

VIRGINIA CIVICS EDUCATION, INC.
LOCUST DALE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019



VIRGINIA CIVICS EDUCATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Virginia Civics Education, Inc.
Locust Dale, Virginia

We have audited the accompanying financial statements of VIRGINIA CIVICS EDUCATION, INC. (a non-profit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2019, and the related statement of support, revenue, and expenses - modified cash basis and statement of functional expenses - modified cash basis 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 the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Virginia Civics Education, Inc.

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of VIRGINIA CIVICS EDUCATION, INC. as of June 30, 2019, and its support, revenue, and functional expenses for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to the **BASIS OF ACCOUNTING** note to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

HanTymon Wiebel LLP

Charlottesville, Virginia
August 19, 2019

VIRGINIA CIVICS EDUCATION, INC.

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 90,642
Total current assets	<u>\$ 90,642</u>

NET ASSETS

NET ASSETS

Without donor restrictions	\$ 75,642
With donor restrictions	<u>15,000</u>
Total net assets	<u>\$ 90,642</u>

(The accompanying notes are an integral part of this financial statement)

VIRGINIA CIVICS EDUCATION, INC.

STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and grants	\$ 98,661	\$ 50,050	\$ 148,711
Other income	1,599	....	1,599
Net assets released from restrictions	35,050	(35,050)	....
	135,310	15,000	150,310
EXPENSES			
Program services expenses	57,824	....	57,824
Management and general expenses	2,161	....	2,161
Fund-raising expenses	1,333	....	1,333
	61,318	....	61,318
CHANGE IN NET ASSETS	73,992	15,000	88,992
NET ASSETS, BEGINNING OF YEAR	1,650	....	1,650
NET ASSETS, END OF YEAR	\$ 75,642	\$ 15,000	\$ 90,642

(The accompanying notes are an integral part of this financial statement)

VIRGINIA CIVICS EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Donations	\$ 500	\$	\$	\$ 500
Accounting consulting fees .....	....	75	....	75
Development consulting fees .....	....	....	500	500
Communications and advertising	2,013	....	....	2,013
Office expense .....	....	833	833	1,666
Information technology .....	....	353	....	353
Conferences, conventions, and meetings	52,458	....	....	52,458
Taxes and licenses .....	....	900	....	900
Return of unallocated grants	<u>2,853</u>	<u>....</u>	<u>....</u>	<u>2,853</u>
 Total	 <u>\$ 57,824</u>	 <u>\$ 2,161</u>	 <u>\$ 1,333</u>	 <u>\$ 61,318</u>

(The accompanying notes are an integral part of this financial statement)

VIRGINIA CIVICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

Virginia Civics Education, Inc. (the Organization) is a non-profit organization that promotes constitutional literacy, critical thinking, and civic engagement and empowers the next generation of leaders in Virginia. The Organization was incorporated in 2018, and sponsors the We the People: The Citizen and the Constitution program and the Project Citizen program in Virginia. In supporting these curricula, the Organization provides professional development opportunities for teachers, teaching resources, and classroom support, and runs the annual regional and state We the People competitions. The Organization serves high schools and middle schools in Northern and Central Virginia.

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program services - The Organization promotes constitutional literacy through the We the People program.

Management and general - Includes the functions necessary to maintain an equitable employment program and ensure an adequate working environment, provide coordination and articulation of the Organization's program services, provide for administrative functioning of the Board of Directors, maintain competent professional services, and manage the financial and budgetary responsibilities of the Organization.

Fund-raising - Includes functions necessary to ensure the Organization is able to raise the funds required to operate and fulfill its mission.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records are maintained and these financial statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenue and the related assets are recorded when received rather than when earned, and certain expenses are recorded when paid rather than when the obligations are incurred. Modifications to the cash basis of accounting include recording gifts-in-kind.

Cash and Cash Equivalents

The Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash accounts in excess of federally-insured limits are subject to risk of loss.

VIRGINIA CIVICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated any net assets from net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Contributions are recognized when cash, securities, or other assets are received.

Exempt Tax Status

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(a)(1) and similar state provisions since it is an Organization described in Internal Revenue Code section 501(c)(3). The Organization is not classified as a private foundation.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fund-raising and development activities; however, the financial statements do not reflect the value of these contributed services because they are not recognized under the modified cash basis of accounting. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$2,000 during the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of support, revenue, and expenses - modified cash basis. The statement of functional expenses - modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

VIRGINIA CIVICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

Tax Status

The Organization is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). Accordingly, the Organization will generally be exempt from income tax relating to the income from investment activities and other activities directly related to the Organization's exempt purpose.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Uncertain Tax Positions

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Subsequent Events

Management has evaluated subsequent events through August 19, 2019, which is the date the financial statements were available to be issued.

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	<u>\$ 88,642</u>
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As part of the Organization's liquidity management plan, it invests cash in excess of daily requirements in certificates of deposit.

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose:	
We The People 2020 Seminar	<u>\$ 15,000</u>
Total net assets with donor restrictions subject to expenditure for a specific purpose	<u>\$ 15,000</u>

VIRGINIA CIVICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expense, which is allocated on the basis of estimates of time and effort.

CONCENTRATIONS

During the year ended June 30, 2019, approximately 10% of contributions were received from one donor.