

PRS, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended June 30, 2021
with Summarized Comparative Information
for the year ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PRS, Inc.
Oakton, Virginia

Opinion

We have audited the accompanying financial statements of PRS, Inc. (PRS), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 PRS as of June 30, 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.

Emphasis of Matter - Contingencies

As noted in Note 13 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to impact PRS' operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PRS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 PRS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 PRS' 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 PRS' 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.

Report on Summarized Comparative Information

We have previously audited PRS' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
September 28, 2021

PRS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021 (with Summarized Comparative Information as of June 30, 2020)

ASSETS

	2021			2020 Total
	Without Donor Restriction	With Donor Restriction	Total	
CURRENT ASSETS				
Cash	\$ 868,494	\$ -	\$ 868,494	\$ 1,286,739
Investments	14,491	-	14,491	13,193
Accounts receivable, net of allowance	667,673	-	667,673	509,936
Grants receivable	-	-	-	9,581
Promises to give	-	25,538	25,538	20,738
Prepaid expenses	54,475	-	54,475	53,023
TOTAL CURRENT ASSETS	1,605,133	25,538	1,630,671	1,893,210
PROPERTY AND EQUIPMENT, net	1,106,349	-	1,106,349	1,310,089
OTHER ASSETS				
Investments	2,447,673	117,030	2,564,703	1,995,506
Long-term promises to give, net of \$99 discount	-	19,832	19,832	39,702
Deferred compensation	100,523	-	100,523	65,250
Security deposit	35,966	-	35,966	39,200
TOTAL OTHER ASSETS	2,584,162	136,862	2,721,024	2,139,658
TOTAL ASSETS	\$ 5,295,644	\$ 162,400	\$ 5,458,044	\$ 5,342,957

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	\$ 70,104	\$ -	\$ 70,104	\$ 94,090
Accrued expenses	485,559	-	485,559	421,635
Deferred revenue	7,336	-	7,336	141,933
Paycheck Protection Program loan, current portion	-	-	-	470,865
Custodial accounts	6,835	-	6,835	6,931
Deferred compensation	100,523	-	100,523	65,250
Deferred rent	15,610	-	15,610	-
Deferred tenant allowance	18,554	-	18,554	18,554
TOTAL CURRENT LIABILITIES	704,521	-	704,521	1,219,258
	(704,520)			
LONG-TERM LIABILITIES				
Deferred tenant allowance, net of current portion	123,686	-	123,686	142,240
Deferred rent, net of current portion	405,819	-	405,819	426,045
Paycheck Protection Program loan, net of current portion	-	-	-	575,020
TOTAL LONG-TERM LIABILITIES	529,505	-	529,505	1,143,305
TOTAL LIABILITIES	1,234,026	-	1,234,026	2,362,563
COMMITMENTS AND CONTINGENCIES				
NET ASSETS	4,061,618	162,400	4,224,018	2,980,394
TOTAL LIABILITIES AND NET ASSETS	\$ 5,295,644	\$ 162,400	\$ 5,458,044	\$ 5,342,957

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021 (with Summarized Comparative Information for the year ended June 30, 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
SUPPORT AND REVENUE				
Government contracts and grants	\$ 6,406,557	\$ -	\$ 6,406,557	\$ 5,875,918
Contributions and other grants	1,467,214	17,050	1,484,264	1,423,838
Donated facilities and services	514,342	-	514,342	601,263
Consumer fees	87,396	-	87,396	101,218
Investment income	571,283	-	571,283	52,217
Rental income	29,585	-	29,585	24,823
Miscellaneous	1,109,725	-	1,109,725	24,773
Net assets released from restrictions	106,084	(106,084)	-	-
TOTAL SUPPORT AND REVENUE	10,292,186	(89,034)	10,203,152	8,104,050
EXPENSES				
Program	7,482,609	-	7,482,609	7,036,617
Management and general	1,300,061	-	1,300,061	1,255,911
Fundraising	176,858	-	176,858	174,764
TOTAL EXPENSES	8,959,528	-	8,959,528	8,467,292
CHANGE IN NET ASSETS	1,332,658	(89,034)	1,243,624	(363,242)
NET ASSETS, beginning of year	2,728,960	251,434	2,980,394	3,343,636
NET ASSETS, end of year	\$ 4,061,618	\$ 162,400	\$ 4,224,018	\$ 2,980,394

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021 (with Summarized Comparative Information for the year ended June 30, 2020)

	2021								2020	
	Psychosocial Rehabilitation	Community Services	CrisisLink	Peer Services	Other Program & Community Housing	Total Program	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,084,677	\$ 1,626,857	\$ 1,187,658	\$ 476,365	\$ 447,219	\$ 4,822,776	\$ 778,962	\$ 95,170	\$ 5,696,908	\$ 5,085,634
Fringe benefits	108,390	218,969	77,789	43,683	62,688	511,519	76,605	6,752	594,876	514,202
Payroll taxes	80,948	119,376	92,566	36,391	32,288	361,569	52,694	6,897	421,160	373,285
TOTAL PERSONNEL EXPENSES	1,274,015	1,965,202	1,358,013	556,439	542,195	5,695,864	908,261	108,819	6,712,944	5,973,121
Occupancy	596,146	23,103	49,194	-	75,932	744,375	148,007	-	892,382	917,950
Professional fees	52,203	76,986	34,017	-	109,929	273,135	67,402	20,056	360,593	496,631
Depreciation and amortization	108,367	17,812	5,450	-	51,486	183,115	5,939	-	189,054	220,789
Rental and maintenance	76,735	4,390	2,151	5,016	3,397	91,689	7,791	-	99,480	123,947
Other	39,652	13,884	6,102	2,241	31,140	93,019	9,454	25,692	128,165	156,406
Office supplies	13,101	6,519	9,839	2,492	2,502	34,453	66,377	14,678	115,508	132,099
Travel	2,216	8,980	-	35	6,116	17,347	244	148	17,739	60,343
Communications	38,702	18,060	50,489	5,863	2,766	115,880	24,610	-	140,490	117,092
Insurance	10,413	7,326	3,080	462	6,639	27,920	8,909	-	36,829	36,553
Conference and training	1,929	6,152	5,871	1,230	130	15,312	(573)	50	14,789	17,996
Accounting	-	-	-	-	-	-	49,161	-	49,161	23,873
Legal services	-	-	-	-	-	-	4,098	388	4,486	4,048
Advertising	283	445	35	229	-	992	335	7,027	8,354	4,253
Donated services	-	-	158,417	-	-	158,417	-	-	158,417	177,689
Interest	-	-	-	-	-	-	46	-	46	833
Loss on sale of asset	-	-	-	-	30,854	30,854	-	-	30,854	-
Bad debt expense	-	237	-	-	-	237	-	-	237	3,669
OTHER EXPENSES	939,747	183,894	324,645	17,568	320,891	1,786,745	391,800	68,039	2,246,584	2,494,171
TOTAL EXPENSES	\$ 2,213,762	\$ 2,149,096	\$ 1,682,658	\$ 574,007	\$ 863,086	\$ 7,482,609	\$ 1,300,061	\$ 176,858	\$ 8,959,528	\$ 8,467,292

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021 (with Comparative Information for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 8,318,301	\$ 8,414,931
Investment income	61,976	62,807
	<u>8,380,277</u>	<u>8,477,738</u>
Cash used in operations		
Payments to employees and suppliers	8,721,023	8,143,366
Interest paid	46	833
	<u>8,721,069</u>	<u>8,144,199</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(340,792)</u>	<u>333,539</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	297,473	752,412
Purchase of investments	(358,661)	(815,139)
Purchase of property	(16,169)	(141,783)
Amounts received for member funds	13	2,617
Amounts paid out for member funds	(109)	(1,488)
	<u>(77,453)</u>	<u>(203,381)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(77,453)</u>	<u>(203,381)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	1,045,885
Borrowing from line of credit	80,000	875,000
Repayment of line of credit	(80,000)	(875,000)
	<u>-</u>	<u>1,045,885</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>1,045,885</u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(418,245)	1,176,043
CASH AND RESTRICTED CASH, beginning of year	<u>1,286,739</u>	<u>110,696</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 868,494</u>	<u>\$ 1,286,739</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of Paycheck Protection Program Loan	\$ (1,045,885)	\$ -
Recognition of forgiveness of Paycheck Protection Program Loan	\$ 1,045,885	\$ -
Unrealized gain in market value of investments	(481,433)	(19,307)
Increase in investment value	481,433	19,307
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021 (with Comparative Information for the year ended June 30, 2020)

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
CHANGE IN NET ASSETS	<u>\$ 1,243,624</u>	<u>\$ (363,242)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	189,054	220,789
Non-cash occupancy costs	(23,170)	47,322
Realized and unrealized (gain) loss on investments	(509,307)	10,590
Loss on disposal of assets	30,855	-
Foregiveness of Paycheck Protection Program Loan	<u>(1,045,885)</u>	<u>-</u>
NET ADJUSTMENTS	<u>(1,358,453)</u>	<u>278,701</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH		
ASSETS		
Accounts receivable, net of allowance	(157,737)	208,012
Promises to give, net of discount	15,070	48,522
Grants receivable	9,581	-
Prepaid expenses	(1,452)	(17,413)
Deferred compensation	(35,273)	(19,981)
Security deposits	3,234	2,200
	<u>(166,577)</u>	<u>221,340</u>
LIABILITIES		
Accounts payable	(23,986)	10,467
Accrued expenses	63,924	60,459
Deferred revenue	(134,597)	106,564
Deferred compensation	35,273	19,250
	<u>(59,386)</u>	<u>196,740</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(225,963)</u>	<u>418,080</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (340,792)</u></u>	<u><u>\$ 333,539</u></u>

See Notes to Financial Statements.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

PRS, Inc. (PRS) is a Virginia nonprofit corporation established in 1963 to provide vocational and social rehabilitation programs for persons with serious mental illness in the DC Metropolitan area.

A brief description of major programs include:

The Psychosocial Rehabilitation program, also known as the Recovery Academy program, provides a curriculum-based day program that promotes movement out of PRS' facility-based programming and into meaningful community alternatives such as work, volunteering and school. Co-occurring disorder services and assistance with transition to community-based activities are also offered.

The Community Services Program includes Employment Services and Mental Health Skills-Building Services (MHSS). Employment Services provides support and training for clients who want to be competitively employed in the community to help them choose, get and keep jobs. MHSS provides individually tailored, community-based intensive skill building and support services to meet each client's unique needs, abilities and goals; and helps clients maintain their housing and maximize their stability.

The CrisisLink program brings immediate help, hope and healing to empower individuals facing serious life challenges, suicidal thoughts, and emotional or situational problems through programs including: 24/7 Crisis & Suicide Prevention hotline, crisis textline, CareRing (outbound calling support program), and community training and community education.

Peer Support Services are provided by individuals who have lived experience and are successful in their recovery. Peers use that lived experience to provide emotional, affiliation, instrumental, and informational support for others in their own recovery journey. At PRS, Peers are embedded within clinical programs and in independent programs serving as paraprofessionals - utilizing their lived experience and training to work alongside treatment teams. Family Peer Support Services are provided by a parent or guardian, with lived experience navigating the behavioral health and mental health system for their child. Family Peers utilize that experience to support other families in the community navigating the systems of care and facing similar challenges.

PRS provides several other critical community services. The Coordinated Specialty (CSC) program is a recovery-oriented treatment program for youth and young adults with first episode psychosis. CSC offers skill teaching, case management, supported employment, supported education, family education and support, peer support and psychiatric services. The Community Housing program provides non-time-limited housing and support to help clients live as independently as possible. Residents live in one of the housing residences supported by PRS. PRS also offers behavioral health Outpatient Services.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies

Basis of Accounting

PRS prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with PRS' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Adoption of New Accounting Standard

PRS has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2014-09, Revenue from Contracts with Customers, modifying ASC sections 606, 840, and 842, respectively. The change has been applied as of June 30, 2021, with no effect on beginning net assets without donor restrictions.

Cash and Cash Equivalents

For the purpose of reporting on the statement of cash flows, cash includes interest bearing and non-interest bearing demand deposit accounts. PRS does not consider the short-term investments contained in its investment portfolio to be cash equivalents. There are no cash equivalents as of June 30, 2021 and 2020.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give are recognized as support in the period the promise is made. Promises to give are expected to be fully collectible, and as of June 30, 2021 and 2020, no allowance for doubtful promises to give has been established. Discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable consists principally of amounts due to PRS for government and private contracts and services performed. No interest is accrued on receivables. A provision for doubtful accounts has been established using the allowance method based on management's evaluation of the collectability of receivables. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Management records an allowance based on the history of collectability and its efforts to collect outstanding balances. Management will write off receivables when they are deemed to be uncollectible after efforts to collect are exhausted. Management believes the allowance for doubtful accounts of \$0 as of June 30, 2021 and 2020, is adequate.

Property and Equipment

Property and equipment are reflected in the financial statements at cost. PRS capitalizes all fixed assets with a purchase price of \$1,000 or greater. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Routine repairs and maintenance are expensed as incurred.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair value. Unrealized gains and losses are included in investment income in the statement of activities.

PRS invests in a professionally managed portfolio that contains money market funds, mutual funds and exchange traded products. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Money market funds held in PRS' investment portfolio are available for the PRS' short term cash needs which may arise from time to time.

Custodial Accounts

Custodial accounts are consumer funds held in a custodial capacity to be disbursed in accordance with consumer instructions.

Deferred Revenue

Revenues billed or collected for which the services or function have not been fulfilled are reflected as deferred revenue.

Classes of Assets

In accordance with U.S. GAAP, net assets are classified into two categories: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction include operating net assets which are available for the general operations of PRS, as well as a Board designated Capital Expenditure and Emergency Fund with net assets set aside for capital expenditures or emergency use.

Net assets with donor restriction include net assets which are subject to donor-imposed restrictions for support of a particular program activity or represent contributions received from donors to be held in perpetuity. PRS maintains assets with donor restriction that consist of amounts contributed to fund various programs and projects. PRS does not maintain any assets that are held in perpetuity as of June 30, 2021 and 2020.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Revenue Recognition

PRS provides a multitude of services that assist patients with mental illness in the DC metropolitan area, but only a limited amount of services are directly engaged with a customer, including consumer fees. The large majority of income is government grants and contributions, which are utilized to support the general public, based off a budget provided.

Performance Obligations

Private pay agreements are recognized as the services are provided. The contract for private pay is established upon receipt of a signed agreement to identify which type of services the customer would like, in which case PRS provides personal services in the form of Community Support Services. These contracts can either have a standard hourly rate of \$95.5 per hour, or special case contracts have a monthly fixed fee, which would be indicated in the individual contracts. Refunds are not provided once services are performed.

Disaggregation of Revenue

PRS disaggregates revenue according to the type of revenue and whether the service is provided to personal users (customers) or the general public.

Significant Judgments

PRS' management determines the price for its private pay agreements each year.

Government Contracts and Grants

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the period. Revenue from service-based grants is recognized as the services are performed, in accordance with the budget provided from the grantor.

Contributions

Contributions are recorded as support without donor restriction or support with donor restriction. Categorization is based upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the nature of the restrictions is met within the reporting period. All other donor-restricted support is reported as an increase in net assets with donor restriction and then reclassified to net assets without donor restriction when the restrictions expire.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Donated Services

Donated materials and services represent the estimated fair value of materials and services provided. The contributions of services are recognized if the services received create non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Income Taxes

PRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and has been classified by the Internal Revenue Service (IRS) as other than a private foundation within the meaning of Section 509(a)(1) of the IRC. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. PRS has not engaged in any such activities during the years ended June 30, 2021 and 2020.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the PRS' tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Government Contracts and Grants

PRS participates in federal grant programs which are subject to financial and compliance audits by the federal agencies and their representatives. As such, there is a possibility that questioned costs might result from such an audit in the future. Management estimates that there are no material unallowable costs.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRS participates in a number of federally assisted programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit in the future.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Functional Expense Allocation

Expenses are charged directly to programs in general categories based on specific identification. Certain costs such as salaries and wages, fringe benefits, payroll taxes, professional fees, other, office supplies, travel, conference and training, and advertising have been allocated to programs, management and general, and fundraising expenses based on level of effort.

Liquidity

PRS maintains a liquid cash balance in checking accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

PRS has secured a line of credit up to \$500,000 to help manage cash flow. The outstanding balance is \$0 as of the year ended June 30, 2021. The line of credit expires August 5, 2022.

PRS reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of PRS's monthly financial reporting process.

PRS's financial assets available within one year to meet cash needs for general expenditures through June 30, 2022 are as follows:

Financial Assets	
Cash	\$ 868,494
Investments	2,579,194
Accounts receivable	667,673
Promises to give	45,370
Total financial assets	<u>\$ 4,160,731</u>
Less amounts not available within one year	
Purpose restricted net assets	(117,030)
Time restricted net assets	(45,370)
Board designated net assets	<u>(2,115,859)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 1,882,472</u></u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

2. CASH

Cash as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Checking	<u>\$ 868,494</u>	<u>\$ 1,286,739</u>

The amounts in excess of deposit insurance limits were \$374,358 and \$815,269 as of June 30, 2021 and 2020, respectively.

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Services performed	<u>\$ 667,673</u>	<u>\$ 509,936</u>

4. PROMISES TO GIVE

Promises to give as of June 30, 2021 and 2020 consisted of unconditional pledges and are due as follows:

	2021		
	Receivable in		
	Less than one year	One to five years	Total
Promises to give	\$ 25,538	\$ 19,931	\$ 45,469
Less: discount to present value at .5%	-	(99)	(99)
Total	<u>\$ 25,538</u>	<u>\$ 19,832</u>	<u>\$ 45,370</u>
	2020		
	Receivable in		
	Less than one year	One to five years	Total
Promises to give	\$ 20,738	\$ 40,000	\$ 60,738
Less: discount to present value at .5%	-	(298)	(298)
Total	<u>\$ 20,738</u>	<u>\$ 39,702</u>	<u>\$ 60,440</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

5. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the years ended June 30, 2021 and 2020 is as follows:

June 30, 2021					
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	163,867	(124,514)	15,643	39,353
Furniture and equipment	3 - 10	305,972	(273,954)	16,207	32,018
Building	40	326,738	(179,181)	8,165	147,557
Building improvements	3 - 20	467,502	(378,201)	31,725	89,301
Computer equipment and software	3 - 5	135,650	(127,469)	8,333	8,181
Leasehold improvements	5 - 10	1,279,046	(546,767)	108,981	732,279
		<u>\$ 2,736,435</u>	<u>\$ (1,630,086)</u>	<u>\$ 189,054</u>	<u>\$ 1,106,349</u>
June 30, 2020					
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	163,867	(108,871)	54,323	54,996
Furniture and equipment	3 - 10	304,803	(257,747)	15,022	47,056
Building	40	326,738	(171,010)	8,168	155,768
Building improvements	3 - 20	467,501	(346,476)	32,426	121,025
Computer equipment and software	3 - 5	120,650	(119,136)	778	1,514
Leasehold improvements	5 - 10	1,349,846	(477,736)	110,072	872,110
		<u>\$ 2,791,065</u>	<u>\$ (1,480,976)</u>	<u>\$ 220,789</u>	<u>\$ 1,310,089</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

6. INVESTMENTS

Investments are recorded at fair value and consist of the following as of June 30, 2021 and 2020:

	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 14,491	\$ 14,491	\$ -
Mutual funds			
Large value	275,785	361,732	85,947
Nontraditional bond	324,409	324,921	512
Small value	67,516	88,991	21,475
Foreign small/mid blend	81,767	141,909	60,142
Foreign large growth	115,587	148,387	32,800
Mid-cap growth	130,832	176,553	45,721
Diversified Emerging markets	137,911	202,739	64,828
Intermediate core-plus bond	285,027	294,520	9,493
Small growth	61,693	88,827	27,134
Mid-cap value	150,823	202,154	51,331
Foreign small/mid growth	51,261	81,794	30,533
Equity-traded products	271,686	452,176	180,490
	<u>\$ 1,968,788</u>	<u>\$ 2,579,194</u>	<u>\$ 610,406</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

6. INVESTMENTS (CONTINUED)

	2020		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 13,193	\$ 13,193	\$ -
Mutual funds			
Large value	154,185	151,907	(2,278)
Nontraditional bond	196,564	196,403	(161)
Small value	67,051	55,523	(11,528)
Foreign small/mid blend	81,366	92,509	11,143
Foreign large growth	114,032	107,725	(6,307)
Mid-cap growth	118,331	125,023	6,692
Diversified Emerging markets	137,254	147,613	10,359
Intermediate core-plus bond	237,840	249,318	11,478
Small growth	59,269	63,333	4,064
Mid-cap value	130,823	119,769	(11,054)
Foreign small/mid growth	49,730	60,883	11,153
Exchange-traded products	536,883	625,500	88,617
	<u>\$ 1,896,521</u>	<u>\$ 2,008,699</u>	<u>\$ 112,178</u>

The Board has designated and set aside a portion of its investment portfolio for capital expenditures and emergency fund use. For the years ended June 30, 2021 and 2020, Board designated funds were \$2,115,859 and \$1,606,831, respectively.

Investment income consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 61,976	\$ 62,807
Unrealized and realized gain (loss) on investments	509,307	(10,590)
	<u>\$ 571,283</u>	<u>\$ 52,217</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

7. FAIR VALUE MEASUREMENTS

PRS records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that PRS has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. PRS' assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

All investments as of June 30, 2021 and 2020 were considered to be classified as Level 1 investments.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

8. NET ASSETS WITH DONOR RESTRICTION

A summary of net assets with donor restriction for the years ended June 30, 2021 and 2020 is as follows:

	2021			Balance at June 30, 2021
	Balance at June 30, 2020	Revenue and Support	Released	
Hope Fund	\$ 95,038	\$ -	\$ 17,577	\$ 77,461
Mt. Vernon Kiwanis	640	2,050	-	2,690
TD Charitable Foundation	-	15,000	-	15,000
PTG	1,000	-	-	1,000
Community Foundation for Northern Virginia - Care-Ring	18,379	-	18,379	-
VA Dept Behavioral Health & Development Services	32,627	-	32,627	-
Peer Pilot	37,114	-	13,357	23,757
Arlington Comm Covid-19 Grant	6,636	-	4,144	2,492
Private multi-year donation	60,000	-	20,000	40,000
Total	\$ 251,434	\$ 17,050	\$ 106,084	\$ 162,400
	2020			Balance at June 30, 2020
	Balance at June 30, 2019	Revenue and Support	Released	
Hope Fund	\$ 103,387	\$ -	\$ 8,349	\$ 95,038
Mt. Vernon Kiwanis	450	2,050	1,860	640
McLean Rotary (Tysons RA equip)	1,081	-	1,081	-
PTG	1,000	-	-	1,000
Shenny Tomato Pledge	100,000	-	100,000	-
Community Foundation for Northern Virginia - Care-Ring	-	19,925	1,546	18,379
VA Dept Behavioral Health & Development Services - Trigger	1,300	-	1,300	-
VA Dept Behavioral Health & Development Services	-	75,389	42,762	32,627
Peer Pilot	50,000	-	12,886	37,114
Arlington Comm Covid-19 Grant	-	10,000	3,364	6,636
Private multi-year donation	-	60,000	-	60,000
Total	\$ 257,218	\$ 167,364	\$ 173,148	\$ 251,434

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

9. DONATED FACILITIES AND SERVICES

Fairfax County provides free rent for program service sites in Mt. Vernon on behalf of PRS. As required by U.S. GAAP, PRS recorded donated facilities support in the amount of \$355,925 and \$345,559 for the years ended June 30, 2021 and 2020, respectively.

The CrisisLink Hotline and textline is a 24 hour service and depends on the support of individuals who donate their time. As required by U.S. GAAP, PRS recorded donated services in the amount of \$158,417 and \$177,689 for the years ended June 30, 2021 and 2020, respectively.

Pro bono consulting services were also provided from January to June 2020. As required by U.S. GAAP, PRS recorded donated services in the amount of \$78,015 for the year ended June 30, 2020. No such services were donated for the year ended June 30, 2021.

Many volunteers have donated significant amounts of their time to PRS program services. The value of these contributions has not been reflected in the financial statements, as they did not meet the criteria for recognition, nor is a practical estimate available.

10. GOVERNMENT CONTRACTS AND GRANTS

Government contracts and grants revenue is as follows for the years ended June 30, 2020 and 2019:

	2021	2020
Fairfax County	\$ 2,986,164	\$ 2,548,568
Medicaid	1,061,367	1,164,463
Loudoun County	680,951	668,482
Arlington Community Services Board	835,242	524,377
Virginia Department of Health	502,941	373,956
United States Department of Housing and Urban Development	210,374	193,294
Virginia Department for Aging and Rehabilitative Services	129,518	172,474
DC Rehabilitation Services Administration	-	106,077
CCFP Grant	-	57,484
United States Department of Agriculture	-	48,537
Regional DAD Program	-	17,648
DC Department of Behavioral Health	-	558
	<u>\$ 6,406,557</u>	<u>\$ 5,875,918</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

11. EMPLOYEE BENEFIT PLANS

PRS offers a 403(b) deferred annuity plan for eligible employees. All employees are eligible to participate and make contributions to the plan as of the first day of employment. PRS matches employee contributions of 1% up to a maximum of 5% of eligible compensation. For the years ended June 30, 2021 and 2020, PRS contributed \$154,862 and \$133,776, respectively.

PRS also sponsors a deferred compensation plan under IRC Section 457(f). Eligible employees may elect to have amounts, subject to statutory limits, which are annually adjusted, withheld from their compensation and contributed to funds established for the employee's benefit. PRS does not contribute to the plan. Deferred compensation assets held by PRS under the plan totaled \$100,523 and \$65,250 for the years ended June 30, 2021 and 2020, respectively, and have been reflected within the statement of financial position as an asset and corresponding liability.

12. CONCENTRATIONS - REVENUE

For the years ended June 30, 2021 and 2020, PRS received \$4,047,531 (40%) and \$3,713,031 (46%), of total support and revenue from two sources, respectively. Consequently, any material declines in funding from these sources could have a significant negative impact on PRS' financial condition.

13. COMMITMENTS AND CONTINGENCIES

Revolving Line of Credit

PRS has a \$500,000 line of credit with BB&T Bank at a variable interest rate of 4.25% as of June 30, 2021 that will mature on August 5, 2022. The line of credit is secured by PRS' contract with Fairfax - Falls Church Community Services Board and by a priority interest in PRS' accounts receivable. As of June 30, 2021 and 2020, the outstanding balance on the line of credit was \$0. Interest expense related to this line of credit for the years ended June 30, 2021 and 2020 was \$46 and \$833, respectively.

Employment Agreement

PRS has entered into an employment agreement which includes a severance package. Under the terms of the agreement the organization could be required to pay severance of up to \$76,175 under circumstances of termination without cause.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Office Lease - Fairfax, Virginia

PRS has an operating lease agreement for space in Fairfax, VA. The term for the lease agreement is from September 1, 2017 through January 31, 2029. Rent payments did not begin until February 1, 2018. Rent expense was \$208,529 for the years ended June 30, 2021 and 2020, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2021 are as follows:

For the fiscal years ended:	
2022	\$ 217,586
2023	223,026
2024	228,601
2025	234,316
2026	240,174
2027 and thereafter	<u>647,831</u>
	<u>\$ 1,791,534</u>

Office Lease - Oakton, Virginia

PRS has an operating lease agreement for space in Oakton, VA. The term for the lease agreement is from April 1, 2018 through March 31, 2029. Rent expense was \$205,926 for the years ended June 30, 2021 and 2020, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2021 are as follows:

For the fiscal years ended:	
2022	\$ 212,479
2023	218,310
2024	224,290
2025	230,495
2026	236,834
2027 and thereafter	<u>684,756</u>
	<u>\$ 1,807,164</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 (with Summarized Comparative Information as of and for the year ended June 30, 2020)

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Housing Lease - Falls Church, Virginia

PRS entered into a housing lease agreement as a lessor for rental of a housing unit in Falls Church, VA. The lease commenced September 1, 2019 and expires August 31, 2022.

The estimated future minimum lease rental income under the lease agreement as of June 30, 2021 are as follows:

For the fiscal years ended:	
2022	\$ 26,400
2023	<u>4,400</u>
	<u>\$ 30,800</u>

Novel COVID-19 Coronavirus

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect PRS' operations because the disease's severity and duration are uncertain, we expect 2022 financial results will be significantly impacted and the implications beyond 2022, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

14. SUBSEQUENT EVENTS

In preparing these financial statements, PRS has evaluated events and transactions for potential recognition or disclosure through September 28, 2021, the date the financial statements were available to be issued.