

VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

Financial Statements

For the year ended

June 30, 2017

**(with comparative financial information
for the year ended June 30, 2016)**

VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

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Frank Barcalow CPA, P.L.L.C.
Independent 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, 2017 and the related statements of activities, functional expenses 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 auditor 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, 2017 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 2016 financial statements, and our report dated August 30, 2016, 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, 2016, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia
August 29, 2017

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Statement of Financial Position

June 30, 2017

(with summarized financial information for the year ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2017</u>	<u>Totals 2016</u>
Assets				
Cash and cash equivalents	\$ 450,616	\$ 47,328	\$ 497,944	\$ 408,546
Pledges receivable	53,000	-	53,000	101,000
Investments	332,928	-	332,928	302,816
Other assets	5,371	-	5,371	3,854
Property and equipment	26,028	-	26,028	21,389
Accumulated depreciation	(12,506)	-	(12,506)	(14,792)
Total assets	<u>\$ 855,437</u>	<u>\$ 47,328</u>	<u>\$ 902,765</u>	<u>\$ 822,813</u>
 Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	\$ 18,806	\$ -	\$ 18,806	\$ 17,071
Deferred revenue	72,750	-	72,750	128,250
Total liabilities	<u>91,556</u>	<u>-</u>	<u>91,556</u>	<u>145,321</u>
 Net assets				
Unrestricted	763,881	-	763,881	665,221
Temporarily restricted	-	47,328	47,328	12,271
Total net assets	<u>763,881</u>	<u>47,328</u>	<u>811,209</u>	<u>677,492</u>
Total liabilities and net assets	<u>\$ 855,437</u>	<u>\$ 47,328</u>	<u>\$ 902,765</u>	<u>\$ 822,813</u>

See notes to the financial statements.

Virginia Center for Inclusive Communities

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Statement of Activities

Year Ended June 30, 2017

(with summarized financial information for the year ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2017</u>	<u>Totals 2016</u>
Contributions, revenues, and other				
Program service revenue	\$ 256,824	\$ -	\$ 256,824	\$ 200,175
General contributions	81,362	-	81,362	63,916
Board contributions	31,168	-	31,168	27,264
Special events	452,853	-	452,853	385,802
Grants	-	148,900	148,900	151,600
Investment income	33,224	-	33,224	7,324
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	855,431	148,900	1,004,331	836,081
Net assets released from restrictions satisfaction of program restrictions	113,843	(113,843)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions, revenue, and other	969,274	35,057	1,004,331	836,081
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program services	538,686	-	538,686	553,254
Supporting services				
Management and general	75,333	-	75,333	56,219
Fund-raising	256,595	-	256,595	197,431
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	870,614	-	870,614	806,904
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	98,660	35,057	133,717	29,177
Net assets at beginning of year	665,221	12,271	677,492	648,315
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Net assets at end of year	\$ <u>763,881</u>	\$ <u>47,328</u>	\$ <u>811,209</u>	\$ <u>677,492</u>

See notes to the financial statements.

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Statement of Functional Expenses

Year Ended June 30, 2017

(with summarized financial information for the year ended June 30, 2016)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2017</u>	<u>Total 2016</u>
Salaries	\$ 244,786	\$ 41,766	\$ 82,477	\$ 369,029	\$ 312,259
Payroll taxes	19,281	3,290	6,496	29,067	25,281
Pension	26,449	4,513	8,911	39,873	31,460
Health insurance and other benefits	20,032	3,418	6,750	30,200	24,157
Rent	18,837	3,214	6,347	28,398	28,453
Marketing and Printing	33,640	5,740	11,335	50,715	59,674
Postage	1,741	297	587	2,625	3,045
Office	6,961	1,188	2,345	10,494	11,018
Board meeting	1,139	194	384	1,717	1,550
Telephone	2,091	357	704	3,152	3,121
Professional fees	15,485	2,642	5,217	23,344	9,832
Lease expenses	5,427	926	1,829	8,182	8,272
Insurance	14,048	2,397	4,733	21,178	21,660
Miscellaneous office	14,601	2,491	4,920	22,012	22,813
Meals and travel	14,755	2,518	4,972	22,245	20,918
Depreciation	2,236	382	753	3,371	2,599
Award Dinners	-	-	86,503	86,503	79,835
Award Dinners - Printing and Postage	-	-	15,497	15,497	13,616
Award Dinners - Miscellaneous	-	-	5,835	5,835	6,492
Facilitator Fees	11,811	-	-	11,811	18,675
Facility rental	73,555	-	-	73,555	88,798
Programs - miscellaneous	11,811	-	-	11,811	13,376
Total expenses	\$ 538,686	\$ 75,333	\$ 256,595	\$ 870,614	\$ 806,904

See notes to the financial statements.

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Statement of Cash Flows

Year Ended June 30, 2017

(with comparative financial information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 133,717	\$ 29,177
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated equipment and services	20,684	32,742
Donated equipment and services	(20,684)	(32,742)
Unrealized, realized (gains) losses on investments	(26,975)	12,627
Depreciation	3,371	2,599
(Increase) decrease in		
Grants receivable	48,000	(1,000)
Other assets	(1,517)	1,012
Increase (decrease) in		
Accounts payable and accrued expenses	1,735	(3,083)
Deferred revenue	(55,500)	(76,327)
Net cash (used in) provided by operating activities	<u>102,831</u>	<u>(34,995)</u>
Cash flows from investing activities:		
Purchase of equipment	(10,296)	(2,407)
Proceeds from sale of investments	247,122	303,767
Purchase of investments	(250,259)	(320,552)
Net cash (used in) provided by investing activities	<u>(13,433)</u>	<u>(19,192)</u>
Net increase (decrease) in cash and cash equivalents	89,398	(54,187)
Cash and cash equivalents:		
Beginning of year	<u>408,546</u>	<u>462,733</u>
Ending of year	<u>\$ 497,944</u>	<u>\$ 408,546</u>

See notes to the financial statements.

Notes to Financial Statements June 30, 2017

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 or grants 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, 2017

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, 2017

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 totaled \$20,684 for the year ended June 30, 2017.

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. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations, for the years before 2013.

**Notes to Financial Statements
June 30, 2017**

Note 2 – Property and equipment

A summary of property and equipment at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 26 028	\$ 21 389
Less: accumulated depreciation	<u>(12 506)</u>	<u>(14 792)</u>
	<u>\$ 13 522</u>	<u>\$ 6 597</u>

Depreciation expense for 2017 was \$3,371.

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, 2017 and 2016, of \$316,236 and \$316,260 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, 2017 and 2016, 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%, currently 4.25%. The line is secured by all assets of the Organization. There was no outstanding balance on the line of credit at June 30, 2017.

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, 2017**

Note 6 - Commitment

The Organization, effective July 2015, entered into a six-year lease for its office space. For each rental year after the first year the base rent will be increased by three percent. Total rent for 2017 was \$28,398. Total currently monthly rent is \$2,425.

Future lease minimum payments for the remaining years under the lease are as follows:

2018	29 250
2019	30 127
2020	31 031
2021	<u>26 502</u>
Total	<u>\$ 116 910</u>

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, 2017, are a maximum of a twelve percent match of the employees’ annual compensation. The total retirement expense for the year ended June 30, 2017 was \$39,873.

**Notes to Financial Statements
June 30, 2017**

Note 9 – Investments

Investments at June 30, 2017 and 2016 are composed of the following:

	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	\$ 7 688	\$ -	\$ -	\$ 7 688
Exchange Traded Products	<u>309 107</u>	<u>16 133</u>	<u>-</u>	<u>325 240</u>
	<u>\$ 316 795</u>	<u>16 133</u>	<u>-</u>	<u>332 928</u>

	2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	\$ <u>302 816</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>302 816</u>

Investment income totaled \$33,224, including earnings of \$6,249, realized gains of \$10,803, and unrealized gains of \$16,172 and is included on the statements of activities for 2017. Investment income totaled \$7,324 including earnings of \$19,951, realized losses of \$6,564, and unrealized losses of \$6,063 and is included on the statements of activities for 2016.

Note 10 – Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 29, 2017 the date the financial statements were issued.

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Notes to Financial Statements June 30, 2017

Note 11 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
REB Foundation - Connections Institute	\$ 10 000	\$ 10 000
Other Foundations or organization purposes restrictions	<u>37 328</u>	<u>-</u>
Total	<u>\$ 47 328</u>	<u>\$ 10 000</u>

Net assets released from restrictions during 2017 consisted of the following:

Various programs	<u>\$ 113 843</u>
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