ACT FOR ALEXANDRIA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2013

Halt Buzas & Powell, LTD

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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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 (the Organization), which comprise the statement of financial position as of December 31, 2013, 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.

Auditors' 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 from 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 auditors' 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 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 the Organization as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Restatement

As discussed in Note 10 to the financial statements, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and our report dated July 11, 2013, 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 December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
June 17, 2014

ACT FOR ALEXANDRIA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(with comparative information for the year ended December 31, 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,193,672	$ 2,088,883
Prepaid expenses	570	-
Total current assets	2,194,242	2,088,883
Investments	7,138,846	5,348,961
Property and equipment, net	5,917	6,691
Total assets	$ 9,339,005	$ 7,444,535
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 16,051	$ 7,471
Grants payable	7,940	5,750
Accrued vacation	11,367	14,951
Funds held for agencies	13,399	54,061
Total current liabilities	48,757	82,233
Net assets:		
Unrestricted	9,279,297	7,351,351
Temporarily restricted	10,951	10,951
Total net assets	9,290,248	7,362,302
Total liabilities and net assets	$ 9,339,005	$ 7,444,535

See accompanying notes to financial statements.

ACT FOR ALEXANDRIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(with summarized information for the year ended December 31, 2012)

	2013			2012
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
Revenues:				
Contribution revenue	$ 3,126,917	$ -	$ 3,126,917	$ 2,651,977
Investment income	858,104	-	858,104	491,171
Special event revenue	94,697	-	94,697	91,005
Other income	12,724	-	12,724	7,324
Total revenues	4,092,442	-	4,092,442	3,241,477
Expenses:				
Program services	1,907,715	-	1,907,715	1,362,307
Support services:				
Management and general	190,355	-	190,355	148,483
Fundraising	56,165	-	56,165	52,703
Cost of direct benefit to donors	10,261	-	10,261	12,071
Total support services	256,781	-	256,781	213,257
Total expenses	2,164,496	-	2,164,496	1,575,564
Change in net assets	1,927,946	-	1,927,946	1,665,913
Net assets, beginning of year	7,351,351	10,951	7,362,302	5,696,389
Net assets, end of year	$ 9,279,297	$ 10,951	$ 9,290,248	$ 7,362,302

See accompanying notes to financial statements.

ACT FOR ALEXANDRIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(with comparative information for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 1,927,946	$ 1,665,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,845	3,638
Unrealized gain on investments	(464,620)	(375,155)
Realized gain on investments	(260,140)	(1,340)
Decrease (increase) in assets:		
Accounts Receivable	-	5,175
Prepaid expenses	(570)	204
Increase (decrease) in liabilities:		
Accounts payable	8,581	(5,581)
Grants payable	2,190	5,750
Accrued vacation	(3,585)	(407)
Funds held for agencies	(40,662)	54,061
Total adjustments	(754,961)	(313,655)
Net cash provided by operating activities	1,172,985	1,352,258
Cash flows from investing activities:		
Purchases of property and equipment	(3,301)	(5,186)
Proceeds from disposal of property and equipment	230	-
Proceeds from sales of investments	781,802	1,023,401
Purchases of investments	(1,846,927)	(2,358,764)
Net cash used in investing activities	(1,068,196)	(1,340,549)
Net increase in cash and cash equivalents	104,789	11,709
Cash and cash equivalents, beginning of year	2,088,883	2,077,174
Cash and cash equivalents, end of year	$ 2,193,672	$ 2,088,883

See accompanying notes to financial statements.

1. Organization

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.

The Organization's assets therefore fall into two distinct categories: 1) those unrestricted funds directly under the authority of the Organization and 2) donor advised and related funds which legally belong to the Organization but from which the openers of the funds maintain donation recommendation authority.

2. Summary of significant accounting policies

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:

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, 2013 and 2012.

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 contributions must be classified as unrestricted net assets. The Organization's Board of Directors has the 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.

<u>Basis of accounting</u>

The financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with *U.S. Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Comparative financial statements

These financial statements include summarized comparative prior-year information in the statement of activities. That information is not presented by net asset class and does not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012.

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 asset or liability 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 entity'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.

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 its 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 years ended December 31, 2013 and 2012, 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, 2013 and 2012, the Organization had no accruals for interest and/or penalties.

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. At December 31, 2013 and 2012, $334,288 and $500,664, respectively, was designated as cash reserved for investments and is reported as such in the accompanying statements of financial position.

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.

Property and equipment

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 Organization's 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 statements of cash flows. The carrying amount approximates fair value.

Revenue recognition

Contributions

Contributions are recognized as revenue when received or 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 statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Reclassification

For comparative purposes, certain 2012 amounts have been reclassified to conform to the 2013 presentation.

Unrestricted net assets

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

Operating funds - Funds used for the general operations of the Organization.

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.

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.

3. Concentrations of credit risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2013 and 2012, the Organization had bank deposits in excess of FDIC limits of $55,892 and $171,471, respectively.

4. Investments and fair value measurements

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 and investment partnerships.

Investment management fees for the year ended December 31, 2013 and 2012 were $17,422 and $14,655, respectively, and are reduced from investment income. Investment income is comprised of the following for the years ended December 31:

	2013	2012
Interest and dividends	$ 133,344	$ 114,676
Realized gains on investments	260,140	1,340
Unrealized gains on investments	464,620	375,155
Total investment income	$ 858,104	$ 491,171

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 295,648	$ 38,640	$ -	$ 334,288
Certificates of deposit	-	41,974	-	41,974
Foreign common stock	24,750	3,235	-	27,985
Common stock	1,316,313	172,035	-	1,488,348
Equity exchange traded funds	83,482	10,911	-	94,393
Foreign equity exchange-traded funds	7,406	968	-	8,374
Real estate investment trusts	4,731	618	-	5,349
Corporate bonds	-	206,606	-	206,606
Equity mutual funds	1,256,288	164,190	-	1,420,478
Fixed mutual funds	509,864	66,636	-	576,500
Fixed income	14,170	1,852	-	16,022
Foreign fixed income funds	44,073	5,760	-	49,833
Balanced mutual funds	1,879,505	245,641	-	2,125,146
Commodity funds	-	15,313	-	15,313
Investment partnerships	-	-	728,237	728,237
Total investments	$ 5,436,230	$ 974,379	$ 728,237	$ 7,138,846

Level 3 reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs for investment partnerships:

Beginning balance, January 1, 2013	$ -
Purchases	-
Contributions	728,237
Redemptions	-
Total realized and unrealized gains and losses included in change in net assets	-
Ending balance, December 31, 2013	$ 728,237

All contributed partnership interests were received on December 31, 2013.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 453,286	$ 47,378	$ -	$ 500,664
Certificates of deposit	-	40,906	-	40,906
Foreign common stock	30,509	3,189	-	33,698
Common stock	919,440	96,101	-	1,015,541
Equity exchange-traded funds	44,995	4,703	-	49,698
Foreign equity exhange-traded funds	7,072	740	-	7,812
Real estate investment trusts	4,915	514	-	5,429
Corporate bonds	-	238,471	-	238,471
Equity mutual funds	929,445	97,146	-	1,026,591
Fixed mutual funds	488,404	51,048	-	539,452
Foreign fixed income funds	37,122	3,880	-	41,002
Balanced mutual funds	1,666,915	174,226	-	1,841,141
Commodity funds	-	8,556	-	8,556
Total investments	$ 4,582,103	$ 766,858	$ -	$ 5,348,961

Investment Partnerships

As of December 31, 2013, the Organization was invested in 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).

The fair value of investment partnerships, accounted for at net asset value or its equivalent, are estimated in good faith by management due to the absence of quoted market values. Such estimates are made by using information provided by the general partners and consideration of general factors such as financial information relating to the investments and the industry and economic environment in which the investees operate. The Organization has not adjusted any of the fair values provided by the general partners. Because of the inherent uncertainty of valuation, those estimated fair values might differ significantly from the values that would have been used had a ready market for those investments existed, and the differences could be material.

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, 2013.

5. Property and equipment, net

The following is a summary of property and equipment held at December 31:

	2013	2012
Computers and equipment	$ 14,932	$ 11,631
Furniture and fixtures	1,195	1,795
Total property and equipment	16,127	13,426
Accumulated depreciation	(10,210)	(6,735)
Total property and equipment, net	$ 5,917	$ 6,691

Depreciation expense for the years ended December 31, 2013 and 2012 was $3,845 and $3,638, respectively.

6. Temporarily restricted net assets

At December 31, 2013 and 2012, temporarily restricted net assets were available for the following programs:

	2013	2012
ACT ABLE Fund	5,181	5,181
ACT Now Fund	5,770	5,770
Total temporarily restricted net assets	$ 10,951	$ 10,951

7. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
ACTion Alexandria	$ -	$ 76,412
ACT ABLE Fund	-	190
Total net assets released from restrictions	$ -	$ 76,602

8. Commitment

Operating lease

In April 2013, ACT entered into a sub-lease agreement for office space which expires in May 2016. The base monthly rent is $2,000 and increases annually by 3%. ACT 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 years ending December 31:

2014	$ 27,668
2015	28,498
2016	12,020
Total	$ 68,186

9. Concentrations of revenue and support risk

For each of the years ended December 31, 2013 and 2012, the Organization received $1,057,592 and $905,800, respectively, from two donors which is approximately 27% and 26%, respectively, 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.

10. Prior period adjustment

The Organization has restated its December 31, 2012 financial statements to correct amounts that relate to funds held for agencies. As a result, contibution revenue decreased by $77,738, program services expenses decreased by $17,962, and management and general expenses decreased by $5,715 for the year ended December 31, 2012. The change in net assets for the year ended December 31, 2012 decreased by $54,062.

Net assets and funds held for agencies were corrected as follows at December 31, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, as previously stated at December 31, 2012	$ 7,405,412	$ 10,951	$ -	$ 7,416,363
Reclassification of agency funds	(54,061)	-	-	(54,061)
Net assets, as restated at January 1, 2013	$ 7,351,351	$ 10,951	$ -	$ 7,362,302

Net assets and funds held for agencies were not restated at January 1, 2012 as such amounts were considered immaterial to the finncial statements.

11. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 17, 2014, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.