

LEADERSHIP METRO RICHMOND
Richmond, Virginia

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

**LEADERSHIP METRO RICHMOND
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2016

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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, 2016 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, 2016 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 8, 2016

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Current assets		
Cash and cash equivalents	\$ 131,956	
Pledges receivable, net of allowance of \$4,118	20,753	
Prepaid expenses	<u>11,023</u>	
Total current assets		\$ 163,732
Property and equipment		
Furniture and equipment	5,146	
Computers	6,812	
Software	2,273	
Website	1,495	
Equipment under capital leases	11,700	
Leasehold improvements	<u>22,224</u>	
Total property and equipment	49,650	
Less accumulated depreciation and amortization	<u>34,365</u>	
Property and equipment, net		15,285
Other assets		
Deposit	<u>1,918</u>	
Total other assets		<u>1,918</u>
Total assets		<u>\$ 180,935</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF FINANCIAL POSITION, CONTINUED
June 30, 2016

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 6,747	
Capital lease payable, current portion	1,710	
Deferred revenue	48,750	
Total current liabilities		\$ 57,207
Long-term liabilities		
Capital lease payable, net of current		9,604
Total liabilities		66,811
Net assets		
Unrestricted	93,020	
Temporarily restricted	21,104	
Total net assets		114,124
Total liabilities and net assets		\$ 180,935

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Individual contributions	\$ 95,757	\$ -	\$ 95,757
Organizational contributions	142,925	2,500	145,425
Government support	-	9,837	9,837
Community Foundation	97,466	13,453	110,919
Non-cash contributions	21,216	-	21,216
Tuition and application fees	218,677	-	218,677
Other program	31,705	-	31,705
Gain on termination of capital lease	668	-	668
Net assets released from restrictions	34,329	(34,329)	-
Total revenues, gains, and other support	<u>642,743</u>	<u>(8,539)</u>	<u>634,204</u>
Expenses			
Program services	407,456	-	407,456
Support services	138,387	-	138,387
Fundraising	76,409	-	76,409
Total expenses	<u>622,252</u>	<u>-</u>	<u>622,252</u>
Change in net assets	20,491	(8,539)	11,952
Net assets at beginning of year	<u>72,529</u>	<u>29,643</u>	<u>102,172</u>
Net assets at end of year	<u>\$ 93,020</u>	<u>\$ 21,104</u>	<u>\$ 114,124</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Cash flows from operating activities:		
Change in net assets	\$	11,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	\$ 7,399	
Gain on termination of capital lease	(668)	
(Increase) decrease in operating assets		
Pledges receivable, net of allowance of \$4,118	7,520	
Prepaid expenses	(4,073)	
Deposit	-	
Increase (decrease) in operating liabilities		
Accounts payable	(2,018)	
Deferred revenue	32,000	40,160
Net cash provided by operating activities		52,112
Cash flows from financing activities		
Payments on capital leases	(3,129)	
Net cash used by financing activities		(3,129)
Net increase in cash and cash equivalents		
		48,983
Beginning cash and cash equivalents		
		82,973
Ending cash and cash equivalents		
	\$	131,956

Supplemental cash flow information:

Cash paid during the year for interest was \$948

Capital lease transactions during the year resulted in \$11,700 in new equipment
and disposal of \$2,947 in old equipment

No cash paid during the year for income taxes

LEADERSHIP METRO RICHMOND
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

Expenses	Program Services	Supporting Services		Total
		Management	Fundraising	
Personnel				
Salaries	\$ 143,315	\$ 67,634	\$ 56,530	\$ 267,479
Payroll taxes	10,240	4,833	4,039	19,112
Fringe benefits	18,922	9,147	7,559	35,628
Total personnel	<u>172,477</u>	<u>81,614</u>	<u>68,128</u>	<u>322,219</u>
Non-personnel				
Depreciation and amortization	4,587	1,628	1,184	7,399
Rent and occupancy	27,597	5,769	4,195	37,561
Equipment rent	3,962	52	-	4,014
Advertising	2,736	-	-	2,736
Postage and mail handling	2,689	784	950	4,423
Office supplies	1,961	1,941	-	3,902
Printing and copying	15,405	733	1,040	17,178
Telephone	3,119	1,107	805	5,031
Insurance	-	2,063	-	2,063
Promotional supplies	6,515	51	-	6,566
Legal and professional fees	82,631	19,324	-	101,955
Taxes and licenses	-	797	-	797
Dues and subscriptions	8,765	4,375	-	13,140
Training	-	4,127	-	4,127
Travel and lodging	19,635	1,494	84	21,213
Meals	50,095	148	23	50,266
Interest expense	-	948	-	948
Credit card fees	-	5,670	-	5,670
Bad debt expense, pledges	-	4,821	-	4,821
Miscellaneous	5,282	941	-	6,223
Total non-personnel	<u>234,979</u>	<u>56,773</u>	<u>8,281</u>	<u>300,033</u>
Total expenses	<u>\$ 407,456</u>	<u>\$ 138,387</u>	<u>\$ 76,409</u>	<u>\$ 622,252</u>

SEE ACCOMPANYING NOTES

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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 forty years

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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 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

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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 2012 through 2014.

- 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, 2016, the Organization's balances of cash and cash equivalents consisted of a checking account at a bank in the amount \$131,956. The bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, 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:

Speakers	\$ 10,900
Facility space rental	7,116
Professional services	2,000
Supplies	<u>1,200</u>
	<u>\$ 21,216</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, 2016

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, 2016, the balance of funds held by the Community Foundation to benefit the Organization amounted to \$2,495,915. This includes spendable income for calendar year 2016 not yet drawn down of \$18,044, and \$82,759 from prior years not subject to the drawdown restriction. Total spendable income for the calendar year 2016 was calculated to be \$100,804.

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	\$ 24,871
Allowance for uncollectible amounts	(4,118)
Pledges receivable, net	<u>\$ 20,753</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, 2016

7. TEMPORARILY RESTRICTED NET ASSETS

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

Pledges receivable (time restricted)	\$ 20,754
Scholarships	<u>350</u>
	<u>\$ 21,104</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	
2017	\$ 27,004
Total minimum lease payments	<u>\$ 27,004</u>

Total lease expense for the current year was \$26,221.

9. CAPITAL LEASES

Assets under agreements that are classified as capital leases as of June 30, 2016 are as follows:

Office equipment	\$ 11,700
Less accumulated amortization	(<u>585</u>)
	<u>\$ 11,115</u>

LEADERSHIP METRO RICHMOND
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Future minimum lease payments are:

Year ending June 30	
2017	\$ 4,055
2018	4,054
2019	4,055
2020	4,054
2021	<u>3,041</u>
Total minimum lease payments	19,260
Less amounts representing maintenance & tax	(<u>2,865</u>)
Net minimum lease payments	16,395
Less amount representing interest	(<u>5,080</u>)
Present value of net minimum lease payments	11,314
Less current maturities of capital lease obligations	(<u>1,710</u>)
Long-term capital lease obligations	<u>\$ 9,604</u>

Amortization expense of capital leases for the year was \$6,279 and is included in depreciation expense. Interest expense on capital leases during the year was \$948.

10. ALLOCATION OF JOINT COSTS

During the year, the Organization incurred joint costs of \$364,205 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: \$198,509 to program services, \$90,851 to management and administrative services, and \$74,845 to fundraising expenses.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2016, the date which the financial statements were available to be issued.