

ACT FOR ALEXANDRIA

FINANCIAL STATEMENTS

Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ACT for Alexandria
Alexandria, Virginia

We have audited the accompanying financial statements of ACT for Alexandria (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows 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 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 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 organization'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 organization'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 ACT for Alexandria as of December 31, 2014, 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.

As explained in Note 9 to the financial statements, the balance of net assets as of December 31, 2013 has been restated to reflect proper investment partnership balances.

Renner and Company, CPA, P.C.

Alexandria, Virginia
August 14, 2015

ACT FOR ALEXANDRIA

**STATEMENT OF FINANCIAL POSITION
December 31, 2014**

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 2,711,788

PROPERTY, NET

12,246

OTHER ASSETS

Investments 7,966,183
Investment in partnerships 869,813

TOTAL OTHER ASSETS

8,835,996

TOTAL ASSETS

\$ 11,560,030

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 3,959
Grants payable 300
Accrued vacation 8,627
Funds held for agencies 3,305

TOTAL CURRENT LIABILITIES

16,191

NET ASSETS

Unrestricted - operating funds 186,471
Unrestricted - community funds 497,954
Unrestricted - donor-advised funds 10,848,461
Temporarily restricted 10,953

TOTAL NET ASSETS

11,543,839

TOTAL LIABILITIES AND NET ASSETS

\$ 11,560,030

See notes to the Financial Statements.

ACT FOR ALEXANDRIA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contribution revenue	\$ 3,814,473	\$ -	\$ 3,814,473
Investment income	499,575	2	499,577
Special event revenue	123,705	-	123,705
Other income	12,103	-	12,103
	<u>4,449,856</u>	<u>2</u>	<u>4,449,858</u>
TOTAL REVENUE			
EXPENSES			
Program services	1,949,744	-	1,949,744
Support services			
Management and general	80,835	-	80,835
Fundraising	90,020	-	90,020
	<u>170,855</u>	<u>-</u>	<u>170,855</u>
Total support services			
TOTAL EXPENSES	<u>2,120,599</u>	<u>-</u>	<u>2,120,599</u>
CHANGE IN NET ASSETS	2,329,257	2	2,329,259
NET ASSETS, beginning of year, restated	<u>9,203,629</u>	<u>10,951</u>	<u>9,214,580</u>
NET ASSETS, end of year	<u>\$ 11,532,886</u>	<u>\$ 10,953</u>	<u>\$ 11,543,839</u>

See notes to the Financial Statements.

ACT FOR ALEXANDRIA

STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Support and revenue	\$ 3,710,028
Investment income	210,779
	<hr/>

Total cash received from operations 3,920,807

Cash disbursed by operations	
Payments to employees and suppliers	2,137,300
	<hr/>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,783,507

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(2,231,672)
Proceeds from sale of investments	987,905
Purchase of property and equipment	(11,530)
Payment of funds held for other agencies	(10,094)
	<hr/>

NET CASH USED BY INVESTING ACTIVITIES (1,265,391)

NET INCREASE IN CASH 518,116

CASH AND CASH EQUIVALENTS, beginning of year 2,193,672

CASH AND CASH EQUIVALENTS, end of year \$ 2,711,788

NON-CASH INVESTING ACTIVITIES

Unrealized gain in market value of Investments	\$ (17,089)
Increase in Investment value	17,089
Donated investment partnership	(240,253)
Increase in Investment value	240,253
	<hr/>
	<u><u>\$ -</u></u>

See notes to the Financial Statements.

ACT FOR ALEXANDRIA

STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS	<u>\$ 2,329,259</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	5,201
Unrealized gain on investment	(17,089)
Realized gain on investment	(271,709)
Donated investment partnership	<u>(240,253)</u>
NET ADJUSTMENTS	<u>(523,850)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Prepaid expense	<u>570</u>
LIABILITIES	
Accounts payable	(12,092)
Grants payable	(7,640)
Accrued vacation	<u>(2,740)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(21,902)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,783,507</u></u>

See notes to the Financial Statements.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

ACT for Alexandria (the Organization) is a not-for-profit organization that began operations in 2004 and was incorporated in Virginia in January 2009. The Organization seeks to raise the level and effectiveness of giving and engagement for the benefit of all in Alexandria. Any person, corporation or foundation may establish a donor-advised fund with the Organization to engage in activities consistent with the Organization's charitable purposes. Donors can make recommendations regarding grants from their donor-advised funds; however, the Organization's Board of Directors is legally responsible for the donor-advised funds and for the grants made from these funds.

In addition to managing the donor-advised fund program, the Organization also supports local not-for-profits through its capacity-building grant program. An annual grant process allows local not-for-profits to apply for funds from the Organization to assist them in improving their capacity to better deliver their services. As such, the Organization does not directly fund the programs of local not-for-profits but instead seeks to strengthen the not-for-profits so they may provide more and better services in their areas of expertise.

Significant Accounting Policies

Basis of Accounting

The Organization maintains its records on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Basis of Presentation

The financial statements are presented in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Basis of Presentation (Continued)

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization had no permanently restricted net assets at December 31, 2014.

Accounting principles generally accepted in the United States provide that if the governing body of an organization has unilateral power to redirect the use of a donor's contribution to another beneficiary, such contribution must be classified as unrestricted net assets. The Organization's Board of Directors has this ability (variance power); however, it would only exercise this authority if circumstances render the donor's restrictions inconsistent with the charitable needs of the community or incapable of fulfillment. Accordingly, all contributions not classified as temporarily restricted are classified as unrestricted net assets in the accompanying financial statements.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers highly liquid investments with an original maturity of three months or less as cash equivalents. Excluded from this definition of cash equivalents are such amounts that represent funds that have been accounted for as investments.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in fair value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Investment in Partnerships

The organization owns a minor interest in a number of investment partnerships which are accounted for at the lower of cost or fair value, and are not subject to fair value measurement.

Property

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Donated property and equipment is reported at fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3-5 years
Furniture and fixtures	5 years

The Organizational policy is to capitalize major additions and improvements over \$500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Funds Held for Agencies

The Organization periodically acts as a fiscal agent for other agencies, agreeing to process receipts and disbursements for a contractual administrative fee. Amounts held for others represent current obligations of the Organization. Receipts and disbursements processed for agencies are excluded from revenue and expenses but are summarized in the statement of cash flows. The carrying amount approximates fair value.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Revenue recognition

Contributions

Contributions are recognized as revenue when promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted if the restriction expires in the same reporting period in which the contribution is recognized.

Special event revenue

Revenue relating to special events held by the Organization are recognized in the period the event takes place. Amounts received relating to future periods are recorded as deferred revenue in the accompanying financial statements.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited based on level of effort.

Unrestricted net assets

Unrestricted net assets consist of the following types of internally-designated funds:

Operating funds - funds available for the general operations of the Organization. As of the year end, there is \$186,471 in funds available for operations.

ACT Community Fund - Funds to support and strengthen existing programs, as well as create new collaborative solutions to the City of Alexandria's pressing needs. As of year end, there is \$497,594 in funds designated for the community.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (CONTINUED)

Unrestricted net assets (Continued)

Donor-advised funds - Funds established by donor contributions that enable donors to make recommendations from time to time about the distributions from the funds. The donors' advice in the grant-making process is considered by the Organization in making grants from these resources. As of year end, there is \$10,848,461 of donor-advised funds.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reportable amounts of assets and liabilities and disclosure 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.

Income Taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to tax on net income from unrelated business activities. For the year ended December 31, 2014, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to Accounting Standards Codification (ASC) for Income Taxes. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. At December 31, 2014, the Organization had no accruals for interest and/or penalties.

The Organization's federal income tax returns (Form 990) for the years 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2014 consisted of the following:

Money market account	\$ 2,224,180
Business checking	370,253
Affiliate checking account	<u>117,355</u>
	<u>\$ 2,711,788</u>

The organization has money market pools in the amount of \$2,341,534 as of December 31, 2014 held in Greater Horizons bank accounts.

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits and the Securities Investor Protection Corporation (SIPC). At December 31, 2014, the Organization had bank deposits in excess of FDIC and SIPC limits of \$2,073,969.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization follows Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

Level 1 - quoted prices in active markets for identical securities or liabilities.

Level 2 - inputs, other than quoted prices, that are observable for the assets or liabilities either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 - unobservable inputs which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are reported at fair value. Such investments consist of a diversified portfolio of individual and pooled securities in common stock, exchange-traded funds, corporate bonds, and mutual funds.

Investment management fees for the year ended December 31, 2014 were \$23,133 and are netted with investment income. Investment income is comprised of the following for the year ended December 31, 2014:

Interest and dividends	\$ 210,779
Realized gains on investments	271,709
Unrealized gains on investments	40,222
Investment management fees	<u>(23,133)</u>
	<u>\$ 499,577</u>

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 205,372	\$ -	\$ -	\$ 205,372
Certificate of deposit	-	35,325	-	35,325
Foreign equity funds	434,297	-	-	434,297
Common stock	1,789,664	-	-	1,789,664
Equity exchange traded funds	111,297	-	-	111,297
Foreign equity exchange traded funds	6,948	-	-	6,948
Real estate investment trusts	4,457	32,198	-	36,655
Corporate bonds	-	145,788	-	145,788
Equity mutual funds	2,229,948	-	-	2,229,948
Fixed income exchange traded funds	11,044	-	-	11,044
Fixed income	671,009	397,627	-	1,068,636
Foreign fixed income funds	42,910	-	-	42,910
Balanced mutual funds	1,816,116	-	-	1,816,116
Commodity funds	-	32,183	-	32,183
	<u>\$ 7,323,062</u>	<u>\$ 643,121</u>	<u>\$ -</u>	<u>\$ 7,966,183</u>

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

4. INVESTMENT PARTNERSHIPS

As of December 31, 2014, the Organization was invested in minor interests of a number of investment partnerships. Each partnership operates in accordance with the terms of a limited partnership agreement. The partnerships' investment objectives vary, but generally seek to maximize risk adjusted returns over the long term horizon by employing a strategy under which the partnerships invest in multiple asset classes, including traditional assets (such as marketable equity, fixed income and other securities) and alternative assets (such as real estate, commodities, private equity and venture capital investments).

These investment partnerships are accounted for using the cost method.

Redemption of the Organization's interests in the investment partnerships is generally permissible on a monthly or quarterly basis, with a 30-90 day notice. The Organization had no unfunded commitments as of December 31, 2014.

5. PROPERTY

Property and depreciation for the year ended December 31, 2014 consisted of the following:

	2014			Estimated
	Cost	Depreciation expense	Accumulated depreciation	useful life (years)
Computers and equipment	\$ 26,462	\$ 4,962	\$ 14,256	3-5
Furniture and fixtures	1,195	239	1,155	5
	<u>\$ 27,657</u>	<u>\$ 5,201</u>	<u>\$ 15,411</u>	

6. TEMPORARILY RESTRICTED NET ASSETS

Research Grants

At December 31, 2014, temporarily restricted net assets were available for the following programs:

	Balance 12/31/2013	Additions	Releases	Balance 12/31/2014
ACT ABLE Fund	\$ 5,181	\$ 1	\$ -	\$ 5,182
ACT Now Fund	5,770	1	-	5,771
	<u>\$ 10,951</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 10,953</u>

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

7. COMMITMENTS

Office lease

In April 2013, the organization entered into a sub-lease agreement for office space which expires in May 2016. The base monthly rent is \$2,200 and increases annually by 3%. The organization has the right, by providing 60 days notice, to terminate the sub-lease prior to May 31, 2016, the scheduled expiration of the sublease term.

Aggregate future minimum lease payments are as follows for the year ending December 31:

2015	\$	27,668
2016		<u>11,670</u>
	\$	<u><u>39,338</u></u>

8. CONCENTRATIONS OF REVENUE AND SUPPORT RISK

For year ended December 31, 2014 the Organization received \$1,227,639 from two donors which is approximately 29% of its total revenue and support. Any significant reduction in revenues may adversely impact the Organization's financial position and ability to carry out its existing program activities.

9. PRIOR PERIOD ADJUSTEMENT

The balance of net assets as of December 31, 2013 has been restated to adjust beginning balances of investment partnerships for revisions to 2013 activity.

Prior period adjusement as of December 31, 2013 are as follows:

	<u>As Originally Presented</u>	<u>Change</u>	<u>As Restated</u>
Investment partnership as of December 31, 2013	<u>\$ 728,237</u>	<u>\$ (75,668)</u>	<u>\$ 652,569</u>
Unrestricted net assets as of December 31, 2013	<u>\$ 9,290,248</u>	<u>\$ (75,668)</u>	<u>\$ 9,214,580</u>

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 14, 2015, the date the financial statements were available to be issued.