

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2019 and 2018

OAR of Fairfax County

Financial Statements
June 30, 2019 and 2018

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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, 2019 and 2018; the related statements of activities, functional expenses, 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

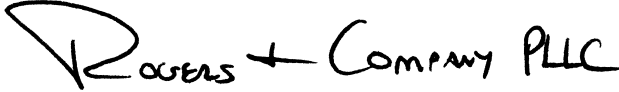
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2019 and 2018, 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.

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

Vienna, Virginia
December 18, 2019

OAR of Fairfax County

Statements of Financial Position June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 257,297	\$ 165,054
Grants receivable	82,046	47,108
Prepaid expense	1,896	18,056
Investments	3,762	2,047
	<u>345,001</u>	<u>232,265</u>
Total assets	<u>\$ 345,001</u>	<u>\$ 232,265</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 35,047	\$ 20,826
Accrued vacation expense	14,752	13,483
	<u>49,799</u>	<u>34,309</u>
Total liabilities	<u>49,799</u>	<u>34,309</u>
Net Assets		
Without donor restrictions	295,202	197,956
	<u>295,202</u>	<u>197,956</u>
Total net assets	<u>295,202</u>	<u>197,956</u>
Total liabilities and net assets	<u>\$ 345,001</u>	<u>\$ 232,265</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2019 and 2018

	2019	2018
Revenue and Support		
Grants	\$ 1,478,790	\$ 1,051,599
Contributions	122,865	67,607
In-kind contributions	230,189	268,753
Client fees	112,599	108,334
Other income	4,603	-
Investment income, net	2,295	392
	<hr/>	<hr/>
Total revenue and support	1,951,341	1,496,685
	<hr/>	<hr/>
Expenses		
Program services:		
Re-entry and family	1,113,680	841,860
Alternative sentencing and court	271,840	281,656
Volunteer	209,864	201,205
	<hr/>	<hr/>
Total program services	1,595,384	1,324,721
	<hr/>	<hr/>
Supporting services:		
Management and general	241,318	222,821
Fundraising	17,393	10,684
	<hr/>	<hr/>
Total supporting services	258,711	233,505
	<hr/>	<hr/>
Total expenses	1,854,095	1,558,226
	<hr/>	<hr/>
Change in Net Assets	97,246	(61,541)
Net Assets, beginning of year	197,956	259,497
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Net Assets, end of year	\$ 295,202	\$ 197,956
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See accompanying notes.

OAR of Fairfax County

Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services				Supporting Services		
	Re-entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 557,475	\$ 166,265	\$ 127,144	\$ 850,884	\$ 128,413	\$ -	\$ 979,297
Occupancy	126,073	37,601	28,753	192,427	28,753	-	221,180
Employee benefits	80,861	24,116	18,442	123,419	18,442	-	141,861
Payroll taxes	44,743	13,344	10,204	68,291	10,204	-	78,495
Direct assistance	144,331	-	-	144,331	-	-	144,331
Insurance	5,894	1,758	1,344	8,996	1,344	-	10,340
Meetings and awards	7,567	2,386	4,022	13,975	1,665	17,393	33,033
Equipment maintenance	3,882	1,158	885	5,925	885	-	6,810
Telecommunications	11,093	3,308	2,530	16,931	2,530	-	19,461
Accounting	-	-	-	-	14,490	-	14,490
Program supplies and materials	59	266	853	1,178	166	-	1,344
Training	10,108	-	135	10,243	6,093	-	16,336
Information technology	38,668	11,533	8,819	59,020	8,819	-	67,839
Office expenses	10,847	3,235	2,474	16,556	2,474	-	19,030
Other expenses	2,209	593	595	3,397	3,652	-	7,049
Printing and reproduction	6,227	1,857	1,420	9,504	1,421	-	10,925
Fees	5,218	1,556	1,190	7,964	1,190	-	9,154
Postage and shipping	842	251	192	1,285	192	-	1,477
Dues and subscription	3,521	1,050	803	5,374	803	-	6,177
Local travel	1,422	1,512	20	2,954	9,743	-	12,697
Donated goods and services	52,640	51	39	52,730	39	-	52,769
Total Expenses	\$ 1,113,680	\$ 271,840	\$ 209,864	\$ 1,595,384	\$ 241,318	\$ 17,393	\$ 1,854,095

See accompanying notes.

OAR of Fairfax County

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

	Program Services				Supporting Services		
	Re-entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services	Management and General	Fundraising	Total
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	3,273	1,459	1,042	5,774	4,015	10,347	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	1,166	337	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	\$ 841,860	\$ 281,656	\$ 201,205	\$ 1,324,721	\$ 222,821	\$ 10,684	\$ 1,558,226

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 97,246	\$ (61,541)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated stock	(2,043)	(2,047)
Net unrealized gain on investments	(1,646)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(34,938)	(31,465)
Prepaid expenses	16,160	(18,056)
Increase (decrease) in:		
Accounts payable	14,221	6,176
Accrued vacation expense	1,269	769
Deferred revenue	-	(1,500)
	90,269	(107,664)
Cash Flows from Investing Activities		
Proceeds from maturity on certificate of deposit	-	11,017
Proceeds from sales of investments	2,043	-
Reinvested interest on investments	(69)	-
	1,974	11,017
Net cash (used in) provided by investing activities	1,974	11,017
Net Increase (Decrease) in Cash	92,243	(96,647)
Cash, beginning of year	165,054	261,701
Cash, end of year	\$ 257,297	\$ 165,054

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements June 30, 2019 and 2018

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. Net assets without donor restrictions 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, 2019 and 2018, all net assets were without donor restrictions.

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, 2019 and 2018, 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, 2019 and 2018

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 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Client fees represent amounts earned from alternative sentencing programs and are recognized when earned, with any amounts received in advance deferred until that time.

Revenue from other sources is recognized when earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 18, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Organization has \$343,105 of financial assets available within one year of the statement of financial position date. None of the of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$300,000.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Cash	\$	257,297
Grants receivable		82,046
Short-term investments		<u>3,762</u>
Total available for general expenditures	\$	<u><u>343,105</u></u>

OAR of Fairfax County

Notes to Financial Statements June 30, 2019 and 2018

4. Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. 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 investments 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, 2019 and 2018, \$82,046 and \$45,608, respectively, was receivable from these governmental agencies, which represents 100% and 97% of total grants receivable, respectively. In addition, for the years ended June 30, 2019 and 2018, the Organization recognized \$1,008,295 and \$824,085, respectively, in grants and contracts revenue from these governmental agencies. This represents approximately 52% and 55% of total revenue for the years ended June 30, 2019 and 2018, respectively. Any reduction in the level of support from these local jurisdictions could affect the Organization's program activities.

5. 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.

OAR of Fairfax County

Notes to Financial Statements
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5. Investments and Fair Value Measurements (continued)

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.

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

Equities – Generally valued at quoted prices in active markets.

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>2019:</u>				
Equities	\$ 3,762	\$ -	\$ -	\$ 3,762
Total investments	\$ 3,762	\$ -	\$ -	\$ 3,762
<u>2018:</u>				
Equities	\$ 2,047	\$ -	\$ -	\$ 2,047
Total investments	\$ 2,047	\$ -	\$ -	\$ 2,047

Net investment income consists of the following for the years ended June 30:

	2019	2018
Interest and dividends	\$ 798	\$ 541
Net realized and unrealized gain	1,646	-
Less: investment management fees	(149)	(149)
Total investment income, net	\$ 2,295	\$ 392

OAR of Fairfax County

Notes to Financial Statements June 30, 2019 and 2018

6. 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 \$2,538 and \$16,902 for the years ended June 30, 2019 and 2018, 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 \$6,469 and \$39,871 of donated goods for the years ended June 30, 2019 and 2018, 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 \$221,180 and \$211,980 for the years ended June 30, 2019 and 2018, respectively, which is included in in-kind contributions in the accompanying statements of activities.

7. Methods Used for Allocation of Expenses from Management and General Activities

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. Expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses (including in-kind occupancy), information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

OAR of Fairfax County

Notes to Financial Statements June 30, 2019 and 2018

8. 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 \$14,975 and \$11,923 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in employee benefits expense in the accompanying statement of functional expenses.

9. 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, 2019 and 2018, 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.