

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2021 and 2020

OAR of Fairfax County

Financial Statements
June 30, 2021 and 2020

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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, 2021 and 2020; 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

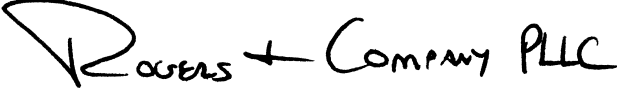
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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, 2021 and 2020, 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
November 1, 2021

OAR of Fairfax County

Statements of Financial Position June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 592,951	\$ 430,214
Investments	6,543	3,296
Grants receivable	47,631	100,424
Prepaid expenses	-	173
	<hr/>	<hr/>
Total assets	<u>\$ 647,125</u>	<u>\$ 534,107</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 42,433	\$ 37,666
Loan payable – Paycheck Protection Program	197,180	202,500
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Total liabilities	<u>239,613</u>	<u>240,166</u>
Net Assets		
Without donor restrictions	407,512	293,941
	<hr/>	<hr/>
Total net assets	<u>407,512</u>	<u>293,941</u>
Total liabilities and net assets	<u>\$ 647,125</u>	<u>\$ 534,107</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2021 and 2020

	2021	2020
Revenue and Support		
Grants and contracts	\$ 1,409,591	\$ 1,315,382
Contributions	116,716	158,902
Client fees	59,439	83,276
In-kind contributions	164,571	157,514
Investment return, net	1,589	(1,784)
Other income	116	469
	<hr/>	<hr/>
Total revenue and support	1,752,022	1,713,759
	<hr/>	<hr/>
Expenses		
Program services:		
Re-entry and family	924,885	961,619
Alternative sentencing and court	355,724	285,028
Volunteer	205,349	212,742
	<hr/>	<hr/>
Total program services	1,485,958	1,459,389
	<hr/>	<hr/>
Supporting services:		
Management and general	130,808	244,256
Fundraising	21,685	11,375
	<hr/>	<hr/>
Total supporting services	152,493	255,631
	<hr/>	<hr/>
Total expenses	1,638,451	1,715,020
	<hr/>	<hr/>
Change in Net Assets	113,571	(1,261)
Net Assets, beginning of year	293,941	295,202
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Net Assets, end of year	\$ 407,512	\$ 293,941
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See accompanying notes.

OAR of Fairfax County

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total
	Re-Entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 541,931	\$ 208,435	\$ 120,324	\$ 870,690	\$ 76,742	\$ -	\$ 76,742	\$ 947,432
Occupancy	82,923	31,893	18,411	133,227	11,743	-	11,743	144,970
Employee benefits	64,397	24,768	14,298	103,463	9,119	-	9,119	112,582
Payroll taxes	41,370	15,912	9,185	66,467	5,858	-	5,858	72,325
Direct assistance	66,733	25,667	14,817	107,217	9,450	-	9,450	116,667
Insurance	11,322	4,354	2,514	18,190	1,603	-	1,603	19,793
Meetings and awards	411	158	91	660	58	-	58	718
Equipment maintenance	6,901	2,654	1,532	11,087	977	-	977	12,064
Telecommunications	11,674	4,490	2,592	18,756	1,653	-	1,653	20,409
Accounting	15,739	6,053	3,494	25,286	2,229	-	2,229	27,515
Program supplies and materials	1,974	759	438	3,171	280	-	280	3,451
Training	9,763	3,755	2,168	15,686	1,382	-	1,382	17,068
Events and public relations	-	-	-	-	-	21,685	21,685	21,685
Information technology	39,562	15,216	8,784	63,562	5,602	-	5,602	69,164
Office expenses	4,721	1,816	1,048	7,585	507	-	507	8,092
Printing and reproduction	1,662	639	369	2,670	235	-	235	2,905
Fees	20,467	7,872	4,544	32,883	2,898	-	2,898	35,781
Postage and shipping	475	183	105	763	67	-	67	830
Dues and subscription	1,909	734	424	3,067	270	-	270	3,337
Local travel	951	366	211	1,528	135	-	135	1,663
Total Expenses	\$ 924,885	\$ 355,724	\$ 205,349	\$ 1,485,958	\$ 130,808	\$ 21,685	\$ 152,493	\$ 1,638,451

See accompanying notes.

OAR of Fairfax County

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

	Program Services				Supporting Services			Total
	Re-Entry and Family	Alternative Sentencing and Court	Volunteer	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 569,220	\$ 168,719	\$ 125,930	\$ 863,869	\$ 110,822	\$ -	\$ 110,822	\$ 974,691
Occupancy	75,167	22,280	16,629	114,076	14,634	-	14,634	128,710
Employee benefits	80,513	23,864	17,812	122,189	15,675	-	15,675	137,864
Payroll taxes	44,152	13,087	9,768	67,007	8,596	-	8,596	75,603
Direct assistance	75,674	22,430	16,741	114,845	14,733	-	14,733	129,578
Insurance	-	-	-	-	18,786	-	18,786	18,786
Meetings and awards	4,606	1,365	1,019	6,990	897	11,375	12,272	19,262
Equipment maintenance	6,426	1,905	1,422	9,753	1,251	-	1,251	11,004
Telecommunications	10,449	3,097	2,312	15,858	2,034	-	2,034	17,892
Accounting	-	-	-	-	21,266	-	21,266	21,266
Program supplies and materials	1,260	373	279	1,912	245	-	245	2,157
Training	27,816	8,245	6,154	42,215	5,416	-	5,416	47,631
Information technology	45,943	13,618	10,164	69,725	8,945	-	8,945	78,670
Office expenses	7,845	2,325	1,736	11,906	1,526	-	1,526	13,432
Printing and reproduction	4,778	1,416	1,057	7,251	930	-	930	8,181
Fees	2,206	654	488	3,348	17,418	-	17,418	20,766
Postage and shipping	475	141	105	721	92	-	92	813
Dues and subscription	2,765	820	612	4,197	538	-	538	4,735
Local travel	2,324	689	514	3,527	452	-	452	3,979
Total Expenses	\$ 961,619	\$ 285,028	\$ 212,742	\$ 1,459,389	\$ 244,256	\$ 11,375	\$ 255,631	\$ 1,715,020

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 113,571	\$ (1,261)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated stock	(1,648)	(1,318)
Net unrealized (gain) loss on investments	(1,622)	1,957
Forgiveness of loan – Paycheck Protection Program	(202,500)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	52,793	(18,378)
Prepaid expenses	173	1,723
Increase (decrease) in:		
Accounts payable and accrued expenses	4,767	(12,133)
Net cash used in operating activities	(34,466)	(29,410)
Cash Flows from Investing Activities		
Proceeds from sale of investments	43	-
Reinvested interest on investments	(20)	(173)
Net cash provided by (used in) investing activities	23	(173)
Cash Flows from Financing Activity		
Proceeds from issuance of loan — Paycheck Protection Program	197,180	202,500
Net cash provided by financing activity	197,180	202,500
Net Increase in Cash	162,737	172,917
Cash, beginning of year	430,214	257,297
Cash, end of year	\$ 592,951	\$ 430,214

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2021 and 2020

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 in net investment return in the accompanying statements of activities.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020.

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

Notes to Financial Statements
June 30, 2021 and 2020

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.

Advertising Costs

Advertising costs are expensed as incurred.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 1, 2021, the date the financial statements were available to be issued.

OAR of Fairfax County

Notes to Financial Statements June 30, 2021 and 2020

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:

	2021	2020
Cash	\$ 592,951	\$ 430,214
Investments	6,543	3,296
Grants receivable	47,631	100,424
Total available for general expenditures	<u>\$ 647,125</u>	<u>\$ 533,934</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, 2021 and 2020, the Organization recognized \$435,272 and \$660,518, respectively, in grants and contracts from this agency. This represents approximately 25% and 39% of total revenue for the years ended June 30, 2021 and 2020, respectively. Any reduction in the level of support from this agency could affect the Organization's program activities.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2021 and 2020

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>2021:</u>				
Equities	\$ 6,543	\$ -	\$ -	\$ 6,543
Total investments	\$ 6,543	\$ -	\$ -	\$ 6,543
<u>2020:</u>				
Equities	\$ 3,296	\$ -	\$ -	\$ 3,296
Total investments	\$ 3,296	\$ -	\$ -	\$ 3,296

OAR of Fairfax County

Notes to Financial Statements
June 30, 2021 and 2020

5. Investments and Fair Value Measurements (continued)

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 342	\$ 173
Unrealized gain (loss)	1,622	(1,582)
Less: investment management fees	<u>(375)</u>	<u>(375)</u>
Total investment return, net	<u>\$ 1,589</u>	<u>\$ (1,784)</u>

6. Paycheck Protection Program Loans

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. During the covered period, the Organization incurred qualifying expenditures and applied for forgiveness of the full amount of the PPP loan. The PPP loan was fully forgiven by the SBA on November 4, 2020 and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended June 30, 2021.

The Organization also applied for a second loan under the PPP. The second PPP loan was granted to the Organization on March 29, 2021 in the amount of \$197,180 and matures on March 29, 2026. This PPP loan bears interest at a fixed rate of 1.00%, which is payable monthly commencing on April 29, 2022. The PPP loan may be repaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from this PPP loan may only be used for payroll costs, benefits, mortgage payments, rent, utilities, and certain supplier costs and expenses for operations. The Organization intends to use the entire loan amount for qualifying expenses and apply for forgiveness of certain amounts up to the full amount of the loan under the terms of the PPP.

OAR of Fairfax County

Notes to Financial Statements June 30, 2021 and 2020

7. In-Kind Contributions

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

	<u>2021</u>	<u>2020</u>
Donated facilities	\$ 138,070	\$ 124,400
Donated goods	23,441	28,004
Donated services	<u>3,060</u>	<u>5,110</u>
Total in-kind contributions	<u>\$ 164,571</u>	<u>\$ 157,514</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:

2022	\$ 10,296
2023	7,481
2024	3,516
2025	<u>1,758</u>
Total future minimum lease payments	<u>\$ 23,051</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

Notes to Financial Statements June 30, 2021 and 2020

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 \$16,256 and \$16,243 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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.