

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2015 and 2014

OAR of Fairfax County

Financial Statements
June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2015 and 2014, the related statements of activities 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 of 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, 2015 and 2014, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 10-11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Vienna, Virginia
November 17, 2015

OAR of Fairfax County

Statements of Financial Position June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 80,588	\$ 178,863
Certificate of deposit	10,964	10,615
Accounts and grants receivable	79,873	56,699
Prepaid expenses	-	7,840
	<u> </u>	<u> </u>
Total assets	<u>\$ 171,425</u>	<u>\$ 254,017</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 14,649	\$ 35,965
Accrued vacation expense	41,327	39,395
	<u> </u>	<u> </u>
Total liabilities	<u>55,976</u>	<u>75,360</u>
Net Assets		
Unrestricted	<u>115,449</u>	<u>178,657</u>
	<u> </u>	<u> </u>
Total net assets	<u>115,449</u>	<u>178,657</u>
Total liabilities and net assets	<u>\$ 171,425</u>	<u>\$ 254,017</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Revenue and Support		
Government grants	\$ 810,467	\$ 812,746
Other grants and contributions	279,705	252,291
Contract services	251,303	275,092
Client fees	110,429	99,727
United Way designations and grants	13,637	6,537
Interest income	396	61
	<u>1,465,937</u>	<u>1,446,454</u>
Expenses		
Program services:		
Re-entry and family	839,891	876,140
Alternative sentencing and court	246,555	233,776
Volunteer	198,728	144,730
	<u>1,285,174</u>	<u>1,254,646</u>
Total program services		
	<u>1,285,174</u>	<u>1,254,646</u>
Supporting services:		
Management and general	243,971	273,843
	<u>243,971</u>	<u>273,843</u>
Total supporting services		
	<u>243,971</u>	<u>273,843</u>
Total expenses	<u>1,529,145</u>	<u>1,528,489</u>
Change in Net Assets	(63,208)	(82,035)
Net Assets, beginning of year	<u>178,657</u>	<u>260,692</u>
Net Assets, end of year	<u><u>\$ 115,449</u></u>	<u><u>\$ 178,657</u></u>

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (63,208)	\$ (82,035)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(23,174)	24,842
Prepaid expenses	7,840	(7,840)
Increase (decrease) in:		
Accounts payable	(21,316)	2,601
Accrued vacation expense	1,932	5,805
Deferred revenue	-	(2,500)
	<u>(97,926)</u>	<u>(59,127)</u>
Net cash used in operating activities		
	<u>(97,926)</u>	<u>(59,127)</u>
Cash Flows from Investing Activity		
Purchase of certificate of deposit	(349)	-
	<u>(349)</u>	<u>-</u>
Net cash used in investing activity		
	<u>(349)</u>	<u>-</u>
Net Decrease in Cash	(98,275)	(59,127)
Cash, beginning of year	<u>178,863</u>	<u>237,990</u>
Cash, end of year	<u>\$ 80,588</u>	<u>\$ 178,863</u>

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2015 and 2014

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 establishing one-to-one relationships between citizen volunteers and inmates, inmate and family support groups, assistance with finding employment, educational and training programs, 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. Unrestricted net assets represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization’s core programs and operations. At June 30, 2015 and 2014, all net assets were unrestricted.

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.

Certificate of Deposit

At June 30, 2015 and 2014, the Organization held a certificate of deposit with an original maturity date greater than a period of 90 days that is carried at amortized cost. Interest earned on the certificate of deposit is included as interest income in the accompanying statements of activities. This certificate of deposit does not qualify as a security as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. Therefore, this investment is not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred.

Other grants and contributions, including in-kind donations, are recorded as revenue when received or promised. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to a certain purpose or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Revenue from other sources is recognized when earned.

Donated Office Space and Other In-Kind Donations

The Organization receives donated office facilities, utilities, and related items from Fairfax County. In-kind donations are recorded at their fair value at the time of receipt. Total in-kind donations received from Fairfax County were \$191,355 and \$185,781 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in occupancy expense in the accompanying supplementary schedules of functional expenses.

The Organization also received donated items of clothing, books, printing, and similar items from the general public, which are recorded based on the estimated fair value at the time of receipt. Total donated goods were \$21,935 and \$25,081 for the years ended June 30, 2015 and 2014, respectively, and are recorded in direct assistance in the accompanying supplementary schedules of functional expenses.

In addition, the Organization received donated services relating to legal, accounting, consulting, and property improvements, which are recognized in the accompanying statements of activities in the amount of \$12,693 and \$8,450 for the years ended June 30, 2015 and 2014, respectively. These services are measured using the applicable billing rates of the professional service providers.

OAR of Fairfax County

Notes to Financial Statements

June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2015, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash. The Organization maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, may exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Accounts and Grants Receivable

For the years ended June 30, 2015 and 2014, the Organization's accounts and grants receivable are all due in less than one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded as the management believes that all receivables are fully collectible.

A substantial portion of the grants and contract income earned by the Organization is paid by local jurisdictions of Fairfax County and the Commonwealth of Virginia. At June 30, 2015 and 2014, \$65,120 and \$50,678, respectively, was receivable from these governmental agencies, which represents approximately 81% and 89%, respectively, of total accounts and grants receivable. In addition, for the years ended June 30, 2015 and 2014, the Organization recognized \$890,264 and \$909,227, respectively, in grants and contracts revenue from these governmental agencies. This represents approximately 61% and 63% of total revenue for the years ended June 30, 2015 and 2014, respectively.

OAR of Fairfax County

Notes to Financial Statements June 30, 2015 and 2014

5. 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 expenses under the Plan were \$21,383 and \$20,248 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in employee benefits expense in the accompanying supplementary schedules of functional expenses.

6. Commitment

The Organization leases office equipment under the terms of a noncancellable operating lease that expires in February 2019. Monthly payments are fixed at \$476 for the duration of the lease and include services.

Total future minimum lease payments are as follows for the years ending June 30:

2016	\$	5,716
2017		5,716
2018		5,716
2019		<u>3,810</u>
Future minimum lease payments	\$	<u><u>20,958</u></u>

Expenses under these operating leases and service agreements totaled \$6,311 and \$6,800 for the years ended June 30, 2015 and 2014, respectively, and are reported as copier and lease maintenance expense in the accompanying supplementary schedules of functional expenses.

7. 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, 2015 and 2014, 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.

SUPPLEMENTARY INFORMATION

OAR of Fairfax County

Schedule of Functional Expenses For the Year Ended June 30, 2015

	Program Services			Total Program Services	Management and General	Total
	Re-entry and Family	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 403,579	\$ 156,490	\$ 123,545	\$ 683,614	\$ 140,017	\$ 823,631
Employee benefits	51,141	19,830	15,655	86,626	17,743	104,369
Payroll taxes	32,599	12,640	9,979	55,218	11,310	66,528
Occupancy	95,175	36,905	29,135	161,215	33,020	194,235
Direct assistance	160,290	-	-	160,290	-	160,290
Contractual services	38,794	-	-	38,794	4,543	43,337
Insurance	9,099	3,528	2,785	15,412	3,157	18,569
Meetings and awards	4,294	1,569	3,959	9,822	1,404	11,226
Copier and lease maintenance	3,092	1,199	947	5,238	1,073	6,311
Telecommunications	7,965	3,089	2,438	13,492	2,764	16,256
Accounting	3,129	1,213	958	5,300	1,086	6,386
Program supplies and materials	1,578	-	1,121	2,699	45	2,744
Training	3,964	-	350	4,314	18,648	22,962
Information technology	13,777	5,342	4,218	23,337	4,780	28,117
Office expenses	3,261	1,264	998	5,523	1,131	6,654
Other expenses	25	-	50	75	-	75
Printing and reproduction	3,840	1,489	1,175	6,504	1,332	7,836
Fees	1,712	664	524	2,900	594	3,494
Postage and shipping	666	258	204	1,128	231	1,359
Dues and subscription	1,292	501	395	2,188	448	2,636
Local travel	619	574	292	1,485	645	2,130
Total Expenses	\$ 839,891	\$ 246,555	\$ 198,728	\$ 1,285,174	\$ 243,971	\$ 1,529,145

OAR of Fairfax County

Schedule of Functional Expenses For the Year Ended June 30, 2014

	Program Services			Total Program Services	Management and General	Total
	Re-entry and Family	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 418,083	\$ 147,559	\$ 90,175	\$ 655,817	\$ 163,953	\$ 819,770
Employee benefits	45,147	15,934	9,738	70,819	17,705	88,524
Payroll taxes	33,573	11,849	7,241	52,663	13,165	65,828
Occupancy	96,217	33,959	20,753	150,929	37,732	188,661
Direct assistance	177,597	-	-	177,597	-	177,597
Contractual services	32,825	-	-	32,825	300	33,125
Insurance	8,505	3,002	1,834	13,341	3,335	16,676
Meetings and awards	11,623	3,975	3,212	18,810	4,415	23,225
Copier and lease maintenance	3,469	1,224	748	5,441	1,359	6,800
Telecommunications	7,437	2,625	1,604	11,666	2,915	14,581
Accounting	11,615	4,100	2,505	18,220	4,555	22,775
Program supplies and materials	369	-	701	1,070	265	1,335
Training	2,320	-	117	2,437	7,829	10,266
Information technology	13,651	4,818	2,944	21,413	5,352	26,765
Office expenses	2,348	829	506	3,683	922	4,605
Other expenses	75	-	50	125	3,689	3,814
Printing and reproduction	4,872	1,720	1,051	7,643	1,910	9,553
Fees	4,129	1,457	891	6,477	1,618	8,095
Postage and shipping	860	303	185	1,348	336	1,684
Dues and subscription	1,053	372	227	1,652	413	2,065
Local travel	372	50	248	670	2,075	2,745
Total Expenses	\$ 876,140	\$ 233,776	\$ 144,730	\$ 1,254,646	\$ 273,843	\$ 1,528,489