Voices for Virginia's Children

Financial Statements

December 31, 2017

Voices for Virginia's Children

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Independent Auditor's Report

Board of Directors
Voices for Virginia's Children
Henrico, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Voices for Virginia's Children (the Organization), which comprise the statement of financial position as of December 31, 2017, 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 the Organization as of December 31, 2017, 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 the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Richmond, Virginia
May 31, 2018

Voices for Virginia's Children

Statement of Financial Position
December 31, 2017, with Comparative Totals as of December 31, 2016

Assets	**2017**	2016
Current Assets		
Cash and cash equivalents	**$ 648,849**	$ 503,431
Grants and contributions receivable	**174,900**	67,500
Prepaid expenses	**21,197**	10,570
Total current assets	**844,946**	581,501
Grants and contributions receivable, noncurrent	**236,583**	30,000
Investments	**100,691**	83,392
Property and equipment, net	**8,755**	16,513
Total assets	**$ 1,190,975**	$ 711,406

Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 5,680**	$ 15,419
Accrued compensated absences	**7,338**	6,370
Total current liabilities	**13,018**	21,789
Net Assets		
Unrestricted		
Undesignated	**454,086**	257,417
Board designated for reserve	**65,000**	65,000
Board designated for endowment	**118,165**	100,867
Total unrestricted net assets	**637,251**	423,284
Temporarily restricted	**490,706**	216,333
Permanently restricted	**50,000**	50,000
Total net assets	**1,177,957**	689,617
Total liabilities and net assets	**$ 1,190,975**	$ 711,406

See Notes to Financial Statements

Voices for Virginia's Children

Statement of Activities
Year Ended December 31, 2017, with Comparative Totals for the Year Ended December 31, 2016

				Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
Support and Revenue					
Contributions					
Corporations	$ -	$ 25,000	$ -	$ 25,000	$ 59,500
Foundations	59,067	799,014	-	858,081	377,450
Organizations	151,170	-	-	151,170	159,450
Individuals	119,991	-	-	119,991	106,849
Events	85,062	-	-	85,062	109,105
Investment income	17,520	-	-	17,520	8,937
	432,810	824,014	-	1,256,824	821,291
Net assets released from restrictions	549,641	(549,641)	-	-	-
Total support and revenue	982,451	274,373	-	1,256,824	821,291
Expenses					
Program and advocacy areas					
KIDS COUNT	155,067	-	-	155,067	128,338
Early childhood	126,785	-	-	126,785	125,822
Health and mental health	143,572	-	-	143,572	142,221
Foster care and adoption	107,666	-	-	107,666	94,081
Family economic success	10,936	-	-	10,936	13,034
Capacity and growth	-	-	-	-	30,186
Lobbying	15,583	-	-	15,583	14,870
Total program and advocacy areas	559,609	-	-	559,609	548,552
Supporting services					
General and administrative	50,907	-	-	50,907	50,418
Development	157,968	-	-	157,968	148,672
Total supporting services	208,875	-	-	208,875	199,090
Total expenses	768,484	-	-	768,484	747,642
Changes in net assets	213,967	274,373	-	488,340	73,649
Net assets, beginning	423,284	216,333	50,000	689,617	615,968
Net assets, ending	$ 637,251	$ 490,706	$ 50,000	$ 1,177,957	$ 689,617

See Notes to Financial Statements

Voices for Virginia's Children

Statement of Functional Expenses
Year Ended December 31, 2017, with Comparative Totals for the Year Ended December 31, 2016

	Program and Advocacy Areas							Supporting Services			Totals	
	KIDS COUNT	Early Childhood	Health and Mental Health	Foster Care and Adoption	Family Economic Success	Lobbying	Total Program and Advocacy Areas	General and Administrative	Development	Total Supporting Services	2017	2016
Salaries	$ 96,330	$ 77,102	$ 78,343	$ 64,637	$ 7,122	$ 13,684	$ 337,218	$ 30,998	$ 85,260	$ 116,258	$ 453,476	$ 410,791
Payroll taxes	7,912	6,366	6,511	5,361	592	-	26,742	3,683	7,044	10,727	37,469	35,246
Fringe benefits	8,888	6,944	8,351	6,704	608	1,288	32,783	3,047	8,504	11,551	44,334	40,101
Retirement	2,859	2,239	2,304	1,877	196	411	9,886	915	2,465	3,380	13,266	11,961
Depreciation	1,779	1,528	1,710	1,496	131	-	6,644	626	1,781	2,407	9,051	8,862
Leases	10,342	7,717	9,742	8,495	716	-	37,012	3,506	9,789	13,295	50,307	49,803
Repairs and maintenance	3,543	2,920	3,276	2,850	256	-	12,845	1,217	3,398	4,615	17,460	19,139
Professional development	253	353	342	244	18	-	1,210	68	248	316	1,526	1,378
Office supplies and postage	465	922	760	378	34	-	2,559	152	455	607	3,166	4,622
Telephone	611	582	597	524	48	-	2,362	222	640	862	3,224	3,432
Legal and professional	8,483	6,393	7,995	6,970	581	-	30,422	2,909	8,042	10,951	41,373	41,170
Dues and subscriptions	669	529	647	554	34	200	2,633	233	646	879	3,512	7,406
Travel and lodging	-	1,119	1,446	2,126	52	-	4,743	328	623	951	5,694	5,131
Meeting and programs	787	1,328	834	563	55	-	3,567	1,430	22,477	23,907	27,474	41,197
Communication	11,283	10,107	4,903	4,181	435	-	30,909	1,674	5,785	7,459	38,368	42,996
Gifts/grants to partners	-	-	15,000	-	-	-	15,000	-	-	-	15,000	20,000
Insurance	863	636	811	706	58	-	3,074	(101)	811	710	3,784	4,407
	$ 155,067	$ 126,785	$ 143,572	$ 107,666	$ 10,936	$ 15,583	$ 559,609	$ 50,907	$ 157,968	$ 208,875	$ 768,484	$ 747,642

See Notes to Financial Statements

Voices for Virginia's Children

Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in net assets	$ 488,340
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	9,051
Unrealized gain on investments	(17,299)
Changes in operating assets	
Grants and contributions receivable	(313,983)
Prepaid expenses	(10,627)
Changes in operating liabilities	
Accounts payable	(9,739)
Accrued compensated absences	968
Net cash provided by operating activities	146,711
Cash Flows from Investing Activities	
Purchase of property and equipment	(1,293)
Net cash (used in) investing activities	(1,293)
Net change in cash and cash equivalents	145,418
Cash and cash equivalents, beginning	503,431
Cash and cash equivalents, ending	$ 648,849

See Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization
The mission of Voices for Virginia's Children (the Organization) is to champion public policies that improve the lives of children. The Organization 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 the Organization comes primarily from foundations and individual, organizational, and corporate donors. The Organization is a not-for-profit, non-stock corporation, which was incorporated on September 15, 1994.

The major programs and advocacy issues sponsored by the Organization include:

KIDS COUNT data and research
Accurate, objective information is the basis for a positive change. The Organization 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 issues briefs, reports, and infographics on specific critical issues as needed.

Early childhood
Investments in children's earliest years are critical. The emphasis in the Organization's early childhood work is on early care and education and other programs and issues related to school readiness. The Organization 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. The Organization's 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. The Organization 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. The Organization works to reduce the number of children going into the foster care system and enhance permanency options for those who must go into care. The Organization also works on improved outcomes for youth who age out of the foster care

Note 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

system. The Organization 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. The Organization 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. IRS policies allow non-profits to lobby with some restrictions. The Organization has made a 501(h) election under IRS guidelines which provide safe harbor rules on lobbying expenses. The Organization complies with that limit.

Federal and state electoral education
As a not-for-profit organization, the Organization cannot endorse candidates or engage in partisan political activity. However, to influence public policy on behalf of children, it is critical that the Organization educate candidates about important policy and legislative issues that impact children and educate voters about the positions candidates have taken on these issues. The Organization 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, and organizing candidate forums for all candidates running for a particular office on issues affecting children and families.

A summary of the Organization's significant accounting policies follows:

Financial statement presentation
Under current accounting standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The net asset classes are summarized as follows:

Note 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Unrestricted net assets include unrestricted and board designated funds. The unrestricted and board designated funds include resources that can be used currently for the general operations and programs of the Organization.

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. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities.

Cash and cash equivalents
For purposes of reporting the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Organization, at times, may have cash in excess of federally insured limits. The Organization's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At December 31, 2017, the Organization had cash balances that were in excess of insured limits.

Grants, pledges, and contributions receivable
Grants, pledges, and contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional grants or pledges are recognized when the conditions on which they depend are substantially met and the promise becomes unconditional. The long-term portion of grants and contributions receivable are due within five years.

Donations or contributions of assets other than cash and gifts-in-kind are recognized at their estimated fair market value. Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated asset must be used.

Grants, pledges and contributions receivable are periodically evaluated for collectability based on past credit history and current financial condition. No allowance for uncollectable receivables was considered necessary by management at December 31, 2017.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Investments
Investments in all debt securities and equity securities with readily determinable market values are recorded at fair market value under current accounting standards.

Property and equipment
Acquisitions of property and equipment are recorded at cost. Depreciation is computed using 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.

Income taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization is subject to tax on any unrelated business income that it may generate.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the taxing authorities for years ending before December 31, 2014.

The Organization includes penalties and interest assessed by income taxing authorities in management and general expenses. The Organization did not have penalties and interest relating to income taxes for the years ended December 31, 2017.

Special events
Special events revenue is recorded when earned, which is when the event is held.

Functional expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited and functions served.

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.

Note 2. Investments

Investments consist of the following at December 31, 2017:

Common stock	$ 12,524
Mutual funds	88,167
	$ 100,691

Investment income for the year ended December 31, 2017 consists of the following:

Interest and dividends	$ 4,478
Unrealized gain	13,232
Investment fees	(190)
	$ 17,520

Note 3. Property and Equipment

Property and equipment consists of the following at December 31, 2017:

Computer equipment	$ 81,309
Furniture	15,340
	96,649
Less accumulated depreciation	87,894
	$ 8,755

Note 4. Retirement Plan

The Organization has a SIMPLE IRA plan covering substantially all employees. Under the plan, the Organization contributes a discretionary amount based on each eligible employee's salary. Contributions for the year ended December 31, 2017 were $13,266.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2017:

KIDS COUNT	$ 1,769
Health and mental health	65,312
Foster care and adoption	25,368
Early childhood	396,488
Family economic success	1,769
	$ 490,706

Temporarily restricted net assets were released from restrictions for the following purposes during the year ended December 31, 2017:

KIDS COUNT	$ 105,331
Health and mental health	154,688
Early childhood programs	167,092
Foster care and adoption	119,299
Family economic success	3,231
	$ 549,641

Note 6. Lease Commitments

The Organization leases office space in Richmond under a lease expiring in April 2018. The office space lease increases by 3% each year. A copier is under a five-year lease expiring July 14, 2019. The Organization also has a month to month agreement for parking space. Lease expense for the year was $50,307. At December 31, 2017, future minimum lease payments due under these operating leases are as follows:

2018	$ 13,736
2019	867
	$ 14,603

Note 7. Endowment Funds

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

The Organization has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets while also providing a potential source of support for its current programs. Under this policy, the endowment assets are invested in a manner that is intended to provide long-term capital appreciation. Actual returns in any given year may vary.

To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Historically, the Organization has not applied a spending policy to its endowment in an effort to allow the endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

At December 31, 2017, the endowment net asset composition was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment	$ -	$ -	$ 50,000
Board-designated endowment	118,165	-	-
	$ 118,165	$ -	$ 50,000

A summary of the activity in endowment funds for the year ended December 31, 2017 is as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning	$ 100,867	$ 50,000	$ 150,867
Investment income, net	4,066	-	4,066
Net appreciation	13,232	-	13,232
Endowment net assets, ending	$ 118,165	$ 50,000	$ 168,165

Note 8. Fair Value Measurements

Financial accounting standards for fair value measurements, define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Current 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 under current accounting standards are described below:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets, including those where the investee has the ability to redeem its investment at its net asset value per share at the measurement date. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models and the inputs to those pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically reported trades and broker-dealer quotes. When quoted prices in active markets and observable market inputs in active markets are not available, fair values are determined using unobservable pricing inputs. Unobservable inputs require significant management judgment or estimation. Investments in this category generally include alternative investments, such as ownership interests in pass-through entities.

The asset's 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.

Note 8. Fair Value Measurements (continued)

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The 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, 2017.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Common stock				
Industrial goods	$ 8,238	$ -	$ -	$ 8,238
Healthcare	3,376	-	-	3,376
Financial	910	-	-	910
	12,524	-	-	12,524
Mutual funds				
Large blend	88,167	-	-	88,167
	$ 100,691	$ -	$ -	$ 100,691

Note 9. Concentrations

The Organization has received revenue from one donor, which amounted to 33% of total revenue for the year ended December 31, 2017. The total grant awarded was $397,914, to be received in quarterly payments through September 30, 2020. The purpose of the grant is to build public will for trauma informed policy and is designated for the Early Childhood program and advocacy area.

Note 10. Subsequent Events

Building lease

The Organization entered into a new lease arrangement for office space in January 2018. The lease term is sixty-six months, expiring October 2023. Rent is payable monthly at approximately $4,000 per month with escalations annually.

Management has evaluated subsequent events through May 31, 2018, the date which the financial statements were available for issue.