

*Financial Statements*

LOUDOUN INTERFAITH RELIEF, INC.

June 30, 2016

## **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**

Carol Barbe, President  
Thomas Ciolkosz, Vice President  
Charles McQuillan, Secretary  
Roman Blazauskas, Treasurer

### **BOARD OF DIRECTORS**

Carol Barbe	David D'Onofrio
Roman Blazauskas	Rose Ann Domenici
Maristevie Bradley	William Junda
Thomas Ciolkosz	David McOmber
Lorna Campbell Clark	Charles McQuillan
Michelle Rosati	

### **STAFF**

Jennifer Montgomery, Executive Director  
Erika Huddleston, Associate Director  
Robinson Villalobos, Warehouse Manager  
Wanda Moloney, Client Relations Manager  
Carla Fortenberry, Volunteer Coordinator  
Trish McNeal, Director of Development

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# MITCHELL & Co., P.C.

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## 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, 2016, 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, 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.

***Emphasis of Matter***

As discussed in Note 9 to the financial statement, the Board of Directors has designated net assets and related cash balances for specific future obligations and projects. The year ended June 30, 2016 was the first year of such designations. Our opinion is not modified with respect to that matter.

***Report on Summarized Comparative Information***

We have previously audited Loudoun Interfaith Relief, Inc. 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia  
September 6, 2016

*Mitchell & Co., P.C.*

**LOUDOUN INTERFAITH RELIEF, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2016**

**(with June 30, 2015 comparative totals)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Undesignated funds		
Cash and cash equivalents	\$ 35,608	\$ 273,791
Certificates of deposit	100,436	223,458
Designated funds		
Cash and cash equivalents	340,000	-
Certificates of deposit	125,000	-
Grants and other receivables	25,146	7,500
Inventory- food products	165,273	126,596
Gift cards	34,154	31,364
Prepaid expenses	18,916	33,206
<b>Total current assets</b>	<b>844,533</b>	<b>695,915</b>
Property and equipment, net of depreciation	66,160	62,860
Deposits	1,425	1,425
<b>Total Assets</b>	<b>\$ 912,118</b>	<b>\$ 760,200</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 3,542	\$ 6,202
Accrued payroll	30,819	24,984
<b>Total liabilities</b>	<b>34,361</b>	<b>31,186</b>
Net Assets		
Unrestricted:		
Undesignated	222,484	602,418
Inventory- food products	165,273	126,596
Designated by governing board:		
Operations center relocation	100,000	-
Strategic initiatives	125,000	-
Working capital	240,000	-
	<b>465,000</b>	<b>-</b>
Temporarily restricted	25,000	-
<b>Total net assets</b>	<b>877,757</b>	<b>729,014</b>
<b>Total liabilities and net assets</b>	<b>\$ 912,118</b>	<b>\$ 760,200</b>

See Notes to Financial Statements.

**LOUDOUN INTERFAITH RELIEF, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2016**

**(with June 30, 2015 comparative totals)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 723,107	\$ -	\$ 723,107	\$ 742,603
In-kind contributions (principally food products)	2,286,668	-	2,286,668	2,446,005
Fundraising events (net of expenses of \$2,601)	20,899	-	20,899	4,375
Grants	147,487	25,900	173,387	122,488
Interest and dividend income	2,085	-	2,085	2,252
Miscellaneous income	-	-	-	3,065
<b>Total revenue</b>	<b>3,180,246</b>	<b>25,900</b>	<b>3,206,146</b>	<b>3,320,788</b>
Net assets released from restrictions				
Satisfaction of usage restrictions	900	(900)	-	-
<b>Total support and revenue</b>	<b>3,181,146</b>	<b>25,000</b>	<b>3,206,146</b>	<b>3,320,788</b>
<b>EXPENSES</b>				
Distribution center- program services	2,897,674	-	2,897,674	3,043,618
Management and general	83,383	-	83,383	153,365
Fundraising	76,347	-	76,347	71,995
<b>Total expenses</b>	<b>3,057,403</b>	<b>-</b>	<b>3,057,403</b>	<b>3,268,978</b>
<b>Change in net assets</b>	<b>123,743</b>	<b>25,000</b>	<b>148,743</b>	<b>51,810</b>
<b>Net assets, beginning of year</b>	<b>729,014</b>	<b>-</b>	<b>729,014</b>	<b>677,204</b>
<b>Net assets, end of year</b>	<b>\$ 852,757</b>	<b>25,000</b>	<b>\$ 877,757</b>	<b>\$ 729,014</b>

See Notes to Financial Statements.

LOUDOUN INTERFAITH RELIEF, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

(with June 30, 2015 comparative totals)

	Program Services	Management and General	Fundraising	Totals	
				2016	2015
Salaries and wages	\$ 368,459	\$ 30,630	\$ 43,458	\$ 442,547	\$ 429,955
Employee benefits	57,046	-	-	57,046	66,352
Payroll taxes	27,195	2,007	3,199	32,401	29,684
<b>Total salaries and related expenses</b>	<b>452,700</b>	<b>32,637</b>	<b>46,657</b>	<b>531,994</b>	<b>525,991</b>
Bank charges	-	554	14	568	2,874
Depreciation	17,904	1,989	-	19,893	26,563
Education	2,139	-	377	2,516	1,243
Outreach costs	24	-	23,872	23,896	12,064
Fees and licenses	-	1,804	-	1,804	1,422
Food distributed	2,116,774	-	-	2,116,774	2,391,532
Food purchased	55,803	-	-	55,803	63,121
Insurance	12,025	8,017	-	20,042	16,408
Maintenance	27,398	1,728	-	29,126	31,547
Marketing	249	996	3,737	4,982	4,350
Miscellaneous	390	1,421	-	1,811	6,180
Postage	-	188	1,690	1,878	1,435
Professional fees (in-kind \$39,816)	77,234	17,107	-	94,341	36,301
Rent	94,765	10,529	-	105,294	105,294
Supplies	3,122	3,044	-	6,166	3,900
Communications	3,276	819	-	4,095	4,617
Utilities	13,444	1,421	-	14,865	17,814
Transportation costs	12,806	-	-	12,806	14,362
Volunteer support	7,621	1,128	-	8,749	1,960
	2,444,974	50,746	29,690	2,525,409	2,742,987
<b>Total expenses</b>	<b>\$ 2,897,674</b>	<b>\$ 83,383</b>	<b>\$ 76,347</b>	<b>\$ 3,057,403</b>	<b>\$ 3,268,978</b>

See Notes to Financial Statements.

**LOUDOUN INTERFAITH RELIEF, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2016**

**(with June 30, 2015 comparative totals)**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 148,743	\$ 51,810
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	19,894	26,563
Donated assets		
Inventory	(38,677)	2,348
Equipment	(22,202)	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(17,646)	3,250
Interest receivable	123,022	-
Gift cards	(2,790)	(7,489)
Prepaid expenses	14,290	(4,450)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,660)	(25,156)
Payroll liabilities	5,835	11,317
<b>Net cash provided by operating activities</b>	<b>227,809</b>	<b>58,193</b>
<b>Cash Flows From Investing Activities</b>		
Redemption of certificates of deposit	-	151,388
Purchase of property and equipment	(992)	(27,000)
<b>Net cash provided by (used in) investing activities</b>	<b>(992)</b>	<b>124,388</b>
<b>Net increase in cash</b>	<b>226,817</b>	<b>182,581</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	273,791	91,210
End of year	\$ 500,608	\$ 273,791

See Notes to Financial Statements.

## LOUDOUN INTERFAITH RELIEF, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### 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.

*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

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#### 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	Balances		
	Bank	Account	
	2016	2016	2015
BB&T operating	\$ 128,812	\$ 107,512	\$ 237,608
BB&T money fund	267,921	267,921	17,889
Contribution deposit account	175	175	101
Undeposited funds	-	-	18,193
	<u>\$ 396,908</u>	<u>\$ 375,608</u>	<u>\$ 273,791</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2016, \$146,908 exceeded insurance limits at BB & T.

## LOUDOUN INTERFAITH RELIEF, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Certificates of Deposit

Certificates of deposit consist of the following bank deposit accounts:

Name	2016	2015
John Marshall Bank	\$ 225,436	\$ 223,458

At June 30, 2016 and 2015 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	2016	2015
Computers	\$ 6,610	\$ 6,610
Equipment	97,636	75,433
Leasehold improvements	9,350	9,350
Office Equipment	15,812	14,821
Software	17,431	17,431
Vehicles	135,446	135,446
	<u>282,285</u>	<u>259,091</u>
Less accumulated depreciation	(216,125)	(196,231)
	<u>\$ 66,160</u>	<u>\$ 62,860</u>

Depreciation expense for the year ended June 30, 2016 and 2015 was \$19,894 and \$26,563, 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 \$1.67, 2016 and \$1.72, 2015.

#### 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 \$39,816 and \$25,780 of specialized services for the years ended June 30, 2016 and 2015, 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 \$224,135 and \$226,650 for the years ended June 30, 2016 and 2015, respectively.

**LOUDOUN INTERFAITH RELIEF, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**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. During 2015, Loudoun County purchase the building and started providing the space by agreement through an in-kind contribution effective December 2015. Rent expense under this lease for fiscal year 2016 is summarized as follows:

<u>Rent</u>	<u>Amount</u>
Rent paid	\$ 38,000
In-kind donation from Loudoun County	53,200
	<u>\$ 91,200</u>

*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 lease commitment under this lease is as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 14,094
2018	8,222
	<u>\$ 22,316</u>

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets from grants is summarized as follows:

<u>Year ending June 30:</u>	<u>Unspent 6/30/2015</u>	<u>FY 2016 Activity</u>		<u>Unspent 6/30/2016</u>
		<u>Additions</u>	<u>Uses</u>	
Leesburg Rotary	\$ -	\$ 900	\$ (900)	\$ -
100 Women Strong	-	25,000	-	<b>25,000</b>
	<u>\$ -</u>	<u>\$ 25,900</u>	<u>\$ (900)</u>	<u>\$ <b>25,000</b></u>

## LOUDOUN INTERFAITH RELIEF, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Designated Net Assets

The Board of Directors has designated net assets and related cash balances for specific future obligations and projects summarized as follows:

Designated obligation/project	Amount
Operations center relocation	\$ 100,000
Strategic initiatives	125,000
Working capital	240,000
	<u>\$ 465,000</u>

*Operations Center Relocation:* LIR operations center office lease expires in 2018 with an informal agreement to extend until 2020. There is a likely possibility of having to relocate the operations center at that time.

*Strategic initiatives:* Several strategic planning and mission critical initiatives have been planned requiring resources for implementation. Net asset funds are designated for these future activities.

*Working capital:* The level and amount of operations funding varies each year dependent on donations and grants received. To insure continued service and operations, net assets and funds are set aside for a future operating funding shortfall.

#### Note 10. 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 11. 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, 2015 of the prior year, from which the summarized information was derived.

#### Note 12. Subsequent Events

Loudoun Interfaith Relief, Inc. has evaluated subsequent events from June 30, 2016 through September 6, 2016, 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, 2016.