on the statement of activities, the expense related to the grants is included in operating activities. During 2024, the Foundation transferred \$700,000 from the endowment investment to operating cash to fund the grant expenditures.

Note 8. Retirement Plan

The Foundation provides a defined contribution pension plan covering all eligible employees. Participants may make voluntary contributions to the plan up to the maximum amount permitted by law. In addition, at the discretion of the Board of Directors, the Foundation may make contributions to the plan, based on a percentage of each eligible employee's compensation. Contributions to the plan amounted to \$270,947 for 2024.

Note 9. Leases

The Foundation entered an agreement to lease a building for use in its professional educational mission. The lease has a term of 62 months and began on March 1, 2022. As part of the lease, the Foundation received rent abatement for the first two months and lease incentives of \$71,358 for leasehold improvements. Operating lease expense was \$60,810 for 2024

Other Information	
Operating cash flows from operating leases	\$ 78,027
Weighted-average remaining operating lease term	2.33 years
Weighted-average discount rate for operating leases	1.56%

Future minimum payments under the lease agreement are as follows:

2025	\$ 80,368
2026	82,779
2027	<u>28,143</u>
Total future undiscounted lease payments	191,290
Imputed interest	<u>(3,354)</u>
	<u>\$ 187,936</u>

Note 10. Note Payable

In connection with the lease entered into in 2022, the Foundation financed \$85,029 of leasehold improvements in excess of the lease incentive with the lessor. The note payable has a term of sixty months ending April 2027 with an interest rate of 8.0%. Monthly payments are \$1,724 including principal and interest.

The aggregate annual principal maturities are as follows for the years subsequent to December 31, 2024:

2025	\$ 17,821
2026	19,300
2027	<u>6,783</u>
	<u>\$ 43,904</u>