

OAR of Fairfax County, Inc.

Financial Statements
and Independent Auditors' Report

June 30, 2020 and 2019

OAR of Fairfax County

Financial Statements
June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
OAR of Fairfax County, Inc.

We have audited the accompanying financial statements of OAR of Fairfax County, Inc. ("the Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019; 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The word "Rogers" is written in a large, stylized cursive font, followed by a plus sign and the words "Company PLLC" in a smaller, more standard cursive font.

Vienna, Virginia
October 27, 2020

OAR of Fairfax County, Inc.

Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 430,214	\$ 257,297
Investments	3,296	3,762
Grants receivable	100,424	82,046
Prepaid expenses	173	1,896
	<u>534,107</u>	<u>345,001</u>
Total assets	<u>\$ 534,107</u>	<u>\$ 345,001</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 37,666	\$ 49,799
Loan payable – Payment Protection Program	202,500	-
	<u>240,166</u>	<u>49,799</u>
Total liabilities	<u>240,166</u>	<u>49,799</u>
Net Assets		
Without donor restrictions	293,941	295,202
	<u>293,941</u>	<u>295,202</u>
Total net assets	<u>293,941</u>	<u>295,202</u>
Total liabilities and net assets	<u>\$ 534,107</u>	<u>\$ 345,001</u>

OAR of Fairfax County, Inc.

Statements of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support		
Grants and contracts	\$ 1,315,382	\$ 1,486,938
Contributions	158,902	116,760
Client fees	83,276	112,599
In-kind contributions	157,514	230,189
Investment return, net	(1,784)	(328)
Other income	469	5,183
	<u>1,713,759</u>	<u>1,951,341</u>
Expenses		
Program services:		
Re-entry and family	961,619	1,113,680
Alternative sentencing and court	285,028	271,840
Volunteer	212,742	209,864
	<u>1,459,389</u>	<u>1,595,384</u>
Total program services		
Supporting services:		
Management and general	244,256	241,318
Fundraising	11,375	17,393
	<u>255,631</u>	<u>258,711</u>
Total supporting services		
Total expenses	<u>1,715,020</u>	<u>1,854,095</u>
Change in Net Assets	(1,261)	97,246
Net Assets, beginning of year	<u>295,202</u>	<u>197,956</u>
Net Assets, end of year	<u>\$ 293,941</u>	<u>\$ 295,202</u>

See accompanying notes.

OAR of Fairfax County, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Supporting Services		
	Re-entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 569,220	\$ 168,719	\$ 125,930	\$ 863,869	\$ 110,822	\$ -	\$ 974,691
Occupancy	75,167	22,280	16,629	114,076	14,634	-	128,710
Employee benefits	80,513	23,864	17,812	122,189	15,675	-	137,864
Payroll taxes	44,152	13,087	9,768	67,007	8,596	-	75,603
Direct assistance	75,674	22,430	16,741	114,845	14,733	-	129,578
Insurance	-	-	-	-	18,786	-	18,786
Meetings and awards	4,606	1,365	1,019	6,990	897	11,375	19,262
Equipment maintenance	6,426	1,905	1,422	9,753	1,251	-	11,004
Telecommunications	10,449	3,097	2,312	15,858	2,034	-	17,892
Accounting	-	-	-	-	21,266	-	21,266
Program supplies and materials	1,260	373	279	1,912	245	-	2,157
Training	27,816	8,245	6,154	42,215	5,416	-	47,631
Information technology	45,943	13,618	10,164	69,725	8,945	-	78,670
Office expenses	7,845	2,325	1,736	11,906	1,526	-	13,432
Printing and reproduction	4,778	1,416	1,057	7,251	930	-	8,181
Fees	2,206	654	488	3,348	17,418	-	20,766
Postage and shipping	475	141	105	721	92	-	813
Dues and subscription	2,765	820	612	4,197	538	-	4,735
Local travel	2,324	689	514	3,527	452	-	3,979
Total Expenses	\$ 961,619	\$ 285,028	\$ 212,742	\$ 1,459,389	\$ 244,256	\$ 11,375	\$ 1,715,020

See accompanying notes.

OAR of Fairfax County, Inc.

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, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (1,261)	\$ 97,246
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated stock	(1,318)	(2,043)
Net unrealized loss on investments	1,957	397
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(18,378)	(34,938)
Prepaid expenses	1,723	16,160
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,133)	15,490
	(29,410)	92,312
Cash Flows from Investing Activity		
Reinvested interest on investments	(173)	(69)
	(173)	(69)
Net cash used in investing activity	(173)	(69)
Cash Flows from Financing Activity		
Proceeds from issuance of loan		
– Paycheck Protection Program	202,500	-
	202,500	-
Net cash provided by financing activity	202,500	-
Net Increase in Cash	172,917	92,243
Cash, beginning of year	257,297	165,054
Cash, end of year	\$ 430,214	\$ 257,297

See accompanying notes.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying statements of activities.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist of amounts due to be reimbursed to the Organization for expenses incurred under various grant agreements from both government and private sources. All grants receivable are expected to be collected within one year and are recorded at net realizable value. There was no allowance recognized as management believes all grants receivable are fully collectible at both June 30, 2020 and 2019.

Property and Equipment

Property and equipment with a cost in excess of \$2,500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Expenditures for repairs and maintenance are expensed as incurred. Donated property and equipment is stated at fair value at the date of donation. The Organization did not have any property and equipment at both June 30, 2020 and 2019.

Revenue Recognition

The Organization recognizes grants and contributions when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position.

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 all other sources is recognized when earned.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of donated facilities, goods, and services that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt.

The Organization also receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

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.

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.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the change in net assets previously reported.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles

FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to impact the Organization. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its direct impact on the Organization, all of which are uncertain and cannot be predicted at this time. The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews the Organization's liquid asset needs and adjusts the cash balances as necessary.

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

	2020	2019
Cash	\$ 430,214	\$ 257,297
Investments	3,296	3,762
Grants receivable	100,424	82,046
Total available for general expenditures	<u>\$ 533,934</u>	<u>\$ 343,105</u>

4. Concentrations of Risk

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, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC 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

Substantial portions of the Organization's grants and contracts are generated from Fairfax County. For the years ended June 30, 2020 and 2019, the Organization recognized \$660,518 and \$671,311, respectively, in grants and contracts from this agency. This represents approximately 39% and 34% of total revenue for the years ended June 30, 2020 and 2019, respectively. Any reduction in the level of support from this agency could affect the Organization's program activities.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

5. Investments and Fair Value Measurements

The Organization follows FASB ASC 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.

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>2020:</u>				
Equities	\$ 3,296	\$ -	\$ -	\$ 3,296
Total investments	\$ 3,296	\$ -	\$ -	\$ 3,296
<u>2019:</u>				
Equities	\$ 3,762	\$ -	\$ -	\$ 3,762
Total investments	\$ 3,762	\$ -	\$ -	\$ 3,762

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

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

	2020	2019
Interest and dividends	\$ 173	\$ 69
Unrealized loss	(1,582)	(248)
Less: investment management fees	(375)	(149)
Investment return, net	<u>\$ (1,784)</u>	<u>\$ (328)</u>

6. Loan Payable – Paycheck Protection Program

The Organization applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which the Organization qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The loan was granted to the Organization on June 11, 2020 in the amount of \$202,500, and it is management's intention to use the entire loan amount for qualifying expenses in order to apply for full forgiveness. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment in the statements of activities, which is expected to occur in fiscal year 2021.

If the Organization is not approved for full forgiveness by the SBA, the loan would bear interest at a fixed rate of 1.00%, which is payable monthly commencing on July 11, 2021 and would mature on June 11, 2025. The proceeds from this loan may be repaid by the Organization at any time prior to maturity with no prepayment penalties, should full forgiveness not be granted.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

7. In-Kind Contributions

In-kind contributions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Donated facilities	\$ 124,400	\$ 221,180
Donated goods	28,004	6,469
Donated services	<u>5,110</u>	<u>2,540</u>
Total in-kind contributions	<u>\$ 157,514</u>	<u>\$ 230,189</u>

8. Commitment and Contingencies

Operating Lease

The Organization leases various office equipment with terms that are set to expire through January 8, 2025. Future minimum lease payments under the lease agreement are as follows for the years ending June 30:

2021	\$ 10,296
2022	10,296
2023	7,481
2024	3,516
2025	<u>1,758</u>
Total future minimum lease payments	<u>\$ 33,347</u>

Government Grants and Contracts

Funds received from federal and local government agencies are subject to audit under the provisions of those grant agreements. The ultimate determination of amounts received under those grant agreements is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

OAR of Fairfax County, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. 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, employee benefits, payroll taxes, professional services, occupancy, office expenses, information technology, and other, which are allocated on the basis of estimates of time and effort.

10. 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 \$16,243 and \$14,975 for the years ended June 30, 2020 and 2019, respectively.

11. 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, 2020 and 2019, 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.