

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**

**AUDITED FINANCIAL STATEMENTS
&
UNIFORM GUIDANCE REPORTS**

YEAR ENDED JUNE 30, 2020

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**Independent Auditors' Report on Financial Statements &
Supplemental Schedule of Expenditures of Federal Awards**

To the Board of Directors
Action in Community Through
Service of Prince William, Inc.
Dumfries, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of the Action in Community Through Service of Prince William, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the fiscal 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.

**Independent Auditors' Report on Financial Statements &
Supplemental Schedule of Expenditures of Federal Awards
(Continued)**

Auditor's Responsibility - Continued

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 the Action in Community Through Service of Prince William, Inc. as of June 30, 2020, and the change in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Action in Community Through Service of Prince William, Inc.'s financial statements as of and for the fiscal year ended June 30, 2019, and our report dated October 23, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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.

**Independent Auditors' Report on Financial Statements &
Supplemental Schedule of Expenditures of Federal Awards
(Continued)**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2021, on our consideration of Organization'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 Organization's internal control over financial reporting and compliance.



Frye & Company, CPAs
Manassas, Virginia
February 20, 2021

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020
(WITH 2019 COMPARATIVE TOTALS)

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,277,939	\$ 911,067
Grant and contractual receivables	356,720	204,612
Pledge and other receivables	7,460	8,700
Inventory and donated supplies	326,734	403,778
Prepaid expenses and other assets	18,743	31,952
Security and other deposits	-	2,900
Property and equipment:		
Land	1,239,099	727,799
Building and improvements	4,594,283	4,109,242
Office furniture and equipment	217,052	200,114
Computer software	178,945	129,051
Corporate vehicles	45,517	42,747
Property and equipment, at cost	6,274,896	5,208,953
Accumulated depreciation	(1,761,975)	(1,622,154)
Property and equipment, net	4,512,921	3,586,799
Total Assets	\$ 6,500,517	\$ 5,149,808
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ -	\$ -
Accounts payable and accrued expenses	67,187	40,124
Accrued salaries and related payroll taxes	121,051	99,518
Deferred grant revenue	177,273	152,855
Security and other deposits held	1,840	1,165
Deferred rent and lease incentives	7,534	3,178
Promissory notes payable	2,106,612	1,144,660
Total liabilities	2,481,497	1,441,500
Net assets		
Without donor restrictions	3,964,365	3,648,748
With donor restrictions	54,655	59,560
Total net assets	4,019,020	3,708,308
Total Liabilities and Net Assets	\$ 6,500,517	\$ 5,149,808

See accompanying auditors' report and notes to financial statements.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**

**STATEMENT OF ACTIVITIES
& CHANGE IN NET ASSETS**

**YEAR ENDED JUNE 30, 2020
(WITH 2019 COMPARATIVE TOTALS)**

	2020		Total	2019
	Without Donor Restrictions	With Donor Restrictions		
Revenue and Support				
Inkind donations and services	\$ 4,031,706	\$ -	\$ 4,031,706	\$ 1,718,614
Grant and contractual income	2,515,841	-	2,515,841	1,676,151
Contributions and donations	1,608,360	21,153	1,629,513	1,246,167
Fundraising events	115,101	-	115,101	344,089
Program fees income	37,781	-	37,781	82,834
Interest and other	1,323	66	1,389	8,480
Inventory sales	316,477	-	316,477	417,854
Less: costs of sales	(254,512)	-	(254,512)	(360,006)
Net inventory sales	61,965	-	61,965	57,848
Net assets released from restriction:				
Restrictions met by time or usage	26,124	(26,124)	-	-
Total revenue and support	8,398,201	(4,905)	8,393,296	5,134,183
Expense				
Program services:				
Human services	5,692,193	-	5,692,193	2,579,451
Trauma services	1,316,966	-	1,316,966	1,344,760
Thrift store	376,800	-	376,800	380,695
Total program services	7,385,959	-	7,385,959	4,304,906
Supporting services:				
Management and general	607,588	-	607,588	623,075
Fundraising activities	89,037	-	89,037	145,360
Total supporting services	696,625	-	696,625	768,435
Total expense	8,082,584	-	8,082,584	5,073,341
Change in Net Assets	315,617	(4,905)	310,712	60,842
Net assets, beginning of year	3,648,748	59,560	3,708,308	3,647,466
Net Assets, End of Year	<u>\$ 3,964,365</u>	<u>\$ 54,655</u>	<u>\$ 4,019,020</u>	<u>\$ 3,708,308</u>

See accompanying auditors' report and notes to financial statements.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2020
(WITH 2019 COMPARATIVE TOTALS)**

	2020							2019	
	Program Services			Total Program Services	Supporting Services		Total Supporting Services		Total Expenses
	Human Services	Trauma Services	Thrift Store		Management & General	Fundraising Activities			
Expenses									
Inkind donations and services	\$ 3,815,167	\$ 19,866	\$ -	\$ 3,835,033	\$ 4,800	\$ 8,700	\$ 13,500	\$ 3,848,533	\$ 1,288,237
Salaries and benefits	1,071,714	871,763	254,668	2,198,145	475,753	51,879	527,632	2,725,777	2,549,462
Program expenses	426,041	187,835	10,281	624,157	1,703	46	1,749	625,906	341,297
Occupancy costs	148,248	117,229	55,274	320,751	41,266	2,619	43,885	364,636	356,459
Depreciation expense	98,064	18,103	11,479	127,646	17,295	2,872	20,167	147,813	142,647
Repairs and maintenance	38,107	27,927	5,377	71,411	4,581	1,019	5,600	77,011	54,439
Professional fees	19,871	21,088	6,355	47,314	8,065	1,658	9,723	57,037	59,803
Staff development	15,025	7,740	2,783	25,548	28,908	650	29,558	55,106	21,983
Interest expense	19,357	5,649	14,824	39,830	5,475	-	5,475	45,305	33,257
Insurance expense	17,281	15,371	4,939	37,591	4,721	639	5,360	42,951	90,132
Bank and credit card fees	5,464	6,087	8,565	20,116	10,978	202	11,180	31,296	26,054
Printing and publication	6,921	6,859	1,596	15,376	1,554	7,202	8,756	24,132	23,531
Travel and lodging	8,721	10,201	235	19,157	2,177	141	2,318	21,475	28,391
Special events	71	177	45	293	84	11,410	11,494	11,787	54,511
Employment services	2,141	1,071	379	3,591	228	-	228	3,819	3,138
2020 Total Expenses	\$ 5,692,193	\$ 1,316,966	\$ 376,800	\$ 7,385,959	\$ 607,588	\$ 89,037	\$ 696,625	\$ 8,082,584	
2019 Total Expenses	\$ 2,579,451	\$ 1,344,760	\$ 380,695	\$ 4,304,906	\$ 623,075	\$ 145,360	\$ 768,435		\$ 5,073,341

See accompanying auditors' report and notes to financial statements.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**

STATEMENT OF CASH FLOWS

**YEAR ENDED JUNE 30, 2020
(WITH 2019 COMPARATIVE TOTALS)**

	2020	2019
Cash Provided (Used) by Operating Activities		
Change in net assets	\$ 310,712	\$ 60,842
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	147,813	142,647
Loss (gain) on disposition of assets	219	(7,789)
Donated property and equipment	(5,705)	(28,900)
Changes in assets and liabilities:		
Grant and contractual receivables	(152,108)	176,420
Pledge and other receivables	1,240	748
Inventory and donated supplies	77,044	(41,471)
Prepaid expenses and other assets	16,109	49
Accounts payable and accrued expenses	27,063	6,261
Accrued salaries and related payroll taxes	21,533	(2,045)
Deferred grant revenue	24,418	72,033
Deferred rent and tenant deposits	5,031	(2,017)
Total adjustments	162,657	315,936
Net cash provided (used) by operating activities	473,369	376,778
Cash Provided (Used) by Investing Activities		
Proceeds on the sale of property and equipment	8,672	8,553
Purchases of property and equipment	(87,121)	(125,388)
Net cash provided (used) by investing activities	(78,449)	(116,835)
Cash Provided (Used) by Financing Activities		
Principal repayments on promissory notes payable	(28,048)	(17,792)
Net cash provided (used) by financing activities	(28,048)	(17,792)
Net Increase (Decrease) in Cash and Cash Equivalents	366,872	242,151
Cash and cash equivalents, beginning of year	911,067	668,916
Cash and Cash Equivalents, End of Year	\$ 1,277,939	\$ 911,067
Supplemental Cash Flows Information:		
Cash paid for interest	\$ 45,305	\$ 33,257
Cash paid for income taxes	\$ -	\$ -
Non-Cash Investing and Financing Activities:		
In-kind donations and contributed services	\$ 4,026,001	\$ 1,689,714
Donated assets (property and equipment)	\$ 5,705	\$ 28,900
Assets acquired under promissory notes	\$ 990,000	\$ -

See accompanying auditors' report and notes to financial statements.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note A – Organization and Activities

Organization: The Action in Community Through Service of Prince William, Inc. (ACTS) (the Organization) was founded in 1969 and incorporated in 1971 as a nonstock, not-for-profit organization to “foster hope, provide relief, and promote self-sufficiency for its Greater Prince William County neighbors in crisis.” The Organization reaches over 50,000 individuals annually providing various services at 12 locations strategically placed throughout the country.

Activities: The Organization program services are aligned into the following three main divisions:

Human Services:

- Housing (emergency shelter, two safe houses for domestic violence victims, permanent housing, rapid re-housing, and case management)
- Emergency Assistance (utility bills, prescription medications, propane, and case management)
- Hunger Prevention Center and Prince William Food Rescue (distributed over 2,309,300 pounds of food)

Crisis/Trauma:

- Sexual Assault Services (hospital accompaniment, court accompaniment, individual and group therapeutic support, and community education)
- Domestic Violence Services (two safe houses, case management, court accompaniment, individual and group therapeutic support, and community education)
- Suicide Services (24/hour crisis line, survivor groups, attempters group, crisis response team, and community education)

Thrift Store:

- The only not-for-profit thrift store in the region to reinvest all proceeds into the local community

The Organization partners with other not-for-profits, the courts, hospitals, churches, businesses and government to meet the needs of its clients. Approximately half of its budget is derived from donations, with the remaining derived from government and foundation grants and thrift store sales. This allows almost all services to be offered at no cost to clients in need.

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Presentation: The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note B – Summary of Significant Accounting Policies – Continued

Basis of Accounting and Presentation: The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred. The financial statements include certain prior-year summarized comparative information in total and not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the fiscal year ended June 30, 2019, from which the summarized information was derived. Certain prior year information was reclassified to adhere with the current financial statement presentation.

Revenue Recognition: The Organization prepares its financial statements on the accrual basis of accounting, which requires that revenue is recognized when earned and expenses when obligations are incurred. The Organization evaluates its grant and other funding to determine if grants are unconditional promises-to-give and thus, accounted for as contributions and either earmarked as net assets without donor restrictions or net assets with donor restrictions. Unconditional promises-to-give are recognized as soon as they are measurable and determinable. In situations in which the grants require significant stipulations, including the refunding of unspent funds, the Organization treats the grants as conditional promises-to-give in which revenue is not recognized until the grantor’s stipulations are substantially met and allowable expenditures incurred. Funds yet to be received for allowable incurred costs are reflected as grant or contractual receivables. Any funds received in advance of the applicable award period or grant receipts received in excess of allowable costs incurred are reflected as deferred or unearned revenue. Grant receivables and grant revenue are adjusted for any known or anticipated unallowable cost and reduced for any questionable costs. The Organization is also subject to grant compliance audits which could result in questioned costs and impact grant receivables and revenue recognized. Management believes adequate allowances were established for any potential questioned or disallowed costs.

Income Tax Status: The Organization obtained a favorable tax determination letter from the Internal Revenue Service (IRS) dated September 1972 that states that the Organization is exemption from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Additionally, the IRS letter recognized the Organization as a publicly supported charity under Section 509(a) of the Internal Revenue Code. However, any activities determined to be unrelated to the Organization’s tax exemption are subject to income taxes. No such activities are reported by the Organization for the fiscal year ended June 30, 2020. Although the Organization has not received any notice of intent to examine its tax returns, the Organization’s tax returns remain subject to examination pursuant to various statute of limitations.

Reclassifications: Certain prior year amounts were reclassified for comparative reporting purposes and to adhere to the current financial statement presentation.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note B – Summary of Significant Accounting Policies – Continued

Cash and Cash Equivalents: For financial statement purposes, the Organization considers highly liquid debt instruments with maturities of three months or less, including money market accounts, to be cash equivalents. The Organization typically has funds in excess of federal insurance limits.

Grants Receivable: The Organization received grants awarded from federal, state, and local governmental agencies to help disadvantaged individuals. Grants are awarded annually based upon availability of funds and are subject to change in public policy and spending limitations. Based upon the Organization's collection history with such grants, management determined that a reserve for uncollectible receivables was unnecessary to report grant receivables to their net realizable value as of June 30, 2020 and 2019; thus, no provision for uncollectible amounts was recognized during the fiscal years then ended. The Organization also establishes reserves for any potential unallowable or questionable costs that may arise pursuant to various grant provisions.

Contractual Receivables: The Organization also entered into various contractual relationships and purchase orders with governmental and local agencies to provide consulting and other consumer support services. Revenue is recognized as earned generally as allowable costs are incurred or services are satisfactorily performed in accordance with contractual provisions. Based upon the Organization's collection history, management determined that a reserve for uncollectible receivables was unnecessary to report contractual receivables to their net realizable value as of June 30, 2020 and 2019; thus, no provision for uncollectible amounts was recognized during the fiscal years then ended.

Inventory and Supplies: Inventory and supplies reflect donated food and supplies and thrift store merchandise held for distribution or for sale at discounted prices to the needy. Food inventory is valued using the estimated average wholesale value of approximately \$1.62 to \$1.73 per pound during the fiscal years ended June 30, 2020 and 2019. Thrift store merchandise is valued at the price at which the Organization is able to sell the items to the needy through its thrift store and other venues. The Organization estimates the inventory on-hand based upon using the aforementioned wholesale value per pound and a three-month sales average given the shelf life of donated food and supplies. Given the valuation methodology, management determined that an allowance for obsolescence was unnecessary as of June 30, 2020 and 2019.

Prepaid Expenses and Other Assets: Prepaid expenses consist primarily of prepaid rent, insurance, subscriptions, and other deferred costs, which are generally recognized in the subsequent fiscal year. Security deposits represent refundable office rent, utilities, and other deposits.

Property and Equipment: The Organization capitalizes property and equipment items at cost or estimated fair value at time of donation and depreciates them a straight-line basis over estimated useful lives, which range from 3 – 7 years for software, vehicles, equipment, and furniture.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note B – Summary of Significant Accounting Policies – Continued

Property and Equipment – Continued: Building and related improvements are depreciated over estimated useful lives of 15 – 40 years for building and related improvements. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or term of the lease. Depreciation expense was approximately \$147,800 and \$142,600, respectively, for the fiscal years ended June 30, 2020 and 2019. Expenditures for repairs and maintenance that do not extend the useful life of an asset and small items are expensed as incurred in accordance with the Organization’s capitalization threshold and accounting policies.

Deferred Rent: The Organization recognizes rent expense on its long-term operating leases on a straight-line basis. A deferred rent liability is reflected for the difference between the actual rental payments due and the straight-line amortization of rent expense over the term of the lease.

Contingent Liabilities: The Organization’s grant and contractual awards are subject to competitive awarding and may be affected by funding delays, administrative matters, extensions, and moratoriums caused by political and administrative disagreements. The grants and contracts are also subject to compliance audits and reviews by oversight authorities. As such, cost incurred and allocated to grants and contracts may be questioned, disallowed, and grant and contract revenue adjusted accordingly. Any subsequent adjustment could be material to the financial statements.

Net Assets: The Organization classifies its net assets based upon the existence or lack of donor-imposed restrictions. When the Organization receives contributory support that are restricted by the donor or limited as to their use and the Organization has not met the donor’s restriction by the end of the reporting period, the Organization reports these amounts as net assets with donor restrictions. Restricted net assets in which the Organization has met the donor’s stipulations during the fiscal year are reflected as net assets released from restriction in the accompanying financial statements. Any restricted amounts received and released from restriction in the same reporting period are reported as net assets without restrictions. The components of the Organization’s net assets are as follows:

- *Without donor restrictions* – Represents unrestricted resources that are available to support the Organization’s operations at the discretion of the Organization’s board of directors. The Organization’s board of directors may from time-to-time internally designate a portion of the Organization’s net assets without donor restrictions for specific programs or purposes. As of June 30, 2020 and 2019, the Organization reported approximately \$77,800 was internally earmarked as the ACTS Futures Fund as an operating reserve in which any expenditures require two-thirds approval of the board of directors.
- *With donor restrictions* – Represents contributions and interest earned on restricted investments that are restricted by the donors or grantors.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note B – Summary of Significant Accounting Policies – Continued

Net Assets – Continued:

- *With donor restrictions* – Net assets with donor restrictions are released from restriction by either the passage of time on time restricted support or by the Organization using the funds in accordance with the donor or grantor’s requirements on purpose restricted support. Net assets with restrictions that are received and released from restriction during the same year are reported as revenue and support without donor restrictions. As of June 30, 2020 and 2019, the Organization reported approximately \$54,700 and \$59,600, respectively, of net assets with donor restrictions resulting from implied time restrictions from donors.

Uniform Prudent Management of Institutional Funds Act: The Organization adopted applicable provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on the classification of endowment funds and requires enhanced disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted, except for the unrestricted board designated endowment. However, UPMIFA also allows for the release of net assets with donor restrictions in certain circumstances.

Contributions and Donations: Contributions and donations are recognized in the period in which an unconditional promise-to-give is known or when a contribution is received, at the earliest point the donation is both determinable and measurable by the Organization. Contributions, including any in-kind donations, donated facilities, and contributed services, are measured at fair value and recognized as net assets without donor restrictions or net assets with donor restrictions based upon the existence or lack of donor-imposed restrictions. Net assets with restrictions both received and released during the same reporting year are reflected as net assets without donor restrictions. Net assets with donor restrictions carried over from prior year that are released during the current report period are reflected as net assets released from restriction. Grants are treated as either contributory support or earned income depending upon the nature and terms of the grant agreement and other related awarding documentation, such as the proposals.

In-kind Donations and Contributed Services: The Organization receives in-kind donations, donated facilities, and contributed services from concerned citizens, community volunteers, board members and other professionals to carry out its activities. Volunteer services that do not create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are not recognized in the accompanying financial statements although they are instrumental to the Organization in carrying out its program activities. In-kind donations, donated facilities, and contributed services meeting the requirements for recognition are recorded at estimated fair value at the time of receipt and allocated to the program and supporting services benefit in accordance with the Organization functional expense allocation methodology as further detailed below.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note B – Summary of Significant Accounting Policies – Continued

Fair Value Measurements: The Organization established a reporting framework for measuring and disclosing fair value measurements. Fair value measurement disclosures are required for assets and liabilities measured and reported at fair value in the accompanying financial statements. Management uses a fair value measurement hierarchy based upon the lowest level of any input that is significant to the measurement with Level 3 being the lowest level of recognition. Management also attempts to maximize the use of observable inputs (Level 1 and 2) and minimize unobservable inputs (Level 3). Accordingly, the Organization would classify any financial instruments measured at fair value in the following categories: Level 1, which refers to instruments traded in an active market, Level 2, which refers to instruments not traded on an active market but for which observable market inputs are readily available or Level 1 instruments where there is a contractual restriction, and Level 3, which refers to instruments not traded in an active market and for which no significant observable market inputs are available. As of June 30, 2020 and 2019, the Organization reported no significant assets or liabilities at fair value on a recurring basis. Disclosures about estimated fair values and fair value measurements were determined by the Organization and based upon pertinent market data and other information available as of June 30, 2020 and 2019. Considerable judgment is necessary to interpret market and financial data and to develop fair value measurements in certain circumstances. Although the Organization is unaware of any factors that would significantly affect their estimates, the Organization's estimates of fair values and fair value measurements may not be indicative of amounts realized at disposition.

Functional Allocation of Expenses: The Organization summarizes the cost of providing its various programs and activities on a functional basis in the accompanying financial statements. Accordingly, certain expenses were allocated to the program and supporting services benefited as reflected in the statement of functional expenses. Expenses are allocated on a reasonable basis that is consistently applied by management. Expenses that are allocated include compensation and benefits, operating costs, and depreciation and amortization which are allocated based upon estimates of time and efforts devoted to the functional categories. Significant estimates are required to functionally allocate expenses to the program and supporting services benefited.

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 and the difference could be material.

Note C – Concentrations of Risk

Cash Balances: Financial instruments that subject the Organization to potential concentrations of risk consist of deposits with banking institutions that exceed federal insurance on such accounts.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note C – Concentrations of Risk – Continued

Cash Balances – Continued: As of June 30, 2020 and 2019, the Organization reported cash balances of approximately \$695,400 and \$394,400, respectively in excess of federal insurance available for depository accounts. The Organization typically has cash balance in excess of federal insurance limits and the uninsured balances generally fluctuates daily as banking transactions are processed.

Revenue and Receivables: Approximately one-third of the Organization’s revenue and support pertain to amounts from grants and contracts awarded by federal, state, and local government agencies. For the fiscal years ended June 30, 2020 and 2019, approximately \$1,143,200 (or 14%) and \$885,000 (or 17%), respectively, of the Organization’s total revenue and support pertain to reimbursements under federal pass through grants. Accordingly, a significant portion of the Organization’s grant and contractual receivables pertain to amounts due under the federal pass through grants. The governmental grants and contracts are significant to the Organization in carrying out its program activities.

Note D – Liquidity and Availability of Financial Assets

The following schedule reflects the Organization’s financial assets as of June 30, 2020 and 2019 reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the fiscal years ended June 30:

	2020	2019
Financial assets at end of fiscal year	\$ 1,642,119	\$ 1,124,379
Amounts unavailable for general expenditure within one fiscal year of reporting period:		
Donor-restricted for program purposes	41,290	46,262
Donor-restricted as an endowment	13,365	13,298
Financial assets available to meet cash needs for general expenditure within one fiscal year	\$ 1,587,464	\$ 1,064,819

As part of the Organization’s liquidity management, management may invest any excess funds in short-term investments, such as bank sweep or money market funds or other securities.

Note E – Accounts Receivable

The Organization’s accounts receivables consist primarily of amounts due under grants, contracts, and other commitments that are generally due within the subsequent fiscal year.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note E – Accounts Receivable – Continued

Accounts receivables are recognized when an unconditional promises-to-give is both determinable and measurable by the Organization. The Organization reports its accounts receivable at their net realizable value by periodically reviewing an aging of its accounts receivable for collection purposes and to evaluate an allowance for doubtful accounts. The Organization also discounts any pledge or bequest receivable using a present value discount when the pledge or bequest receivables are due over an extended period of time. Given the nature of the Organization’s accounts receivable, management determined that a present value discount and an allowance for doubtful accounts was unnecessary as of June 30, 2020 and 2019. No significant bad debts expense was recognized during the fiscal years ended June 30, 2020 and 2019. The Organization’s accounts receivable consist of the following as of June 30:

	2020	2019
Grant and contractual receivables:		
Commonwealth of Virginia	\$ 223,973	\$ 161,730
Prince William County	81,934	26,367
US Housing & Urban Development	32,856	-
Vibrant Emotional Health	7,571	2,500
SkillSource Group	3,985	-
United Way	2,887	11,050
Other contractual receivables	1,793	2,965
Virginia Sexual & Domestic Alliance	1,721	-
	\$ 356,720	\$ 204,612

Note F – Governmental Grants

During the fiscal years ended June 30, 2020 and 2019, the Organization had several federal pass-through grants awarded by state and local governmental agencies. The varied purposes of the grants were to help disadvantaged individuals and to provide services to victims of family, domestic, and sexual violence. The amount of the significant grants awards and revenue recognized in the accompanying financial statements are as follows for the fiscal years ended June 30, 2020 and 2019:

	2020		2019	
	Award	Revenue	Award	Revenue
Virginia Department of Criminal Justice:				
Domestic Violence & Sexual Assault	\$ 581,582	\$ 526,327	\$ 581,582	\$ 464,172

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note F – Governmental Grants – Continued

	<u>2020</u>		<u>2019</u>	
	<u>Award</u>	<u>Revenue</u>	<u>Award</u>	<u>Revenue</u>
Virginia Department of Housing & Development:				
Housing & Urban Development	\$ 206,648	\$ 205,987	\$ -	\$ -
Homeless Solutions Program	160,882	160,882	-	-
Virginia Department of Social Services:				
Family & Domestic Violence Prevention	160,000	159,438	150,000	138,188
Prince William County Dept. of Social Services:				
Continuum of Care Program	252,409	252,409	133,499	133,499
Housing Locator	131,729	102,593	-	-
Total	<u>\$ 1,493,250</u>	<u>\$ 1,407,636</u>	<u>\$ 865,081</u>	<u>\$ 735,859</u>

Note G – Deferred Revenue

The Organization evaluates its grants and other funding to determine if grants are unconditional promises-to-give and thus, accounted for as contributions and either earmarked as net assets without donor restrictions or net assets with donor restrictions. In situations in which the grants require significant stipulations, such as reclamation of unspent or misspent funds, the Organization treats the grants as conditional promises-to-give in which revenue is not recognized until the grantor's requirements and stipulations (measurable barriers) are substantially met. As of June 30, 2020 and 2019, the deferred revenue on the Organization's grants consist of the following:

	<u>2020</u>	<u>2019</u>
US Small Business Administration:		
Paycheck Projection Program	\$ 166,528	\$ -
Potomac Health Foundation:		
Capacity building	10,000	127,773
Penelope software project	-	20,082
Strategic technical assistance	-	5,000
Various Grantors:		
Various conditional grants	745	-
	<u>\$ 177,273</u>	<u>\$ 152,855</u>

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note G – Deferred Revenue – Continued

Grant receipts and expenditure and resulting deferred grant revenue as of and for the fiscal years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Deferred grant revenue, beginning of year	\$ 152,855	\$ 80,822
Grant receipts during fiscal year	716,827	146,660
Grant expenditures during the fiscal year	<u>(692,409)</u>	<u>(74,627)</u>
Deferred grant revenue, end of year	<u>\$ 177,273</u>	<u>\$ 152,855</u>

During the fiscal year ended June 30, 2020, the Organization received a forgivable loan through a local financial institution in the amount of approximately \$543,400 under the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Given the terms and nature of the forgivable loan and management’s assertion that the Organization will qualify for forgiveness, the Organization accounted for the loan as a conditional grant similar to the other pass through federal grant awarded to the Organization. As such, the management reported qualifying expenditure and recognized revenue of approximately \$376,900 during the fiscal year ended June 30, 2020 with approximately \$156,500 unexpended funds reflected as a component of deferred grant revenue above.

Note H – Debt Obligations

Line of Credit: In December 2019, the Organization established a \$400,000 line of credit with a regional financial institution to provide working capital as necessary. The line of credit requires monthly payments of interest at a variable interest of .2% above the lender’s prime lending rate, which was approximately 5.25% as of June 30, 2020. The line of credit matures in December 2026, and the Organization reported no significant borrowings or repayments or interest expense associated with the line of credit during the fiscal year ended June 30, 2020.

Notes Payable: The Organization entered into various promissory notes payable with varied terms ranging from non-interest bearing to forgivable to fully amortized with market rates of interest. The significant terms and conditions of the notes payable are as follows as of June 30, 2020:

- Warehouse Properties – in October 2014, the Organization entered into a promissory note payable with a regional financial institution to refinance two outstanding mortgages on various warehouse properties.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note H – Debt Obligations – Continued

Notes Payable – Continues:

- Warehouse Properties – Continued – the resulting note payable had an original principal balance of \$280,000 and is payable over 10 years at a fixed annual interest rate of 4.25%. The note payable requires monthly payments of principal and interest totaling approximately \$1,700 with a final payment of any remaining principal and interest in October 2024. Interest expense incurred on the secured mortgage loan totaled approximately \$9,900 and \$10,300, respectively, during the fiscal years ended June 30, 2020 and 2019.
- Rolling Road Property – in June 2004, the Organization entered into a non-interest bearing note payable with concerned citizens. The promissory note payable had an original principal balance of approximately \$173,400 which was discounted at the time using an imputed interest rate of approximately 17%. The loan requires quarterly payment of principal only at approximately \$1,400 per quarter and matures in June 2034. Interest expense imputed on the loan totaled approximately \$5,500 and \$5,600, respectively.
- Barcelona Road Property – in May 2010, the Organization received a loan through the Foreclosure Rehabilitation Acquisition Program (FRAP) under the American Recovery and Reinvestment Act (ARRA) of 2009 to purchase or rehabilitate a property located in Woodbridge, Virginia for approximately \$218,800. In July 2010, an additional approximately \$8,000 was granted with the total amount of approximately \$226,800. The grants are in the form of 30-year forgivable loan contingent upon occupancy of the property for transitional or affordable housing for the term of the loan. Due to the contingent nature of the conditions (30-year usage), these loans are not discounted as it is management intend to continue to use the properties for transitional or affordable housing with the loan ultimately forgiven. The loan matures in May 2040 and no interest was accrued given the terms and nature of the funding.
- Antrim Circle Property – in October 2010, the Organization received an additional loan through the Foreclosure Rehabilitation Acquisition Program (FRAP) under the American Recovery and Reinvestment Act (ARRA) of 2009 to purchase or rehabilitate a second property, also in Woodbridge, utilizing the same funding for approximately \$186,300 with an additional approximately \$37,900 funding for property improvements for a total of approximately \$ 224,200. The grants are in the form of 30-year forgivable loans contingent upon occupancy of the property for transitional or affordable housing for the term of the loan. Due to the contingent nature of the conditions (30-year usage) these are considered conditional grants and are included with the notes payable in the accompanying statement of financial position.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note H – Debt Obligations – Continued

Notes Payable – Continues:

- Antrim Circle Property – Continued – these loans are not discounted as it is management intend to continue to use the properties for transitional or affordable housing with the loan ultimately forgiven. The loan matures in June 2040 and no interest was accrued given the terms and nature of the funding.
- Hunger Prevention Center – in September 2016, the Organization entered into a promissory note payable with a local community foundation to acquire an additional warehouse facility. The note payable had an original principal balance of \$450,000 and is payable over 30 years at a fixed annual interest rate of 4.25%. The note payable requires monthly payments of principal and interest totaling approximately \$2,100 with a final payment of any remaining principal and interest in September 2046. Interest expense incurred on the secured mortgage loan totaled approximately \$16,600 and \$17,300, respectively, during the fiscal years ended June 30, 2020 and 2019.
- Manassas Satellite Office – in February 2020, the Organization entered into a promissory note payable with a local financial institution to acquire an office facility in Old Town Manassas. The note payable had an original principal balance of \$590,000 and is payable over 12 years at a fixed annual interest rate of 3.89%. The note payable requires monthly payments of principal and interest totaling approximately \$3,100 with a final payment of any remaining principal and interest in February 2032. Interest expense incurred on the secured mortgage loan totaled approximately \$7,700 during the fiscal year ended June 30, 2020.
- Thrift Store Retail Center – in February 2020, the Organization entered into a promissory note payable with a local financial institution to acquire the property previously rented for the Thrift Store retail center. The note payable had an original principal balance of \$400,000 and is payable over 12 years at a fixed annual interest rate of 3.89%. The note payable requires monthly payments of principal and interest totaling approximately \$2,100 with a final payment of any remaining principal and interest in February 2032. Interest expense incurred on the secured mortgage loan totaled approximately \$5,200 during the fiscal year ended June 30, 2020.

Repayment Terms: The significant terms of the debt obligations outstanding as of June 30, 2020 are as follows:

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note H – Debt Obligations – Continued

	<u>Annual Interest Rate</u>	<u>Required Payment</u>	<u>Original Term</u>	<u>Maturity Date</u>	<u>Outstanding Balance</u>
Line of credit	Prime + 2.04%	Interest Only	84 months	12/18/2026	\$ -
Promissory notes payable:					
Warehouse Property	4.25%	\$1,743/month	120 months	10/22/2024	223,312
Rolling Road Property	N/A	\$1,445/quarter	360 months	6/30/2034	79,460
Rolling Road Discount	(17%)				(47,791)
Barcelona Road Property	(FRAP)	(FRAP)	360 months	5/5/2040	226,770
Antrim Circle Property	(FRAP)	(FRAP)	360 months	10/18/2040	224,164
Hunger Prevention Center	4.00%	\$2,148/month	360 months	9/13/2046	418,577
Manassas Satellite Office	3.89%	\$3,097/month	144 months	2/24/2032	585,304
Thrift Store Retail Center	3.89%	\$2,099/month	144 months	2/24/2032	<u>396,816</u>
					<u>\$2,106,612</u>

Future Maturities: The future principal maturities on the Organization’s debt obligations are as follows for the fiscal years ending June 30:

2021	\$ 45,425
2022	47,456
2023	49,583
2024	50,827
2025	202,894
Thereafter	<u>1,710,427</u>
	<u>\$2,106,612</u>

Interest Expense: Interest expense incurred on the debt obligations by the Organization totaled approximately \$45,300 and \$33,300, respectively, for the fiscal years ended June 30, 2020 and 2019, including approximately \$5,500 and \$5,600, respectively, of imputed interest on the non-interest bearing promissory note payable for the fiscal years then ended.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note I – Lease Agreements

Facility Leases: The Organization leases various facilities to carry out its program activities. The Organization recognizes rent expense on its long-term operating leases on a straight-line basis. A deferred rent liability is reflected for the difference between the actual rental payments due and the straight-line amortization of rent expense over the term of the lease. Given that certain lease may provide for rent abatement periods and/or rental escalation, the deferred rent liability necessary to report rent expense on a straight-line basis was approximately \$-0- and \$3,200, respectively, as of June 30, 2020 and 2019. In December 2013, the Organization entered into a noncancelable operating lease agreement for a facility for its thrift store operations in Woodbridge, Virginia. The lease is for 60-months that was subsequently extended through February 2020. In February 2020, the Organization purchased the thrift store property pursuant to a promissory note with a local financial institution as noted above. In May 2016, the Organization entered into a noncancelable operating lease agreement for a facility for its operations in Manassas, Virginia. The lease is for 50-months expiring in June 2020 and required monthly payment of approximately \$3,100. However, in February 2020, the Organization purchased the office facility pursuant to a promissory note with a local financial institution as noted above. Any ongoing leases may also require the Organization to pay its proportionate share of building operating costs, repairs, maintenance, and property taxes. Rent expense incurred on the facility operating lease agreements totaled approximately \$47,900 and \$72,100, respective, for the fiscal years ended June 30, 2020 and 2019.

Equipment Leases: The Organization also entered into two noncancelable operating lease agreements for two digital copiers. The lease agreements have original terms of 60-months and expire in May 2021 and January 2025, respectively. The leases require minimum monthly payments totaling approximately \$2,500 and also require the Organization to pay for repairs, maintenance, taxes, and other operating costs. Rent expense incurred on the equipment lease agreements totaled approximately \$20,300 and \$10,900, respectively, during the fiscal year ended June 30, 2020.

Future Commitments: Future minimum lease commitments required on the operating lease agreements, including and minimum escalations stipulated in the lease agreements, are approximately as follows for the fiscal years ending June 30:

2021	\$ 29,100
2022	23,900
2023	23,900
2024	23,900
2025	<u>14,000</u>
	<u>\$ 114,800</u>

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note J – Restricted Net Assets

Board Designated Funds: In 2008, the Organization’s board of directors internally established the ACTS Futures Fund as an operating reserve in which any expenditures require two-thirds approval of the board of directors. The original amount earmarked by the board was approximately \$77,800.

Net Assets With Donor Restrictions: The Organization received resources and certain interest-free loans in which the resources were restricted by the donor or lenders for certain purposes or for specified periods of time. Accordingly, the Organization reports net assets with donor restrictions earmarked for emergency assistance, hunger prevention, and for case manager assistance. The Organization also reports the corpus of an endowment as net assets with donor restrictions in which the earnings thereon are restricted for purposes expressed by the donors establishing the endowment.

Designated and Restricted Net Assets: The Organization’s board designated and net assets with donor restrictions consist of the follow as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board designated funds:		
ACTS Futures Fund	<u>\$ 77,813</u>	<u>\$ 77,813</u>
With donor restrictions:		
Emergency assistance initiatives	\$ 21,990	\$ 23,802
Manassas case manager	16,814	20,000
Hunger prevention programs	2,460	2,460
Transportation bus tokens	26	-
Endowment fund corpus	13,269	13,269
Endowment fund earnings	96	29
	<u>\$ 54,655</u>	<u>\$ 59,560</u>

Note K – Endowment Funds

Endowment Funds: The Organization’s endowment consists of a fund established to provide financial stability and support for the Organization charitable programs. Endowment funds may be created either through internal designations by the board of directors or from contributions restricted by donors for the establishment of the endowments with the intent to provide ongoing support and financial stability.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note K – Endowment Funds – Continued

Endowment Funds – Continued: As such, endowment funds are reflected in board designated, net assets without donor restrictions or net assets with donor restrictions based upon whether the endowment fund was established by internal designations by the board of directors or from donor restricted contributions and gifts. The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the time of donation for the donor-restricted funds absent any explicit donor stipulation to the contrary. Accordingly, the Organization classifies as either net assets without donor restrictions or net assets with donor restrictions the original value of earmarked donations, the original value of additional donations to the fund, and accumulations of the fund in accordance with the original donors' gift instruments. Additionally, the board of directors may report earnings as net assets with donor restrictions if so directed by the donor and unexpended as of the end of the reporting period. Additionally, the board of directors may also internally earmark earnings from net assets with donor restrictions as board designed funds. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate internally designated or donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Strategies: The Organization has adopted investment and spending policies, approved by the board of directors, for endowment and other investment assets in an attempt to provide for a predictable stream of funding in support of the endowment purposes while preserving capital and maintaining the purchasing power of the endowment fund assets over the long-term. Accordingly, the investment policy seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, with acceptable risk as set forth in the investment policy approved by the board of directors. Accordingly, the investment policy allows for a well-diversified investment portfolio which may include cash and money market funds to provide adequate liquidity, and certificate of deposits, government and corporate bonds, mutual bond and equity funds, and corporate debt and equity securities that are intended to manage risk and inflation and provide for an overall reasonable market return. As such, the Organization expects its endowment assets to produce an average rate of return commensurate with market returns over the long-term for similar type investments. Investment risk is determined by overall investment assets and allocations and is designed to manage overall risk with preservation of capital paramount.

Spending Policies: The Organization's spending policy in regard to the endowment funds allows for the expenditure of funds to provide for the operation and maintenance of the endowments as directed by the donor and approved by the board of directors.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note K – Endowment Funds – Continued

Spending Policies – Continued: In establishing its spending policies, the Organization considers the long-term expected return on its investment assets, the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which may be required to be held in perpetuity as net assets with donor restriction if so directed by the original donor, and the possible effects of risk, inflation, and other economic matters. Annually, the Organization’s board of directors authorizes any expenditures from the endowment fund during the budget preparation. The Organization expects its spending policies to allow its endowment fund to grow over time, which is consistent with the Organization’s objective to maintain the purchasing power of the endowment funds as well as provide additional growth from investments and new gifts. The Organization’s endowment fund balances and change in endowment fund balances consist of the following as of and for the fiscal year ended June 30, 2020:

	<u>Board Designated Funds</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment Funds</u>
As of June 30, 2020:			
Endowment corpus	\$ -	\$ 13,269	\$ 13,269
Endowment earnings	-	96	96
	<u>\$ -</u>	<u>\$ 13,365</u>	<u>\$ 13,365</u>
Endowment fund balances as of beginning of year	\$ -	\$ 13,298	\$ 13,298
Contributions and other	-	-	-
Investment income	-	67	67
Expenditures and other	-	-	-
Endowment fund balances as of end of year	<u>\$ -</u>	<u>\$ 13,365</u>	<u>\$ 13,365</u>

The Organization’s endowment fund balances and change in endowment fund balances consist of the following as of and for the fiscal year ended June 30, 2019:

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note K – Endowment Funds – Continued

	Board Designated Funds	Net Assets With Donor Restrictions	Total Endowment Funds
As of June 30, 2019:			
Endowment corpus	\$ -	\$ 13,269	\$ 13,269
Endowment earnings	-	29	29
	<u>\$ -</u>	<u>\$ 13,298</u>	<u>\$ 13,298</u>
Endowment fund balances as of beginning of year	\$ -	\$ 13,285	\$ 13,285
Contributions and other	-	-	-
Investment income	-	13	13
Expenditures and other	-	-	-
Endowment fund balances as of end of year	<u>\$ -</u>	<u>\$ 13,298</u>	<u>\$ 13,298</u>

Note L – In-Kind Donations and Contributed Services

During the fiscal years ended June 30, 2020 and 2019, the Organization recognized approximately \$4,031,700 and \$1,718,600, respectively, of in-kind donations, donated facilities, and contributed services. In-kind donations, donated facilities, and contributed services are recognized at estimated fair value at the time of donation. In-kind donations of food and supplies to the food pantry are valued at approximately \$1.62 to \$1.73 per pound during the fiscal years ended June 30, 2020 and 2019. The per pound value was determined by the Organization weighing the food and supplies when received and inventoried. Thrift store merchandise is valued at the price in which the thrift store is able to sale to disadvantaged individuals. Donated facilities and contributed services are recognized at fair rental value and ordinary professional billing rates. Capital assets and improvements are recognized based upon the costs of the materials and services provided. Although the Organization receives a significant amount of support from community volunteers, no amounts were recognized in the accompanying financial statements for contributed volunteer services that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. The in-kind donations, donated facilities, and contributed services were allocated in accordance with Organization’s functional expense allocation as follows for the fiscal year ended June 30, 2020:

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note L – In-Kind Donations and Contributed Services

<u>June 30, 2020</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management</u>	<u>Fundraising</u>	
Donated food and supplies	\$ 3,675,726	\$ 300	\$ 8,700	\$ 3,684,726
Thrift store merchandise	317,708	-	-	317,708
Donated facilities	19,067	-	-	19,067
Contributed services	-	4,500	-	4,500
	<u>\$4,012,501</u>	<u>\$ 4,800</u>	<u>\$ 8,700</u>	\$4,026,001
Donated assets				<u>5,705</u>
				<u>\$4,031,706</u>

The in-kind donations, donated facilities, and contributed services were allocated in accordance with Organization’s functional expense allocation as follows for the fiscal year ended June 30, 2019:

<u>June 30, 2019</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management</u>	<u>Fundraising</u>	
Donated food and supplies	\$ 1,229,898	\$ 1,270	\$ 29,234	\$ 1,260,402
Thrift store merchandise	415,362	-	-	415,362
Donated facilities	13,200	-	-	13,200
Contributed services	750	-	-	750
	<u>\$1,659,210</u>	<u>\$ 1,270</u>	<u>\$ 29,234</u>	\$1,689,714
Capital improvements				<u>28,900</u>
				<u>\$1,718,614</u>

Note M – Contingencies

Mortgage Loans: The Organization is contingently liability under the deeds of trust and promissory notes on the residential properties purchased under the Foreclosure Rehabilitation Acquisition Program (FRAP). The residential properties were subsidized with the FRAP loans and are subject to restricted covenants on the use, leveraging, and sale of the properties. The properties are also subject to market appreciation sharing agreements whereby the Organization must use the property for transitional or affordable housing for a period of 30 years.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note M – Contingencies – Continued

Mortgage Loans – Continued: In exchange for financing the transaction, the Organization agrees to the limitations and restrictions on rents and tenant income verification. The deeds of trust also stipulate that the properties will not be sold for 30 years and do not allow for any subordinated debt or cash out refinancing. Finally, the mortgages become immediately payable should the properties cease to be used for transitional or affordable housing. Otherwise, the loans are forgiven and the deeds released after the 30-year restrictive covenant is met. As such, no significant interest expense was reflected on these mortgage loans during the fiscal year ended June 30, 2020 and 2019.

Governmental Audits: The Organization’s books and records are subject to compliance examinations and reviews by awarding agencies and oversight authorities. Accordingly, findings or questioned costs are subject to post-examination e by the awarding agency and are potentially subject to disallowance or adjustment. Although management allows for all known or anticipated unallowable costs, no assurances can be given regarding the potential impact of any disallowance or adjustment upon the Organization. The latest compliance examination was completed in September 2019 and did not result in any significant disallowed or questioned costs. No assurance can be provided regarding the outcome of future compliance examinations and reviews.

Government Property: A significant portion of the Organization’s cash and cash equivalents and grants receivable pertain to amounts received or receivable from awards and as such, are segregated for sole use in administration of the grant programs as stipulated in the awards. Additionally, some of the Organization’s property and equipment was purchased by the Organization with grant resources and are subject to compliance examinations and reviews and potential reclamation in certain circumstances. No assurance can be given regarding the outcome of any future examinations or post-examination reviews.

Governmental Grants: Given the significant concentration of revenue from government grants, the Organization would be adversely affected should one or more of its grants be terminated or awarded to another competing organization. Governmental grants are subject to annual funding authorizations, and the grant awards may be subject to administrative or other funding delays. Delays may be caused by administrative matters, extensions, moratoriums and other political disagreements. No assurances can be provided regarding the awarding or funding of future government grants.

Disputes and Disagreements: The Organization is, from time to time, involved in various legal actions, claims or disputes arising from the normal course of operations that, in the opinion of management will not have a significant impact upon the Organization’s financial condition. No liability was accrued for any such contingencies in the accompanying financial statements. No assurance can be provided regarding any such contingencies.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Note N – Retirement Plan

The Organization maintains a 403(b) tax deferred retirement plan for employees meeting certain minimal requirements. Plan participants may make voluntary tax-deferred contributions to the retirement plan up to the maximum amount allowed by the Internal Revenue Code (IRC). The Organization provides eligible participants matching contributions of up to 3% of eligible deferrals to the retirement plan. During the fiscal years ended June 30, 2020 and 2019, the Organization incurred retirement plan expenses, including matching contributions and plan administrative costs, totaling approximately \$37,300 and \$34,400, respectively.

Note O – Income Tax Considerations

Income Tax Status: The Organization obtained a favorable tax determination letter from the Internal Revenue Service (IRS) dated September 1972 that states that the Organization is exemption from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Additionally, the IRS letter recognized the Organization as a publicly supported charity under Section 509(a) of the Internal Revenue Code. However, any activities determined to be unrelated to the Organization’s tax exemption are subject to income taxes. The Organization reported no unrelated business income during the fiscal years ended June 30, 2020 and 2019; thus, no provision for income taxes is reflected in the accompanying financial statements.

Tax Contingencies: Although the Organization has not received any notice of intent to examine its tax returns, the Organization’s tax returns remain subject to examination or review by tax authorities pursuant to various statutes of limitations. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and to recognize a tax liability (or asset) if the Organization has taken uncertain tax positions that would more likely than not be sustained upon examination. Management is unaware of any significant uncertain tax positions arising during the fiscal years ended June 30, 2020 and 2019 that are more likely than not to be sustained should the Organization’s tax returns be subject to examination. Accordingly, the Organization also did not incur or accrue any penalties or interest associated with uncertain tax positions during the fiscal year ended June 30, 2020 and 2019.

Note P – Subsequent Events Evaluation

Management has evaluated subsequent events for the period October 1, 2020 through February 20, 2021, the date on which these financial statements were available to be issued and during this period, there were no subsequent events that required recognition or disclosure in the accompanying financial statements.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor & Program Description</u>	<u>Grant Number</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity #</u>	<u>Federal Expenditures</u>
Pass-Through Entity Programs:				
Virginia Department of Criminal Justice				
Domestic Violence & Sexual Assault Grant Program (DV SAGP)	20-A2874VP18	16.575	390002	\$ 463,304
Violence Against Women Act Victim Services (V-STOP CY19)	19-U3157VA18	16.588	390002	12,652
Violence Against Women Act Victim Services (V-STOP CY20)	20-V3157VA19	16.588	390002	11,403
Violence Against Woman Act Victim Services (SAVAS CY19)	19-G3044VA18	16.588	390002	17,375
Violence Against Woman Act Victim Services (SAVAS CY20)	20-H3044VA19	16.588	390002	18,115
Sexual Assault Services Program (SASP CY19)	19-H2771SP18	16.017	390002	6,433
Sexual Assault Services Program (SASP CY20)	20-I2771SP19	16.017	390002	5,575
Total Virginia Department of Criminal Justice				534,857
Virginia Department of Social Services				
Domestic Violence Prevention and Services (VFVPP/SSBG)	CVS-19-057-02	93.667	460010	113,771
Family Violence Prevention and Services (FVPSA)		93.671		35,747
Total Virginia Department of Social Services				149,518
Prince William County Department of Social Services				
Department of HUD Continuum of Care Program	VA0324L3G041802	14.267	872800001	205,987
Virginia Homeless Solutions Program - Housing Locator	504632	14.231	872800001	67,401
Coronavirus Relief Fund - Other Financial Assistance	COVID RELIEF	21.019	052280195	33,077
Total Prince William County Department of Social Services				306,465
Prince William County Office of Housing & Community				
Virginia Homeless Solution Program	20-VHSP-001	14.231	458005	76,400
Emergency Solutions Grant (ESG)	20-16ESG-4203-1	14.230	458005	41,960
Total Prince William County Office of Housing & Community				118,360
Prince William County Homeless Services Division				
Emergency Foods and Shelter Program (EFSP)	LRO-872800001	97.024	872800001	9,000
Prince William Area Agency on Aging				
SeniorLink Checking Services (SeniorLink)	SENIORLINK	93.052	499033	15,000
SeniorLink Checking Services (SeniorLink)		93.044		10,000
Total Prince William Area Agency on Aging				25,000
Total Federal Expenditures of Federal Awards				\$ 1,143,200

NOTE TO SCHEDULE OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Organization for the fiscal year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the above schedule presents only a select portion of the operations of the Organization, it is not intended and does not present the financial position, change in net position, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures in the above schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to their reimbursement. Pass-through entity identify numbers are presented where available. The Organization did not elect to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

See accompanying auditors' report.

**Independent Auditors' Report on Internal Control Over Financial Reporting
& On Compliance and Other Matters Based on an Audit of Financial
Statements Performed In Accordance With Government Auditing Standards**

To the Board of Directors
Action in Community Through
Service of Prince William, Inc.
Washington, DC

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 Action in Community Through Service of Prince William, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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.

**Independent Auditors' Report on Internal Control Over Financial Reporting
& On Compliance and Other Matters Based on an Audit of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)**

Internal Control Over Financial Reporting – Continued

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instance 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.



Frye & Company, CPAs
Manassas, Virginia
February 20, 2021

**Independent Auditors' Report on Compliance for Each Major Federal Program &
On Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Action in Community Through
Service of Prince William, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Action in Community Through Service of Prince William, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the fiscal year ended June 30, 2020. The Organization's 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 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 the Organization's 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 Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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.

**Independent Auditors' Report on Compliance for Each Major Federal Program &
On Internal Control Over Compliance Required by the Uniform Guidance
(Continued)**

Auditor's Responsibility – Continued

An audit includes examining, on a test basis, evidence about the Organization's 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's 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 the Organization's 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.

**Independent Auditors' Report on Compliance for Each Major Federal Program &
On Internal Control Over Compliance Required by the Uniform Guidance
(Continued)**

Report on Internal Control Over Compliance – Continued

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.



Frye & Company, CPAs
Manassas, Virginia
February 20, 2021

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
SCHEDULE OF FINDINGS & QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Audit Results

Financial Statements:

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
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 the Uniform Guidance CFR 200.516(a)?	No
Amount of any questioned costs identified:	None reported
Identification of major programs or clusters:	
<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
16.575	Domestic Violence & Sexual Assault Grant Program
Threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes
Summary of prior audit findings and questioned costs?	N/A

Section II – Financial Statement Findings

There are no financial statements findings to report.

**ACTION IN COMMUNITY THROUGH
SERVICE OF PRINCE WILLIAM, INC.
SCHEDULE OF FINDINGS & QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV – Summary of Prior Audit Findings & Questioned Costs

There are no prior audit findings and questioned costs.