

VIRGINIA CENTER FOR INCLUSIVE COMMUNITIES

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
of **Virginia Center for Inclusive Communities**

We have audited the accompanying financial statements of **Virginia Center for Inclusive Communities** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 from 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, 2020 and 2019, 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.

Kositzka, Wickes and Company

Richmond, Virginia
December 14, 2020

Virginia Center for Inclusive Communities

Statements of Financial Position June 30,

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,256,494	\$ 884,541
Accounts receivable, net	8,371	93,744
Grants and pledges receivable, net	94,175	294,645
Investments	830,417	818,470
Other assets	19,182	15,007
Property and equipment, net	18,438	22,250
Total assets	<u>\$ 2,227,077</u>	<u>\$ 2,128,657</u>
Liabilities and net assets		
Accounts payable	\$ 504	\$ 15,373
Accrued expenses	36,729	27,200
Funds held on behalf of Points of Diversity	-	23,232
Deferred revenue and refundable advances	111,245	57,100
Paycheck Protection Program Loan	156,200	-
Total liabilities	<u>304,678</u>	<u>122,905</u>
Net assets		
Without donor restrictions	1,636,492	1,564,708
With donor restrictions	285,907	441,044
Total net assets	<u>1,922,399</u>	<u>2,005,752</u>
Total liabilities and net assets	<u>\$ 2,227,077</u>	<u>\$ 2,128,657</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Activities for the year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains			
Program service revenue	\$ 358,980	\$ -	\$ 358,980
Contributions and grants	250,714	333,875	584,589
Investment income, net	22,009	-	22,009
In-kind contributions	11,088	-	11,088
Special events	287,083	-	287,083
Less cost of direct benefits to donors	(54,861)	-	(54,861)
Net special events revenue	232,222	-	232,222
Net assets released from restriction	489,012	(489,012)	-
	1,364,025	(155,137)	1,208,888
Expenses			
Program services	982,072	-	982,072
Supporting services			
Management and general	145,643	-	145,643
Fundraising	164,526	-	164,526
	1,292,241	-	1,292,241
Change in net assets	71,784	(155,137)	(83,353)
Net assets, beginning of year	1,564,708	441,044	2,005,752
Net assets, end of year	\$ 1,636,492	\$ 285,907	\$ 1,922,399

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Activities for the year ended June 30, 2019

	Without donor restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Program service revenue	\$ 607,150	\$ -	\$ 607,150
Contributions and grants	244,277	435,240	679,517
Investment income, net	32,728	-	32,728
In-kind contributions	26,800	-	26,800
Special events	436,382	-	436,382
Less cost of direct benefits to donors	(89,026)	-	(89,026)
Net special events revenue	347,356	-	347,356
Net assets released from restriction	428,836	(428,836)	-
	<u>1,687,147</u>	<u>6,404</u>	<u>1,693,551</u>
Expenses			
Program services	923,247	-	923,247
Supporting services			
Management and general	121,635	-	121,635
Fundraising	170,269	-	170,269
	<u>1,215,151</u>	<u>-</u>	<u>1,215,151</u>
Change in net assets	471,996	6,404	478,400
Net assets, beginning of year	1,092,712	434,640	1,527,352
Net assets, end of year	<u>\$ 1,564,708</u>	<u>\$ 441,044</u>	<u>\$ 2,005,752</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Functional Expenses for the year ended June 30, 2020

Expenses	Supporting services			Total
	Program	Management and general	Fundraising	
Board meeting	\$ 1,448	\$ 272	\$ 234	\$ 1,954
Business insurance	19,834	3,721	3,212	26,767
Costs of direct benefits to donors	-	-	54,861	54,861
Depreciation	4,936	925	798	6,659
Employee retirement plan	41,003	7,692	6,640	55,335
Equipment leasing	6,943	1,302	1,125	9,370
Facilitator fees	27,812	-	-	27,812
Facility rental	90,562	-	-	90,562
Fundraising events and awards	5,256	-	3,713	8,969
Health insurance and other benefits	51,315	9,626	8,310	69,251
Marketing and printing	20,525	1,348	1,773	23,646
Meals and travel	26,088	2,302	9,975	38,365
Miscellaneous office	12,647	1,441	2,865	16,953
Office supplies	10,971	757	882	12,610
Payroll taxes	38,299	7,184	6,202	51,685
Postage	3,179	596	514	4,289
Points of Diversity Expenses	2,502	-	-	2,502
Professional fees	17,842	2,690	26,668	47,200
Programs - miscellaneous	30,705	-	-	30,705
Rent	23,004	4,315	3,725	31,044
Salaries	520,264	97,593	84,253	702,110
Technology and website	14,358	2,693	2,326	19,377
Telephone	2,955	554	479	3,988
	<u>972,448</u>	<u>145,011</u>	<u>218,555</u>	<u>1,336,014</u>
In-kind contributions				
Marketing and printing	9,624	632	832	11,088
Total expenses by function	<u>982,072</u>	<u>145,643</u>	<u>219,387</u>	<u>1,347,102</u>
Less expenses included with revenues on the statement of activities				
Costs of direct benefits to donors	-	-	(54,861)	(54,861)
Total expenses included in the expense section on the statement of activities	<u>\$ 982,072</u>	<u>\$ 145,643</u>	<u>\$ 164,526</u>	<u>\$ 1,292,241</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statement of Functional Expenses for the year ended June 30, 2019

Expenses	Program	Supporting services		Total
		Management and general	Fundraising	
Board meeting	\$ 2,006	356	\$ 378	\$ 2,740
Business insurance	19,210	3,412	3,622	26,244
Cost of direct benefits to donors	-	-	89,026	89,026
Depreciation	4,593	816	866	6,275
Employee benefit plan	40,371	7,170	7,611	55,152
Equipment Leasing	7,331	1,302	1,382	10,015
Facilitator fees	49,710	-	-	49,710
Facility rental	62,789	-	-	62,789
Fundraising events and awards	11,152	-	9,014	20,166
Health insurance and other benefits	43,623	7,747	8,224	59,594
Marketing and printing	21,280	932	1,698	23,910
Meals and travel	31,107	2,745	11,894	45,746
Miscellaneous office	17,468	2,223	4,470	24,161
Office supplies	15,985	1,102	1,286	18,373
Payroll taxes	32,555	5,782	6,137	44,474
Postage	2,673	475	504	3,652
Professional fees	16,248	2,397	21,975	40,620
Programs - miscellaneous	47,576	-	-	47,576
Rent	22,062	3,918	4,159	30,139
Salaries and personnel costs	438,184	77,820	82,608	598,612
Technology and website	10,330	1,835	1,947	14,112
Telephone	3,142	558	591	4,291
	<u>899,395</u>	<u>120,590</u>	<u>257,392</u>	<u>1,277,377</u>
In-kind contributions				
Marketing and printing	23,852	1,045	1,903	26,800
Total expenses by function	<u>923,247</u>	<u>121,635</u>	<u>259,295</u>	<u>1,304,177</u>
Less expenses included with revenues on the statement of activities				
Costs of direct benefits to donors	-	-	(89,026)	(89,026)
Total expenses included in the expense section on the statement of activities	<u>\$ 923,247</u>	<u>\$ 121,635</u>	<u>\$ 170,269</u>	<u>\$ 1,215,151</u>

The accompanying independent compilation report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Statements of Cash Flows for the years ended June 30,

2020

2019

Cash flows from operating activities

Change in net assets	\$ (83,353)	\$ 478,400
Adjustments to reconcile net cash from operating activities:		
Unrealized gains on investments	359	(19,041)
Depreciation	6,659	6,275
(Increase) decrease in operating assets		
Accounts receivable	85,373	(20,648)
Grants and pledges receivable, net	200,470	(18,998)
Other assets	(4,175)	(14,507)
Increase (decrease) in operating liabilities		
Accounts payable	(14,869)	14,371
Accrued expenses	9,529	(17,806)
Funds held on behalf of Points of Diversity	(23,232)	23,232
Deferred revenue and refundable advances	54,145	34,725
Net cash provided by operating activities	<u>230,906</u>	<u>466,003</u>

Cash flows from investing activities

Purchase of property and equipment	(2,847)	(12,991)
Proceeds from sale of investments	8,781	299
Purchase of investments	(21,087)	(261,606)
Net cash used in investing activities	<u>(15,153)</u>	<u>(274,298)</u>

Cash flows from financing activities

Paycheck Protection Program Loan proceeds	<u>156,200</u>	<u>-</u>
Net cash provided by financing activities	156,200	

Net change in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

371,953	191,705
<u>884,541</u>	<u>692,836</u>
<u>\$ 1,256,494</u>	<u>\$ 884,541</u>

Supplemental cash flow information

Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

1. Organization

Virginia Center for Inclusive Communities (VCIC) is a nonprofit organization that 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.

Program service revenues are derived from hosting and facilitating workshops, retreats, and customized programs that raise knowledge and provide motivation and skills to attendees. Programs are primarily delivered through VCIC's four chapter locations in Richmond, on the Virginia Peninsula, in Tidewater (South Hampton Roads), and in Lynchburg, but are also delivered across the Commonwealth of Virginia.

VCIC also raises contributions and grant funding through individual donors and foundations as well as donations through award dinners and other special events.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of VCIC are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses, which are applicable to future periods, have been presented as deferred revenue or prepaid expenses in the accompanying statements of financial position.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, however VCIC does not have donor-imposed restricted funds which are perpetual in nature.

Support and expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. VCIC reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

Special events revenue consists of donations collected during special events and also registrations for events that are recognized at the time the event takes place. Amounts received in advance of the event are included in refundable advances.

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

Donated goods and services

A substantial number of volunteers donate time to VCIC's program services and fundraising efforts. The donated services that require specialized skills, as defined by U.S. generally accepted accounting principles, are reflected in the financial statements; the remainder are not. VCIC recognizes donated supplies, assets, and other items at fair value as income and expense or capitalizes such items as property or equipment. Included in marketing and advertising costs are approximately \$11,088 and \$26,800 in donated goods and services for the years ended June 30, 2020 and 2019, respectively.

Cash and cash equivalents

Cash and cash equivalents consists of all cash and highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts receivable

Accounts receivable are due within one year. VCIC provides an allowance for doubtful accounts for potentially uncollectible accounts based on historical bad debt experience and management's judgment. An allowance of \$440 and \$0 for the years ended June 30, 2020 and 2019, respectively.

Grants and pledges receivable

Grants and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncertain amounts through a provision for bad debt expense and an adjustment to a valuation allowance. 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.

Property and equipment

Property and equipment are reported at cost. VCIC capitalizes purchases over \$1,000 which have an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life. All donated property and equipment are recorded at fair market value at the date of the gift. The costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Investments

Investments are measured at fair value in the statement of financial position based on publicly available market data obtained from services independent of VCIC. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Funds held on behalf of Points of Diversity

VCIC was a fiscal agent for the Points of Diversity program which has a similar mission to VCIC and operates in a region of the Commonwealth of Virginia where VCIC has limited programs. VCIC collected cash receipts, which included donations and special events income, and made payments on behalf of the Points of Diversity program. VCIC had no discretion over these funds and the balances held for the program were previously reported as a liability in the statement of financial position. During the year ending June 30, 2020, all funds held were permanently transferred to the Points of Diversity program and VCIC is no longer serving as a fiscal agent.

Deferred revenue and refundable advances

Deferred revenue consists of payments or deposits for workshops and special event programs that are to be held in future periods.

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

Compensated absences

Employees are entitled to paid vacation days in accordance with the personnel policy. These benefits accrue and may be carried over from year to year at a maximum of 15 days carried over. Included in accrued expenses are costs associated with these accrued vacation days totaling \$36,685 and \$27,200 as of June 30, 2020 and 2019, respectively.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts receivable, grants and pledges receivable, investments and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, funds held on behalf of Points of Diversity, and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Advertising

VCIC expenses advertising costs as they are incurred. For the years ended June 30, 2020 and 2019, marketing and printing costs of \$23,646 and \$23,910, respectively, were incurred.

Functional expenses

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, business insurance, depreciation, employee retirement plan, equipment leasing, health insurance, payroll taxes, postage, rent, salaries, technology and telephone costs have been allocated among the program and supporting services benefitted based on the estimated time spent by personnel of VCIC during the year. The functional classifications are:

Program services are defined as the activities that result in services being performed for customers or beneficiaries. VCIC's programs all fall generally under the umbrella of trainings and events to raise awareness and address prejudices. As such, only one program has been reported.

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 fundraising activities.

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

Income taxes

VCIC is exempt from federal income taxes as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. Therefore, no provision or liability for income taxes has been included in the financial statements. VCIC believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on VCIC's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2017 through 2020.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures 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.

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

Concentration of credit risk and market risk

Financial instruments that potentially expose VCIC to concentration of credit and market risk consist primarily of cash equivalents, grants and pledges receivable, and investments.

VCIC maintains its cash in various bank accounts which, at times, may exceed federally insured limits. VCIC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The FDIC insurance coverage limit is \$250,000 per depositor and as of June 30, 2020 and 2019, VCIC held cash in excess of these limits of approximately \$930,000 and \$645,000, respectively.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that VCIC's investments do not represent significant concentrations of market risk as the portfolio is adequately diversified among issuers.

VCIC's programs and services are concentrated within the Commonwealth of Virginia. At June 30, 2020, one donor accounted for 72 percent of total receivables. At June 30, 2019, two donors accounted for 53 percent of total pledges receivable and one customer accounted for 53 percent of total accounts receivable. One contributor accounts for approximately 26 percent of total contribution and grant revenues for the year ended June 30, 2020. One contributor accounts for approximately 26 percent of total contribution and grant revenues for the year ended June 30, 2019.

Recently adopted accounting pronouncements

The FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 was effective for annual reporting periods beginning after December 15, 2018. Virginia Center for Inclusive Communities adopted the standard on its effective date, which for VCIC was for the year ending June 30, 2020.

New accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. Virginia Center for Inclusive Communities plans to adopt the standard on its effective date, which is for the year ending June 30, 2021. VCIC has not evaluated the impact of this statement.

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. Virginia Center for Inclusive Communities plans to adopt the standard on its effective date, which for the VCIC is July 1, 2022. VCIC has not evaluated the impact of this statement.

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

3. Grants and pledges receivable

Unconditional grants and pledges receivable are estimated to be collected as follows at June 30:

	2020	2019
Within one year	\$ 85,000	\$ 231,000
In one to five years	10,000	70,000
	<u>95,000</u>	<u>301,000</u>
Less discount to net present value at rate of 2.75%	(275)	(1,925)
Less allowance for uncollectible pledges receivable	(550)	(4,430)
	<u>\$ 94,175</u>	<u>\$ 294,645</u>

4. Investments and fair value measurements

Accounting standards require companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. A three-level hierarchy for disclosure of fair value measurements is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of 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. The three levels of the fair value hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. VCIC's investments are classified as Level 1 within the fair value hierarchy because they are composed of highly liquid cash equivalents, open-ended mutual funds or exchange traded funds with readily determinable fair values based on daily redemption values.

Level 2 – inputs to the valuation methodology included quoted prices for similar assets or liabilities in active market and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value measurements on a recurring basis are composed of the following investments at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
Cash equivalent	\$ 27,127	\$ -	\$ -	\$ 27,127
US small-cap equity	55,469	-	-	55,469
US mid-cap equity	46,767	-	-	46,767
US large-cap equity	340,536	-	-	340,536
Developed markets equity	82,768	-	-	82,768
Emerging markets equity	28,132	-	-	28,132
Government bond fund	249,620	-	-	249,620
	<u>\$ 830,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830,417</u>

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

Fair value measurements on a recurring basis are composed of the following investments at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
Cash equivalent	\$ 33,133	\$ -	\$ -	\$ 33,133
US small-cap equity	36,400	-	-	36,400
US mid-cap equity	51,090	-	-	51,090
US large-cap equity	271,004	-	-	271,004
Developed markets equity	120,283	-	-	120,283
Emerging markets equity	30,401	-	-	30,401
Government bond fund	227,136	-	-	227,136
International bond fund	23,908	-	-	23,908
Corporate bond fund	25,115	-	-	25,115
	<u>\$ 818,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,470</u>

Investment income was comprised of the following for the years ending June 30:

	2020	2019
Dividend and interest income	\$ 28,487	\$ 21,314
Realized and unrealized gains on investments	(359)	19,041
Investment management fees	(6,119)	(7,627)
	<u>\$ 22,009</u>	<u>\$ 32,728</u>

5. Property and equipment

Property and equipment consisted of the following at June 30:

	2020	2019	Estimated useful life
Furniture, fixtures, and equipment	\$ 42,637	\$ 39,791	3 - 5 years
Leasehold improvements	3,777	3,777	5 years
Trademarks	1,200	1,200	10 years
	<u>47,614</u>	<u>44,768</u>	
Less: accumulated depreciation	(29,176)	(22,518)	
	<u>\$ 18,438</u>	<u>\$ 22,250</u>	

Depreciation expense for the years ending June 30, 2020 and 2019 was \$6,659 and \$6,275, respectively.

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

6. Paycheck Protection Program (PPP) Loan

The Organization obtained a CARES Act Paycheck Protection Program loan in April 2020 in the amount of \$156,200 as a result of the COVID-19 pandemic. The Organization intends to comply with the loan requirements so that the loan is fully forgiven. As of the date that the financial statements were available to be issued, the Organization had not yet submitted the loan forgiveness application.

7. Employee benefit plan

VCIC sponsors a 403(b) retirement plan through TIAA. Eligible employees are those at least 18 years of age and employed on a full-time basis. Matching contributions require a minimum of 6 consecutive months of service. The first 3 percent of employee contributions are not matched while the employee contributions from 3 percent up to 12 percent are matched by VCIC in accordance with the matching contribution formula elected in the adoption agreement. Matching contributions become fully vested on the one year service anniversary of the participant. The total matching contribution and related plan costs for the years ended June 30, 2020 and 2019 were \$55,335 and \$55,152.

8. Long-term leases

VCIC has long-term leases related to office space, a copy machine and a mail meter. The office lease is a six-year lease with escalation clauses over the term of the lease. The monthly rent for this lease ranged from \$2,573 to \$2,650 during the years ending June 30, 2020 and 2019. The copy machine has a four-year lease with monthly payments ranged from \$490 to \$523 and the mail meter has a five-year lease with monthly payments of \$219. Total rent for the years ending June 30, 2020 and 2019 were \$31,044 and \$30,139 for the office space and \$9,370 and \$10,015 for the copy machine and mail meter, respectively.

Future lease minimum payments for the remaining years under these leases are as follows for the years ending June 30:

2021	\$	29,130
2022		2,628
2023		2,190
	\$	<u>33,948</u>

9. Net assets with donor restrictions

Net assets with donor restrictions and the related releases from restrictions as of and for the year ended June 30, 2020 are summarized as follows:

	June 30, 2019	Grants and contributions	Releases	June 30, 2020
Restricted to future periods	\$ 301,000	\$ -	\$ (281,000)	\$ 20,000
Restricted for specific activities:				
Connections programs	14,702	15,000	(20,110)	9,592
Inclusion projects and conferences	92,842	178,875	(97,978)	173,739
Educational equity initiative	32,500	10,000	(36,183)	6,317
Language justice initiative	-	50,000	(23,187)	26,813
Other	-	80,000	(30,554)	49,446
	<u>\$ 441,044</u>	<u>\$ 333,875</u>	<u>\$ (489,012)</u>	<u>\$ 285,907</u>

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

Net assets with donor restrictions and the related releases from restrictions as of and for the year ended June 30, 2019 are summarized as follows:

	<u>June 30, 2018</u>	<u>Grants and contributions</u>	<u>Releases</u>	<u>June 30, 2019</u>
Restricted to future periods	\$ 322,000	\$ 160,000	\$ (181,000)	\$ 301,000
Restricted for specific activities:				
Programming in specific locations	40,787	-	(40,787)	-
Connections programs	12,076	15,000	(12,374)	14,702
Inclusion projects and conferences	30,187	202,740	(140,085)	92,842
Educational equity initiative	29,463	57,500	(54,463)	32,500
Other	127	-	(127)	-
	<u>\$ 434,640</u>	<u>\$ 435,240</u>	<u>\$ (428,836)</u>	<u>\$ 441,044</u>

Grants and contributions restricted to future periods have payments due in 2021 and 2022 as outlined in Note 3. Grants and contributions which are restricted to specific activities include various projects at VCIC: the Connections Institute program, Lynchburg City Schools Project Inclusion, Armstrong Project Inclusion, and the Educational Equity Initiative.

10. Liquidity and availability

VCIC strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments.

The following table reflects VCIC's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions:

Cash and cash equivalents	\$ 1,256,494
Accounts receivable	8,371
Grants and pledges receivable	85,000
Investments	830,417
Total financial assets available within one year	<u>2,180,282</u>
Less amounts unavailable for general expenditures within one year due to:	
Restrictions by donors for specific activities or purpose	<u>(275,907)</u>
Total financial assets available to meet general expenditures within one year:	<u>\$ 1,904,375</u>

See independent auditor's report.

Virginia Center for Inclusive Communities

Notes to Financial Statements June 30, 2020 and 2019

11. Subsequent events

Virginia Center for Inclusive Communities assessed events occurring subsequent to June 30, 2020 through December 14, 2020 for potential recognition and disclosure in the financial statements.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which have the potential to negatively impact income and programs of VCIC. VCIC has been required to change the nature and timing of several events and transitioned certain events into virtual events. Other financial impacts could occur though such potential impact is unknown and cannot be reasonably estimated at this time.

No other events have occurred that would require adjustment to or disclosure in the financial statements.