

LEADERSHIP METRO RICHMOND
Richmond, Virginia

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

**LEADERSHIP METRO RICHMOND
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
NOTES TO FINANCIAL STATEMENTS	8

Lane & Associates, P.C.

Certified Public Accountants and
Management Consultants
2839 Hathaway Road
Richmond, Virginia 23225
(804) 272-7421 • FAX (804) 330-7004



Members • American
Institute of Certified Public
Accountants • Virginia
Society of Certified Public
Accountants

Meda S. Lane, CPA
Christopher English, CPA CGMA
Andrew W. McDermott, CPA
Elizabeth P. Morris, CPA
Troy C. Schofield, CPA

INDEPENDENT AUDITORS' 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, 2015 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.

Auditors' 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, 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.

Rame G Associates, P.C.

Certified Public Accountants
Richmond, Virginia
November 9, 2015

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Current assets		
Cash and cash equivalents	\$ 82,973	
Pledges receivable, net	28,273	
Prepaid expenses	<u>6,950</u>	
Total current assets		\$ 118,196
Property and equipment		
Computers	6,812	
Software	2,273	
Website	1,495	
Furniture and equipment	5,146	
Equipment under capital leases	15,195	
Leasehold improvements	<u>22,225</u>	
Total property and equipment	53,146	
Less accumulated depreciation and amortization	<u>39,882</u>	
Property and equipment, net		13,264
Other assets		
Deposit	<u>1,918</u>	
Total other assets		<u>1,918</u>
Total assets		<u><u>\$ 133,378</u></u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION, CONTINUED

June 30, 2015

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 8,765	
Capital lease payable, current portion	3,662	
Deferred revenue	16,750	
Total current liabilities		\$ 29,177
Long-term liabilities		
Capital lease payable, net of current		2,029
Total liabilities		31,206
Net assets		
Unrestricted	72,529	
Temporarily restricted	29,643	
Total net assets		102,172
Total liabilities and net assets		\$ 133,378

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Individual contributions	\$ 95,483	\$ 1,270	\$ 96,753
Organizational contributions	160,920	2,500	163,420
Government support	-	9,837	9,837
Community Foundation	92,785	8,330	101,115
Non-cash contributions	16,169	-	16,169
Tuition and application fees	187,170	-	187,170
Other program	35,593	-	35,593
Net assets released from restrictions	23,281	(23,281)	-
Total revenues, gains, and other support	<u>611,401</u>	<u>(1,344)</u>	<u>610,057</u>
Expenses			
Program services	391,576	-	391,576
Support services	136,456	-	136,456
Fundraising	72,870	-	72,870
Total expenses	<u>600,902</u>	<u>-</u>	<u>600,902</u>
Change in net assets	10,499	(1,344)	9,155
Net assets at beginning of year	<u>62,030</u>	<u>30,987</u>	<u>93,017</u>
Net assets at end of year	<u>\$ 72,529</u>	<u>\$ 29,643</u>	<u>\$ 102,172</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:		
Change in net assets	\$	9,155
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	\$ 8,044	
(Increase) decrease in operating assets		
Pledges receivable, net	2,114	
Prepaid expenses	1,604	
Increase (decrease) in operating liabilities		
Accounts payable	5,458	
Deferred revenue	(2,250)	14,970
Net cash provided by operating activities		<u>24,125</u>
Cash flows from financing activities		
Payments on capital leases	<u>(3,189)</u>	
Net cash used by financing activities		<u>(3,189)</u>
Net increase in cash and cash equivalents		20,936
Beginning cash and cash equivalents		<u>62,037</u>
Ending cash and cash equivalents	\$	<u><u>82,973</u></u>

Supplemental cash flow information:

Cash paid during the year for interest was \$1,035

No cash paid during the year for income taxes.

LEADERSHIP METRO RICHMOND
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

Expenses	Program Services	Supporting Services		Total
		Management	Fundraising	
Personnel				
Salaries	\$ 177,339	\$ 62,852	\$ 54,209	\$ 294,400
Payroll taxes	12,627	4,475	3,860	20,962
Fringe benefits	25,746	9,017	7,159	41,922
Total personnel	<u>215,712</u>	<u>76,344</u>	<u>65,228</u>	<u>357,284</u>
Non-personnel				
Depreciation and amortization	4,987	1,770	1,287	8,044
Rent and occupancy	23,678	5,601	4,074	33,353
Equipment rent	6,402	-	-	6,402
Advertising	5,356	-	-	5,356
Postage and mail handling	3,752	1,040	-	4,792
Office supplies	4,565	2,222	18	6,805
Printing and copying	21,927	926	1,437	24,290
Telephone	2,913	1,034	752	4,699
Insurance	-	2,056	-	2,056
Promotional supplies	3,051	79	-	3,130
Legal and professional fees	28,417	28,072	-	56,489
Taxes and licenses	-	227	-	227
Dues and subscriptions	7,886	1,280	18	9,184
Training	-	1,472	-	1,472
Travel and lodging	16,354	3,004	36	19,394
Meals	46,576	464	20	47,060
Interest expense	-	1,035	-	1,035
Credit card fees	-	5,118	-	5,118
Bad debt expense, pledges	-	3,516	-	3,516
Miscellaneous	-	1,196	-	1,196
Total non-personnel	<u>175,864</u>	<u>60,112</u>	<u>7,642</u>	<u>243,618</u>
Total expenses	<u>\$ 391,576</u>	<u>\$ 136,456</u>	<u>\$ 72,870</u>	<u>\$ 600,902</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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. When the restriction is met in the same period as the contribution is received, then the contribution is recorded as unrestricted for financial statement purposes.

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

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

useful lives of five to twenty years using the straight-line method. Amortization is provided over the estimated useful lives of three to forty years 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.
- 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

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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.

The Organization believes that it has appropriate support for any tax positions taken, and, accordingly, does not have any uncertain tax positions that are material to the financial statements. Any interest and penalties assessed by taxing authorities or associated with unrecognized tax positions would be included as such in operating expenses.

The Organization's Forms 990 remain subject to examination for tax years 2011 through 2013.

- 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, 2015, the Organization's balances of cash and cash equivalents consisted of a checking account at a bank in the amount \$68,323 and undeposited cash receipts of \$14,650. The bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, 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:

Speaker	\$ 6,550
Facility space rental	3,818
Professional services	2,000
Supplies	2,550
Program meals	<u>1,251</u>
	<u>\$ 16,169</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, 2015

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, 2015, the balance of funds held by the Community Foundation to benefit the Organization amounted to \$2,670,365. This includes spendable income for calendar year 2015 not yet drawn down of \$18,006, and \$82,759 from prior years not subject to the drawdown restriction. Total spendable income for the calendar year 2015 was calculated to be \$106,485.

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

Unconditional pledges receivable at year-end are as follows:

Annual fund due within one year	\$ 33,618
Allowance for uncollectible amounts	(<u>5,345</u>)
Pledges receivable, net	<u>\$ 28,273</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, 2015

7. TEMPORARILY RESTRICTED NET ASSETS

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

Pledges receivable (time restricted)	\$ 28,273
Scholarships	<u>1,370</u>
	<u>\$ 29,643</u>

8. OPERATING LEASES

The Organization leases its office space under a seventy-seven month lease, which expires June 30, 2017. The following is a schedule by years of future minimum payments required under the lease:

Year ending June 30	
2016	\$ 26,221
2017	<u>27,004</u>
Total minimum lease payments	<u>\$ 53,225</u>

Total lease expense for the current year was \$25,460.

9. CAPITAL LEASES

Assets under agreements that are classified as capital leases as of June 30, 2015 are as follows:

Office equipment	\$ 15,195
Less accumulated amortization	<u>(10,636)</u>
	<u>\$ 4,559</u>

Future minimum lease payments are:

Year ending June 30	
2016	\$ 7,165
2017	<u>3,582</u>
Total minimum lease payments	10,747
Less amounts representing maintenance	<u>(4,410)</u>
Net minimum lease payments	6,337
Less amount representing interest	<u>(646)</u>
Present value of net minimum lease payments	5,691
Less current maturities of capital lease obligations	<u>(3,662)</u>
Long-term capital lease obligations	<u>\$ 2,029</u>

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Amortization expense of capital leases for the year was \$3,039 and is included in depreciation expense. Interest expense on capital leases during the year was \$1,035.

10. ALLOCATION OF JOINT COSTS

During the year, the Organization incurred joint costs of \$399,697 for salaries, payroll taxes, and employee benefits; rent and telephone; depreciation; and printing and copying; that included fundraising activities. These costs have been allocated as follows: \$242,008 to program services, \$85,675 to management and administrative services, and \$72,014 to fundraising expenses.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2015, the date which the financial statements were available to be issued.