

**OAR of Fairfax County**

Financial Statements  
and Independent Auditors' Report

June 30, 2017 and 2016

**OAR of Fairfax County**

Financial Statements  
June 30, 2017 and 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
OAR of Fairfax County

We have audited the accompanying financial statements of OAR of Fairfax County (“the Organization”), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 11-12 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.

Handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
November 30, 2017

## OAR of Fairfax County

### Statements of Financial Position June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 261,701	\$ 169,414
Certificate of deposit	11,017	10,989
Grants and contracts receivable	15,643	65,591
	<hr/>	<hr/>
Total assets	\$ 288,361	\$ 245,994
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 14,650	\$ 17,023
Accrued vacation expense	12,714	21,271
Deferred revenue	1,500	16,308
	<hr/>	<hr/>
Total liabilities	28,864	54,602
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted	259,497	191,392
	<hr/>	<hr/>
Total net assets	259,497	191,392
	<hr/>	<hr/>
Total liabilities and net assets	\$ 288,361	\$ 245,994
	<hr/> <hr/>	<hr/> <hr/>

## OAR of Fairfax County

### Statements of Activities For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>Unrestricted Revenue and Support</b>		
Government grants	\$ 712,746	\$ 810,466
Other grants and contributions	478,307	355,041
Contract services	314,836	247,316
Client fees	95,812	105,511
United Way designations and grants	43,770	44,300
Interest income	90	66
	<u>1,645,561</u>	<u>1,562,700</u>
<b>Expenses</b>		
Program services:		
Re-entry and family	901,202	838,703
Alternative sentencing and court	308,441	236,163
Volunteer	134,100	184,646
	<u>1,343,743</u>	<u>1,259,512</u>
Total program services		
	<u>1,343,743</u>	<u>1,259,512</u>
Supporting services:		
Management and general	233,713	227,245
	<u>233,713</u>	<u>227,245</u>
Total supporting services		
	<u>233,713</u>	<u>227,245</u>
Total expenses	<u>1,577,456</u>	<u>1,486,757</u>
<b>Change in Net Assets</b>	68,105	75,943
<b>Net Assets, beginning of year</b>	<u>191,392</u>	<u>115,449</u>
<b>Net Assets, end of year</b>	<u><u>\$ 259,497</u></u>	<u><u>\$ 191,392</u></u>

See accompanying notes.

## OAR of Fairfax County

### Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 68,105	\$ 75,943
Change in operating assets and liabilities:		
Decrease in:		
Grants and contracts receivable	49,948	14,282
Increase (decrease) in:		
Accounts payable	(2,373)	2,374
Accrued vacation expense	(8,557)	(20,056)
Deferred revenue	(14,808)	16,308
	<u>92,315</u>	<u>88,851</u>
Net cash provided by operating activities		
	<u>92,315</u>	<u>88,851</u>
<b>Cash Flows from Investing Activity</b>		
Reinvested interest earned on certificate of deposit	(28)	(25)
	<u>(28)</u>	<u>(25)</u>
Net cash used in investing activity		
	<u>(28)</u>	<u>(25)</u>
<b>Net Increase in Cash</b>	92,287	88,826
<b>Cash, beginning of year</b>	<u>169,414</u>	<u>80,588</u>
<b>Cash, end of year</b>	<u><u>\$ 261,701</u></u>	<u><u>\$ 169,414</u></u>

See accompanying notes.

## OAR of Fairfax County

### Notes to Financial Statements

June 30, 2017 and 2016

#### 1. Nature of Operations

OAR of Fairfax County (“the Organization”) was chartered in May 1971 and incorporated in the Commonwealth of Virginia on September 5, 1973. It is a not-for-profit Section 501(c)(3) organization that provides supportive services for offenders, ex-offenders, and their families who are Northern Virginia residents. Services include assessing clients for their criminogenic needs to determine their risk for recidivism and targeting services to address those needs. Examples include establishing one-to-one relationships between citizen volunteers and inmates, inmate and family support groups, assistance with finding employment, educational and training programs, and emergency financial aid for food, housing, clothing, travel, medical needs, and appropriate referrals. The Organization also provides alternative sentencing programs for the Fairfax County General District Court.

#### 2. Summary of Significant Accounting Policies

##### Basis of Accounting and Presentation

The Organization’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions. Unrestricted net assets represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization’s core programs and operations. At June 30, 2017 and 2016, all net assets were unrestricted.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### Certificate of Deposit

At June 30, 2017 and 2016, the Organization held a certificate of deposit with an original maturity date greater than a period of 90 days that is carried at amortized cost. Interest earned on the certificate of deposit is included as interest income in the accompanying statements of activities. This certificate of deposit does not qualify as a security as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. Therefore, this investment is not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.



## OAR of Fairfax County

Notes to Financial Statements  
June 30, 2017 and 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Grants and Contracts Receivable

For the years ended June 30, 2017 and 2016, the Organization's grants and contracts receivable are all due in less than one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded as the management believes that all receivables are fully collectible.

#### Revenue Recognition

Government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred.

Other grants and contributions, including in-kind donations, are recorded as revenue when received or promised. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to a certain purpose or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Revenue from other sources is recognized when earned.

#### Donated Office Space and Other In-Kind Donations

The Organization receives donated office facilities, utilities, and related items from Fairfax County and other organizations. In-kind donations are recorded at their fair value at the time of receipt. Total in-kind donations received from Fairfax County were \$203,009 and \$197,094 for the years ended June 30, 2017 and 2016, respectively. The Organization received donated facilities from another organization, which amounted to \$14,688 for the year ended June 30, 2017. These amounts are included in occupancy expense in the accompanying supplementary schedules of functional expenses.

The Organization also received donated items of clothing, books, printing, and similar items from the general public, which are recorded based on the estimated fair value at the time of receipt. Total donated goods were \$89,341 and \$39,091 for the years ended June 30, 2017 and 2016, respectively, and are recorded in direct assistance in the accompanying supplementary schedules of functional expenses.

## OAR of Fairfax County

Notes to Financial Statements  
June 30, 2017 and 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Donated Office Space and Other In-Kind Donations (continued)

In addition, the Organization received donated services relating to legal, accounting, consulting, and property improvements, which are recognized in the accompanying statements of activities in the amount of \$33,885 and \$39,030 for the years ended June 30, 2017 and 2016, respectively. These services are measured using the applicable billing rates of the professional service providers.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Organization's fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Organization's fiscal year 2019.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2017, the date the financial statements were available to be issued.

## **OAR of Fairfax County**

### Notes to Financial Statements June 30, 2017 and 2016

#### **3. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and a certificate of deposit. The Organization maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, may exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash and certificate of deposit to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### **4. Grants and Contracts Receivable**

A substantial portion of the grants and contract income earned by the Organization is paid by local jurisdictions of Fairfax County and the Commonwealth of Virginia. At June 30, 2017 and 2016, \$15,643 and \$45,789, respectively, was receivable from these governmental agencies, which represents 100% and 70%, respectively, of total grants and contracts receivable. In addition, for the years ended June 30, 2017 and 2016, the Organization recognized \$930,534 and \$895,316, respectively, in grants and contracts revenue from these governmental agencies. This represents approximately 57% of total revenue for both years ended June 30, 2017 and 2016.

#### **5. Retirement Plan**

The Organization maintains a 403(b) retirement plan (“the Plan”) in which all employees can participate, but only employees with benefits packages are eligible for a match. The Organization matches employee contributions on a dollar-for-dollar basis up to a maximum of 4% of participant compensation. Total expenses under the Plan were \$14,360 and \$16,813 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in employee benefits expense in the accompanying supplementary schedules of functional expenses.

#### **6. Commitment**

The Organization leases office equipment under the terms of a noncancellable operating lease that expires in February 2019. Monthly payments are fixed at \$476 for the duration of the lease and include services.

## OAR of Fairfax County

### Notes to Financial Statements June 30, 2017 and 2016

#### 6. Commitment (continued)

Total future minimum lease payments are as follows for the years ending June 30:

2018	\$	5,716
2019		<u>3,810</u>
Future minimum lease payments	\$	<u><u>9,526</u></u>

Expenses under these operating lease and service agreements totaled \$7,005 and \$7,121 for the years ended June 30, 2017 and 2016, respectively, and are reported as copier and lease maintenance expense in the accompanying supplementary schedules of functional expenses.

#### 7. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), the Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended June 30, 2017 and 2016, as the Organization had no net unrelated business income. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

## **SUPPLEMENTARY INFORMATION**

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## OAR of Fairfax County

### Schedule of Functional Expenses For the Year Ended June 30, 2017

	Program Services			Total Program Services	Management and General	Total
	Re-entry and Family	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 374,917	\$ 167,160	\$ 71,640	\$ 613,717	\$ 119,400	\$ 733,117
Occupancy	112,670	50,235	21,529	184,434	35,882	220,316
Employee benefits	49,452	22,049	9,449	80,950	15,749	96,699
Payroll taxes	30,947	13,798	5,914	50,659	9,856	60,515
Direct assistance	157,541	-	-	157,541	-	157,541
Insurance	9,614	4,287	1,837	15,738	3,062	18,800
Meetings and awards	9,416	4,177	3,552	17,145	2,983	20,128
Copier and lease maintenance	3,582	1,597	685	5,864	1,141	7,005
Telecommunications	7,878	3,512	1,505	12,895	2,509	15,404
Accounting	7,102	3,167	1,357	11,626	2,262	13,888
Program supplies and materials	1,289	300	182	1,771	89	1,860
Training	5,152	72	111	5,335	12,245	17,580
Information technology	26,453	11,794	5,054	43,301	8,424	51,725
Office expenses	3,786	1,688	724	6,198	1,206	7,404
Other expenses	175	105	35	315	1,125	1,440
Printing and reproduction	7,120	3,174	1,360	11,654	2,269	13,923
Fees	4,632	2,065	885	7,582	1,475	9,057
Postage and shipping	638	285	122	1,045	203	1,248
Dues and subscription	2,127	948	406	3,481	677	4,158
Local travel	892	572	272	1,736	686	2,422
Donated goods and services	85,819	17,456	7,481	110,756	12,470	123,226
<b>Total Expenses</b>	<b>\$ 901,202</b>	<b>\$ 308,441</b>	<b>\$ 134,100</b>	<b>\$ 1,343,743</b>	<b>\$ 233,713</b>	<b>\$ 1,577,456</b>

## OAR of Fairfax County

### Schedule of Functional Expenses For the Year Ended June 30, 2016

	Program Services			Total Program Services	Management and General	Total
	Re-entry and Family	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 358,400	\$ 137,018	\$ 105,382	\$ 600,800	\$ 126,473	\$ 727,273
Occupancy	105,777	40,439	31,102	177,318	37,327	214,645
Employee benefits	47,218	18,052	13,884	79,154	16,662	95,816
Payroll taxes	28,663	10,958	8,428	48,049	10,115	58,164
Direct assistance	147,441	-	-	147,441	-	147,441
Insurance	6,958	2,660	2,046	11,664	2,455	14,119
Meetings and awards	8,200	3,135	4,306	15,641	2,894	18,535
Copier and lease maintenance	3,509	1,342	1,032	5,883	1,238	7,121
Telecommunications	7,524	2,876	2,212	12,612	2,655	15,267
Accounting	6,615	2,529	1,945	11,089	2,334	13,423
Program supplies and materials	39	72	201	312	-	312
Training	2,046	151	253	2,450	3,765	6,215
Information technology	21,152	8,087	6,220	35,459	7,464	42,923
Office expenses	2,297	878	675	3,850	811	4,661
Other expenses	159	140	25	324	1,898	2,222
Printing and reproduction	5,759	2,202	1,693	9,654	2,032	11,686
Fees	5,707	2,182	1,678	9,567	2,014	11,581
Postage and shipping	525	201	154	880	185	1,065
Dues and subscription	1,901	727	559	3,187	671	3,858
Local travel	1,303	301	1,149	2,753	4,208	6,961
Donated goods and services	77,510	2,213	1,702	81,425	2,044	83,469
<b>Total Expenses</b>	<b>\$ 838,703</b>	<b>\$ 236,163</b>	<b>\$ 184,646</b>	<b>\$ 1,259,512</b>	<b>\$ 227,245</b>	<b>\$ 1,486,757</b>