

ACT FOR ALEXANDRIA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2012



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

ACT FOR ALEXANDRIA
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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 (ACT), which comprise the statement of financial position as of December 31, 2012, 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 ACT as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited ACT's 2011 financial statements, and our report dated June 12, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

July 11, 2013

ACT FOR ALEXANDRIA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

(with comparative financial information at December 31, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,088,884	\$ 2,077,174
Accounts receivable	-	5,175
Prepaid expenses	<u>-</u>	<u>204</u>
Total current assets	2,088,884	2,082,553
Investments	5,348,961	3,637,103
Property and equipment, net	<u>6,691</u>	<u>5,143</u>
Total assets	<u>\$ 7,444,536</u>	<u>\$ 5,724,799</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,471	\$ 13,052
Grants payable	5,750	-
Accrued vacation	<u>14,951</u>	<u>15,358</u>
Total current liabilities	<u>28,172</u>	<u>28,410</u>
Net assets:		
Unrestricted	7,405,413	5,668,158
Temporarily restricted	<u>10,951</u>	<u>28,231</u>
Total net assets	<u>7,416,364</u>	<u>5,696,389</u>
Total liabilities and net assets	<u>\$ 7,444,536</u>	<u>\$ 5,724,799</u>

See accompanying notes to financial statements.

ACT FOR ALEXANDRIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Contribution revenue	\$ 2,657,230	\$ 59,322	\$ 2,716,552	\$ 6,183,919
Investment income (loss)	491,171	-	491,171	(197,667)
Special event revenue	91,006	-	91,006	122,054
In-kind contributions	13,163	-	13,163	68,402
Other income	7,324	-	7,324	4,747
Net assets released from restrictions:				
Satisfaction of grant restriction	76,602	(76,602)	-	-
Total revenues	3,336,496	(17,280)	3,319,216	6,181,455
Expenses:				
Program services	1,380,269	-	1,380,269	885,223
Support services:				
Management and general	154,198	-	154,198	166,058
Fundraising	52,703	-	52,703	53,367
Cost of direct benefit to donors	12,071	-	12,071	15,056
Total support services	218,972	-	218,972	234,481
Total expenses	1,599,241	-	1,599,241	1,119,704
Change in net assets	1,737,255	(17,280)	1,719,975	5,061,751
Net assets, beginning of year	5,668,158	28,231	5,696,389	634,638
Net assets, end of year	\$ 7,405,413	\$ 10,951	\$ 7,416,364	\$ 5,696,389

See accompanying notes to financial statements.

ACT FOR ALEXANDRIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ <u>1,719,975</u>	\$ <u>5,061,751</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,638	2,260
Unrealized (gain) loss on investments	(375,155)	247,478
Realized (gain) loss on investments	(1,340)	972
Decrease (increase) in assets:		
Contributions receivable	-	90,000
Accounts receivable	5,175	2,312
Due from affiliate	-	33,617
Prepaid expenses	204	3,880
Increase (decrease) in liabilities:		
Accounts payable	(5,581)	(3,994)
Grants payable	5,750	(42,050)
Accrued vacation	<u>(407)</u>	<u>2,550</u>
Total adjustments	<u>(367,716)</u>	<u>337,025</u>
Net cash provided by operating activities	<u>1,352,259</u>	<u>5,398,776</u>
Cash flows from investing activities:		
Purchases of property and equipment	(5,186)	(1,274)
Proceeds from sales of investments	1,023,401	408,808
Purchases of investments	<u>(2,358,764)</u>	<u>(3,809,332)</u>
Net cash used in investing activities	<u>(1,340,549)</u>	<u>(3,401,798)</u>
Net increase in cash and cash equivalents	11,710	1,996,978
Cash and cash equivalents, beginning of year	<u>2,077,174</u>	<u>80,196</u>
Cash and cash equivalents, end of year	<u>\$ 2,088,884</u>	<u>\$ 2,077,174</u>

See accompanying notes to financial statements.

ACT FOR ALEXANDRIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

1. Organization

ACT for Alexandria (ACT) is a nonprofit, tax exempt organization that began operations in January 2005 and was incorporated in Virginia in January 2009. ACT seeks to raise the level and effectiveness of community engagement and giving for the benefit of Alexandria. Any person, corporation or foundation may establish a donor advised account with ACT to engage in activities consistent with ACT's charitable purposes. Donors can make recommendations regarding grants from donor-advised accounts; however, ACT's Board of Directors is legally responsible for making all grants.

2. Summary of significant accounting policies

Basis of accounting

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

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 *U.S. Generally Accepted Accounting Principles*. Therefore, this information should be read in conjunction with ACT's financial statements for the year ended December 31, 2011.

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 the reported 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 and their functional allocation during the reporting period. Actual results could differ from those estimates.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

Basis of presentation

ACT has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, ACT is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represents the expendable resources that are available for operations at management's discretion.

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

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

ACT has no permanently restricted net assets at December 31, 2012 and 2011.

Unrestricted net assets

ACT classifies net assets into two categories: unrestricted and temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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

- Operating funds - Funds used for the general operations of ACT.
- ACT Community Fund - Funds to support and strengthen existing programs, as well as create new collaborative solutions to the city'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 ACT in making grants from these resources.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

Cash and cash equivalents

ACT classifies all highly liquid investments with an original maturity of three months or less as cash equivalents. At December 31, 2012 and 2011, cash and cash equivalents include demand deposit and money market accounts.

Investments

Investments are stated at fair value. Donated securities held as investments are recorded at their fair value on the date of the donation. The gains and losses on investments are determined on a specific identification method and are reported in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily.

Property and equipment

Property and equipment are recorded in the financial statements at cost, net of accumulated depreciation. Donated property and equipment is stated at fair value at the date of donation. Depreciation 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

ACT'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.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

Fair value measurements

ACT follows *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, for financial assets and liabilities that require additional disclosures about fair value measurements. The standard applies to all assets and liabilities that are being measured and reported on a fair value basis. The standard requires disclosure that establishes a framework for measuring fair value under *U.S. Generally Accepted Accounting Principles* and expands disclosure about fair value measurements. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical securities or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, ACT 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. There were no level 3 inputs for any assets held by ACT at December 31, 2012 and 2011.

Income taxes

ACT 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. ACT is subject to tax on net income from unrelated business activities. For the years ended December 31, 2012 and 2011, ACT did not have any income taxes from unrelated business activities.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

ACT follows the authoritative guidance relating to accounting for uncertainty in income taxes included in *Accounting Standards Codification (ASC) Topic Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ACT performed an evaluation of uncertain tax positions for the years ended December 31, 2012 and 2011, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. 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 ACT's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012 and 2011, ACT had no accruals for interest and/or penalties.

Revenue recognition

Contributions

Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. ACT 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 one of ACT'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 reporting period in which the contribution is recognized.

Special event revenue

Revenue relating to special events held by ACT are recognized in the period the event takes place.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when unconditional commitment is received from the donor. In-kind contributions are recorded as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

ACT received \$2,980 in donated facilities, \$7,250 in contributed professional services and \$2,933 in other in-kind contributions for the period ended December 31, 2012. ACT received \$5,940 in donated facilities and \$62,462 in contributed professional services for the period ended December 31, 2011. Such amounts are presented as in-kind contributions revenue and as part of program and support services in the accompanying statement of activities.

Many individuals volunteer their time and perform a variety of tasks that assists ACT. The value of these contributed services is not recorded as in-kind contributions since the criteria under the related accounting standards was not met.

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.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation. None of these reclassifications affected the 2011 change in net assets.

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

3. Concentrations of credit risk

ACT maintains bank accounts that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2012, ACT had bank deposits in excess of FDIC limits of \$171,471. There were no deposits in excess of FDIC limits at December 31, 2011.

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.

Investments are comprised of the following and are classified within the fair value hierarchy as previously described at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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 exchange-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	<u>-</u>	<u>8,556</u>	<u>-</u>	<u>8,556</u>
 Total investments	 <u>\$ 4,582,103</u>	 <u>\$ 766,858</u>	 <u>\$ -</u>	 <u>\$ 5,348,961</u>
 Assets detailed above include:				
Investments, pooled				\$ 506,171
Investments, individual securities				<u>4,842,790</u>
 Total				 <u>\$ 5,348,961</u>

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

Investments are comprised of the following and are classified within the fair value hierarchy as previously described at December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 460,910	25,245	-	\$ 486,155
Foreign common stock	31,319	1,715	-	33,034
Common stock	740,570	40,562	-	781,132
Equity mutual funds	836,040	45,791	-	881,831
Fixed mutual funds	424,556	23,254	-	447,810
Foreign fixed income funds	30,236	1,656	-	31,892
Balanced mutual funds	918,284	50,296	-	968,580
Commodity funds	<u>-</u>	<u>6,669</u>	<u>-</u>	<u>6,669</u>
 Total investments	 <u>\$ 3,441,915</u>	 <u>\$ 195,188</u>	 <u>\$ -</u>	 <u>\$ 3,637,103</u>

Assets detailed above include:

Investments, pooled	\$ 188,866
Investments, individual securities	<u>3,448,237</u>

Total	<u>\$ 3,637,103</u>
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Investment management fees for the year ended December 31, 2012 and 2011 were \$14,654 and \$5,493, respectively, and are reduced from investment income. Investment income is comprised of the following for the year ended December 31:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 114,676	\$ 50,783
Realized gain (loss)	1,340	(972)
Unrealized gain (loss)	<u>375,155</u>	<u>(247,478)</u>
 Total investment income (loss)	 <u>\$ 491,171</u>	 <u>\$ (197,667)</u>

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

5. Property and equipment, net

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

	2012	2011
Computers and equipment	\$ 11,631	\$ 6,445
Furniture and fixtures	1,795	1,795
Property and equipment	13,426	8,240
Accumulated depreciation	(6,735)	(3,097)
Property and equipment, net	\$ 6,691	\$ 5,143

Depreciation expense for the years ended December 31, 2012 and 2011 was \$3,638 and \$2,260, respectively.

6. Temporarily restricted net assets

At December 31, 2012 and 2011, temporarily restricted net assets were available for the following programs:

	2012	2011
ACTion Alexandria	\$ -	\$ 17,090
ACT ABLE Fund	5,181	5,371
ACT Now Fund	5,770	5,770
Total temporarily restricted net assets	\$ 10,951	\$ 28,231

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

7. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
ACTion Alexandria	\$ 76,412	\$ 125,650
ACT ABLE Fund	190	903
Total net assets released from restrictions	\$ 76,602	\$ 126,553

8. Commitments

Operating leases

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% starting on June 1, 2013. 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.

In February 2010, ACT entered into a sub-lease agreement for office space which expired in May 2013. The base monthly rent was \$2,100 that increased annually by 3%. In March 2012, ACT relocated to a smaller space within the building and negotiated a \$500 per month reduction of rent expense. The base monthly rent was modified to \$1,728 that included annual 3% increases. Rent expense for the years ended December 31, 2012 and 2011 was \$22,097 and \$26,510, respectively.

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

ACT FOR ALEXANDRIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(with comparative financial information for December 31, 2011)

2013	\$	25,392
2014		27,668
2015		28,498
2016		<u>12,020</u>
Total	\$	<u>93,578</u>

9. Significant Concentrations

Approximately 45% of total revenue was received from three donors for the year ended December 31, 2012. There were no significant concentrations of donors for the year ended December 31, 2011.

10. Subsequent events

In preparing the financial statements, ACT has evaluated events and transactions for potential recognition or disclosure through July 11, 2013, 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.