

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2018 and 2017

OAR of Fairfax County

Financial Statements
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 12-13 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.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is written in a cursive, slightly stylized font. The word "Rogers" is written in a larger, more prominent script, followed by "& Company" and "PLLC" in a smaller, more uniform script.

Vienna, Virginia
November 21, 2018

OAR of Fairfax County

Statements of Financial Position June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 165,054	\$ 261,701
Grants receivable	47,108	15,643
Prepaid expense	18,056	-
Investments	2,047	11,017
	<hr/>	<hr/>
Total assets	<u>\$ 232,265</u>	<u>\$ 288,361</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 20,826	\$ 14,650
Accrued vacation expense	13,483	12,714
Deferred revenue	-	1,500
	<hr/>	<hr/>
Total liabilities	<u>34,309</u>	<u>28,864</u>
Net Assets		
Unrestricted	<u>197,956</u>	<u>259,497</u>
Total net assets	<u>197,956</u>	<u>259,497</u>
Total liabilities and net assets	<u>\$ 232,265</u>	<u>\$ 288,361</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted Revenue and Support		
Grants	\$ 1,051,599	\$ 1,027,582
Contributions	67,607	181,174
In-kind contributions	268,753	340,903
Client fees	108,334	95,812
Investment income	392	90
	<hr/>	<hr/>
Total unrestricted revenue and support	1,496,685	1,645,561
	<hr/>	<hr/>
Expenses		
Program services:		
Re-entry and family	846,968	901,202
Alternative sentencing and court	284,216	308,441
Volunteer	205,256	134,099
	<hr/>	<hr/>
Total program services	1,336,440	1,343,742
	<hr/>	<hr/>
Supporting services:		
Management and general	221,786	233,714
	<hr/>	<hr/>
Total supporting services	221,786	233,714
	<hr/>	<hr/>
Total expenses	1,558,226	1,577,456
	<hr/>	<hr/>
Change in Net Assets	(61,541)	68,105
Net Assets , beginning of year	259,497	191,392
	<hr/>	<hr/>
Net Assets , end of year	\$ 197,956	\$ 259,497
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See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (61,541)	\$ 68,105
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated stock	(2,047)	-
Net realized and unrealized gain on investments	(392)	(90)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(31,465)	49,948
Prepaid expenses	(18,056)	-
Increase (decrease) in:		
Accounts payable	6,176	(2,373)
Accrued vacation expense	769	(8,557)
Deferred revenue	(1,500)	(14,808)
	(108,056)	92,225
Cash Flows from Investing Activities		
Proceeds from maturity on certificate of deposit	11,409	11,062
Purchases of certificate of deposit	-	(11,000)
	11,409	62
Net (Decrease) Increase in Cash	(96,647)	92,287
Cash, beginning of year	261,701	169,414
Cash, end of year	\$ 165,054	\$ 261,701

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, 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.

Grants Receivable

Grants receivable consists primarily of amounts to be reimbursed to the Organization for expenses incurred under its agreements with state and local governments. At June 30, 2018 and 2017, the Organization’s grants receivable are all due in less than one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at their readily determinable fair value. Accrued interest on the certificate of deposit is included in the accompanying statements of activities.

Revenue Recognition

Government grants are cost reimbursable in nature and are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Client fees represent amounts earned from alternative sentencing programs and are recognized when earned, with any amounts received in advance deferred until that time. Deferred revenue from client fees totaled \$-0- and \$1,500 at June 30, 2018 and 2017, respectively, and are included in the accompanying statements of financial position.

Revenue from other sources is recognized when earned.

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.

OAR of Fairfax County

Notes to Financial Statements June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 21, 2018, the date the financial statements were available to be issued.

3. Concentrations

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 Deposit 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.

Revenue Risk

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, 2018 and 2017, \$45,608 and \$15,643, respectively, was receivable from these governmental agencies, which represents 97% and 100% of total grants receivable, respectively. In addition, for the years ended June 30, 2018 and 2017, the Organization recognized \$824,085 and \$849,253, respectively, in grants and contracts revenue from these governmental agencies. This represents approximately 55% and 52% of total revenue for the years ended June 30, 2018 and 2017, respectively. Any reduction in the level of support from these local jurisdictions could affect the Organization's program activities.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2018 and 2017

4. Investments and Fair Value Measurements

The Organization follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Following is a description of the valuation methodology used for investments measured at fair value:

Stocks – Generally valued at quoted prices in active markets.

Certificates of deposit – Generally valued at original cost plus accrued interest, which approximates fair value.

The following table presents the Organization's fair value hierarchy for those assets measured on a recurring basis at June 30:

	Level 1	Level 2	Level 3	Total
<u>2018:</u>				
Equities	\$ 2,047	\$ -	\$ -	\$ 2,047
Total	\$ 2,047	\$ -	\$ -	\$ 2,047
<u>2017:</u>				
Certificate of deposit	\$ 11,017	\$ -	\$ -	\$ 11,017
Total investments	\$ 11,017	\$ -	\$ -	\$ 11,017

OAR of Fairfax County

Notes to Financial Statements June 30, 2018 and 2017

4. Investments and Fair Value Measurements (continued)

Interest income totaled \$392 and \$90 for the years ended June 30, 2018 and 2017, respectively, and is included in the accompanying statements of activities.

5. In-Kind Contributions

The Organization receives in-kind contributions in the form of donated services, goods, and use of facilities. In-kind contributions are valued based on comparable market rates.

Donated Services

Contributions of services are recognized when services (a) create or enhance nonfinancial assets, or (b) require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services principally consist of program consulting and other specialized services and totaled \$16,902 and \$33,885 for the years ended June 30, 2018 and 2017, respectively.

In addition, a substantial number of volunteers have donated significant amounts of time to the Organization and its programs; however, these donated services are not reflected in the financial statements as the services do not meet the criteria for recognition as contributed services.

Donated Goods

Also recognized in in-kind contributions was \$39,871 and \$86,702 of donated goods for the years ended June 30, 2018 and 2017, respectively. Donated goods consist primarily of clothing, supplies, and food.

Donated Facilities

The Organization has recorded the estimated fair value of donated office space in the amount of \$211,980 and \$220,316 for the years ended June 30, 2018 and 2017, respectively, which is included in in-kind contributions in the accompanying statements of activities.

OAR of Fairfax County

Notes to Financial Statements June 30, 2018 and 2017

6. 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 employer contributions under the Plan were \$11,923 and \$14,360 for the years ended June 30, 2018 and 2017, respectively. These amounts are included in employee benefits 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, 2018 and 2017, 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

OAR of Fairfax County

Schedule of Functional Expenses For the Year Ended June 30, 2018

	Program Services				Management and General	Total
	Re-entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services		
Salaries	\$ 371,888	\$ 165,810	\$ 118,436	\$ 656,134	\$ 118,436	\$ 774,570
Occupancy	101,776	45,378	32,413	179,567	32,413	211,980
Employee benefits	54,831	24,447	17,462	96,740	18,232	114,972
Payroll taxes	30,615	13,650	9,750	54,015	9,750	63,765
Direct assistance	154,047	145	-	154,192	-	154,192
Insurance	8,929	3,981	2,844	15,754	2,844	18,598
Meetings and awards	8,381	4,019	5,093	17,493	2,643	20,136
Equipment maintenance	3,013	1,343	960	5,316	960	6,276
Telecommunications	7,662	3,416	2,440	13,518	2,440	15,958
Accounting	8,174	3,644	2,603	14,421	2,603	17,024
Program supplies and materials	32	131	178	341	116	457
Training	4,391	43	217	4,651	12,983	17,634
Information technology	20,941	9,337	6,669	36,947	6,669	43,616
Office expenses	3,827	1,706	1,219	6,752	1,219	7,971
Other expenses	2,574	855	772	4,201	2,592	6,793
Printing and reproduction	4,716	2,103	1,502	8,321	1,503	9,824
Fees	3,903	1,740	1,243	6,886	1,243	8,129
Postage and shipping	206	92	66	364	66	430
Dues and subscription	2,503	1,116	797	4,416	797	5,213
Local travel	328	475	31	834	3,716	4,550
Donated goods and services	54,231	785	561	55,577	561	56,138
Total Expenses	\$ 846,968	\$ 284,216	\$ 205,256	\$ 1,336,440	\$ 221,786	\$ 1,558,226

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	159,821	-	-	159,821	-	159,821
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
Equipment 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	26,637	11,876	5,090	43,603	8,424	52,027
Office expenses	3,786	1,688	724	6,198	1,206	7,404
Other expenses	175	105	35	315	1,182	1,497
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	83,355	17,374	7,444	108,173	12,414	120,587
Total Expenses	\$ 901,202	\$ 308,441	\$ 134,099	\$ 1,343,742	\$ 233,714	\$ 1,577,456