

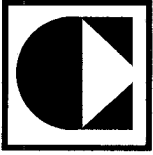
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

LORTON COMMUNITY ACTION CENTER, INC.

June 30, 2016
(with comparative totals for June 30, 2015)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lorton Community Action Center, Inc.

We have audited the accompanying financial statements of Lorton Community Action Center, Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2016 and the related statements of activities, cash flows and functional expenses 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 audits. 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 do not express such an 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 provides reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorton Community Action Center, Inc. as of June 30, 2016, and the changes in its net assets and its functional expenses and cash flows for the years then ended in accordance with accounting standards generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lorton Community Action Center's June 30, 2015 financial statements, and our report dated September 10, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Alexandria, Virginia
September 28, 2016

Douglas Corey, a Associates, P.C.

Lorton Community Action Center, Inc.
Balance Sheets
June 30, 2016 and 2015
(See Independent Auditor's Report and notes to financial statements)

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,412	\$ 64,155
Accrued interest receivable	4,928	6,114
Prepaid expenses	12,998	13,081
Total Current Assets	55,338	83,350
Property, equipment and leasehold improvements, net of accumulated depreciation of \$221,660 and \$192,433, respectively	349,386	381,061
Designated for long-term use		
Cash	23,861	32,977
Investments - long term	2,041,077	2,025,034
	2,064,938	2,058,011
	\$ 2,469,662	\$ 2,522,422

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 11,810	\$ 1,024
Accrued payroll and payroll taxes	21,117	14,528
Sales tax payable	925	869
Total Current Liabilities	33,852	16,421
Net Assets		
Unrestricted	347,061	447,990
Board designated	2,088,749	2,058,011
Temporarily restricted	-	-
	2,435,810	2,506,001
	\$ 2,469,662	\$ 2,522,422

Lorton Community Action Center, Inc.
Statement of Activities
For the year ended June 30, 2016
Comparative Totals for 2015
(See Independent Auditor's Report and notes to financial statements)

	Unrestricted	Board Designated	Temporarily Restricted	2016 Total	2015 Total
Revenue and Other Support:					
Special events	\$ 165,656	\$ -	\$ -	\$ 165,656	\$ 159,630
Contributions/grants	306,231	-	64,883	371,114	376,405
Non-cash contributions	33,398	-	-	33,398	59,727
Stock contribution	-	-	-	-	10,027
Thrift shop sales	175,370	-	-	175,370	162,680
Interest and dividends	-	88,352	-	88,352	32,378
Unrealized gain (loss) on investments	-	(33,951)	-	(33,951)	20,517
Realized gain (loss) on investments	-	(6,842)	-	(6,842)	(33,458)
Realized gain (loss) on fixed assets	(373)	-	-	(373)	-
Net assets released from restrictions:					
Satisfaction of program restrictions	64,883	-	(64,883)	-	-
	<u>745,165</u>	<u>47,559</u>	<u>-</u>	<u>792,724</u>	<u>787,906</u>
Expenses:					
Program expenses					
Crisis Intervention	316,550	-	-	316,550	299,476
Self Sufficiency	94,889	-	-	94,889	102,325
Ongoing Assistance	151,287	-	-	151,287	147,866
Youth	31,489	-	-	31,489	34,028
Thrift Shop	133,425	-	-	133,425	124,145
Management and general	2,552	16,821	-	19,373	62,396
Fundraising	57,352	-	-	57,352	56,643
Special events - direct expenses	58,550	-	-	58,550	67,140
	<u>846,094</u>	<u>16,821</u>	<u>-</u>	<u>862,915</u>	<u>894,019</u>
Change in net assets	(100,929)	30,738	-	(70,191)	(106,113)
Net Assets, beginning of year	<u>447,990</u>	<u>2,058,011</u>	<u>-</u>	<u>2,506,001</u>	<u>2,612,114</u>
Net Assets, end of year	<u>\$ 347,061</u>	<u>\$ 2,088,749</u>	<u>\$ -</u>	<u>\$ 2,435,810</u>	<u>\$ 2,506,001</u>

Lorton Community Action Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2016
Comparative Totals for 2015

(See Independent Auditor's Report and notes to financial statements)

	<u>Program Services</u>					<u>Supporting Services</u>			<u>2015</u> <u>Total</u> <u>Expense</u>		
	<u>Crisis</u> <u>Intervention</u>	<u>Self</u> <u>Sufficiency</u>	<u>Ongoing</u> <u>Assistance</u>	<u>Youth</u>	<u>Thrift</u> <u>Shop</u>	<u>Total</u> <u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>		<u>Total</u> <u>Supporting</u> <u>Services</u>	
Payroll	\$ 150,570	\$ 44,293	\$ 87,678	\$ -	\$ 50,186	\$ 332,727	\$ 14,063	\$ 40,863	\$ 54,926	\$ 387,653	\$ 380,946
Direct client expenses:											
Housing and utilities	63,017	-	414	-	-	63,431	-	-	-	63,431	58,083
Afterschool program	-	-	-	31,489	-	31,489	-	-	-	31,489	34,028
Ongoing Assistance for indep living	-	-	18,441	-	-	18,441	-	-	-	18,441	14,935
Food	8,899	-	4,182	-	-	13,081	-	-	-	13,081	17,961
Holiday expense	3,256	-	1,402	-	-	4,658	-	-	-	4,658	6,297
Education	-	4,056	-	-	-	4,056	-	-	-	4,056	4,967
Back to school	-	-	224	-	-	474	-	-	-	474	189
Other direct aid	-	-	-	-	-	-	-	-	-	-	2,400
Rent	-	17,800	-	-	43,996	61,796	-	-	-	61,796	60,168
Payroll taxes	11,552	3,959	7,806	-	4,960	28,277	1,018	3,460	4,478	32,755	36,507
Depreciation	22,557	4,862	2,082	-	1,188	30,689	322	292	614	31,303	39,995
Occupancy	1,741	7,159	1,161	-	18,219	28,280	-	-	-	28,280	28,692
Consultants and contract services	12,496	3,541	2,396	-	-	18,433	783	2,100	2,883	21,316	36,442
Bank charges/investment expense	7,505	2,208	4,370	-	-	14,083	701	2,037	2,738	16,821	17,065
Insurance	6,248	1,838	3,638	-	2,083	13,807	583	1,696	2,279	16,086	13,892
Audit/accounting	4,030	1,185	2,347	-	1,343	8,905	376	1,094	1,470	10,375	12,577
Benefits	3,170	922	1,671	-	2,186	7,949	660	-	660	8,609	7,569
Cleaning and maintenance	3,833	331	2,400	-	752	7,316	-	-	-	7,316	7,874
Printing	2,531	6	1,590	-	-	4,127	-	2,882	2,882	7,009	7,504
Travel reimbursements	2,087	614	1,215	-	696	4,612	195	566	761	5,373	5,344
Supplies	1,517	446	883	-	1,840	4,686	142	412	554	5,240	4,893
Advertising	2,728	-	1,722	-	-	4,450	-	409	409	4,859	3,161
Equipment	2,115	622	1,232	-	-	3,969	198	574	772	4,741	9,074
Postage	1,653	486	962	-	551	3,652	154	449	603	4,255	3,144
Dues and subscriptions	2,487	-	1,488	-	-	3,975	-	-	-	3,975	3,875
Miscellaneous	1,404	413	818	-	468	3,103	131	381	512	3,615	3,761
Consignment costs	-	-	-	-	2,525	2,525	-	-	-	2,525	1,320
Charge card fees	-	-	-	-	2,264	2,264	-	-	-	2,264	2,414
Training, Meetings & Dues	-	-	-	-	168	1,115	47	137	184	1,299	1,802
Property tax	505	148	294	-	-	1,270	-	-	-	1,270	-
	399	-	871	-	-	1,270	-	-	-	1,270	-
	316,550	94,889	151,287	31,489	133,425	727,640	19,373	57,352	76,725	804,365	826,879

Lorton Community Action Center, Inc.
Statements of Cash Flows
For the years ended June 30, 2016 and 2015
(See Independent Auditor's Report and notes to financial statements)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (70,191)	\$ (106,113)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	31,303	39,995
Realized loss on fixed asset disposal	373	-
Realized loss on sale of investments	6,842	33,458
Unrealized loss (gain) on investments	33,951	(20,517)
Stock contribution	-	(10,027)
(Increase) decrease in accounts receivable	1,186	1,211
(Increase) decrease in prepaid expenses	83	3,663
Increase (decrease) in payables	<u>17,431</u>	<u>(1,034)</u>
Net cash provided (used) by operating activities	20,978	(59,364)
Cash flows from investing activities:		
Purchase of fixed assets	-	(1,769)
Proceeds from sales of investments	933,930	723,411
Purchase of investments	<u>(990,767)</u>	<u>(723,076)</u>
Net cash provided (used) by investing activities	<u>(56,837)</u>	<u>(1,434)</u>
Net increase (decrease) in cash and cash equivalents	(35,859)	(60,798)
Cash, beginning of year	<u>97,132</u>	<u>157,930</u>
Cash, end of year	<u>\$ 61,273</u>	<u>\$ 97,132</u>
Operating cash	\$ 37,412	\$ 64,155
Cash designated for long-term use	<u>23,861</u>	<u>32,977</u>
	<u>\$ 61,273</u>	<u>\$ 97,132</u>
During the year the Organization had the following non-cash transactions which were excluded from the statement of cash flows:		
Non-cash contributions	\$ 33,398	\$ 59,727
Expenses related to in-kind contributions:		
Special events - direct expenses	(10,975)	(18,018)
Consultants and contract services	<u>(22,423)</u>	<u>(41,709)</u>
	<u>\$ -</u>	<u>\$ -</u>
Net unrealized gain on investments and corresponding adjustment of investments to fair market value	<u>\$ (33,951)</u>	<u>20,517</u>
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>-</u>
Interest expense	<u>\$ -</u>	<u>-</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note A - Nature of Organization

Lorton Community Action Center, Inc. (the Organization) is a non-profit corporation founded in 1975. The Organization provides food, clothing, housing, utility assistance and educational opportunities for those in need in the Lorton, Virginia area. The Organization also educates the Lorton area residents in the activities of the Lorton Community Action Center, its purpose, and ways in which the residents can help those in need. The Organization has various grants, contributions and fundraising income to support these activities. The Organization also operates a thrift shop to assist people in the community.

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

LCAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization had no permanently restricted net assets at June 30, 2016 or 2015.

Unrestricted net assets consist of assets, grants, contributions, program revenues, and other income that is available and used for operations and programs. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. On behalf of the Organization, the board voted to designate \$1,950,000 to be set aside from normal operating funds in anticipation of obtaining a new facility. Investment earnings, realized and unrealized gains and losses and investment fees will increase or reduce the board designated funds as appropriate. Board designated funds totaled \$2,088,749 and \$2,058,011 on June 30, 2016 and 2015, respectively.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

3. Contributions

All contributions and net revenue from fund raising events are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

4. Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). The Organization is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended June 30, 2016 and 2015. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2016. The Organization's 2013 through 2015 tax years are open for examination by federal taxing authorities.

5. Property, Equipment, Leasehold Improvements and Depreciation

Property, equipment and leasehold improvements are capitalized at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

6. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

7. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

8. Investments

LCAC's investments consist of certificates of deposit, equities, Government securities, corporate bonds and notes, asset backed securities and non-traditional investments with maturity dates in excess of three months. They are considered available-for-sale securities. Investments are reported at fair value on the balance sheet. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of investments with original maturities of twelve months or less. Long term investments consist of investments with original maturities greater than twelve months.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note C – Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 28, 2016, the date that the financial statements were available to be issued.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note D – Investments

The adjusted basis and fair value as of June 30, 2016 and 2015 are as follows:

	Adjusted Basis	Fair Value	Unrealized Gains (Losses)
June 30, 2016			
Certificates of deposit	\$ 201,441	\$ 209,091	\$ 7,650
Equities	793,262	726,612	(66,650)
Corporate bonds and notes	396,400	410,429	14,029
Asset backed securities	374,817	381,899	7,082
Non-traditional investments	79,459	74,909	(4,550)
Government securities	<u>229,649</u>	<u>238,137</u>	<u>8,488</u>
	<u>\$2,075,028</u>	<u>\$2,041,077</u>	<u>\$ (33,951)</u>
June 30, 2015			
Certificates of deposit	\$ 196,410	\$ 201,440	\$ 5,030
Equities	541,460	558,054	16,594
Corporate bonds and notes	693,307	689,663	(3,644)
Asset backed securities	318,643	321,750	3,107
Non-traditional investments	80,603	81,756	1,153
Government securities	<u>174,094</u>	<u>172,371</u>	<u>(1,723)</u>
	<u>\$2,004,517</u>	<u>\$2,025,034</u>	<u>\$ 20,517</u>

The certificates of deposit and US Treasury strips and other government securities have maturity dates ranging from one to thirty-two years from the financial statement date.

Investment income for the years ended June 30, 2016 and 2015 consists of the following:

	June 30, 2016	June 30, 2015
Interest and dividends	\$88,352	\$32,378
Realized gain (loss) on sale of securities	(6,842)	(33,458)
Unrealized gain (loss) on sale of securities	<u>(33,951)</u>	<u>20,517</u>
Total investment income	<u>\$ 47,559</u>	<u>\$ 19,437</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note E – Fair Value Measurements

FASB ASC 820-10 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 and 2015 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>
June 30, 2016		
Certificates of deposit	\$ 209,091	
Equities	726,612	
Corporate bonds and notes	410,429	
Asset backed securities	381,899	
Non-traditional investments	74,909	
Government securities	<u>238,137</u>	
	<u>\$2,041,077</u>	<u>\$2,041,077</u>
June 30, 2015		
Certificates of deposit	\$ 201,440	
Equities	558,054	
Corporate bonds and notes	689,663	
Asset backed securities	321,750	
Non-traditional investments	81,756	
Government securities	<u>172,371</u>	
	<u>\$2,025,034</u>	<u>\$2,025,034</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note E – Fair Value Measurements, continued

The carrying amounts reflected in the balance sheet for cash, accounts receivable, prepaid expenses, and accounts payable approximates fair value due to the short maturities of those instruments.

Note F – Property and Equipment

Property and equipment are as follows:

	June 30, 2016	June 30, 2015
Building – food pantry	\$339,193	\$339,193
Property and equipment	81,906	84,354
Software	16,366	16,366
Leasehold improvements	<u>133,581</u>	<u>133,581</u>
	571,046	573,494
Accumulated depreciation	<u>(221,660)</u>	<u>(192,433)</u>
Net book value	<u>\$349,385</u>	<u>\$381,061</u>

Depreciation expense for the years ended June 30, 2016 and 2015 is \$31,303 and \$39,995, respectively.

Note G – Operating Lease

The Organization leases space for its thrift shop through an annual lease agreement. Upon expiration of the lease, the Organization has the option to extend the lease by one year. Rent and related fees on this space totaled \$56,694 and \$54,582 for the years ended June 30, 2016 and 2015, respectively. In 2014, LCAC signed an operating lease agreement for space for an education center. The lease commenced on January 1, 2014 and is for a period of three years. Rent and related fees on this space totaled \$21,955 and \$19,683 for the years ended June 30, 2016 and 2015, respectively.

Minimum base lease payments for future years are as follows:

Year ended June 30:	
2017	<u>\$ 9,018</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note H – Donated Facilities, Services and Assets

Contributions of donated non-cash assets and services and contributions of stock are recorded at their fair market values in the period received. For the year ended to June 30, 2016, non-cash contributions consist of professional consulting services totaling \$22,423 and other items totaling \$10,975. For the year ended June 30, 2015, non-cash contributions consist of professional consulting services totaling \$41,709 and other items totaling \$18,018. LCAC also received stock with a fair market value of \$10,027.

The Organization occupies, without charge, their headquarters on Richmond Highway and storage facility on Gunston Road. No amounts have been reflected in the accompanying financial statements as no objective measure is available to value these transactions.

Many volunteers have contributed numerous hours of administrative, maintenance and fund raising services to the Organization. Neighborhood residents contribute a significant amount of inventory for the Thrift Shop as well as supplies for school and toys for Christmas. Residents and local grocers contribute food to be provided to LCAC clients. These contributions do not meet the requirements to be recorded as revenue and expense under SFAS 116. Although no amount has been recorded in the financial statements, management estimates fair value of the volunteer services to be \$531,107 and fair value of the food and other items to be \$1,139,834 for the year ended June 30, 2016. For the year ended June 30, 2015 management estimates the fair value of the volunteer services to be \$513,374 and fair value of the food and other items to be \$978,588. No amounts have been reported for donated inventory, as no objective measure is available to value those transactions.

Note I – Temporarily Restricted Net Assets

For the years ended June 30, 2016 and 2015, respectively, net assets of \$64,883 and \$71,618 were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

As of June 30, 2016 and 2015, there were no temporarily restricted net assets.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2016 and June 30, 2015
(See Independent Auditor's Report)

Note J – Concentrations

Support

During the year ended June 30, 2016, income from one source comprised 13% of total support, income from Thrift Shop sales comprised 23% of total support, and income from one fundraising activity comprised 19% of total support.

During the year ended June 30, 2015, income from one source comprised 14% of total support, income from Thrift Shop sales comprised 21% of total support, and income from one fundraising activity comprised 19% of total support.

Note K – Retirement Plan

The Organization maintains a defined contribution plan under section 403(b) of the Internal Revenue Code for all eligible employees. Under this plan, employees can elect to defer up to \$18,000 of their salary. The Organization does not match employee contributions.