

LEADERSHIP METRO RICHMOND
RICHMOND, VIRGINIA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

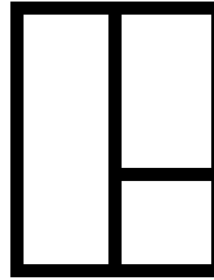
LEADERSHIP METRO RICHMOND
FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Leadership Metro Richmond
Richmond, Virginia

We have audited the accompanying financial statements of Leadership Metro Richmond (a not-for-profit organization) which comprise the statements of financial position as of June 30, 2018 and the related statements of activities, cash flows and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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 Leadership Metro Richmond as of June 30, 2018 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.

Rame & Associates, P.C.

Certified Public Accountants
Richmond, Virginia
November 12, 2018

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Current assets		
Cash and cash equivalents	\$ 165,159	
Pledges receivable, net of allowance of \$3,135	19,503	
Prepaid expenses	<u>5,513</u>	
Total current assets		\$ 190,175
Property and equipment		
Furniture and equipment	5,146	
Computers	1,451	
Software	2,273	
Equipment under capital leases	11,700	
Leasehold improvements	<u>22,225</u>	
Total property and equipment	42,795	
Less accumulated depreciation and amortization	<u>36,360</u>	
Property and equipment, net		<u>6,435</u>
Total assets		<u>\$ 196,610</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION, CONTINUED
June 30, 2018

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 29,224	
Income tax payable	545	
Bonus payable	17,000	
Capital lease payable, current portion	2,374	
Deferred revenue	45,195	
Total current liabilities		\$ 94,338
Long-term liabilities		
Capital lease payable, net of current		5,215
Total liabilities		99,553
Net assets		
Unrestricted	68,269	
Temporarily restricted	28,788	
Total net assets		97,057
Total liabilities and net assets		\$ 196,610

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Individual contributions	\$ 85,808	\$ 10,000	\$ 95,808
Organizational contributions	162,863	2,500	165,363
Government support	-	9,837	9,837
Community Foundation	96,106	15,500	111,606
Non-cash contributions	11,785	-	11,785
Tuition and application fees	241,550	-	241,550
Other program	52,255	-	52,255
Net assets released from restrictions	36,431	(36,431)	-
Total revenues, gains, and other support	<u>686,798</u>	<u>1,406</u>	<u>688,204</u>
Expenses			
Program services	486,283	-	486,283
Management	125,402	-	125,402
Fundraising	81,847	-	81,847
Total expenses	<u>693,532</u>	<u>-</u>	<u>693,532</u>
Change in net assets	(6,734)	1,406	(5,328)
Net assets at beginning of year	<u>75,003</u>	<u>27,382</u>	<u>102,385</u>
Net assets at end of year	<u>\$ 68,269</u>	<u>\$ 28,788</u>	<u>\$ 97,057</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

Cash flows from operating activities:		
Change in net assets	\$	(5,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	\$	2,398
(Increase) decrease in operating assets		
Pledges receivable, net	(5,040)	
Prepaid expenses	3,211	
Increase (decrease) in operating liabilities		
Accounts payable	15,741	
Bonus payable	17,000	
Deferred revenue	17,445	52,673
Net cash provided by operating activities		<u>47,345</u>
Cash flows from financing activities		
Payments on capital leases	<u>(2,015)</u>	
Net cash used by financing activities		<u>(2,015)</u>
Net increase in cash and cash equivalents		45,330
Beginning cash and cash equivalents		<u>119,284</u>
Ending cash and cash equivalents	\$	<u><u>164,614</u></u>

Supplemental cash flow information:

Cash paid during the year for interest was \$1,437

No cash paid during the year for income taxes

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

Expenses	Program Services	Supporting Services		Total
		Management	Fundraising	
Personnel				
Salaries	\$ 186,493	\$ 54,287	\$ 55,865	\$ 296,645
Payroll taxes	12,367	3,600	3,704	19,671
Fringe benefits	20,428	5,724	6,098	32,250
Pension expense	3,484	1,021	1,045	5,550
Total personnel	<u>222,772</u>	<u>64,632</u>	<u>66,712</u>	<u>354,116</u>
Non-personnel				
Depreciation and amortization	1,439	312	647	2,398
Rent and occupancy	35,109	4,363	9,061	48,533
Equipment rent	3,492	212	-	3,704
Advertising	2,000	-	-	2,000
Postage and mail handling	3,788	152	1,292	5,232
Supplies	10,933	3,599	-	14,532
Printing and copying	13,928	311	2,424	16,663
Telephone	3,612	783	1,626	6,021
Insurance	-	2,080	-	2,080
Legal and professional fees	87,672	29,552	-	117,224
Dues and subscriptions	12,845	765	-	13,610
Training	-	3,838	-	3,838
Travel and lodging	20,495	237	59	20,791
Meals	58,038	599	26	58,663
Interest expense	-	1,437	-	1,437
Credit card fees	-	7,624	-	7,624
Bad debt expense, pledges	-	2,678	-	2,678
Miscellaneous	10,160	2,228	-	12,388
Total non-personnel	<u>263,511</u>	<u>60,770</u>	<u>15,135</u>	<u>339,416</u>
Total expenses	<u>\$ 486,283</u>	<u>\$ 125,402</u>	<u>\$ 81,847</u>	<u>\$ 693,532</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. NATURE OF ACTIVITIES

Leadership Metro Richmond, Inc. (the Organization) is a non-profit organization that began activities in July 2001. It succeeds the Leadership Metro Richmond program administered by the Greater Richmond Chamber of Commerce. The purpose of the Organization is to educate emerging and established leaders about communities and issues in the Metro Richmond Virginia area. The Organization derives its revenues from class tuition, other program fees, and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting:** The books of the Organization are maintained on the accrual basis of accounting. Using the accrual method, revenues are recognized when earned and expenses are recognized when incurred.
- B. **Net Assets:** The Organization reports information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the Association and changes are classified as follows:

Unrestricted net assets are net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets are net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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.

Permanently restricted net assets are subject to donor imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes.

- C. **Cash and Cash Equivalents:** For the purposes of the statement of cash flows, the Organization considers all highly liquid investment purchased with a maturity of three months or less to be cash equivalents.
- D. **Property and Equipment:** The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,500. Fixed asset purchases are stated at cost, and donated fixed assets are capitalized at their fair market value at the date of donation. Depreciation is provided over the estimated useful lives of five to twenty years using the straight-line method. Amortization is provided over the estimated useful lives of three to six years

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

using the straight-line method and is included in depreciation expense. It is at least reasonably possible that the estimates of remaining useful lives used will change within the near term.

- E. Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give are recorded when pledged. The value of unconditional promises to give not expected to be received within one year of the date of the financial statements is based upon the present value of the expected future cash flows unless the present value adjustment is immaterial.

Contributions of donated non-cash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

- F. Pledges Receivable: Pledges receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to pledges receivable.
- G. Deferred Revenue: Tuition is reported as income in the period in which the revenues are earned. In particular, tuition collected in one year for the following year's class is included in deferred revenue.

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- H. **Income Taxes:** The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), and has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income.
- I. **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.

3. CASH AND CASH EQUIVALENTS

As of June 30, 2018, the Organization's balances of cash and cash equivalents consisted of a checking account at a bank in the amount \$165,159. The bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the Organization's balances in bank accounts did not exceed FDIC limits.

4. DONATED GOODS AND SERVICES

The Organization recognizes contribution revenue for contributed goods and services. Contribution revenue was measured based on the estimated value of those goods and services, and the amounts recognized were as follows:

Facility space rental	\$ 9,610
Professional services	2,000
Supplies	<u>175</u>
	<u>\$ 11,785</u>

A number of volunteers have donated significant amounts of their time to the Organization's programs. However, no amounts have been reflected in the financial statements for their services since these items do not meet the criteria for inclusion in the financial statements.

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

5. COMMUNITY FOUNDATION

The organization receives funding from The Community Foundation of Richmond, Virginia. Funds have been created through donor gifts to the Community Foundation restricted to the benefit of the Organization. The funds are invested and managed by the Community Foundation. The organization is entitled to request payments from the funds, subject to the spendable income policy of the trust agreement, which limits the annual draw down to 5.00% of the fund assets, based on a historical, multi-quarter moving average. Spendable income for a year must be drawn during the year and cannot be drawn down in future years, with the exception of certain spendable income from prior years that is exempt from this restriction. The Organization currently limits its annual withdrawals to 4.25% of fund assets as calculated per the trust agreement. The Foundation's Board of Governors has the power to modify any restrictions or conditions on the distribution of funds.

As of June 30, 2018, the balance of funds held by the Community Foundation to benefit the Organization amounted to \$2,759,594. This includes spendable income for calendar year 2018 not yet drawn down of \$14,682, and \$82,879 from prior years not subject to the drawdown restriction. Total spendable income for the calendar year 2018 was calculated to be \$97,561.

The funds held by the Community Foundation are not assets of the Organization and, accordingly, do not appear in the Organization's Statement of Position. Revenues are recognized only when requested and received by the Organization, and appear in the Statement of Activities in revenue under the caption Community Foundation.

6. PLEDGES RECEIVABLE

Pledges receivable at year-end are as follows:

Annual fund due within one year	\$ 14,638
Purpose restricted due within one year	2,000
Purpose restricted due in one to four years	6,000
Allowance for uncollectible amounts	(3,135)
Pledges receivable, net	<u>\$ 19,503</u>

Because of the inherent uncertainties in estimating the allowance for uncollectible pledges, it is at least reasonably possible that the estimates used will change within the near term.

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at year-end are as follows:

Pledges receivable (time restricted)	\$ 11,504
Pledges receivable (purpose restricted)	8,000
Software support and installation	34
Scholarships	<u>9,250</u>
	<u>\$ 28,788</u>

8. CAPITAL LEASES

Assets under agreements that are classified as capital leases as of June 30, 2018 are as follows:

Office equipment	\$ 11,700
Less accumulated amortization	<u>(5,265)</u>
	<u>\$ 6,435</u>

Future minimum lease payments are:

Year ending June 30	
2019	\$ 4,055
2020	4,055
2021	<u>3,040</u>
Total minimum lease payments	11,150
Less amounts representing maintenance and tax	<u>(1,254)</u>
Net minimum lease payments	9,492
Less amount representing interest	<u>(1,903)</u>
Present value of net minimum lease payments	7,589
Less current maturities of capital lease obligations	<u>(2,374)</u>
Long-term capital lease obligations	<u>\$ 5,215</u>

Amortization expense of capital leases for the year was \$2,340 and is included in depreciation expense. Interest expense on capital leases during the year was \$1,437.

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

9. OPERATING LEASES

In 2018 the organization extended the lease on its office space under a sixty four month lease, which expires October 31, 2022. The lease abates the first 4 July payments. Generally accepted accounting principles require that rent expense be calculated with a straight line method over the life of the lease. However, the difference between cash rent and straight line rent is not materially different so these statements disclose cash rent. The following is a schedule by years of future minimum payments required under the lease:

Year ending June 30	
2019	\$ 32,591
2020	33,568
2021	34,576
2022	38,850
2023	<u>13,339</u>
Total minimum lease payments	<u>\$ 152,924</u>

Total lease expense for the current year was \$31,642.

10. CONCENTRATIONS OF CREDIT RISK

Contributions receivable as of June 30, 2018 is \$19,503 with one long term pledge making up 41% of that balance.

11. PENSION PLAN

The organization contributes 2% of each employee's salary to a defined contribution benefit plan. The cost of these contributions during the year ended June 30, 2018 was \$5,551.

12. UNRELATED BUSINESS INCOME TAXES

Net unrelated business income from advertising during the year was \$3,238, resulting in tax expense of \$545 which was accrued at year end.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2018, the date which the financial statements were available to be issued.