

OAR of Fairfax County

Financial Statements
and Independent Auditor's Report

June 30, 2022 and 2021

OAR of Fairfax County

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
OAR of Fairfax County

Opinion

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, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

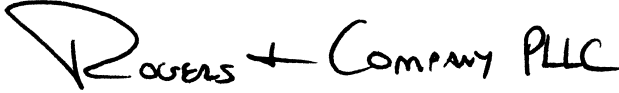
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Vienna, Virginia
November 28, 2022

OAR of Fairfax County

Statements of Financial Position June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 728,201	\$ 592,951
Investments	8,951	6,543
Grants receivable	264,438	47,631
Prepaid expenses and other assets	250	-
Property and equipment	<u>20,900</u>	<u>-</u>
Total assets	<u>\$ 1,022,740</u>	<u>\$ 647,125</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 31,857	\$ 42,433
Refundable advances	76,787	-
Loan payable – Paycheck Protection Program	<u>-</u>	<u>197,180</u>
Total liabilities	<u>108,644</u>	<u>239,613</u>
Net Assets		
Without donor restrictions	684,096	407,512
With donor restrictions	<u>230,000</u>	<u>-</u>
Total net assets	<u>914,096</u>	<u>407,512</u>
Total liabilities and net assets	<u>\$ 1,022,740</u>	<u>\$ 647,125</u>

See accompanying notes.

OAR of Fairfax County

Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022	2021
Revenue and Support Without Donor Restrictions		
Grants and contracts	\$ 1,307,616	\$ 1,409,591
Contributions	166,881	116,716
Client fees	49,137	59,439
In-kind contributions	169,775	164,571
Investment return, net	2,407	1,589
Other income	92	116
Net assets released from restrictions	210,000	-
 Total revenue and support without donor restrictions	 1,905,908	 1,752,022
Expenses		
Program services:		
Re-entry and family	872,887	897,824
Alternative sentencing and court	413,474	345,317
Volunteer	168,453	199,341
 Total program services	 1,454,814	 1,442,482
Supporting services:		
Management and general	156,420	174,284
Fundraising	18,090	21,685
 Total supporting services	 174,510	 195,969
 Total expenses	 1,629,324	 1,638,451
 Change in net assets without donor restrictions	 276,584	 113,571
Net Assets With Donor Restrictions		
Grants and contracts	440,000	-
Net assets released from restrictions	(210,000)	-
 Change in net assets with donor restrictions	 230,000	 -
 Change in Net Assets	 506,584	 113,571
 Net Assets, beginning of year	 407,512	 293,941
 Net Assets, end of year	 \$ 914,096	 \$ 407,512

See accompanying notes.

OAR of Fairfax County

Statement of Functional Expenses
For the Year Ended June 30, 2022

	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	\$ 522,247	\$ 247,380	\$ 100,785	\$ 870,412	\$ 45,811	\$ -	\$ 45,811	\$ 916,223
Occupancy	84,695	40,119	16,345	141,159	7,429	-	7,429	148,588
Employee benefits	64,383	30,497	12,425	107,305	5,648	-	5,648	112,953
Payroll taxes	38,137	18,065	7,360	63,562	3,345	-	3,345	66,907
Direct assistance	74,669	35,370	14,410	124,449	6,550	-	6,550	130,999
Insurance	-	-	-	-	22,740	-	22,740	22,740
Meetings and awards	3,965	1,878	765	6,608	348	-	348	6,956
Equipment maintenance	8,672	4,108	1,674	14,454	761	-	761	15,215
Telecommunications	13,092	6,202	2,527	21,821	1,148	-	1,148	22,969
Accounting	-	-	-	-	18,005	-	18,005	18,005
Program supplies and materials	1,544	732	298	2,574	135	-	135	2,709
Training	10,803	5,117	2,085	18,005	948	-	948	18,953
Events and public relations	-	-	-	-	-	18,090	18,090	18,090
Information technology	35,569	16,849	6,864	59,282	3,120	-	3,120	62,402
Office expenses	6,942	3,288	1,340	11,570	606	-	606	12,176
Printing and reproduction	2,629	1,245	507	4,381	231	-	231	4,612
Fees	2,668	1,264	515	4,447	39,343	-	39,343	43,790
Postage and shipping	189	89	36	314	17	-	17	331
Dues and subscription	1,872	887	361	3,120	164	-	164	3,284
Local travel	811	384	156	1,351	71	-	71	1,422
Total Expenses	\$ 872,887	\$ 413,474	\$ 168,453	\$ 1,454,814	\$ 156,420	\$ 18,090	\$ 174,510	\$ 1,629,324

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	-	-	-	-	19,793	-	19,793	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	-	-	-	-	27,515	-	27,515	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	\$ 897,824	\$ 345,317	\$ 199,341	\$ 1,442,482	\$ 174,284	\$ 21,685	\$ 195,969	\$ 1,638,451

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 506,584	\$ 113,571
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated stock	-	(1,648)
Net realized and unrealized gain on investments	(2,406)	(1,622)
Forgiveness of loan – Paycheck Protection Program	(197,180)	(202,500)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(216,807)	52,793
Prepaid expenses and other assets	(250)	173
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,576)	4,767
Refundable advances	76,787	-
	156,152	(34,466)
Cash Flows from Investing Activities		
Purchase of property and equipment	(20,900)	-
Proceeds from sale of investments	55	43
Reinvested interest on investments	(57)	(20)
	(20,902)	23
Cash Flows from Financing Activity		
Proceeds from issuance of loan – Paycheck Protection Program	-	197,180
	-	197,180
Net Increase in Cash	135,250	162,737
Cash, beginning of year	592,951	430,214
Cash, end of year	\$ 728,201	\$ 592,951

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

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.

OAR of Fairfax County

Notes to Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

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, 2022 and 2021.

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.

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.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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.

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.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 28, 2022, the date the financial statements were available to be issued.

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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 728,201	\$ 592,951
Investments	8,951	6,543
Grants receivable	<u>264,438</u>	<u>47,631</u>
Total financial assets	1,001,590	647,125
Less: restricted by donors	<u>(230,000)</u>	<u>-</u>
Total available for general expenditures	<u><u>\$ 771,590</u></u>	<u><u>\$ 647,125</u></u>

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, the Organization recognized \$435,446 and \$435,272, respectively, in grants and contracts from this agency. This represents approximately 23% and 25% of total revenue for the years ended June 30, 2022 and 2021, respectively. Any reduction in the level of support from this agency could affect the Organization's program activities.

5. Investments and Fair Value Measurements

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

	2022	2021
Interest and dividends	\$ 376	\$ 342
Net realized and unrealized gain	2,406	1,622
Less: investment management fees	(375)	(375)
Total investment return, net	<u>\$ 2,407</u>	<u>\$ 1,589</u>

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

The Organization follows Financial Accounting Standards Board 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.

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>2022:</u>				
Equities	\$ 8,951	\$ -	\$ -	\$ 8,951
Total investments	\$ 8,951	\$ -	\$ -	\$ 8,951
<u>2021:</u>				
Equities	\$ 6,543	\$ -	\$ -	\$ 6,543
Total investments	\$ 6,543	\$ -	\$ -	\$ 6,543

OAR of Fairfax County

Notes to Financial Statements June 30, 2022 and 2021

6. Property and Equipment

Property and equipment consists of database development costs of \$20,900 at June 30, 2022. Amortization of this asset will begin once the asset is placed in service. The Organization did not have any property and equipment at June 30, 2021.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 consist of time restricted amounts for the future period. There were no net assets with donor restrictions at June 30, 2021.

8. Paycheck Protection Program Loans

The Organization applied for two loans 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 first PPP 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 first PPP loan. The first 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 second PPP loan was granted to the Organization on March 29, 2021 in the amount of \$197,180. During the covered period, the Organization incurred qualifying expenditures and applied for forgiveness of the full amount of the second PPP loan. The second PPP loan was fully forgiven by the SBA on October 20, 2021 and the related amount was recognized as grant revenue in the accompanying statement of activities for the year ended June 30, 2022.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2022 and 2021

9. 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:

2023	\$	7,481
2024		3,516
2025		1,758
		<hr/>
Total future minimum lease payments	\$	12,755
		<hr/> <hr/>

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.

10. In-Kind Contributions

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

	<u>2022</u>	<u>2021</u>
Donated facilities	\$ 137,788	\$ 138,070
Donated goods	19,872	23,441
Donated services	12,115	3,060
	<hr/>	<hr/>
Total in-kind contributions	\$ 169,775	\$ 164,571
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OAR of Fairfax County

Notes to Financial Statements June 30, 2022 and 2021

11. 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.

12. 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 \$10,456 and \$16,256 for the years ended June 30, 2022 and 2021, respectively.

13. 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, 2022 and 2021, 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.