

OAR of Fairfax County

Financial Statements
and Independent Auditor's Report

June 30, 2023 and 2022

OAR of Fairfax County

Financial Statements
June 30, 2023 and 2022

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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, 2023 and 2022; 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. The Organization has applied the modified retrospective method to adopt this standard during the year ended June 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

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.

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.

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

- 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.

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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
November 16, 2023

OAR of Fairfax County

Statements of Financial Position June 30, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 464,314	\$ 728,201
Investments	11,599	8,951
Grants receivable	312,905	264,438
Prepaid expenses and other assets	33,952	250
Property and equipment	20,900	20,900
Right-of-use assets – operating lease	5,231	-
Total assets	<u>\$ 848,901</u>	<u>\$ 1,022,740</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 26,489	\$ 31,857
Refundable advances	76,788	76,787
Lease liabilities – operating lease	5,231	-
Total liabilities	<u>108,508</u>	<u>108,644</u>
Net Assets		
Without donor restrictions	722,224	684,096
With donor restrictions	18,169	230,000
Total net assets	<u>740,393</u>	<u>914,096</u>
Total liabilities and net assets	<u>\$ 848,901</u>	<u>\$ 1,022,740</u>

See accompanying notes.

OAR of Fairfax County

Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022
Revenue and Support Without Donor Restrictions		
Grants and contracts	\$ 1,136,814	\$ 1,307,616
Contributions	100,625	166,881
Client fees	61,829	49,137
In-kind contributions	165,075	169,775
Investment return, net	2,698	2,407
Other income	199	92
Net assets released from restrictions	230,000	210,000
 Total revenue and support without donor restrictions	 1,697,240	 1,905,908
Expenses		
Program services:		
Re-entry and family	739,222	872,887
Alternative sentencing and court	504,935	413,474
Volunteer	173,698	168,453
Diversion	323,160	-
 Total program services	 1,741,015	 1,454,814
Supporting services:		
Management and general	125,776	156,420
Fundraising	22,321	18,090
 Total supporting services	 148,097	 174,510
 Total expenses	 1,889,112	 1,629,324
 Change in net assets without donor restrictions	 (191,872)	 276,584
Net Assets With Donor Restrictions		
Grants and contracts	248,169	440,000
Net assets released from restrictions	(230,000)	(210,000)
 Change in net assets with donor restrictions	 18,169	 230,000
 Change in Net Assets	 (173,703)	 506,584
 Net Assets, beginning of year	 914,096	 407,512
 Net Assets, end of year	 \$ 740,393	 \$ 914,096

See accompanying notes.

OAR of Fairfax County

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services					Supporting Services			Total
	Re-Entry and Family	Alternative Sentencing and Court	Volunteer	Diversion	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 439,051	\$ 299,898	\$ 103,165	\$ 191,935	\$ 1,034,049	\$ 45,585	\$ -	\$ 45,585	\$ 1,079,634
Occupancy	59,100	40,369	13,887	25,836	139,192	6,136	-	6,136	145,328
Employee benefits	46,149	31,523	10,844	20,175	108,691	4,791	-	4,791	113,482
Payroll taxes	32,965	22,517	7,746	14,411	77,639	3,423	-	3,423	81,062
Direct assistance	53,294	36,403	12,523	23,298	125,518	5,533	-	5,533	131,051
Insurance	10,740	7,336	2,524	4,695	25,295	1,115	-	1,115	26,410
Meetings and awards	2,231	1,524	524	976	5,255	232	-	232	5,487
Equipment maintenance	5,581	3,812	1,311	2,440	13,144	579	-	579	13,723
Telecommunications	9,559	6,529	2,246	4,179	22,513	992	-	992	23,505
Accounting	-	-	-	-	-	18,965	-	18,965	18,965
Program supplies and materials	2,540	1,735	597	1,111	5,983	264	-	264	6,247
Training	9,367	6,398	2,201	4,095	22,061	973	-	973	23,034
Events and public relations	-	-	-	-	-	-	22,321	22,321	22,321
Information technology	44,945	30,700	10,561	19,648	105,854	4,666	-	4,666	110,520
Office expenses	9,256	6,323	2,175	4,046	21,800	413	-	413	22,213
Printing and reproduction	2,485	1,698	584	1,086	5,853	258	-	258	6,111
Fees	6,525	4,457	1,533	2,853	15,368	31,286	-	31,286	46,654
Postage and shipping	226	155	53	99	533	24	-	24	557
Dues and subscription	4,728	3,230	1,111	2,067	11,136	491	-	491	11,627
Local travel	480	328	113	210	1,131	50	-	50	1,181
Total Expenses	\$ 739,222	\$ 504,935	\$ 173,698	\$ 323,160	\$ 1,741,015	\$ 125,776	\$ 22,321	\$ 148,097	\$ 1,889,112

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

Statements of Cash Flows For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (173,703)	\$ 506,584
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(2,312)	(2,406)
Forgiveness of loan – Paycheck Protection Program	-	(197,180)
Amortization of right-of-use assets – operating lease	3,442	-
Change in operating assets and liabilities:		
Increase in:		
Grants receivable	(48,467)	(216,807)
Prepaid expenses and other assets	(33,702)	(250)
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,368)	(10,576)
Refundable advances	1	76,787
Lease liabilities – operating lease, net	(3,442)	-
Net cash (used in) provided by operating activities	(263,551)	156,152
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(20,900)
Proceeds from sale of investments	-	55
Purchase of investments	(336)	(57)
Net cash used in investing activities	(336)	(20,902)
Net (Decrease) Increase in Cash	(263,887)	135,250
Cash, beginning of year	728,201	592,951
Cash, end of year	\$ 464,314	\$ 728,201
Noncash Transactions Arising from the ASC 842 Adoption:		
Establishment of right-of-use assets – operating lease	\$ 8,673	\$ -
Establishment of lease liabilities – operating lease	\$ 8,673	\$ -

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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 in 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, 2023 and 2022.

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.

Operating Lease

The Organization determines if an arrangement is a lease at inception. Operating lease is included in right-of-use (“ROU”) assets, which represent the Organization’s right to use an underlying asset for the lease term, and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization’s leases do not provide an implicit rate, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

The Organization recognizes grants and contributions as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 met.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Organization recognizes revenue as follows:

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 which is when the sole performance obligation is satisfied. Any amounts received in advance are deferred until that time.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2023 and 2022

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.

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, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The Organization adopted ASC 842 during the year ended June 30, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Organization adopted ASU 2020-07 during the year ended June 30, 2023. The adoption of ASU 2020-07 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 November 16, 2023, 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.

OAR of Fairfax County

Notes to Financial Statements June 30, 2023 and 2022

3. Liquidity and Availability (continued)

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>2023</u>	<u>2022</u>
Cash	\$ 464,314	\$ 728,201
Investments	11,599	8,951
Grants receivable	<u>312,905</u>	<u>264,438</u>
Total financial assets	788,818	1,001,590
Less: restricted by donors	<u>(18,169)</u>	<u>(230,000)</u>
Total available for general expenditures	<u>\$ 770,649</u>	<u>\$ 771,590</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, 2023 and 2022, the Organization recognized \$411,794 and \$435,446, respectively, in grants and contracts from this agency. This represents approximately 24% and 23% of total revenue for the years ended June 30, 2023 and 2022, 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, 2023 and 2022

5. Investments and Fair Value Measurements

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 386	\$ 376
Net realized and unrealized gain	3,012	2,406
Less: investment management fees	<u>(700)</u>	<u>(375)</u>
Total investment return, net	<u>\$ 2,698</u>	<u>\$ 2,407</u>

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.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

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>2023:</u>				
Equities	\$ 11,599	\$ -	\$ -	\$ 11,599
Total investments	\$ 11,599	\$ -	\$ -	\$ 11,599
<u>2022:</u>				
Equities	\$ 8,951	\$ -	\$ -	\$ 8,951
Total investments	\$ 8,951	\$ -	\$ -	\$ 8,951

6. Property and Equipment

Property and equipment consists of database development costs of \$20,900 at both June 30, 2023 and 2022. Amortization of this asset will begin once the asset is placed in service in 2024.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of time restricted amounts for the future period and totaled \$18,169 and \$230,000 at June 30, 2023 and 2022, respectively.

8. Commitment and Contingencies

Operating Lease

The Organization maintains an operating lease for copier equipment, which commenced on June 8, 2021 and is scheduled to expire on June 8, 2025.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2023 and 2022

8. Commitment and Contingencies (continued)

Operating Lease (continued)

Supplemental qualitative information related to the operating lease is as follows:

Operating lease costs	\$	3,516
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	3,516
Right-of-use assets obtained in exchange for lease obligations	\$	8,673
Weighted-average remaining lease term (in years)		1.5
Weighted-average discount rate		1.04%

Future minimum lease payments for the operating lease, and reconciliation to the statement of financial position, are as follows at June 30:

2023	\$	3,516
2024		1,758
		<hr/>
Total minimum lease payments		5,274
Less: discount to present value at 1.04%		(43)
		<hr/>
Present value of operating lease liabilities	\$	<u>5,231</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, 2023 and 2022

9. In-Kind Contributions

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

	<u>2023</u>	<u>2022</u>
Donated facilities	\$ 130,570	\$ 137,788
Donated goods	21,550	19,872
Donated services	<u>12,955</u>	<u>12,115</u>
Total in-kind contributions	<u>\$ 165,075</u>	<u>\$ 169,775</u>

10. 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.

11. Retirement Plan

The Organization maintains a 403(b) retirement plan (“the Plan”) in which all employees can participate, but only employees with benefits packages are eligible for a match. The Organization matches employee contributions on a dollar-for-dollar basis up to a maximum of 4% of participant compensation. Total employer contributions under the Plan were \$11,316 and \$10,456 for the years ended June 30, 2023 and 2022, respectively.

12. 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, 2023 and 2022, 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.