

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2010 and 2009

OAR of Fairfax County

Financial Statements
June 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
OAR of Fairfax County

We have audited the accompanying statements of financial position of OAR of Fairfax County as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of OAR of Fairfax County's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OAR of Fairfax County at June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included at pages 11-12 is presented for purposes of additional analysis of the financial statements and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Vienna, Virginia
September 15, 2010

OAR of Fairfax County

Statements of Financial Position June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 222,337	\$ 144,846
Investments	6,065	5,926
Accounts and grants receivable	67,026	47,547
Prepaid expenses	23,510	39,275
Property and equipment, net	<u>17,530</u>	<u>25,192</u>
Total assets	<u>\$ 336,468</u>	<u>\$ 262,786</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 21,038	\$ 12,129
Accrued vacation expenses	25,673	33,742
Other accrued expenses	<u>28,958</u>	<u>4,535</u>
Total liabilities	<u>75,669</u>	<u>50,406</u>
Net Assets		
Unrestricted	<u>260,799</u>	<u>212,380</u>
Total net assets	<u>260,799</u>	<u>212,380</u>
Total liabilities and net assets	<u>\$ 336,468</u>	<u>\$ 262,786</u>

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Revenue and Support		
Government grant	\$ 821,487	\$ 801,186
Other grants and contributions	271,143	298,385
Contract services	314,146	224,387
Client fees	115,090	92,947
United Way designations and grants	20,950	20,630
Other revenue	3,325	5,820
Investment income	300	753
	<u>1,546,441</u>	<u>1,444,108</u>
Expenses		
Program services:		
Transitional and Family Services program	847,037	876,423
Alternative Sentencing and Court program	247,431	221,444
Volunteer program	148,458	147,630
	<u>1,242,926</u>	<u>1,245,497</u>
Total program services		
	<u>1,242,926</u>	<u>1,245,497</u>
Supporting services:		
Management and general	255,096	179,894
	<u>255,096</u>	<u>179,894</u>
Total supporting services		
	<u>255,096</u>	<u>179,894</u>
Total expenses	<u>1,498,022</u>	<u>1,425,391</u>
Change in Net Assets	48,419	18,717
Net Assets, beginning of year	<u>212,380</u>	<u>193,663</u>
Net Assets, end of year	<u>\$ 260,799</u>	<u>\$ 212,380</u>

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 48,419	\$ 18,717
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,662	7,659
Unrealized gains on investment	(139)	(17)
Change in operating assets and liabilities:		
(Increase) decrease in accounts and grants receivable	(19,479)	25,432
Decrease in prepaid expenses	15,765	3,110
Increase in accounts payable	8,909	10,132
Decrease in accrued vacation expenses	(8,069)	(10,948)
Increase (decrease) in other accrued expenses	24,423	(23,924)
	<u>77,491</u>	<u>30,161</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Proceeds from investments	-	25,000
	<u>-</u>	<u>25,000</u>
Net cash provided by investing activities		
	<u>77,491</u>	<u>55,161</u>
Net Increase in Cash		
	<u>144,846</u>	<u>89,685</u>
Cash, beginning of year		
	<u>\$ 222,337</u>	<u>\$ 144,846</u>
Cash, end of year		

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2010 and 2009

1. Nature of Operations

OAR of Fairfax County 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 which 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 support groups, assistance with finding employment, educational and training programs, emergency financial aid for food, housing, clothing, travel, medical needs, and appropriate referrals, and college-level correspondence courses. Also, OAR of Fairfax County provides alternative sentencing programs for the Fairfax County General District Court.

2. Summary of Significant Accounting Policies

Investments

Investments for June 30, 2010 and 2009 consist of certificates of deposit. Investments are recorded at fair value based on quoted market prices. Unrealized gains are reported as a component of investment income in the accompanying statements of activities.

Property and Equipment

Property and equipment with a projected useful life exceeding one year and in excess of \$1,000 are capitalized and recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the individual assets, ranging from five to seven years.

Classification of Net Assets

Unrestricted net assets represent funds that are not subject to donor-imposed stipulations and are available for support of OAR of Fairfax County's core programs and operations. Temporarily restricted net assets represent funds that are subject to donor-imposed restrictions that are met through specific actions or through the passage of time. Contributions that are designated for core programs or are overly broad as to purpose are considered unrestricted. All net assets were unrestricted at June 30, 2010 and 2009.

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.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2010 and 2009

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 are recorded as revenue when received or promised. OAR of Fairfax County 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 as earned.

Donated Office Space and Other In-Kind Donations

OAR of Fairfax County 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 \$170,016 and \$165,073 for the years ended June 30, 2010 and 2009, respectively. Additional use of facilities was donated from other agencies, which totaled \$30,000 for each year ended June 30, 2010 and 2009. These amounts are included in occupancy expense in the accompanying supplemental schedules of functional expenses.

OAR of Fairfax County 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 totaled \$17,843 and \$33,476 for the years ended June 30, 2010 and 2009, respectively, and are recorded in direct assistance in the accompanying supplemental schedules of functional expenses.

In addition, OAR of Fairfax County received donated services relating to legal, accounting, consulting, and property improvements are recognized in accompanying statements of activities in the amount of \$8,450 and \$8,750 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

OAR of Fairfax County follows Accounting Standards Codification (ASC) 820, "*Fair Value Measurements and Disclosures*," for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad 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.

Subsequent Events

In preparing these financial statements, OAR of Fairfax County has evaluated events and transactions for potential recognition or disclosure through September 15, 2010, the date the financial statements were issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. None of these reclassifications, affected prior year change in net assets.

3. Accounts and Grants Receivable

For years ended June 30, 2010 and 2009, OAR of Fairfax County'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 OAR of Fairfax County is paid by local jurisdictions of Fairfax County and the Commonwealth of Virginia. At June 30, 2010 and 2009, \$50,583 and \$34,486, respectively, was receivable from these governmental agencies, which represents approximately 75% and 73%, respectively, of total accounts and grants receivable.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2010 and 2009

3. Accounts and Grants Receivable (continued)

In addition, for the years ended June 30, 2010 and 2009, OAR of Fairfax County recognized \$885,629 and \$787,251, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 57% and 55%, respectively, of total revenue.

4. Property and Equipment

OAR of Fairfax County held the following property and equipment at June 30:

	<u>2010</u>	<u>2009</u>
Computers and related equipments	\$ 50,516	\$ 50,516
Vehicle	14,747	14,747
Furniture and fixtures	<u>3,290</u>	<u>3,290</u>
Total property and equipment	68,553	68,553
Less: accumulated depreciation	<u>(51,023)</u>	<u>(43,361)</u>
Property and equipment, net	<u><u>\$ 17,530</u></u>	<u><u>\$ 25,192</u></u>

5. Concentration of Credit Risk

Financial instruments that potentially subject OAR of Fairfax County to significant concentrations of credit risk consist of cash and investments. OAR of Fairfax County maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). OAR of Fairfax County 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.

OAR of Fairfax County

Notes to Financial Statements June 30, 2010 and 2009

6. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at June 30:

	Total fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant observable inputs (level 3)
2010:				
Investments	\$ 6,065	\$ 6,065	\$ -	\$ -
2009:				
Investments	\$ 5,926	\$ 5,926	\$ -	\$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no level 2 or level 3 financial assets at June 30, 2010 and 2009.

7. Commitment

On August 11, 2009, OAR of Fairfax County entered into an operating lease for a new copier. Monthly payments are fixed at \$509 for the duration of the lease and include services. The lease was executed in conjunction with the termination of an existing copier lease.

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

2011	\$ 6,104
2012	6,104
2013	6,104
2014	6,104
2015	<u>509</u>
Future minimum lease payments	<u>\$ 24,925</u>

Expenses under these operating leases and service agreements for the years ended June 30, 2010 and 2009 were \$9,182 and \$10,536, respectively, and are reported as copier and lease maintenance expense in the accompanying supplemental schedules of functional expenses.

OAR of Fairfax County

Notes to Financial Statements

June 30, 2010 and 2009

8. Retirement Plan

OAR of Fairfax County has a 403(b) retirement plan (the Plan) in which all full-time employees are eligible to participate. Previously, OAR of Fairfax County made discretionary contributions equal 4% of each qualifying participant's compensation. Effective September 1, 2006, the Plan was amended whereby OAR of Fairfax County would match employee contributions on a dollar-for-dollar basis up to a maximum 4% of participant compensation.

Total expenses under the Plan were \$15,494 and \$19,442 for the years ended June 30, 2010 and 2009, respectively. These amounts are included in employee benefits expense in the accompanying supplemental schedules of functional expenses.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), OAR of Fairfax County 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, 2010 and 2009 as OAR of Fairfax County had no net unrelated business income. Contributions to the organization are deductible as provided in IRC Section 170(b)(1)(A)(vi). OAR of Fairfax County had no significant uncertain tax positions for the year ended June 30, 2010.

SUPPLEMENTAL INFORMATION

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2010

	Program Services			Total Program Services	Management and General	Total
	Transitional and Family Services	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 355,753	\$ 148,231	\$ 88,938	\$ 592,922	\$ 148,231	\$ 741,153
Occupancy	112,897	34,540	20,724	168,161	34,540	202,701
Employee benefits	40,291	16,788	10,073	67,152	16,789	83,941
Payroll taxes	30,692	12,788	7,673	51,153	12,788	63,941
Direct assistance	223,198	-	-	223,198	-	223,198
Contractual services	39,763	16,568	9,941	66,272	16,568	82,840
Insurance	1,393	580	348	2,321	581	2,902
Meetings and awards	6,303	2,626	1,576	10,505	2,626	13,131
Copier and lease maintenance	4,407	1,836	1,102	7,345	1,837	9,182
Telecommunications	8,712	3,630	2,178	14,520	3,630	18,150
Accounting	7,217	3,007	1,804	12,028	3,007	15,035
Program supplies and materials	3,492	1,455	873	5,820	1,456	7,276
Training	204	85	51	340	85	425
Office supplies	3,121	1,300	780	5,201	1,301	6,502
Other expenses	1,105	460	276	1,841	459	2,300
Depreciation	-	-	-	-	7,662	7,662
Printing and reproduction	2,667	1,111	667	4,445	1,111	5,556
Fees	1,804	752	451	3,007	750	3,757
Postage and shipping	1,430	596	357	2,383	596	2,979
Local travel	662	276	165	1,103	276	1,379
Dues and subscription	1,926	802	481	3,209	803	4,012
Total Expenses	<u>\$ 847,037</u>	<u>\$ 247,431</u>	<u>\$ 148,458</u>	<u>\$ 1,242,926</u>	<u>\$ 255,096</u>	<u>\$ 1,498,022</u>

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2009

	Program Services			Total Program Services	Management and General	Total
	Transitional and Family Services	Alternative Sentencing and Court	Volunteer			
Salaries	\$ 402,617	\$ 129,413	\$ 86,275	\$ 618,305	\$ 100,654	\$ 718,959
Occupancy	124,053	30,232	20,154	174,439	23,514	197,953
Employee benefits	51,653	16,603	11,069	79,325	12,913	92,238
Payroll taxes	31,529	10,135	6,756	48,420	7,882	56,302
Direct assistance	157,485	-	-	157,485	-	157,485
Contractual services	48,837	15,697	10,465	74,999	12,209	87,208
Insurance	2,510	807	538	3,855	627	4,482
Meetings and awards	5,263	1,691	1,128	8,082	1,316	9,398
Copier and lease maintenance	5,901	1,896	1,264	9,061	1,475	10,536
Telecommunications	9,029	2,902	1,935	13,866	2,257	16,123
Accounting	8,445	2,715	1,810	12,970	2,111	15,081
Program supplies and materials	4,284	1,377	918	6,579	1,071	7,650
Training	1,919	617	411	2,947	480	3,427
Office supplies	7,735	2,486	1,658	11,879	1,934	13,813
Other expenses	2,085	670	447	3,202	523	3,725
Depreciation	-	-	-	-	7,659	7,659
Printing and reproduction	4,089	1,314	876	6,279	1,022	7,301
Fees	2,921	939	626	4,486	730	5,216
Postage and shipping	2,362	759	506	3,627	590	4,217
Local travel	1,382	444	296	2,122	346	2,468
Dues and subscription	2,324	747	498	3,569	581	4,150
Total Expenses	\$ 876,423	\$ 221,444	\$ 147,630	\$ 1,245,497	\$ 179,894	\$ 1,425,391