

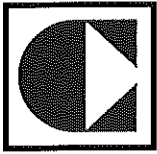
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**LORTON COMMUNITY ACTION CENTER, INC.**

**June 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying balance sheet of Lorton Community Action Center, Inc., (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Douglas Corey & Associates, P.C.*

August 31, 2011

**Lorton Community Action Center, Inc.**  
**Balance Sheet**  
**June 30, 2011**  
(See Independent Auditor's Report and notes to financial statements)

**Assets**

Current Assets	
Cash and cash equivalents	\$ 234,364
Certificates of deposit	1,865,241
Prepaid expenses	<u>64,008</u>
Total Current Assets	2,163,613
Property, equipment and leasehold improvements net of accumulated depreciation of \$71,141	<u>462,225</u>
	<u><u>\$ 2,625,838</u></u>

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable	\$ 6,834
Accrued payroll and payroll taxes	16,334
Sales tax payable	<u>448</u>
Total Current Liabilities	23,616
Net Assets	
Unrestricted	616,503
Board designated	1,985,719
Temporarily restricted	<u>-</u>
	<u>2,602,222</u>
	<u><u>\$ 2,625,838</u></u>

**Lorton Community Action Center, Inc.**  
**Statement of Activities**  
**For the year ended June 30, 2011**  
(See Independent Auditor's Report and notes to financial statements)

	Unrestricted	Board Designated	Temporarily Restricted	Total
<b>Revenue and Other Support:</b>				
Special events	\$ 301,438	\$ -	-	\$ 301,438
Contributions/grants	121,090	-	233,459	354,549
Community First grants	34,354	-	-	34,354
Non-cash contributions	49,065	-	-	49,065
Thrift shop sales	100,187	-	-	100,187
Interest	8,221	-	-	8,221
Dividends	9,727	-	-	9,727
Unrealized gain (loss) on investments	(4,629)	-	-	(4,629)
Miscellaneous income	445	-	-	445
<b>Net assets released from restrictions:</b>				
Satisfaction of program restrictions	<u>1,016,620</u>	<u>-</u>	<u>(1,016,620)</u>	<u>-</u>
	1,636,518		(783,161)	853,357
<b>Expenses:</b>				
Program expenses				
Crisis Intervention	363,998	-	-	363,998
Self Sufficiency	106,695	-	-	106,695
Ongoing Assistance	91,552	-	-	91,552
Thrift Shop	108,234	-	-	108,234
Management and general	68,781	-	-	68,781
Fundraising	45,984	-	-	45,984
Special events - direct expenses	96,355	-	-	96,355
	<u>881,599</u>	<u>-</u>	<u>-</u>	<u>881,599</u>
Change in net assets	754,919	-	(783,161)	(28,242)
Net Assets, beginning of year	1,847,303	-	783,161	2,630,464
Board designations	<u>(1,985,719)</u>	<u>1,985,719</u>	<u>-</u>	<u>-</u>
Net Assets, end of year	<u>\$ 616,503</u>	<u>\$ 1,985,719</u>	<u>\$ -</u>	<u>\$ 2,602,222</u>

Lorton Community Action Center, Inc.

Statement of Functional Expenses

For the year ended June 30, 2011

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

	Program Services					Supporting Services			Total Supporting Services	Total Expense
	Crisis Intervention	Self Sufficiency	Ongoing Assistance	Thrift Shop	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Payroll	\$ 141,776	\$ 68,978	\$ 58,448	\$ 40,351	\$ 309,553	\$ 29,994	\$ 39,369	\$ 69,363	\$ 378,916	
Direct client expenses:										
TANF-EF client aid	75,236	-	-	-	75,236	-	-	-	75,236	
Housing	26,313	-	-	-	26,313	-	-	-	26,313	
EFSP/ARRA client aid	23,380	-	-	-	23,380	-	-	-	23,380	
Utilities	21,433	-	-	-	21,433	-	-	-	21,433	
Food	13,405	-	-	-	13,405	-	-	-	13,405	
Ongoing Assistance for indep living	-	-	8,189	-	8,189	-	-	-	8,189	
Education	-	2,380	-	-	2,380	-	-	-	2,380	
Other direct aid	2,273	-	-	-	2,273	-	-	-	2,273	
Summer camp	1,850	-	-	-	1,850	-	-	-	1,850	
Holiday expense	921	-	67	-	988	-	-	-	988	
Rent	-	-	-	49,527	49,527	-	-	-	49,527	
Consultants and contract services	-	-	-	-	-	34,815	-	34,815	34,815	
Payroll taxes	10,578	5,239	5,008	3,199	24,024	1,630	3,113	4,743	28,767	
Benefits	5,976	3,106	3,668	2,581	15,331	2,271	1,626	3,897	19,228	
Occupancy	6,305	3,208	1,776	7,203	18,492	-	-	-	18,492	
Depreciation	6,590	3,509	3,081	313	13,493	-	-	-	13,493	
Equipment	5,281	4,350	2,491	-	12,122	-	-	-	12,122	
Insurance	5,072	4,431	2,462	-	11,965	-	-	-	11,965	
Printing	3,698	4,141	2,301	-	10,140	-	-	-	10,140	
Supplies	3,810	1,494	1,131	2,430	8,865	-	32	32	8,897	
Advertising	3,455	1,395	598	53	5,501	-	450	450	5,951	
Audit	2,244	1,836	1,020	-	5,100	-	-	-	5,100	
Postage	1,422	1,080	449	-	2,951	-	387	387	3,338	
Training, Meetings & Dues	1,396	884	491	-	2,771	-	-	-	2,771	
Charge card fees	-	-	-	1,706	1,706	-	973	973	2,679	
Miscellaneous	-	602	349	871	1,822	71	-	71	1,893	
Travel reimbursements	1,581	50	17	-	1,648	-	-	-	1,670	
Bank charges/investment expense	3	12	6	-	21	-	12	12	33	
	\$ 363,998	\$ 106,695	\$ 91,552	\$ 108,234	\$ 670,479	\$ 68,781	\$ 45,984	\$ 114,765	\$ 785,244	

**Lorton Community Action Center, Inc.**  
**Statement of Cash Flows**  
**For the year ended June 30, 2011**  
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ (28,242)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	13,493
Unrealized loss on sale of investments	4,629
(Increase) decrease in accounts receivable	500
(Increase) decrease in pledges receivable	500,000
(Increase) decrease in prepaid expenses	(50,974)
Increase (decrease) in payables	<u>(5,629)</u>
Net cash provided (used) by operating activities	433,777
Cash flows from investing activities:	
Purchase of fixed assets	(17,426)
Expenditures for building and building materials	(314,192)
Net increase in certificates of deposit	<u>(461,880)</u>
Net cash provided (used) by investing activities	<u>(793,498)</u>
Net decrease in cash and cash equivalents	(359,721)
Cash, beginning of year	<u>594,085</u>
Cash, end of year	<u><u>\$ 234,364</u></u>
During the year the Organization had the following non-cash transactions which were excluded from the statement of cash flows:	
Non-cash contributions	\$ 49,065
Expenses related to in-kind contributions:	
Special events	(14,250)
Consultants and contract services	<u>(34,815)</u>
	<u><u>\$ -</u></u>
Net unrealized gain\ (loss) on certificates of deposit and corresponding adjustment of certificates of deposit to fair market value	<u><u>\$ (4,629)</u></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, 2011**  
(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, transportation, and job assistance 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 temporarily or permanently restricted net assets at June 30, 2011.

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. Interest earned on this money will also be set aside to be used to pay staff salaries in future periods. On June 30, 2011, the board designated funds totaled \$1,985,719.



**Lorton Community Action Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**  
(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. Accounts Receivable

Accounts receivable consists of an amount due related to the golf tournament. The Organization considers all amounts collectible and, therefore, has not recorded an allowance for doubtful accounts.

5. 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 year ended June 30, 2011. 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, 2011. The Organization's 2008 through 2010 tax years are open for examination by federal taxing authorities.

6. 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.

7. 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, 2011**  
(See Independent Auditor's Report)

**Note B - Summary of Accounting Policies, continued**

8. 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.

At various times during the period ended June 30, 2011 LCAC had more funds on deposit at one financial institution than the \$250,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the banking institution, along with their balances in cash and tries to keep these potential risks to a minimum.

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 August 31, 2011, the date that the financial statements were available to be issued.

**Note D – Certificates of Deposit**

The Organization holds certificates of deposit at various financial institutions. Interest rates range from .3 percent to 1.25 percent. The certificates mature at varying times from October 23, 2011 through June 13, 2012. Unrealized loss totaling \$4,629 has been recorded in the accompanying financial statements. This represents the loss the Organization would incur if the certificates were redeemed on the financial statement date.

**Lorton Community Action Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**  
(See Independent Auditor's Report)

**Note E – Property and Equipment**

Property and equipment are as follows:

Building – food pantry	\$339,193
Property and equipment	60,592
Leasehold improvements	<u>133,581</u>
	533,366
Accumulated depreciation	<u>(71,141)</u>
Net book value	<u>\$462,225</u>

Depreciation expense for the year ended June 30, 2011 is \$13,493.

**Note F – Operating Lease**

The Organization leases space for its thrift shop through a lease agreement expiring during the fiscal year ended June 30, 2011. 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 \$53,397 for the year ended June 30, 2011.

**Note G – Donated Facilities, Services and Assets**

Contributions of donated non-cash assets and services are recorded at their fair market values in the period received. For the year ended to June 30, 2011, non-cash contributions consist of professional consulting services totaling \$34,815 and special events expenses totaling \$14,250.

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 \$235,216 and fair value of the food and other items to be \$402,825. No amounts have been reported for donated inventory, as no objective measure is available to value those transactions.

**Lorton Community Action Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**  
(See Independent Auditor's Report)

**Note H – Concentrations**

**Support**

During the year ended June 30, 2011, income from one source comprised 26% of total support, income from Thrift Shop sales comprised 12% of total support, and income from two fundraising activities comprised 35% of total support.

**Note I – Retirement Plans**

The Organization maintains a defined benefit plan for its Ministry staff (Executive Director). The Ministry staff is eligible for participation upon employment and is fully vested at that time. Contributions to this plan totaled \$10,844 for the year ended June 30, 2011.

The Organization also 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 \$15,500 of their salary. The Organization does not match employee contributions.