

Financial Statements

LOUDOUN CITIZENS
FOR SOCIAL JUSTICE, INC.

June 30, 2018

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Loudoun Citizens for Social Justice, Inc. (Organization) is a nonstock, tax-exempt charitable organization formed in Virginia on April 5, 1984. The Organization provides direct services and programs to victims of domestic violence, sexual assault, and child abuse. The Organization maintains an emergency shelter in Loudoun County for victims of domestic violence and sexual assault, as well as provides counseling, legal services, advocacy and education to victims of domestic and sexual violence. The Organization also provides violence prevention outreach and education to the community. Major sources of revenue include contributions from donors, thrift shop operations, grant revenue, special fundraising events, and investment income.

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Judith Hanley, Ph.D.

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

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

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA
CLAUDIA DICARO, CPA

110 EAST MARKET STREET 108 W. WASHINGTON STREET
SUITE 200 SUITE 203
LEESBURG, VIRGINIA 20176 MIDDLEBURG, VIRGINIA 20117
703.777.4900 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Citizens for Social Justice, Inc.
Leesburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Loudoun Citizens for Social Justice, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Citizens for Social Justice, Inc. as of June 30, 2018 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Loudoun Citizens for Social Justice, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of Loudoun Citizens for Social Justice, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loudoun Citizens for Social Justice, Inc.'s internal control over financial reporting and compliance.

Leesburg, Virginia
September 13, 2018

Mitchell & Co., P.C.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(with June 30, 2017 comparative totals)

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents		
Undesignated	\$ 185,567	\$ 298,325
Designated	365,000	265,000
Grants receivable	371,942	165,792
Prepaid expenses	11,068	24,104
Client gift cards	2,703	-
Thrift store inventory	19,824	21,425
Total current assets	956,104	774,646
Property and equipment, net of accumulated depreciation	1,123,658	1,142,463
Total assets	\$ 2,079,762	\$ 1,917,109
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,495	\$ 4,001
Accrued payroll and leave	70,345	70,630
Event sponsorship paid in advance	10,000	15,000
Current portion of note payable	17,642	16,755
Total current liabilities	102,482	106,386
Long-term debt - less current portion, net of refinance fees	657,985	674,342
Net Assets		
Unrestricted		
Undesignated	445,265	368,741
Designated by the governing board	365,000	265,000
Donated inventory	19,824	21,425
Invested in capital assets	448,031	451,366
	1,278,120	1,106,532
Temporarily restricted	41,175	29,849
Total net assets	1,319,295	1,136,381
Total liabilities and net assets	\$ 2,079,762	\$ 1,917,109

See Notes to Financial Statements.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

(with June 30, 2017 comparative totals)

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
REVENUE AND GRANTS				
Government grants	\$ 1,091,531	\$ -	\$ 1,091,531	\$ 1,089,876
Contributions	498,665	9,711	508,376	491,552
Thrift shop income	254,347	-	254,347	232,830
Special fundraising events (less expenses \$26,482 and \$26,397)	58,409	-	58,409	46,511
Foundation grants	20,317	62,000	82,317	64,250
Investment income	765	-	765	3,092
In-kind donations	55,120	19,890	75,010	44,827
	1,979,154	91,601	2,070,755	1,972,938
Net assets released from restrictions:				
Satisfaction of usage restriction	80,275	(80,275)	-	-
Total revenues and grants	2,059,429	11,326	2,070,755	1,972,938
EXPENSES				
Program services	1,784,070	-	1,784,070	1,704,423
Supporting services:				
Management and general	87,295	-	87,295	80,499
Fundraising	16,476	-	16,476	11,683
Total expenses	1,887,841	-	1,887,841	1,796,605
Change in net assets	171,588	11,326	182,914	176,333
Net Assets, beginning of year	1,106,532	29,849	1,136,381	960,048
Net Assets, end of year	\$ 1,278,120	\$ 41,175	\$ 1,319,295	\$ 1,136,381

See Notes to Financial Statements.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2018

(with June 30, 2017 comparative totals)

	Program Services						Total Program	Supporting Services		Totals	
	Domestic Violence	Children	CAC	Legal	Sexual Assault	Thrift Shop		Management and General	Fundraising	2018	2017
Salaries	\$ 428,067	\$ 119,424	\$ 139,638	\$ 150,791	\$ 160,089	\$ 73,823	\$ 1,071,832	\$ 48,857	\$ 10,924	\$ 1,131,613	\$ 1,129,474
Professional fees	39,639	7,441	9,415	11,305	5,915	-	73,715	5,078	-	78,793	41,155
Payroll taxes	31,862	8,889	10,394	11,224	11,916	5,495	79,780	3,636	813	84,229	80,931
Interest expense	5,919	12,942	-	5,410	6,248	-	30,519	5,350	-	35,869	36,712
Building repair and replacements	22,882	5,806	2,806	2,719	2,088	899	37,200	1,808	-	39,008	35,617
Depreciation and amortization	22,030	15,305	-	6,560	7,872	-	51,767	6,560	-	58,327	52,780
Employee benefits	44,661	12,460	14,569	15,732	16,702	7,702	111,826	5,097	1,140	118,063	101,262
Telephone	9,975	3,135	4,034	2,748	1,785	1,259	22,936	1,677	-	24,613	29,941
Utilities	5,218	4,811	-	1,288	1,507	2,582	15,406	1,277	-	16,683	15,774
Insurance	7,047	1,821	2,318	3,275	1,493	-	15,954	1,200	-	17,154	16,932
Supplies	11,118	1,663	1,901	948	1,049	1,380	18,059	576	-	18,635	14,320
Travel	8,247	3,398	9,590	839	585	-	22,659	82	-	22,741	12,857
Client support and services	28,486	3,551	4,125	2,830	2,578	80	41,650	174	-	41,824	14,388
Conference expense	1,343	3,710	9,471	200	-	-	14,724	175	-	14,899	27,366
Development	-	-	-	-	-	-	-	-	3,590	3,590	2,637
Equipment rental and maintenance	8,396	2,809	4,578	5,353	1,932	-	23,068	1,555	-	24,623	26,018
Worker's compensation	8,667	2,250	2,857	2,609	1,821	-	18,204	1,118	-	19,322	16,026
Membership dues	2,174	380	1,382	1,553	285	-	5,774	481	-	6,255	8,099
Printing and publications	1,961	524	615	545	385	299	4,329	524	-	4,853	6,338
Postage expense	997	286	351	282	196	-	2,112	210	-	2,322	3,751
Credit card fees and other	632	164	207	187	130	4,639	5,959	1,100	9	7,068	7,266
Educational program expense	14	1,527	33	-	-	-	1,574	-	-	1,574	2,994
Advertising	1,727	461	411	395	302	-	3,296	77	-	3,373	2,794
Rent	-	-	44,460	-	-	67,162	111,622	-	-	111,622	110,499
Other	64	6	23	7	5	-	105	683	-	788	674
Total expenses	\$ 691,126	\$ 212,763	\$ 263,178	\$ 226,800	\$ 224,883	\$ 165,320	\$ 1,784,070	\$ 87,295	\$ 16,476	\$ 1,887,841	\$ 1,796,605

See Notes to Financial Statements.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2018
(with June 30, 2017 comparative totals)

Cash Flows from Operating Activities	2018	2017
Change in Net Assets	\$ 182,914	\$ 176,333
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	58,327	52,780
(Gain) on investments	-	(3,008)
Donated gift cards on hand	(2,703)	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(206,150)	(101,354)
Prepaid expenses	13,036	2,435
Inventory	1,601	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	494	(4,559)
Accrued payroll and leave	(285)	23,744
Deferred revenue	(5,000)	5,000
Net cash provided by operations	42,234	151,371
Cash Flows from Investing Activities		
Building improvements, equipment and furniture	(38,203)	(73,064)
Sale of investments	-	18,330
Net cash used in investing activities	(38,203)	(54,734)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(16,789)	(15,947)
Net cash used in financing activities	(16,789)	(15,947)
Net (decrease) increase in cash and cash equivalents	(12,758)	80,690
Cash and cash equivalents		
Beginning	563,325	482,635
Ending	\$ 550,567	\$ 563,325
Supplemental Disclosure of Cash Flow		
Cash payments for interest expense	\$ 35,869	\$ 36,712

See Notes to Financial Statements.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Nature of Activities

Loudoun Citizens for Social Justice, Inc. (LCSJ) (Organization) is a nonstock, tax-exempt charitable organization formed in Virginia on April 5, 1984. The Organization provides direct services and programs to victims of domestic violence, sexual assault, and child abuse. The Organization maintains an emergency shelter in Loudoun County for victims of domestic violence and sexual assault, as well as provides counseling, legal services, advocacy and education to victims of domestic and sexual violence. The Organization also provides violence prevention outreach and education to the community. Major sources of revenue include contributions from donors, thrift shop operations, grant revenue, special fundraising events, and investment income.

Note 2. Summary of Significant Accounting Policies

The financial statements of LCSJ have been prepared in accordance with policies followed by non-profit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents: The Organization considers amounts in checking and money market funds to be cash and cash equivalents.

Investments: The Organization reports its investments in equity securities and mutual funds at fair value in the statement of financial position. Gains and losses, both realized and unrealized, are included in the statement of activities as changes in unrestricted net assets.

Grants Receivable: Grants receivable represents amounts due primarily from state and local government agency funding grants and are stated at the amount management expects to collect from balances outstanding at year-end. Management considers all grants receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Promises to Give: Unconditional promises to give are recognized as revenues and related asset, reduction of liabilities, or as an expense on the date of the promise. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment: Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over the estimated useful service lives ranging from three to five years for furniture and equipment and three to thirty-nine years for building and improvements using the straight-line method.

The Organization capitalizes property and equipment acquired with a value in excess of \$500. When the assets are sold or disposed, the cost and corresponding accumulated depreciation are removed from the accounts with any gain or loss reported in the statements of activities. Maintenance and repairs that do not improve or extend the lives of property and equipment are expensed as incurred.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Public Support and Revenue: The Organization receives contributions from the general public. Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use. The Organization also receives contributed services in various capacities from volunteers to help accomplish its program objectives. The estimated value of donated, nonprofessional services are not reflected in the financial statements as these services do not meet the criteria for recognition as contributed services.

The Organization receives grant funding from government agencies for various purposes. Grant revenues not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Advertising: Advertising costs are expensed as incurred. Total advertising cost for 2018 amounted to \$3,373.

Income Tax Status: LCSJ is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, the Organization has no unrelated business taxable income. The Organization has adopted the guidance under ASC Topic 740, *Income Taxes* and 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 this guidance. Income tax years open for IRS inspection include years ended 2015, 2016, 2017 and 2018.

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.

Basis of Accounting: The financial statements of LCSJ 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 Standard 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: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Direct expenses are charged to each program based on the expenditures incurred and other indirect costs have been allocated among the programs and supporting services benefited based upon the time devoted to each type of service.

Thrift Stores Inventory: Substantially all the items sold in LCSJ Thrift Store are donated to the organization. For year-end reporting, donated inventory items held for resale are recorded and valued based on subsequent month sales. Throughout the year donated inventory items are recorded upon sale and final realization of value.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Description	Balances		
	Brokerage Accts.	Bank Deposits	Accounting
Charles Schwab deposit account	\$ 16	\$ -	\$ 16
BB&T Bank	-	21,080	21,079
Eagle Bank	-	559,063	529,112
Petty cash held	-	-	360
	<u>\$ 16</u>	<u>\$ 580,143</u>	<u>\$ 550,567</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018, bank deposits in Eagle Bank exceeded FDIC insurance coverage by \$309,063. Cash deposits held in brokerage accounts are fully insured under SIPC private insurance.

Note 4. Property and Equipment

Property and equipment is summarized as follows:

Description	Amount
Office furniture and equipment	\$ 109,407
Land	349,835
Building and improvements	<u>1,326,620</u>
	<u>1,785,862</u>
Less accumulated depreciation	<u>(662,204)</u>
	<u>\$ 1,123,658</u>

Depreciation expense for 2018 was \$57,008.

Note 5. Line of Credit

The Organization has available on an annual renewal basis, a \$100,000 revolving line of credit financing instrument established with EagleBank. Terms include interest at prime rate plus 1.00% with a floor of 6.00% and ceiling of 10.50%, interest due monthly, principal due on demand and is secured by real property located in Leesburg, Virginia. At June 30, 2018 there was no outstanding balance on the line of credit.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Note Payable

A summary of the note payable at June 30, 2018 is as follows:

Description	Amount
\$737,889 note payable to EagleBank dated February 19, 2015, fixed interest rate 5.10%, set monthly payments \$4,338, principal and interest, amortized over 20 years, collateralized by land, building improvements at 105 East Market St., Leesburg, VA., loan due in full February 19 2025.	\$ 684,536
Refinance fee amortized against loan at net	(8,909)
Less - current portion	(17,642)
	<u>\$ 657,985</u>

Estimated future principal payments for years ending June 30 are as follows:

Fiscal Year	Principal
2019	\$ 17,642
2020	18,482
2021	19,555
2022	21,141
2023	22,248
Thereafter	585,468
	<u>\$ 684,536</u>

Note 7. Lease Agreements

Facility: The Organization leases space in Leesburg, Virginia for its thrift shop operations. The original lease term was for five years beginning September 1, 2012 and renegotiated effective October 1, 2015 with a renewed term of five years at a fixed monthly rent of \$5,300 plus annual taxes. 2018 rent expense for the thrift shop was \$67,162 and is included in rent expense.

Future minimum lease payments under this non-cancelable operating lease for years ending June 30 are as follows:

Year ending June 30:	Amount
2019	\$ 63,600
2020	63,600
2021	15,900
	<u>\$ 143,100</u>

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Temporarily Restricted Assets

Temporarily restricted net assets are available at June 30, 2018 for the following purposes:

Purpose/Project	Amount
Children's Support Group and Education Project	\$ 927
Legal Services Equipment, Security and Witnesses	24,975
Shelter Food and Support	9,426
General Client Support	2,703
Domestic Violence Prevention	3,144
	<u>\$ 41,175</u>

Note 9. Designated Net Assets

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

Designated obligation	Amount
Working capital	\$ 240,000
Strategic initiatives	75,000
Shelter	50,000
	<u>\$ 365,000</u>

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. Concentration of Economic Support

Approximately 53 percent of LCJS's programs and operations are supported by governmental agencies. LCJS anticipates continued support for their programs but a reduction in funding could affect the level of program of activity.

Note 11. Retirement Plan

The Organization maintains a tax-deferred annuity plan (Plan) under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the Plan and to contribute any percentage of their annual compensation to the maximum permitted by law. The Plan does not provide for matching contributions by the Organization.

Note 12. Fair Value of Instruments

LCJS's financial instruments are cash deposits, grants receivable, accounts payable, accrued expenses, lease and note payable, the recorded values of which approximate their fair values based on their short-term nature.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. In-kind Donations

The fair value of in-kind donations included as contributions in the financial statements and the corresponding program expenses for the year ended June 30, 2018 is as follows:

Description	Amount
Professional landscaping services	\$ 11,000
Audit fee	810
CAC program facility	44,460
Direct client services	18,740
	<u>\$ 75,010</u>

In addition, clothing and other items are donated to be sold in the Resourceful Woman thrift shop. The value of these donations are reflected in contributions when the goods are sold.

Note 14. Donated Volunteer 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. The Organization receives services from individuals that assist in the thrift shop and shelter. These services have not been recorded in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles. In FY2018 the organization received approximately 7,266 volunteer hours. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$179,389 for the year ended June 30, 2018.

Note 15. Subsequent Events

The Organization has evaluated events and transactions subsequent to June 30, 2018 through September 13, 2018, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2018.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 20, 2018**

Grant Information	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
Direct Awards			
Legal Assistance to Victims	16.524	2015-WL-AX-0021	<u>\$ 133,025</u>
Subawards from Virginia Department of Social Services			
Victims of Crime Act - Child Abuse Treatment	16.575	FAM-16-065-06	91,865
Child Advocacy Center	16.575	FAM-15-065-11	<u>118,734</u>
			<u>210,599</u>
Subawards from Virginia Department of Criminal Justice Services			
Sexual Assault/Domestic Violence	16.575	18-S3446SA16	333,116
Sexual Assault Services Program	16.017	18-I2220SP17	11,702
Virginia Services, Training, Officers, Prosecution	16.588	18-W9205VA17	<u>24,528</u>
			<u>369,346</u>
Subawards from National Children's Alliance			
NCAS Grant	16.575	N/A	<u>7,000</u>
U.S. Department of Health and Human Services			
Subawards from Virginia Department of Social Services			
Family Violence Prevention and Services Program	93.671	CVS 16-056-29	<u>150,000</u>
Subawards from Loudoun County Government			
Promoting Safe and Stable Families- Nurturing Program	93.556	N/A	8,523
Promoting Safe and Stable Families- CAC	93.556	N/A	<u>13,677</u>
			<u>22,200</u>
			<u><u>\$ 892,170</u></u>

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 20, 2018**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of LCSJ under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LCSJ, it is not intended to and does not present the financial position, changes in net assets or cash flows of LCSJ.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

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

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA
CLAUDIA DICARO, CPA

110 EAST MARKET STREET 108 W. WASHINGTON STREET
SUITE 200 SUITE 203
LEESBURG, VIRGINIA 20176 MIDDLEBURG, VIRGINIA 20117
703.777.4900 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Citizens for Social Justice, Inc.
Leesburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Loudoun Citizens for Social Justice, Inc. (LCSJ) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LCSJ's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCSJ's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REPORT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCSJ's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leesburg, Virginia
September 13, 2018

Mitchell & Co., P.C.

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

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

AMANDA M. NOORDHOFF, CPA
KARA J. SANTMYER, CPA
TONJI M. LEISS, CPA
CLAUDIA DiCARO, CPA

110 EAST MARKET STREET | 108 W. WASHINGTON STREET
SUITE 200 | SUITE 203
LEESBURG, VIRGINIA 20176 | MIDDLEBURG, VIRGINIA 20117
703.777.4900 | 540.883.3173
WWW.MCOCPA.COM | FAX: 703.771.3082

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Regents of
Loudoun Citizens for Social Justice, Inc.
Leesburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Loudoun Citizens for Social Justice, Inc. (LCSJ) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LCSJ' major federal programs for the year ended June 30, 2018. LCSJ' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LCSJ' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LCSJ' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LCSJ' compliance.

Opinion on Each Major Federal Program

In our opinion, LCSJ complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

REPORT IN ACCORDANCE WITH UNIFORM GUIDANCE

Report on Internal Control over Compliance

Management of LCSJ is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LCSJ' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LCSJ' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leesburg, Virginia
September 13, 2018

Mitchell & Co., P.C.

LOUDOUN CITIZENS FOR SOCIAL JUSTICE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting
· Material weakness(es) identified: yes no
· Significant deficiency(ies) identified: yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs
· Material weakness(es) identified: yes no
· Significant deficiency(ies) identified: yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance section 510(a) of 2CFR.516(a): yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program Cluster</u>
16.575	U.S. Department of Justice

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: yes no

Section II – Financial Statement Findings

There are no current year questioned costs or prior year findings requiring follow-up.

Section III – Federal Award Findings and Questioned Costs

There are no current year questioned costs or prior year findings requiring follow-up.