

**LIFELONG LEARNING INSTITUTE IN
CHESTERFIELD COUNTY, VA, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Lifelong Learning Institute in Chesterfield County, VA, Inc.
Richmond, Virginia

We have reviewed the accompanying financial statements of Lifelong Learning Institute in Chesterfield County, VA, Inc. (the Institute) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
January 17, 2017

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 71,193	\$ 85,390
INVESTMENT IN MARKETABLE SECURITIES	<u>151,804</u>	<u>211,511</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	37,494	35,085
Buildings and improvements	50,734	-
Land	<u>35,255</u>	<u>-</u>
	123,483	35,085
Less: Accumulated depreciation	<u>29,101</u>	<u>25,247</u>
NET PROPERTY AND EQUIPMENT	<u>94,382</u>	<u>9,838</u>
	<u>\$ 317,379</u>	<u>\$ 306,739</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 33,031	\$ 24,195
Deferred membership fees	<u>54,001</u>	<u>46,910</u>
TOTAL CURRENT LIABILITIES	<u>87,032</u>	<u>71,105</u>
NET ASSETS		
Unrestricted		
Designated by the Board for endowment purposes	151,804	211,511
Undesignated	<u>78,543</u>	<u>24,123</u>
TOTAL NET ASSETS	<u>230,347</u>	<u>235,634</u>
	<u>\$ 317,379</u>	<u>\$ 306,739</u>

See Notes to Financial Statements

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
SUPPORT AND REVENUE		
In-kind contributions	\$ 293,685	\$ 351,081
Membership fees, net of refunds	105,736	92,832
Other income	44,833	35,763
Contributions - Individuals and County of Chesterfield, VA	27,735	122,378
Contributions - other	16,704	13,682
Dividends and interest	5,430	6,747
Fundraising	2,455	743
Unrealized losses on investments	(5,137)	(1,192)
	<u>491,441</u>	<u>622,034</u>
TOTAL SUPPORT AND REVENUE		
EXPENSES		
Program Services		
Facilities	187,205	187,518
Faculty	107,599	166,046
Labor	72,582	69,539
Travel	28,268	20,041
Exercise program	14,500	12,034
Classroom materials	9,684	9,987
Miscellaneous	5,142	1,809
Printing	4,373	4,348
Depreciation	3,854	2,411
Supplies	3,699	3,354
Postage	323	499
Telephone and website	168	347
Total Program Services	<u>437,397</u>	<u>477,933</u>
Support Services		
Labor	48,388	45,818
Professional services	10,943	3,348
Total Support Services	<u>59,331</u>	<u>49,166</u>
	<u>496,728</u>	<u>527,099</u>
TOTAL EXPENSES		
INCREASE (DECREASE) IN NET ASSETS	(5,287)	94,935
Net assets, beginning of year	<u>235,634</u>	<u>140,699</u>
NET ASSETS, END OF YEAR	<u>\$ 230,347</u>	<u>\$ 235,634</u>

See Notes to Financial Statements

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (5,287)	\$ 94,935
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	3,854	2,411
Unrealized losses on investments	5,137	1,192
Increase in accounts payable	8,836	2,443
Increase in deferred membership fees	<u>7,091</u>	<u>5,107</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>19,631</u>	<u>106,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	60,000	-
Purchases of marketable securities	(5,430)	(81,677)
Purchase of property and equipment	<u>(88,398)</u>	<u>(7,366)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(33,828)</u>	<u>(89,043)</u>
NET INCREASE (DECREASE) IN CASH	(14,197)	17,045
Cash and cash equivalents, beginning of year	<u>85,390</u>	<u>68,345</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 71,193</u></u>	<u><u>\$ 85,390</u></u>

See Notes to Financial Statements

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lifelong Learning Institute in Chesterfield County, VA, Inc. (the "Institute") was organized as a non-profit corporation under the laws of Virginia for the purpose of providing a curriculum of intellectually stimulating learning opportunities and special activities for persons fifty (50) years of age or older.

Summary of Significant Accounting Policies

Basis of Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) ASC 958-205. Under FASB ASC 958-205, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Institute pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. The Institute had no temporarily restricted net assets as of June 30, 2016 and 2015.

Permanently Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Institute's actions. The Institute had no permanently restricted net assets as of June 30, 2016 and 2015.

Fair Value Measurements

The Institute applies FASB ASC 820-10, "*Fair Value Measurements and Disclosures*". FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. FASB ASC 820-10 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

- Level 1 - Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 - Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs
- Level 3 - Valuations unobservable in the marketplace at the measurement date

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Institute is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue 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. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Institute may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Institute and various positions related to the potential sources of unrelated business taxable income (UBTI). The Institute has recognized no uncertain tax positions for the year ended June 30, 2016. The Institute is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Investments

Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the accompanying statements of activities as a component of income.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives (ranging from five to thirty-nine years).

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Amounts received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases 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 accompanying statements of activities as net assets released from restrictions.

Membership fees cover classes for twelve months from date of receipt. Deferred membership fees represent unearned income as of year-end.

NOTE B - INVESTMENTS

Investments consist of the following at June 30, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Closed end mutual funds	\$ 55,280	\$ 53,272	\$ 75,290	\$ 73,766
Financial exchange traded funds	25,176	22,658	32,005	30,783
Mutual funds	62,594	75,874	91,385	106,962
	<u>\$ 143,050</u>	<u>\$ 151,804</u>	<u>\$ 198,680</u>	<u>\$ 211,511</u>

All investments are considered Level 1 for fair value measurement.

NOTE C - ENDOWMENT FUND

In August 2012, the Board of Directors created a board-designated endowment fund and instituted an investment policy for it. The purpose of the Institute's Endowment Fund is to (1) ensure the long-term financial stability of the Institute and (2) provide for supplemental revenue for required and necessary resources that exceed annual budget constraints.

The Endowment Fund's primary objective is to ensure continuous operation of the Institute even when normal sources of funding are interrupted or canceled. Under emergency conditions, the Board of Directors could authorize the use of Endowment Fund principal to avoid a financial collapse of the Institute.

A second objective of the Endowment Fund is to generate income that would be used to (1) increase the emergency portion of the Endowment Fund as necessary and (2) provide revenue for necessary, but unfunded, requirements for the Institute. This could take the form of scholarship awards, staffing requirements, equipment purchases or other critical needs as approved by the Board of Directors.

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE C - ENDOWMENT FUND - Continued

Although the two objectives stated above are the foreseeable objectives and intent of the Endowment Fund, other unforeseen conditions may arise, of similar nature, which the Board of Directors may deem as an appropriate use of the Endowment Fund. In any case, the criteria for the use of the Endowment Fund shall be consistent with those indicated above.

To manage the Endowment Fund, the Institute formed an Investment Committee and adopted an investment policy. In general, the Institute would like the portfolio to earn at least a targeted return of 3.0%. Furthermore, the objective is to earn a long-term rate of return that is at least 1.0% greater than the rate of inflation as measured by the Consumer Price Index (CPI). The percentage allocation to each asset class may vary as much as plus or minus 5% depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Portfolio. If there are no cash flows, the allocation of the Portfolio will be reviewed quarterly. If the Institute judges cash flows to be insufficient to bring the Portfolio within the strategic allocation ranges, the Institute shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges.

Activity in the Endowment Fund for the years ended June 30, 2016 and 2015 was as follows:

	2016	2015
Beginning balance	\$ 211,511	\$ 131,026
Board designation of contributions	-	75,000
Withdrawal	(60,000)	-
Reinvested dividends	5,430	6,677
Unrealized losses on investments	(5,137)	(1,192)
Ending balance	<u>\$ 151,804</u>	<u>\$ 211,511</u>

NOTE D - CONTRIBUTED SERVICES AND MATERIALS

The Institute provides a variety of classes to its members. All instructors, who are experts in their field, contribute their time to teach the classes. Other volunteers contribute significant time as well. During the years ended June 30, 2016 and 2015, the value of the volunteers' hours contributed is \$107,599 and \$164,995, respectively, and is recorded as unrestricted support and expenses in the accompanying statements of activities.

Chesterfield County Public Schools provide the classroom space for the Institute to hold its classes. The value of contributed facilities for both years ended June 30, 2016 and 2015 is \$186,086 and is recorded as unrestricted support and expenses in the accompanying statements of activities.

LIFELONG LEARNING INSTITUTE IN CHESTERFIELD COUNTY, VA, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE E - LABOR

The Institute's Executive Director, Office Manager, and Office Assistant are a part of the Virginia Center on Aging, Virginia Commonwealth University's payroll and benefits program. The Virginia Center bills the Institute quarterly for the costs associated with its Executive Director, Office Manager, and Office Assistant's services.

NOTE F - SUBSEQUENT EVENTS

In the preparation of its financial statements, Lifelong Learning Institute in Chesterfield County, VA, Inc. considered subsequent events through January 17, 2016, which was the date the financial statements were available to be issued.