

Voices for Virginia's Children
FINANCIAL STATEMENTS
DECEMBER 31, 2015
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

Voices for Virginia's Children

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Voices for Virginia's Children

We have audited the accompanying financial statements of Voices for Virginia's Children (Voices), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, 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 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 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 Voices as of December 31, 2015, 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.

Richmond, Virginia
April 26, 2016

A handwritten signature in cursive script that reads "Larry Saunders & Associates".

Voices for Virginia's Children

Statement of Financial Position

| December 31, | 2015 |
|---|-------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 461,449 |
| Grants and contributions | 10,448 |
| Prepaid expenses | 16,255 |
| Total current assets | <u>488,152</u> |
| Investments | 74,609 |
| Furniture and equipment - net | <u>20,855</u> |
| Total assets | <u>\$ 583,616</u> |
| Liabilities and Net Assets | |
| Current liabilities | |
| Accounts payable | \$ 11,894 |
| Accrued compensated absences | 6,804 |
| Total current liabilities | <u>18,698</u> |
| Net assets | |
| Unrestricted: | |
| Undesignated | 220,101 |
| Board designated for reserve | 65,000 |
| Board designated for endowment | 65,352 |
| Total unrestricted | <u>350,453</u> |
| Temporarily restricted: | |
| Endowment | 28,197 |
| Other | 136,268 |
| Total temporarily restricted | <u>164,465</u> |
| Permanently restricted | <u>50,000</u> |
| Total net assets | <u>564,918</u> |
| Total liabilities and net assets | <u>\$ 583,616</u> |

The accompanying notes are an integral part of these financial statements.

Voices for Virginia's Children

Statement of Activities

Year Ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|------------------------|------------------------|-------------------|
| Support, revenue and reclassifications | | | | |
| Corporations | \$ 10,049 | \$ 20,000 | \$ - | \$ 30,049 |
| Foundations | 100,750 | 340,500 | - | 441,250 |
| Organizations | 36,795 | 22,500 | - | 59,295 |
| Individuals | 62,140 | 25 | - | 62,165 |
| Events | 51,770 | | - | 51,770 |
| Dividends and interest | 996 | 880 | - | 1,876 |
| Loss on investments | (1,243) | (637) | - | (1,880) |
| Net assets released from restrictions | 396,941 | (396,941) | - | - |
| Total support, revenue and reclassifications | 658,198 | (13,673) | - | 644,525 |
| Expenses (see schedules) | | | | |
| Program and advocacy areas: | | | | |
| KIDS COUNT | 136,599 | - | - | 136,599 |
| Early Childhood | 125,726 | - | - | 125,726 |
| Health and Mental Health | 127,174 | - | - | 127,174 |
| Foster Care and Adoption | 103,880 | - | - | 103,880 |
| Family Economic Success | 16,029 | - | - | 16,029 |
| Capacity and Growth | 16,532 | - | - | 16,532 |
| Lobbying | 14,983 | - | - | 14,983 |
| Total program and advocacy areas | 540,923 | - | - | 540,923 |
| Supporting services: | | | | |
| General and administrative | 56,894 | - | - | 56,894 |
| Development | 113,620 | - | - | 113,620 |
| Total support services | 170,514 | - | - | 170,514 |
| Total expenses | 711,437 | - | - | 711,437 |
| Change in net assets | (53,239) | (13,673) | - | (66,912) |
| Net assets - beginning of year | 403,692 | 178,138 | 50,000 | 631,830 |
| Net assets - end of year | \$ 350,453 | \$ 164,465 | \$ 50,000 | \$ 564,918 |

The accompanying notes are an integral part of these financial statements.

Voices for Virginia's Children

Statement of Functional Expenses

Year Ended December 31, 2015

| | Program and Advocacy Areas | | | | |
|-----------------------------|----------------------------|--------------------|-----------------------------------|-----------------------------------|-------------------------------|
| | KIDS COUNT | Early Childhood | Health and Mental Health | Foster Care and Adoption | Family Economic Success |
| Salaries | \$ 85,885 | \$ 72,670 | \$ 71,649 | \$ 61,927 | \$ 7,354 |
| Payroll taxes | 6,426 | 5,615 | 5,473 | 4,773 | 548 |
| Fringe benefits | 6,384 | 6,686 | 4,520 | 9,611 | 4,761 |
| Retirement | 2,613 | 2,167 | 2,101 | 1,834 | 205 |
| Depreciation | 728 | 556 | 694 | 521 | 41 |
| Leases | 10,798 | 7,686 | 9,659 | 6,384 | 1,460 |
| Repairs and maintenance | 2,338 | 1,634 | 2,053 | 1,551 | 120 |
| Professional development | 117 | 89 | 186 | 84 | 5 |
| Office supplies and postage | 892 | 851 | 733 | 576 | 58 |
| Telephone | 829 | 634 | 790 | 594 | 47 |
| Legal and professional | 9,006 | 7,150 | 8,521 | 6,430 | 507 |
| Dues and subscriptions | 1,558 | 1,173 | 1,447 | 1,113 | 63 |
| Travel and lodging | 1,108 | 1,068 | 2,499 | 1,982 | 24 |
| Meeting and programs | 2,558 | 1,945 | 2,999 | 2,054 | 91 |
| Communication | 4,714 | 15,310 | 6,738 | 3,984 | 709 |
| Gifts/grants to partners | - | - | 6,500 | - | - |
| Insurance | 644 | 492 | 612 | 462 | 36 |
| | <u>\$ 136,599</u> | <u>\$ 125,726</u> | <u>\$ 127,174</u> | <u>\$ 103,880</u> | <u>\$ 16,029</u> |

| Supporting Services | | | | | | |
|------------------------|------------------|--|----------------------------------|-------------------|------------------------------|-------------------|
| Capacity and Growth | Lobbying | Total Program and Advocacy Areas | General and Administrative | Development | Total Supporting Services | Total |
| \$ - | \$ 12,563 | \$ 312,048 | \$ 28,874 | \$ 73,021 | \$ 101,895 | \$ 413,943 |
| - | 922 | 23,757 | 4,096 | 5,412 | 9,508 | 33,265 |
| - | 1,247 | 33,209 | 3,041 | 7,275 | 10,316 | 43,525 |
| - | - | 8,920 | 4,283 | 2,163 | 6,446 | 15,366 |
| - | - | 2,540 | 240 | 652 | 892 | 3,432 |
| - | - | 35,987 | 3,406 | 9,085 | 12,491 | 48,478 |
| 994 | - | 8,690 | 1,208 | 1,916 | 3,124 | 11,814 |
| - | - | 481 | 41 | 90 | 131 | 612 |
| - | - | 3,110 | (14) | 977 | 963 | 4,073 |
| - | - | 2,895 | 274 | 743 | 1,017 | 3,912 |
| - | - | 31,614 | 9,474 | 8,037 | 17,511 | 49,125 |
| - | - | 5,354 | 157 | 426 | 583 | 5,937 |
| 985 | - | 7,666 | 518 | 1,484 | 2,002 | 9,668 |
| - | 251 | 9,898 | 317 | 170 | 487 | 10,385 |
| 14,553 | - | 46,008 | 766 | 1,592 | 2,358 | 48,366 |
| - | - | 6,500 | - | - | - | 6,500 |
| - | - | 2,246 | 213 | 577 | 790 | 3,036 |
| \$ 16,532 | \$ 14,983 | \$ 540,923 | \$ 56,894 | \$ 113,620 | \$ 170,514 | \$ 711,437 |

The accompanying notes are an integral part of these financial statements.

Voices for Virginia's Children

Statements of Cash Flows

| Year Ended December 31, | 2015 |
|--|-------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ (66,912) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 3,432 |
| Net (appreciation) depreciation in the fair value of investments | 195 |
| Change in: | |
| Grants and accounts receivable | (1,873) |
| Prepaid expenses | (10,402) |
| Accounts payable and compensated absences | (19,222) |
| Net cash used in operating activities | <u>(94,782)</u> |
| Cash flows from investing activities | |
| Purchase of equipment | (20,881) |
| Net cash used in investing activities | <u>(20,881)</u> |
| Net change in cash and cash equivalents | (115,663) |
| Cash and cash equivalents - beginning of year | <u>577,112</u> |
| Cash and cash equivalents - end of year | <u>\$ 461,449</u> |

The accompanying notes are an integral part of these financial statements.

Voices for Virginia's Children

Notes to Financial Statements

December 31, 2015

1. Organization and Nature of Activities

The mission of *Voices for Virginia's Children* (Voices) is to champion public policies that improve the lives of children. *Voices for Virginia's Children* collects and disseminates research, educates and inspires decision makers and their constituents, identifies best practices, organizes citizens and organizations to communicate and work in coordination, and trains citizens to advocate effectively. The funding for *Voices for Virginia's Children* comes primarily from foundations, and individual, organizational, and corporate donors. *Voices for Virginia's Children* is a not-for-profit, non-stock corporation, which was incorporated on September 15, 1994.

The major programs and advocacy issues sponsored by *Voices for Virginia's Children* include:

KIDS COUNT Data and Research – *Accurate, objective information is the basis for a positive change.* Voices publishes accurate and objective data on key aspects of the well-being of children in Virginia, disseminates that information, and helps train people to use the information more effectively in formulating public policy and other decisions affecting children and their families. The KIDS COUNT project is part of a national initiative by the Annie E. Casey Foundation. The Virginia KIDS COUNT Data Center is available online, and issue briefs, reports and infographics on specific critical issues are released as needed.

Early Childhood – *Investments in children's earliest years are critical.* The emphasis in Voices early childhood work is on early care and education and other programs and issues related to school readiness. Voices works to improve the quality, affordability and accessibility of early care and education.

Health and Mental Health – *All children require access to high quality physical and mental health care to ensure healthy development and the best possible life outcomes.* Voices work on health issues is focused on improved access to care through comprehensive health insurance coverage and through our Campaign for Children's Mental Health. Voices leads the Campaign, a statewide coalition on children's access to mental health care, focused on advocating better policies and programs for our children and families dealing with mental illness.

Foster Care and Adoption – *Every child in foster care deserves a permanent, safe and loving home in which they can thrive.* Voices works to reduce the number of children going into the foster care system and enhance permanency options for those who must go into care. Voices also works on improved outcomes for youth who age out of the foster care system. Voices has organized a statewide coalition around foster care and adoption; informing citizens and decision makers about the issue, especially using data and research-based publications; and working to bring public attention to policy concerns.

Family Economic Success – *Child poverty rates in Virginia are getting worse and families in poverty have difficulty meeting their children's needs.* Voices works on policies that combat childhood poverty and promote family economic stability.

Lobbying – *Advocating children’s issues to policy makers is central to ensuring a positive change in Virginia.* Often misunderstood, IRS policies allow non-profits to lobby with some restrictions. Voices has made a 501(h) election under IRS guidelines which provide safe harbor rules on lobbying expenses. Voices complies with that limit.

Federal and State Electoral Education - As a not-for-profit organization, Voices cannot endorse candidates or engage in partisan political activity. However, to influence public policy on behalf of children, it is critical that Voices educate candidates about important policy and legislative issues that impact children and educate voters about the positions candidates have taken on these issues. Voices does this via: policy briefings for candidates and staff; sponsorship of candidate forums to educate voters; publishing results of policy questionnaires completed by candidates; distributing printed materials and electronic communications describing candidates positions on key issues; organizing candidate forums for all candidates running for a particular office on issues affecting children and families.

Capacity and Growth - Voices has received time-limited funding through the Meyer Foundation to build its capacity to communicate effectively with stakeholders, including donors, partner organizations, policymakers and citizens. Capacity building efforts in 2015 included a newly redesigned website and well as printed materials and communications consultation for the organization.

2. Summary of Significant Accounting Policies

Basis of Presentation

Voices is required to report 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. The financial statements report amounts separately by class of net assets as follows:

Unrestricted net assets include resources that can be used currently for the general operation of the organization and those resources invested in property or equipment.

Temporarily restricted net assets include amounts restricted by donors for specific purposes. When a restriction expires either with the passage of time or by actions of the organization, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Permanently restricted net assets include amounts restricted by donors in perpetuity that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the organization, and the income from which is expendable in accordance with the conditions of each specific donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Cash Equivalents

For purposes of the statements of cash flows, Voices considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents.

Investments

Investments are reported at their fair values in the statement of financial position.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets which range from 3 - 7 years. Maintenance and repairs are charged to expense as incurred. Property and equipment purchases in excess of \$1,000 are capitalized.

Contributed Assets

Contributed assets are recorded at their estimated fair market value on the date of contribution.

Income Taxes

Voices is a non-profit organization, other than a private foundation, exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia. Voices financial statements do not reflect a provision or liability for federal and state income taxes. Voices has determined that it does not have any material unrecognized tax benefits or obligations as a result of uncertain tax positions as of December 31, 2015. Fiscal years ending on or after 2012 remain subject to examinations by federal and state tax authorities.

Concentrations of Credit Risk

Financial instruments that potentially expose Voices to concentrations of credit risk consist primarily of cash and cash equivalents. At times, cash balances at financial institutions are in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. The cash balances are maintained at financial institutions with high credit-quality ratings and Voices believes no significant risk of loss exists with respect to those balances.

Subsequent Events

In preparing these financial statements, Voices has evaluated events and transactions for potential recognition or disclosure through April 26, 2016, the date the financial statements were available to be issued.

3. Investments

Investments consist primarily of mutual fund investments which are carried at the instrument's fair market value. Realized gains or losses are reported in the period of sale and unrealized gains and losses are reported each year as the change in their fair market value occurs. Investment fees for the year were \$190.

Investments consisted of the following at December 31:

| | <u>2015</u> |
|--------------|------------------|
| Common stock | \$ 9,257 |
| Mutual funds | <u>65,352</u> |
| | <u>\$ 74,609</u> |

4. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

4. Fair Value Measurements continued

Mutual funds: Valued at the closing price reported on the active market on which the individual fund trades.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Voices believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| Assets at Fair Value as of December 31, 2015 | | | | |
|--|-----------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Common stock | \$ 9,257 | \$ - | \$ - | \$ 9,257 |
| Mutual fund | 65,352 | - | - | 65,352 |
| Total assets at fair value | \$ 74,609 | \$ - | \$ - | \$ 74,609 |

5. Furniture and Equipment

Furniture and equipment consisted of the following at December 31:

| | 2015 |
|---------------------------------|------------------|
| Furniture and office equipment | \$ 90,837 |
| Less - accumulated depreciation | (69,982) |
| | <u>\$ 20,855</u> |

6. Employee Benefit Plan

Voices has a SIMPLE IRA plan covering substantially all employees. Under the plan, Voices contributes a discretionary amount based on each eligible employee's salary.

7. Lease Commitments

Voices leases office space in Richmond under a lease expiring in April 2018. The office space lease will increase by 3% each year. A copier is under a five-year lease expiring July 14, 2019. Voices also has a month to month agreement for parking space. Lease expense for the year was \$48,478. At December 31, 2015, future minimum lease payments due under these operating leases are as follows:

| | |
|------|------------------|
| 2016 | \$ 37,047 |
| 2017 | 37,936 |
| 2018 | 13,736 |
| 2019 | <u>867</u> |
| | <u>\$ 89,586</u> |

8. Unrestricted Designated for Reserve and Endowment Net Assets

The Board designated for reserve account represents amounts designated by the Board of Directors (Board) for future discretionary use. In 2009, the Board designated a portion of the surplus in unrestricted operating funds to be a reserve and a portion to be a Board designated for endowment account. The amounts designated in 2009 for the reserve and endowment were \$65,000 and \$50,000, respectively.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at December 31:

| | <u>2015</u> |
|--------------------------|-------------------|
| Capacity and Growth | \$ 30,186 |
| Health and Mental Health | 38,333 |
| Foster Care and Adoption | 8,250 |
| Early Childhood | <u>59,499</u> |
| | 136,268 |
| Endowment | <u>28,197</u> |
| | <u>\$ 164,465</u> |

Temporarily restricted net assets were released from restriction for the following purposes during the year ended December 31:

| | <u>2015</u> |
|--------------------------|-------------------|
| KIDS COUNT | \$ 120,000 |
| Health and Mental Health | 87,605 |
| Early Childhood Programs | 84,772 |
| Capacity and Growth | 37,414 |
| Foster Care and Adoption | 65,306 |
| Endowments | <u>1,844</u> |
| | <u>\$ 396,941</u> |

10. Endowment

Voices' endowments consist of one donor-restricted endowment and one board-designated endowment. There are no purpose restrictions on the endowments.

At December 31, 2015, the endowment net asset composition was as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted |
|----------------------------|------------------|---------------------------|---------------------------|
| Donor-restricted endowment | \$ - | \$ 28,197 | \$ 50,000 |
| Board-designated endowment | <u>65,352</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 65,352</u> | <u>\$ 28,197</u> | <u>\$ 50,000</u> |

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor-intent and the organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, Voices classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Voices appropriates amounts for expenditure based upon accumulated earnings in the funds and the needs of the organization. The primary objective is long-term capital appreciation and total return. Voices utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk.

A summary of the activity in the endowment fund for the year ended December 31, 2015 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------|--------------|------------------------|------------------------|------------|
| December 31, 2014 | \$ 65,324 | \$ 29,798 | \$ 50,000 | \$ 145,122 |
| Investment Return: | | | | |
| Released from restriction | (171) | (1,844) | - | (2,015) |
| Dividends and interest - net | 720 | 880 | - | 1,600 |
| Gain on investments | (521) | (637) | - | (1,158) |
| December 31, 2015 | \$ 65,352 | \$ 28,197 | \$ 50,000 | \$ 143,549 |

* * * * *

11. Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

| | <u>0-1 year</u> | <u>2-5 years</u> |
|------------------------------------|-----------------|------------------|
| Grant and Contributions Receivable | \$10,448 | \$ - |