

Financial Statements

LOUDOUN INTERFAITH RELIEF, INC.

June 30, 2014

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Loudoun Interfaith Relief, Inc. is a non-profit corporation organized under the laws of the Commonwealth of Virginia for the purpose of collecting and distributing food to needy families and individuals in Loudoun County. Loudoun Interfaith Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code in March 1992.

OFFICERS

Lisa Karl, President
Carol Barbe, Vice President
Cheri Garvin, Secretary
Roman Blazauskas, Treasurer

BOARD OF DIRECTORS

Carol Barbe	Rose Ann Domenici
Roman Blazauskas	Cheri Garvin
Tom Ciolkosz	Lisa Karl
David D'Onofrio	Michelle Rosati
Dennis Siepmann	

STAFF

Maristev Bradley, Interim Executive Director
Jaime Rubinos, Manager of Operations
Wanda Moloney, Client Relations Manager
Carla Fortenberry, Volunteer Coordinator
Pat Moran, Financial and Administrative Assistant

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
-------------------------------------	---

FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expense	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
SANDRA M. TONDREAU, CPA
MEGAN R. JOLLON, CPA
W. MATTHEW BURNS, CPA

AMANDA L. MASON, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Interfaith Relief, Inc.
Leesburg, Virginia

We have audited the accompanying financial statements of Loudoun Interfaith Relief, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, 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 Loudoun Interfaith Relief, Inc. as of June 30, 2014, 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

The financial statements of Loudoun Interfaith Relief, Inc. as of June 30, 2013, were audited by other auditors whose report dated September 30, 2013, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements audited by other auditors from which it has been derived.

Leesburg, Virginia
September 9, 2014

Mitchell & Co., P.C.

LOUDOUN INTERFAITH RELIEF, INC.

STATEMENT OF FINANCIAL POSITION

For the Year Ended June 30, 2014

(with June 30, 2013 comparative totals)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 91,210	\$ 114,920
Certificates of deposit	374,846	369,327
Grants receivable	10,750	61,472
Interest receivable	-	4,886
Inventory- food products	128,944	108,773
Gift cards	23,875	14,515
Prepaid expenses	28,756	33,530
Total current assets	658,381	707,423
Property and equipment, net of depreciation	62,423	88,314
Deposits	1,425	1,425
Total Assets	\$ 722,229	\$ 797,162
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 31,358	\$ 7,647
Accrued payroll	13,667	11,134
Total liabilities	45,025	18,781
Net Assets		
Unrestricted net assets		
Undesignated	539,121	725,881
Designated	128,944	-
Temporarily restricted	9,139	52,500
Total net assets	677,204	778,381
Total liabilities and net assets	\$ 722,229	\$ 797,162

LOUDOUN INTERFAITH RELIEF, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

(with June 30, 2013 comparative totals)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 699,807	\$ -	\$ 699,807	\$ 658,114
In-kind contributions	2,235,985	-	2,235,985	2,067,164
Fundraising events, net	28,526	-	28,526	22,426
Grants	43,416	15,000	58,416	88,943
Interest and dividend income	647	-	647	4,567
Gain (loss) on fixed asset disposition	(1,357)	-	(1,357)	-
Miscellaneous income	4,212	-	4,212	-
Total support and revenue	3,011,236	15,000	3,026,236	2,841,214
EXPENSES				
Distribution center- program services	2,772,161	58,361	2,830,522	2,716,438
Management and general	177,061	-	177,061	157,723
Fundraising	119,830	-	119,830	85,735
Total expenses	3,069,052	58,361	3,127,413	2,959,896
Change in net assets	(57,816)	(43,361)	(101,177)	(118,682)
Net assets, beginning of year	725,881	52,500	778,381	897,063
Net assets, end of year	\$ 668,065	\$ 9,139	\$ 677,204	\$ 778,381

See Notes to Financial Statements.

LOUDOUN INTERFAITH RELIEF, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

(with June 30, 2013 comparative totals)

	Progam Services	Management and General	Fundraising	Totals	
				2014	2013
Salaries and wages	\$ 291,251	\$ 82,967	\$ 82,967	\$ 457,185	\$ 399,772
Employee benefits	72,766	9,768	9,768	92,302	73,693
Payroll taxes	23,199	6,993	6,993	37,184	31,872
Total salaries and related expenses	387,216	99,728	99,728	586,671	505,337
Bank charges	-	2,482	366	2,848	565
Depreciation	22,081	2,453	-	24,534	25,527
Education	-	3,885	-	3,885	4,697
Outreach costs	-	-	16,419	16,419	8,559
Fees and licenses	-	3,413	-	3,413	2,459
Food distributed	2,204,358	-	-	2,204,358	2,121,383
Food purchased	59,538	-	-	59,538	60,032
Insurance	6,854	4,569	-	11,423	11,672
Maintenance	11,263	7,467	-	18,730	19,015
Marketing	-	589	1,766	2,355	8,627
Miscellaneous	1,217	394	-	1,611	2,987
Postage	-	172	1,552	1,724	1,568
Professional fees	-	25,825	-	25,825	26,619
Rent	94,765	10,529	-	105,294	109,761
Supplies	646	6,378	-	7,024	7,983
Communications	3,093	2,062	-	5,155	3,175
Utilities	16,624	1,847	-	18,471	16,207
Transportation costs	20,026	-	-	20,026	17,381
Volunteer support	2,842	5,267	-	8,109	6,342
	2,443,306	77,333	20,103	2,540,742	2,454,559
Total expenses	\$ 2,830,522	\$ 177,061	\$ 119,830	\$ 3,127,413	\$ 2,959,896

See Notes to Financial Statements.

LOUDOUN INTERFAITH RELIEF, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

(with June 30, 2013 comparative totals)

Cash Flows From Operating Activities	<u>2014</u>	<u>2013</u>
Change in net assets	\$ (101,177)	\$ (118,682)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	24,534	25,527
Loss (gain) on fixed asset disposition	1,357	-
Unrealized (gain) on investments	-	(9,364)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	50,722	(1,017)
Other receivables	-	8,000
Interest receivable	4,886	4,822
Inventory	(20,171)	38,240
Gift cards	(9,360)	(14,515)
Prepaid expenses	4,774	(814)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	23,711	(6,920)
Payroll liabilities	2,533	6,175
Net cash provided by (used in) operating activities	<u>(18,191)</u>	<u>(68,548)</u>
 Cash Flows From Investing Activities		
Redemption of certificates of deposit	215,768	50,431
Purchase of certificates of deposit	(221,287)	(50,362)
Purchase of property and equipment	-	(1,575)
Net cash (used in) investing activities	<u>(5,519)</u>	<u>(1,506)</u>
 Net decrease in cash	 (23,710)	 (70,054)
 Cash and Cash Equivalents		
Beginning of year	114,920	184,974
End of year	<u>\$ 91,210</u>	<u>\$ 114,920</u>

See Notes to Financial Statements.

LOUDOUN INTERFAITH RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Loudoun Interfaith Relief, Inc. (LIR) is a nonprofit corporation established to serve the community of Loudoun County, Virginia, for the purpose of collecting and distributing food to needy families and individuals. Loudoun Interfaith Relief is operated by a volunteer Board of Directors, paid employees and approximately 300 operational volunteers.

Significant Accounting Policies

The financial statements of Loudoun Interfaith Relief, Inc. have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting: The financial statements of LIR have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and type of donor-imposed restrictions; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all cash on demand deposits, money market deposits, cash management accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents.

Income tax status: Loudoun Interfaith Relief, Inc. was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the guidance under ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Loudoun Interfaith Relief, Inc. annually files the IRS informational filing form 990, return of organizations exempt from income taxes. Reporting years open for IRS audit include years ended 2010, 2011, 2012 and 2013.

Property, plant and equipment: Expenditures for donations of property and equipment exceeding \$2,500 are capitalized at cost or fair market value at the date of gift or purchase. Depreciation of property improvements, furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Inventory: Inventory consists of donated food and related food products. Food inventory is stated at the per pound rate established by the United States Department of Agriculture (USDA).

LOUDOUN INTERFAITH RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Allowance for doubtful accounts receivable: All receivables at year end are expected to be collected within one year. Management of LIR reviews the collectability of the receivables on a monthly basis. No provision for doubtful accounts has been made as management considers all amounts fully collectible.

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.

Revenue recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Other public support, grant funds and revenue are reported as the income is earned or in the period designated. Funds received in advance of participation and for future periods are reported as unearned or deferred.

Donated Noncash Assets: Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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 fair values in the period received.

Noncash contributions are made up primarily of food and related food products donated by producers, manufactures, retailers, USDA, and the general public.

Functional Allocation of Expense: The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Cash and Cash Equivalents

Composition of cash and cash equivalents at June 30 is as follows:

Name	2014	2013
BB&T operating	\$ 73,228	\$ 43,873
BB&T money fund	17,881	70,897
Contribution deposit account	101	150
	<u>\$ 91,210</u>	<u>\$ 114,920</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014 and 2013, cash bank deposits were fully insured under FDIC.

LOUDOUN INTERFAITH RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Certificates of Deposit

Certificates of deposit consist of the following bank accounts:

Name	2014	2013
John Marshall Bank	\$ 221,286	\$ 216,384
Access National	153,560	152,943
	<u>\$ 374,846</u>	<u>\$ 369,327</u>

At June 30, 2014 and 2013 all banking deposits were covered under the FDIC insurance program.

Note 4. Property and Equipment

A summary of property and equipment is as follows:

Description	2014	2013
Computers	\$ 6,610	\$ 7,405
Equipment	75,433	80,654
Leasehold improvements	9,350	9,350
Office Equipment	14,821	14,971
Software	17,431	17,431
Motor vehicles	108,446	108,445
	<u>232,091</u>	<u>238,256</u>
Less accumulated depreciation	(169,668)	(149,942)
	<u>\$ 62,423</u>	<u>\$ 88,314</u>

Depreciation expense for the year ended June 30, 2014 and 2013 was \$24,534 and \$25,527, respectively.

Note 5. Donated Inventory- Food Products

Noncash contributions of food products are donated by producers, manufacturers, retailers, USDA, and the general public. Contributed food is recorded as income when donated and placed in inventory at the USDA nationally calculated average per pound. Food products are expensed when distributed. Any purchased supplement food products are distributed in the period purchased.

The established USDA value per pound of food is \$1.69, 2014 and \$1.66, 2013.

Note 6. Donated Services

Contributions of services are recognized when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skill provided by individuals possessing those skills, and would typically need to be purchased if not donated. LIR recognized \$4,000 and \$3,800 of specialized services for the years ended June 30, 2014 and 2013, respectively. LIR also receives a substantial amount of services from individuals who assist in food collection and distribution. These services have not been recorded in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$203,145 and \$187,150 for the years ended June 30, 2014 and 2013, respectively.

LOUDOUN INTERFAITH RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Operations and Warehouse Facility Leases

Operations Facility: In February 2013 management renewed a lease with Leesburg Airpark II, LLC for approximately 4,700 square feet of combined warehouse and office space at 750 Miller Drive, Leesburg, Virginia. The term is for five years through February 2018 with annual fixed rent of \$91,200. LIR is responsible for utilities. Rent expense for this lease was \$91,200 and \$95,667 for the years ended June 30, 2014 and 2013, respectively.

Warehouse Facility: On April 29, 2011, the organization entered into a sub-lease arrangement with Rite-Aid of Virginia, Inc. for approximately 3,480 square feet of warehouse space at 452 South King Street, Leesburg, Virginia. The lease commenced upon occupancy in May 2011 and terminates in January 2018. Fixed annual rent of \$14,094 is due in advance on the first day of each lease year.

Minimum office rent leases commitment under these leases is as follows:

Year ending June 30:	Amount
2015	\$ 105,294
2016	105,294
2017	105,294
2018	60,800
	<u>\$ 376,682</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets from grants is summarized as follows:

Year ending June 30:	7/1/2013	FY 2014 Activity		6/30/2014
		Additions	Uses	
Loudoun County, Virginia	\$ 52,500	\$ -	\$ (52,500)	\$ -
100 Women Strong	-	15,000	(5,861)	9,139
	<u>\$ 52,500</u>	<u>\$ 15,000</u>	<u>\$ (58,361)</u>	<u>\$ 9,139</u>

Note 9. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and accrued expenses. The recorded values of these instruments approximate their fair values based on their short-term nature.

Note 10. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013 of the prior year, from which the summarized information was derived.

LOUDOUN INTERFAITH RELIEF, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Reclassifications

Various accounts and reporting items for 2013 have been reclassified to present the 2013 information comparative with 2014. These are reclassifications not effecting total assets, liabilities, net assets or change in net assets.

Note 12. Subsequent Events

Loudoun Interfaith Relief, Inc. has evaluated subsequent events from June 30, 2014 through September 9, 2014, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended June 30, 2014.