

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

LORTON COMMUNITY ACTION CENTER, INC.

June 30, 2013
(with comparative totals for June 30, 2012)

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheets	3
Statement of Activities with comparative totals	4
Statement of Functional Expenses with comparative totals	5
Statements of Cash Flows	6
Notes to Financial Statements	7



DOUGLAS COREY & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

6601 LITTLE RIVER TURNPIKE, SUITE 440

ALEXANDRIA, VIRGINIA 22312

(703) 354-2900 • FAX (703) 354-2606

E-MAIL: coreycpa@coreycpa.com

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 sheets as of June 30, 2013 and June 30, 2012, and the related statements of activities, cash flows and functional expenses 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 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 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 audits provide reasonable basis for our opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Lorton Community Action Center, Inc. as of June 30, 2013 and 2012, 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.

Douglas Gray & Associates, P.C.

Alexandria, Virginia
September 12, 2013

Lorton Community Action Center, Inc.
Balance Sheets
June 30, 2013 and 2012
(See Independent Auditor's Report and notes to financial statements)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 78,984	\$ 91,448
Accrued interest receivable	459	325
Prepaid expenses	14,606	20,425
Total Current Assets	94,049	112,198
Property, equipment and leasehold improvements, net of accumulated depreciation of \$115,282 and \$102,316, respectively	439,845	460,942
Designated for long-term use		
Cash	314,968	60,406
Investments - short term	299,713	1,346,322
Investments - long term	1,408,929	587,121
	2,023,610	1,993,849
	\$ 2,557,504	\$ 2,566,989
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 794	\$ 6,467
Accrued payroll and payroll taxes	11,654	11,126
Sales tax payable	641	472
Total Current Liabilities	13,089	18,065
Net Assets		
Unrestricted	527,614	555,075
Board designated	2,012,320	1,993,849
Temporarily restricted	4,481	-
	2,544,415	2,548,924
	\$ 2,557,504	\$ 2,566,989

Lorton Community Action Center, Inc.
Statement of Activities
For the year ended June 30, 2013
Comparative Totals for 2012
(See Independent Auditor's Report and notes to financial statements)

	Unrestricted	Board Designated	Temporarily Restricted	2013 Total	2012 Total
Revenue and Other Support:					
Special events	\$ 291,722	\$ -	\$ -	\$ 291,722	\$ 220,543
Contributions/grants	306,802	-	59,242	366,044	365,138
Non-cash contributions	32,134	-	-	32,134	34,430
Stock contribution	14,600	-	-	14,600	-
Thrift shop sales	122,458	-	-	122,458	103,994
Interest and dividends	-	22,101	-	22,101	8,288
Loss on disposition of assets	(1,460)	-	-	(1,460)	-
Unrealized gain (loss) on investments	(14,760)	-	-	(14,760)	(3,146)
Realized gain (loss) on investments	-	(3,630)	-	(3,630)	66
Net assets released from restrictions:					
Satisfaction of program restrictions	54,761	-	(54,761)	-	-
	<u>806,257</u>	<u>18,471</u>	<u>4,481</u>	<u>829,209</u>	<u>729,313</u>
Expenses:					
Program expenses					
Crisis Intervention	237,499	-	-	237,499	269,065
Self Sufficiency	138,738	-	-	138,738	125,467
Ongoing Assistance	98,521	-	-	98,521	82,952
Youth	23,986	-	-	23,986	-
Thrift Shop	104,720	-	-	104,720	113,379
Management and general	62,349	-	-	62,349	45,543
Fundraising	52,937	-	-	52,937	57,931
Special events - direct expenses	114,968	-	-	114,968	88,274
	<u>833,718</u>	<u>-</u>	<u>-</u>	<u>833,718</u>	<u>782,611</u>
Change in net assets	(27,461)	18,471	4,481	(4,509)	(53,298)
Net Assets, beginning of year	<u>555,075</u>	<u>1,993,849</u>	<u>-</u>	<u>2,548,924</u>	<u>2,602,222</u>
Net Assets, end of year	<u>\$ 527,614</u>	<u>\$ 2,012,320</u>	<u>\$ 4,481</u>	<u>\$ 2,544,415</u>	<u>\$ 2,548,924</u>

Lorton Community Action Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2013
Comparative Totals for 2012

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

	<u>Program Services</u>						<u>Supporting Services</u>				
	<u>Crisis Intervention</u>	<u>Self Sufficiency</u>	<u>Ongoing Assistance</u>	<u>Youth</u>	<u>Thrift Shop</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2013 Total Expense</u>	<u>2012 Total Expense</u>
Payroll	\$ 100,856	\$ 68,865	\$ 47,409	\$ -	\$ 38,812	\$ 255,942	\$ 51,719	\$ 38,961	\$ 90,680	\$ 346,622	\$ 368,895
Direct client expenses:											
Housing and utilities	55,676	-	-	-	-	55,676	-	-	-	55,676	37,248
Food	17,089	6,771	4,889	-	-	28,749	-	-	-	28,749	11,218
Afterschool program	-	-	-	23,986	-	23,986	-	-	-	23,986	-
Ongoing Assistance for indep living	-	-	16,815	-	-	16,815	-	-	-	16,815	9,365
Education	-	5,039	-	-	-	5,039	-	-	-	5,039	5,954
Other direct aid	33	3,000	-	-	-	3,033	-	-	-	3,033	7,233
Back to school	1,618	-	-	-	-	1,618	-	-	-	1,618	12,255
Holiday expense	761	-	-	-	-	761	-	-	-	761	1,756
Rent	-	-	-	-	49,292	49,292	-	-	-	49,292	52,217
Depreciation	15,929	13,033	7,241	-	584	36,787	-	-	-	36,787	31,178
Payroll taxes	7,881	5,416	3,751	-	3,195	20,243	7,449	-	7,449	27,692	27,532
Printing	4,977	3,995	2,458	-	-	11,430	-	10,080	10,080	21,510	19,410
Occupancy	4,890	4,519	3,421	-	7,413	20,243	-	-	-	20,243	19,089
Consultants and contract services	7,200	8,000	-	-	-	15,200	-	-	-	15,200	19,040
Insurance	4,988	4,685	3,708	-	-	13,381	-	-	-	13,381	15,136
Audit/accounting	5,139	4,191	2,524	-	-	11,854	-	-	-	11,854	6,456
Equipment	2,207	2,767	1,966	-	-	6,940	-	-	-	6,940	13,362
Supplies	2,131	1,571	1,229	-	896	5,827	-	-	-	5,827	5,806
Travel reimbursements	2,003	1,630	1,026	-	-	4,659	-	-	-	4,659	3,467
Charge card fees	-	-	-	-	1,493	1,493	-	2,743	2,743	4,236	2,254
Miscellaneous	607	2,484	319	-	275	3,685	-	-	-	3,685	5,517
Benefits	421	343	216	-	2,550	3,530	-	-	-	3,530	12,896
Bank charges/investment expense	-	-	-	-	-	-	3,181	-	3,194	3,194	149
Training, Meetings & Dues	1,341	1,003	653	-	-	2,997	-	-	-	2,997	2,363
Postage	898	731	459	-	-	2,088	-	640	640	2,728	2,146
Advertising	854	695	437	-	210	2,196	-	500	500	2,696	2,395
	\$ 237,499	\$ 138,738	\$ 98,521	\$ 23,986	\$ 104,720	\$ 603,464	\$ 62,349	\$ 52,937	\$ 115,286	\$ 718,750	\$ 694,337

Lorton Community Action Center, Inc.
Statements of Cash Flows
For the years ended June 30, 2013 and 2012
(See Independent Auditor's Report and notes to financial statements)

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (4,509)	\$ (53,298)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	36,787	31,178
Loss on disposition of assets	1,460	-
Realized loss (gain) on sale of investments	3,630	(66)
Unrealized loss on investments	14,760	3,146
Stock contribution	(14,600)	-
(Increase) decrease in accounts receivable	(134)	(325)
(Increase) decrease in prepaid expenses	5,819	43,583
Increase (decrease) in payables	<u>(4,976)</u>	<u>(5,551)</u>
Net cash provided (used) by operating activities	38,237	18,667
Cash flows from investing activities:		
Purchase of fixed assets	(17,151)	(29,894)
Proceeds from sales of investments	1,401,047	1,900,000
Purchase of investments	<u>(1,180,035)</u>	<u>(1,971,283)</u>
Net cash provided (used) by investing activities	<u>203,861</u>	<u>(101,177)</u>
Net increase (decrease) in cash and cash equivalents	242,098	(82,510)
Cash, beginning of year	<u>151,854</u>	<u>234,364</u>
Cash, end of year	<u>\$ 393,952</u>	<u>\$ 151,854</u>
Operating cash	\$ 78,984	\$ 91,448
Cash designated for long-term use	<u>314,968</u>	<u>60,406</u>
	<u>\$ 393,952</u>	<u>\$ 151,854</u>
During the year the Organization had the following non-cash transactions which were excluded from the statement of cash flows:		
Non-cash contributions	\$ 32,134	\$ 34,430
Expenses related to in-kind contributions:		
Consultants and contract services	<u>(32,134)</u>	<u>(34,430)</u>
	<u>\$ -</u>	<u>\$ -</u>
Net unrealized gain\ (loss) on investments and corresponding adjustment of investments to fair market value	<u>\$ (3,630)</u>	<u>(3,146)</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, 2013 and June 30, 2012
(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, 2013 and no temporarily or permanently restricted net assets at June 30, 2012.

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. Interest earned on this money will also be set aside to be used for the new facility. The board designated funds totaled \$2,012,320 and \$1,993,849 on June 30, 2012 and 2013, respectively.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and 2012
(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, 2013 and 2012. 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, 2013. The Organization's 2010 through 2012 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, 2013 and 2012
(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 and US Treasury Strips and other government securities with a maturity date 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 12, 2013, the date that the financial statements were available to be issued.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and June 30, 2012
(See Independent Auditor's Report)

Note D – Investments

The adjusted basis and fair value as of June 30, 2013 and 2012 are as follows:

	Adjusted Basis	Fair Value	Unrealized Gains (Losses)
June 30, 2013			
Certificates of deposit	\$ 1,223,296	\$ 1,218,849	\$ (4,447)
US Treasury strips and other government securities	<u>500,106</u>	<u>489,793</u>	<u>(10,313)</u>
	<u>\$1,723,402</u>	<u>\$1,708,642</u>	<u>\$ (14,760)</u>
June 30, 2012			
Certificates of deposit	\$1,446,667	\$1,444,972	\$(1,695)
US Treasury strips and other government securities	<u>489,922</u>	<u>488,471</u>	<u>(1,451)</u>
	<u>\$1,936,589</u>	<u>\$ 1,933,443</u>	<u>\$ (3,146)</u>

The certificates of deposit and US Treasury strips and other government securities have maturity dates ranging from three months to five years from the financial statement date.

Investment income for the years ended June 30, 2013 and 2012 consists of the following:

	June 30, 2013	June 30, 2012
Interest and dividends	\$22,101	\$8,288
Realized gain (loss) on sale of securities	(3,630)	66
Unrealized gain (loss) on sale of securities	<u>(14,760)</u>	<u>(3,146)</u>
Total investment income	<u>\$ 3,711</u>	<u>\$ 5,208</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and 2012
(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, 2013 and 2012 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>
June 30, 2013		
Certificates of deposit	\$1,218,849	
US Treasury strips and other government securities	<u>489,793</u>	
	<u>\$1,708,642</u>	<u>\$1,708,642</u>
June 30, 2012		
Certificates of deposit	\$1,444,972	
US Treasury strips and other government securities	<u>488,471</u>	
	<u>\$1,933,443</u>	<u>\$1,933,443</u>

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

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and 2012
(See Independent Auditor's Report)

Note F – Property and Equipment

Property and equipment are as follows:

Building – food pantry	\$339,193	\$339,193
Property and equipment	65,987	74,118
Software	16,366	16,366
Leasehold improvements	<u>133,581</u>	<u>133,581</u>
	555,127	563,258
Accumulated depreciation	<u>(115,282)</u>	<u>(102,316)</u>
Net book value	<u>\$439,845</u>	<u>\$460,942</u>

Depreciation expense for the years ended June 30, 2013 and 2012 is \$36,787 and \$31,178, 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 \$49,292 and \$52,217 for the years ended June 30, 2013 and 2012, respectively.

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, 2013, non-cash contributions consist of professional consulting services totaling \$22,380 and other services totaling \$9,754. LCAC also received stock with a fair market value of \$14,600. For the year ended to June 30, 2012, non-cash contributions consist of professional consulting services totaling \$18,540 and other services totaling \$15,890.

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.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and 2012
(See Independent Auditor's Report)

Note H – Donated Facilities, Services and Assets, continued

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 \$414,442 and fair value of the food and other items to be \$727,048 for the year ended June 30, 2013. For the year ended June 30, 2012 management estimates the fair value of the volunteer services to be \$307,738 and fair value of the food and other items to be \$570,395. No amounts have been reported for donated inventory, as no objective measure is available to value those transactions.

Note I – Temporarily Restricted Net Assets

Net assets of \$54,761 and \$67,596 were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

As of June 30, 2013, temporarily restricted net assets were available for the after school program. There was no temporarily restricted net asset balance as of June 30, 2012.

Note J – Concentrations

Support

During the year ended June 30, 2013, income from one source comprised 17% of total support, income from Thrift Shop sales comprised 15% of total support, and income from two fundraising activities comprised 36% of total support.

During the year ended June 30, 2012, income from one source comprised 18% of total support, income from Thrift Shop sales comprised 14% of total support, and income from two fundraising activities comprised 29% of total support.

Cash

At various times during the years June 30, 2013 and 2012, LCAC had more funds on deposit at one financial institution than the \$250,000 insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial condition of the banking institution, along with their balances in cash and tries to keep these potential risks to a minimum.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2013 and 2012
(See Independent Auditor's Report)

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 \$17,000 of their salary. The Organization does not match employee contributions.