

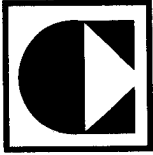
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

LORTON COMMUNITY ACTION CENTER, INC.

June 30, 2014
(with comparative totals for June 30, 2013)

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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 sheets as of June 30, 2014 and June 30, 2013, 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 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 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, 2014 and 2013, 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 Corey, a Associate, P. C.

Alexandria, Virginia
September 25, 2014

Lorton Community Action Center, Inc.
Balance Sheets
June 30, 2014 and 2013
(See Independent Auditor's Report and notes to financial statements)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 132,164	\$ 78,984
Accrued interest receivable	7,325	459
Prepaid expenses	16,744	14,606
Total Current Assets	156,233	94,049
Property, equipment and leasehold improvements, net of accumulated depreciation of \$152,438 and \$115,282, respectively	402,689	439,845
Property and equipment not placed in service	16,608	-
Designated for long-term use		
Cash	25,766	314,968
Investments - short term	-	299,713
Investments - long term	2,028,273	1,408,929
	2,054,039	2,023,610
	\$ 2,629,569	\$ 2,557,504
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,371	\$ 794
Accrued payroll and payroll taxes	14,379	11,654
Sales tax payable	705	641
Total Current Liabilities	17,455	13,089
Net Assets		
Unrestricted	519,056	527,614
Board designated	2,086,798	2,012,320
Temporarily restricted	6,260	4,481
	2,612,114	2,544,415
	\$ 2,629,569	\$ 2,557,504

Lorton Community Action Center, Inc.
Statement of Activities
For the year ended June 30, 2014
Comparative Totals for 2013
(See Independent Auditor's Report and notes to financial statements)

	Unrestricted	Board Designated	Temporarily Restricted	2014 Total	2013 Total
Revenue and Other Support:					
Special events	\$ 150,488	\$ -	\$ -	\$ 150,488	\$ 291,722
Contributions/grants	299,625	50,000	65,440	415,065	366,044
Non-cash contributions	29,533	-	-	29,533	32,134
Stock contribution	11,501	-	-	11,501	14,600
Thrift shop sales	147,797	-	-	147,797	122,458
Interest and dividends	-	53,060	-	53,060	22,101
Loss on disposition of assets	-	-	-	-	(1,460)
Unrealized gain (loss) on investments	44,246	-	-	44,246	(14,760)
Realized gain (loss) on investments	-	3,599	-	3,599	(3,630)
Net assets released from restrictions:					
Satisfaction of program restrictions	95,842	(32,181)	(63,661)	-	-
	<u>779,032</u>	<u>74,478</u>	<u>1,779</u>	<u>855,289</u>	<u>829,209</u>
Expenses:					
Program expenses					
Crisis Intervention	239,976	-	-	239,976	237,499
Self Sufficiency	149,937	-	-	149,937	138,738
Ongoing Assistance	99,813	-	-	99,813	98,521
Youth	37,745	-	-	37,745	23,986
Thrift Shop	112,843	-	-	112,843	104,720
Management and general	63,163	-	-	63,163	62,349
Fundraising	45,999	-	-	45,999	52,937
Special events - direct expenses	38,114	-	-	38,114	114,968
	<u>787,590</u>	<u>-</u>	<u>-</u>	<u>787,590</u>	<u>833,718</u>
Change in net assets	(8,558)	74,478	1,779	67,699	(4,509)
Net Assets, beginning 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>
Net Assets, end of year	<u>\$ 519,056</u>	<u>\$ 2,086,798</u>	<u>\$ 6,260</u>	<u>\$ 2,612,114</u>	<u>\$ 2,544,415</u>

Lorton Community Action Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2014
Comparative Totals for 2013

(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>2014 Total Expense</u>	<u>2013 Total Expense</u>
Payroll	\$ 105,037	\$ 77,636	\$ 54,825	\$ -	\$ 42,389	\$ 279,887	\$ 40,299	\$ 39,436	\$ 79,735	\$ 359,622	\$ 346,622
Direct client expenses:											
Housing and utilities	43,841	-	-	-	-	43,841	-	-	-	43,841	55,676
Afterschool program	-	-	-	37,745	-	37,745	-	-	-	37,745	23,986
Food	12,635	-	4,576	-	-	17,211	-	-	-	17,211	28,749
Ongoing Assistance for indep living	-	-	12,278	-	-	12,278	-	-	-	12,278	16,815
Education	-	3,300	-	-	-	3,300	-	-	-	3,300	5,039
Other direct aid	1,600	-	-	-	-	1,600	-	-	-	1,600	3,033
Holiday expense	1,442	-	-	-	-	1,442	-	-	-	1,442	761
Back to school	194	-	-	-	-	194	-	-	-	194	1,618
Rent	-	9,664	-	-	47,877	57,541	-	-	-	57,541	49,292
Depreciation	16,092	13,166	7,314	-	584	37,156	-	-	-	37,156	36,787
Payroll taxes	9,804	7,279	5,113	-	3,933	26,129	4,607	3,660	8,267	34,396	27,692
Consultants and contract services	6,406	8,652	-	-	-	15,058	6,780	-	6,780	21,838	15,200
Occupancy	4,482	5,154	2,111	-	7,626	19,373	-	-	-	19,373	20,243
Insurance	5,494	4,540	2,834	-	3,474	16,342	-	-	-	16,342	13,381
Audit/accounting	5,483	4,389	2,651	-	-	12,523	-	-	-	12,523	11,854
Bank charges/investment expense	-	-	-	-	-	-	11,232	-	11,232	11,232	3,194
Equipment	4,436	5,369	1,211	-	-	11,016	-	-	-	11,016	6,940
Printing	5,722	1,475	954	-	-	8,151	-	2,465	2,465	10,616	21,510
Benefits	1,869	1,328	835	-	2,775	6,807	-	-	-	6,807	3,530
Travel reimbursements	3,525	1,950	1,260	-	-	6,735	-	-	-	6,735	4,659
Supplies	2,855	1,359	1,179	-	745	6,138	245	-	245	6,383	5,827
Miscellaneous	3,227	737	220	-	220	4,404	-	-	-	4,404	3,685
Dues and subscriptions	1,841	1,496	942	-	-	4,279	-	-	-	4,279	-
Postage	2,026	1,343	751	-	-	4,120	-	138	138	4,258	2,728
Advertising	785	639	401	-	70	1,895	-	300	300	2,195	2,696
Charge card fees	-	-	-	-	2,183	2,183	-	-	-	2,183	4,236
Training, Meetings & Dues	1,180	461	358	-	42	2,041	-	-	-	2,041	2,997
Consignment costs	-	-	-	-	925	925	-	-	-	925	-
	<u>\$ 239,976</u>	<u>\$ 149,937</u>	<u>\$ 99,813</u>	<u>\$ 37,745</u>	<u>\$ 112,843</u>	<u>\$ 640,314</u>	<u>\$ 63,163</u>	<u>\$ 45,999</u>	<u>\$ 109,162</u>	<u>\$ 749,476</u>	<u>\$ 718,750</u>

Lorton Community Action Center, Inc.
Statements of Cash Flows
For the years ended June 30, 2014 and 2013
(See Independent Auditor's Report and notes to financial statements)

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 67,699	\$ (4,509)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,156	36,787
Loss on disposition of assets	-	1,460
Realized (gain) loss on sale of investments	(3,599)	3,630
Unrealized (gain) loss on investments	(44,246)	14,760
Stock contribution	(11,501)	(14,600)
(Increase) decrease in receivables	(6,866)	(134)
(Increase) decrease in prepaid expenses	(2,138)	5,819
Increase (decrease) in payables	<u>4,366</u>	<u>(4,976)</u>
Net cash provided (used) by operating activities	40,871	38,237
Cash flows from investing activities:		
Purchase of fixed assets	(16,608)	(17,151)
Proceeds from sales of investments	1,252,242	1,401,047
Purchase of investments	<u>(1,512,527)</u>	<u>(1,180,035)</u>
Net cash provided (used) by investing activities	<u>(276,893)</u>	<u>203,861</u>
Net (decrease) increase in cash and cash equivalents	(236,022)	242,098
Cash, beginning of year	<u>393,952</u>	<u>151,854</u>
Cash, end of year	<u>\$ 157,930</u>	<u>\$ 393,952</u>
Operating cash	\$ 132,164	\$ 78,984
Cash designated for long-term use	<u>25,766</u>	<u>314,968</u>
	<u>\$ 157,930</u>	<u>\$ 393,952</u>
During the year the Organization had the following non-cash transactions which were excluded from the statement of cash flows:		
Non-cash contributions	\$ 29,533	\$ 32,134
Expenses related to in-kind contributions:		
Special events - direct expenses	(2,937)	-
Assets held for sale	(3,700)	-
Consultants and contract services	<u>(22,896)</u>	<u>(32,134)</u>
	<u>\$ -</u>	<u>\$ -</u>
Net unrealized gain\ (loss) on investments and corresponding adjustment of investments to fair market value	<u>\$ 44,246</u>	<u>(14,760)</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, 2014 and June 30, 2013
(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, 2014 or 2013.

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. During 2014, the board set aside \$50,000 to spend on LCAC's new education center. Funds expended totaled \$32,181 for the year ended June 30, 2014. Board designated funds totaled \$2,086,798 and \$2,012,320 on June 30, 2014 and 2013, respectively.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(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, 2014 and 2013. 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, 2014. The Organization's 2011 through 2013 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, 2014 and June 30, 2013
(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 25, 2014, the date that the financial statements were available to be issued.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(See Independent Auditor's Report)

Note D – Investments

The adjusted basis and fair value as of June 30, 2014 and 2013 are as follows:

	Adjusted Basis	Fair Value	Unrealized Gains (Losses)
June 30, 2014			
Certificates of deposit	\$ 194,548	\$ 196,410	\$ 1,862
Equities	543,781	560,743	16,962
Corporate bonds and notes	658,690	677,422	18,732
Asset backed securities	245,385	249,043	3,658
Non-traditional investments	78,338	79,491	1,153
Government securities	<u>263,285</u>	<u>265,164</u>	<u>1,879</u>
	<u>\$1,984,027</u>	<u>\$2,028,273</u>	<u>\$ 44,246</u>
June 30, 2013			
Certificates of deposit	\$1,223,296	\$1,218,849	\$(4,447)
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>

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

Investment income for the years ended June 30, 2014 and 2013 consists of the following:

	June 30, 2014	June 30, 2013
Interest and dividends	\$53,060	\$22,101
Realized gain (loss) on sale of securities	3,599	(3,630)
Unrealized gain (loss) on sale of securities	<u>44,246</u>	<u>(14,760)</u>
Total investment income	<u>\$ 100,905</u>	<u>\$ 3,711</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(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, 2014 and 2013 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>
June 30, 2013		
Certificates of deposit	\$ 196,410	
Equities	560,743	
Corporate bonds and notes	677,422	
Asset backed securities	249,043	
Non-traditional investments	79,491	
Government securities	<u>265,164</u>	
	<u>\$2,028,273</u>	<u>\$2,028,273</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>

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, 2014 and June 30, 2013
(See Independent Auditor's Report)

Note F – Property and Equipment

Property and equipment are as follows:

	June 30, 2014	June 30, 2013
Building – food pantry	\$339,193	\$339,193
Property and equipment	65,987	65,987
Software	16,366	16,366
Leasehold improvements	<u>133,581</u>	<u>133,581</u>
	555,127	555,127
Accumulated depreciation	<u>(152,438)</u>	<u>(115,282)</u>
Net book value	<u>\$402,689</u>	<u>\$439,845</u>

Depreciation expense for the years ended June 30, 2014 and 2013 is \$37,156 and \$36,787, respectively.

During the year ended June 30, 2014, LCAC purchased furniture and equipment for their new education center opening during the year ended June 30, 2015. The furniture and equipment totaling \$16,608 was recorded on the balance sheet, but will not be depreciated until the education center is opened and it is placed in service.

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 \$51,351 and \$49,292 for the years ended June 30, 2014 and 2013, respectively. During the year ended June 30, 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 \$9,664 for the year ended June 30, 2014.

Minimum base lease payments for future years are as follows:

Year ended June 30:	
2015	17,255
2016	17,733
2017	<u>9,018</u>
	<u>\$ 44,006</u>

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(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, 2014, non-cash contributions consist of professional consulting services totaling \$22,896, assets totaling \$3,700, and other items totaling \$2,937. LCAC also received stock with a fair market value of \$11,501. 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.

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 \$458,969 and fair value of the food and other items to be \$836,866 for the year ended June 30, 2014. For the year ended June 30, 2013 management estimates the fair value of the volunteer services to be \$414,442 and fair value of the food and other items to be \$727,048. 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, 2014 and 2013, respectively, net assets of \$63,661 and \$54,761 were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

As of June 30, 2014, temporarily restricted net assets were available for the education center. As of June 30, 2013, temporarily restricted net assets were available for the after school program.

Lorton Community Action Center, Inc.
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(See Independent Auditor's Report)

Note J – Concentrations

Support

During the year ended June 30, 2014, income from one source comprised 16% of total support, income from Thrift Shop sales comprised 17% of total support, and income from one fundraising activity comprised 15% of total 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.

Cash

At various times during the years June 30, 2014 and 2013, 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.

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.