

**VIRGINIA FIRST CITIES COALITION, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Executive Board  
Virginia First Cities Coalition, Inc.  
Richmond, Virginia

We have audited the accompanying statement of financial position of Virginia First Cities Coalition, Inc. (a nonprofit corporation) as of June 30, 2014 and the related statements of activities and changes in net assets and cash flows for the year then ended and the related notes to the financial statements. These financial statements are the responsibility of the Coalition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Virginia First Cities Coalition, Inc. as of June 30, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Wells Coleman". The signature is written in a cursive style with a large initial "W".

June 30, 2015

VIRGINIA FIRST CITIES COALITION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

**Current Assets**

Cash and cash equivalents	\$ 77,841
Accounts receivable	<u>11,731</u>

<b>Total current assets</b>	<u>89,572</u>
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**Property and Equipment**

Equipment	1,050
Accumulated depreciation	<u>(683)</u>

<b>Net property and equipment</b>	<u>367</u>
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<b>Total Assets</b>	<u>\$ 89,939</u>
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LIABILITIES AND NET ASSETS

**Current Liabilities**

Accrued expenses	<u>\$ 8,340</u>
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<b>Total current liabilities</b>	<u>8,340</u>
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**Net Assets**

Unrestricted	<u>81,599</u>
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<b>Total net assets</b>	<u>81,599</u>
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<b>Total Liabilities and Net Assets</b>	<u>\$ 89,939</u>
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See accompanying notes to financial statements.

**VIRGINIA FIRST CITIES COALITION, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**For the year ended June 30, 2014**

<b>Revenue</b>	
Membership dues	<u>\$ 305,736</u>
<b>Total revenue</b>	<u>305,736</u>
<b>Expenses</b>	
Executive director	123,065
Lobbying	71,900
Research	56,650
Administrative support	28,000
Rent and parking	6,956
Office expenses	5,540
Conferences and meetings	6,599
Staff bonuses	5,248
Accounting	2,205
Communications and public relations	1,976
Depreciation	210
Postage, shipping, and delivery	<u>198</u>
<b>Total expenses</b>	<u>308,547</u>
<b>Change in unrestricted net assets</b>	(2,811)
<b>Unrestricted Net Assets, beginning of year</b>	<u>84,410</u>
<b>Unrestricted Net Assets, end of year</b>	<u>\$ 81,599</u>

See accompanying notes to financial statements.

**VIRGINIA FIRST CITIES COALITION, INC.**

**STATEMENT OF CASH FLOWS**

**For the year ended June 30, 2014**

<b>Cash Flows from Operating Activities</b>	
Change in unrestricted net assets	\$ (2,811)
Adjustments to reconcile change in unrestricted net assets to net cash and cash equivalents used by operating activities	
Depreciation	210
Decrease in accounts payable	(244)
Increase in accounts receivable	(11,731)
Decrease in prepaid expenses	<u>557</u>
<b>Net cash and cash equivalents used by operating activities</b>	<u>(14,019)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(14,019)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<u>91,860</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 77,841</u>

See accompanying notes to financial statements.

**VIRGINIA FIRST CITIES COALITION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**1. Nature of Organization**

*Nature of Organization:* Virginia First Cities Coalition, Inc. (the "Coalition") is a membership organization established under the laws of the Commonwealth of Virginia and has qualified as an IRC Section 501(c)(4) organization. The Coalition is comprised of 13 of Virginia's oldest and most historic cities. The Coalition advocates for increased support and better policies from Virginia while sharing best practices among its members.

**2. Significant Accounting Policies**

*Basis of Presentation:* The Coalition follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-00, "*Financial Statements of Not-for-Profit Organizations*". Under FASB ASC 958-205-00, the Coalition is required to report 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. The net asset classes are summarized 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 Coalition and/or the passage of time. When a restriction expires or is satisfied by actions of the Coalition, 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 the contribution is received, the contribution is recorded as unrestricted for financial statement purposes. The Coalition did not have any temporarily restricted net assets as of June 30, 2014.

The Coalition did not have any permanently restricted net assets as of June 30, 2014.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on deposit with a national financial banking institution.

*Contributions:* The Coalition adheres to FASB ASC 958-605-25, "*Revenue Recognition*," whereby contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

*Property and Equipment:* Property and equipment are stated at cost. Depreciation is calculated using accelerated methods over the estimated useful lives of the respective classes of property.

*Income Taxes:* The Internal Revenue Service has determined that the Coalition is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

*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.

**VIRGINIA FIRST CITIES COALITION, INC.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2014**

**2. Significant Accounting Policies - Continued**

*Evaluation of Subsequent Events:* Management has evaluated subsequent events through June 30, 2015, which is the date the financial statements were available to be issued.

**3. Concentrations**

At various times during the year, the Coalition maintained cash balances on deposit in banks in excess of federally insured limits.

The Coalition receives 100% of its total revenue and support from membership dues paid by its member cities. Membership dues are used to pay for lobbying, fiscal analysis research, and administrative expenses.

**4. Commitments**

The Executive Director is retained on an annual contract basis with the Coalition. The Executive Director or the Coalition may terminate the contract at any time with a 60-day written notice. Contract fees paid to the Executive Director were \$123,065 for the year ended June 30, 2014.

The Coalition has retained Fiscal Analytics on a contract basis to provide research and analytical services on the policies and funding formulas of the Commonwealth of Virginia that affect member cities. The contract may be terminated by either party at any time with a one-month written notice. Annual payment would be pro-rated up to the date of termination. The term of the contract is for one year and can be extended with the mutual agreement of both parties. Contract fees paid to Fiscal Analytics were \$56,650 for the year ended June 30, 2014.

The Coalition has retained McMinimy & Associates to provide government relations and advocacy services, as well as interim coordination and administrative services, and provide a primary point of contact for the Coalition. The contract may be terminated by either party at any time with three months written notice. Annual payment would be pro-rated up to the date of termination. The term of the contract is for one year and can be extended with the mutual agreement of both parties. Contract fees paid to McMinimy & Associates were \$99,900 for the year ended June 30, 2014, which is included as lobbying and as administrative support.

**5. Operating Lease**

The Coalition leases office space under an operating lease, which expires each June 30, with automatic one year renewal unless terminated by either party. Rent expense under this lease was \$6,956 for the year ended June 30, 2014.

**VIRGINIA FIRST CITIES COALITION, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2014**

**6. Tax Status**

The Coalition's income tax returns from 2011 forward are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Coalition is not currently under audit by any tax jurisdiction.