VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

Financial Statements

For the year ended
June 30, 2013

VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

Contents

Frank Barcalow CPA, P.L.L.C.

Independant Auditor's Report

The Board of Directors
Virginia Center for Inclusive Communities
Richmond, Virginia

Report on the Financial Statements
We have audited the accompanying financial statements of Virginia Center for Inclusive Communities which comprise the statement of financial position as of June 30, 2013 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well, as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Center for Inclusive Communities as of June 30, 2013 and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Virginia Center for Inclusive Communities 2012 financial statements, and our report dated August 29, 2012, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC
Richmond, Virginia
August 28, 2013

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Member American Institute of Certified Public Accountants

Virginia Center for Inclusive Communities
Statement of Financial Position
June 30, 2013
(with summarized comparative information for June 30, 2012)

	Unrestricted	Temporarily Restricted	2013	2012
ASSETS				
Cash and cash equivalents	$ 301,462	$ 10,700	$ 312,162	$ 295,642
Grants receivable	-	10,000	10,000	-
Investments	221,245	-	221,245	214,062
Other assets	12,158	-	12,158	7,424
Property and equipment, less	13,909	-	13,909	13,170
accumulated depreciation	(9,758)	-	(9,758)	(7,955)
Total assets	$ 539,016	$ 20,700	$ 559,716	$ 522,343

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	2013	2012
Liabilities				
Accounts payable and accrued expenses	$ 14,433	$ -	$ 14,433	$ 22,505
Deferred revenue	25,069	-	25,069	36,714
Total liablities	39,502	-	39,502	59,219
Net assets				
Unrestricted	499,514	-	499,514	451,624
Temporarily restricted	-	20,700	20,700	11,500
Total net assets	499,514	20,700	520,214	463,124
Total liabilities and net assets	$ 539,016	$ 20,700	$ 559,716	$ 522,343

Virginia Center for Inclusive Communities
Statement of Activities
Year Ended June 30, 2013
(with comparative information for the year ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Totals 2013	Totals 2012
Contributions, revenues, and other				
Program service revenue	$ 131,895	$ -	$ 131,895	$ 134,784
General contributions	29,449	-	29,449	36,037
Board contributions	23,063	-	23,063	22,341
Special events	392,780	-	392,780	343,402
Grants	-	88,896	88,896	65,036
Other	9,683	-	9,683	11,194
Subtotal	586,870	88,896	675,766	612,794
Net assets released from restrictions satisfaction of program restrictions	79,696	(79,696)	-	-
Total contributions, revenue, and other	666,566	9,200	675,766	612,794
Expenses:				
Program services	362,631	-	362,631	335,006
Supporting services				
Management and general	77,408	-	77,408	75,879
Fund-raising	178,637	-	178,637	184,959
Total expenses	618,676	-	618,676	595,844
Change in net assets	47,890	9,200	57,090	16,950
Net assets at beginning of year	451,624	11,500	463,124	446,174
Net assets at end of year	$ 499,514	$ 20,700	$ 520,214	$ 463,124

See notes to the Financial Statements.

Virginia Center for Inclusive Communities
Statement of Cash Flows
Year Ended June 30, 2013

	2013
Cash flows from operating activities:	
Change in net assets	$ 57,090
Adjustments to reconcile change in net assets	
to net cash provided by (used in) operating activities:	
Donated equipment and services	32,064
Donated services	(32,064)
Unrealized, realized (gains) losses on investments	863
Depreciation	1,803
(Increase) decrease in	
Grants receivable	(10,000)
Other assets	(4,734)
Increase (decrease) in	
Accounts payable and accrued expenses	(8,072)
Deferred revenue	(11,645)
Net cash (used in) provided by operating activities	25,305
Cash flows from investing activities:	
Purchase of equipment	(739)
Proceeds from sale of investments	66,400
Purchase of investments	(74,446)
Net cash (used in) provided by investing activities	(8,785)
Net increase (decrease) in cash and cash equivalents	16,520
Cash and cash equivalents:	
Beginning of year	295,642
Ending of year	$ 312,162

See notes to the Financial Statements.

Virginia Center for Inclusive Communities
Statement of Functional Expenses
Year Ended June 30, 2013
(with comparative information for the year ended June 30, 2012)

	Program	Management and General	Fund Raising	Total 2013	Total 2012
Salaries	$ 155,802	$ 40,555	$ 39,859	$ 236,216	$ 218,125
Payroll taxes	11,915	3,101	3,048	18,064	17,037
Pension	14,852	3,866	3,799	22,517	21,965
Health insurance and other benefits	12,458	3,243	3,187	18,888	15,634
Rent	16,216	4,221	4,149	24,586	24,685
Marketing and Printing	32,734	8,220	8,220	49,174	31,369
Postage	1,745	454	446	2,645	3,411
Office	5,345	1,391	1,367	8,103	8,819
Board meeting	956	249	245	1,450	1,601
Training	13,654	-	-	13,654	5,284
Telephone	1,836	478	470	2,784	3,968
Professional fees	6,973	1,815	1,784	10,572	9,839
Lease expenses	6,365	1,657	1,628	9,650	8,249
Insurance	14,009	3,646	3,584	21,239	19,141
Miscellaneous office	7,677	1,998	1,964	11,639	16,226
Meals and travel	8,466	2,204	2,166	12,836	11,496
Depreciation	1,189	310	304	1,803	2,298
Award Dinners	-	-	78,748	78,748	74,410
Award Dinners - Printing and Postage	-	-	15,641	15,641	16,621
Award Dinners - Miscellaneous	-	-	8,028	8,028	7,520
Facilitator Fees	4,350	-	-	4,350	15,700
Facility rental	37,170	-	-	37,170	58,071
Programs - miscellaneous	8,919	-	-	8,919	4,375
Total expenses	$ 362,631	$ 77,408	$ 178,637	$ 618,676	$ 595,844

Notes to Financial Statements
June 30, 2013

Note 1 - Organization and summary of significant accounting policies

Nature of the Organization

Virginia Center for Inclusive Communities (VCIC) works with schools, businesses, and communities to achieve success by addressing prejudices, in all forms, in order to improve academic achievement, increase workplace productivity, and enhance local trust. Through workshops, retreats, and customized programs that raise knowledge, motivation, and skills, VCIC develops leaders who work together to achieve success throughout the Commonwealth.

VCIC traces its roots back to 1935 in Virginia. With a lengthy and rich history, the Organization was destined to change with the times and to change the times in which we live. Originally founded as the Virginia Region of the National Conference of Christians and Jews, VCIC has concluded its association with NCCJ and has joined with many of its fellow offices across the country to form the National Federation for Just Communities, a new movement fighting prejudice in all its forms.

Programs are primarily delivered through VCIC's four chapter locations in Richmond, on the Virginia Peninsula, in Tidewater (South Hampton Roads), and in Lynchburg. In addition, the Organization provides programming and services across the entire Commonwealth of Virginia.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets are those currently available at the discretion of VCIC's Board of Directors for use in the VCIC's operations and those resources invested in property and equipment.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. Included in this category are gifts held by the Organization pending the use in accordance with donor stipulations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At the present time, the Organization does not have any permanently restricted net assets.

Deferred revenue

Deferred revenue consists of payments for workshops and/or programs held in the upcoming year.

Cash and cash equivalents

For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase.

(continued)

Notes to Financial Statements
June 30, 2013

Note 1 - Summary of significant accounting policies (continued)

Investments

Investments in marketable equity securities and mutual funds with readily determined fair values are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and circumstances could alter those estimates.

Property and depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment at cost, and all donated property and equipment at fair market value at date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated lives are as follows: furniture and equipment, 3-7 years. Generally, the costs of major improvements over $500 are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The cost and accumulated depreciation on property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in income.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. An allowance is based on prior years' experience and management's analysis of specific promises made. At this time, there is no difference between the allowance method and the direct write-off method. There is no allowance at this time and historically there have been no significant write-offs. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received.

(continued)

Notes to Financial Statements
June 30, 2013

Note 1 - Summary of significant accounting policies (concluded)

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment.

The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time and perform a variety of tasks. Total gifts for in-kind donations amounted to $32,064 for the year ended June 30, 2013.

Accounts receivable

Receivables are carried at net realizable value.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted. The functional classifications are:

Program services are defined as the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the Organization exists. Those services are the major programs for and the major output of the Organization and often relate to several major programs.

Management and general are those activities that include oversight, business management, general record keeping, budgeting, financing, and all management and administration except for direct conduct of program services or fund-raising activities.

Fund-raising activities are those activities which involve potential donors to contribute funds, services, or other assets or time. They include conducting fund-raising campaigns; maintaining, donor mailing lists; conducting special events, and other activities involved with soliciting contributions.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code respectively, and is not considered a private foundation within the meaning of section 509(a) of the code.

Notes to Financial Statements
June 30, 2013

Note 2 – Property and equipment

A summary of property and equipment at June 30, 2013 and 2012:

	2013	2012
Furniture and equipment	$ 13 909	$ 13 170
Less: accumulated depreciation	(9 758)	(7 955)
	$ 4 151	$ 5 215

Depreciation expense for 2013 was $1,803.

Note 3 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Richmond, Virginia, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In addition, cash equivalents at June 30, 2013 and 2012, of $282,583 and $242,419 respectively were invested in money market funds, which are insured within the limits of the Securities Investor Protection Corporation. The Organization's unsecured receivables are due from donors and special events or programs. At June 30, 2013 and 2012, management does not believe they have any significant concentration of credit risk.

Note 4 – Line of Credit

The Organization has a line of credit to support working capital not to exceed $75,000. The line bears an interest rate at Prime plus 1.0%. The line is secured by all assets of the Organization. There was no outstanding balance on the line of credit at June 30, 2013.

Note 5 – Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to aid VCIC in its teaching and fund-raising activities. The value of the contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Notes to Financial Statements
June 30, 2013

Note 6 - Commitment

The Organization, effective May 2013, entered into a three-year lease for its office space. For each rental year after the first year the base rent will be increased by three percent. The current monthly rent is $1,804. Total rent for 2013 was $24,586. Commitments for the next three years are as follows: 2014 $21,753; 2015 $22,406; 2016 $19,136, for a total of $63,295.

Note 7 - Fair value measurements

The Organization records fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy are based on three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Note 8 – Retirement plan

The Organization has a retirement plan for those individuals who are employed on a full-time basis. Contributions to the plan are determined each year, and for the year ended June 30, 2013, are a maximum of a twelve percent match of the employees' annual compensation. The total retirement expense for each of the year ended June 30, 2013 was $22,517.

Notes to Financial Statements
June 30, 2013

Note 9 – Investments

Investments at June 30, 2013 are composed of the following:

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 754	$ -	$ -	$ 754
Fixed income mutual funds	152 282	-	2 124	150 158
Equity mutual funds	64 940	5 393	-	70 333
	$ 217 976	$ 5 393	$ 2 124	$ 221 245

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 535	$ -	$ -	$ 535
Fixed income mutual funds	157 368	8 174	-	165 542
Equity mutual funds	48 237	-	252	47 985
	$ 206 140	$ 8 174	$ 252	$ 214 062

Investment income totaled $10,229 net of investment fees of $2,182 for the current year and is included in other income on the statements of activities.

Note 10 – Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 28, 2013 the date the financial statements were issued.

Notes to Financial Statements
June 30, 2013

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2013 and 2012:

	2013	2012
Wachovia Wells Fargo Foundation - Prejudice Awareness Summit - purpose restrictions	$ 5 000	$ -
REB Foundation - Connections Institute - purpose restrictions	5 700	10 000
Hampton Roads Community Foundation - technicial assistance - time restrictions	10 000	
Michael B. Huntley- VCIC Youth Program - purpose restrictions	-	1 500
	$ 20 700	$ 11 500

Net assets released from restrictions during 2013 consisted of the following:

Various programs	$ 79 696
McKinley Price Action Grant	-
	$ 79 696