

PRS, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended June 30, 2020
with Summarized Comparative Information
for the year ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of PRS, Inc. (PRS), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 PRS as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Subsequent Event

As noted in Note 15 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact PRS' operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Report on Summarized Comparative Information

We have previously audited PRS' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 29, 2020

PRS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020 (with Summarized Comparative Information as of June 30, 2019)

ASSETS

	2020			2019 Total
	Without Donor Restriction	With Donor Restriction	Total	
CURRENT ASSETS				
Cash	\$ 1,286,739	\$ -	\$ 1,286,739	\$ 110,696
Investments	13,193	-	13,193	38,541
Accounts receivable, net of allowance	509,936	-	509,936	727,529
Grants receivable	9,581	-	9,581	-
Promises to give	-	20,738	20,738	108,962
Prepaid expenses	53,023	-	53,023	35,610
TOTAL CURRENT ASSETS	<u>1,872,472</u>	<u>20,738</u>	<u>1,893,210</u>	<u>1,021,338</u>
PROPERTY AND EQUIPMENT, net	<u>1,310,089</u>	<u>-</u>	<u>1,310,089</u>	<u>1,389,095</u>
OTHER ASSETS				
Investments	1,804,512	190,994	1,995,506	1,918,021
Long-term promises to give, net of \$298 discount	-	39,702	39,702	-
Deferred compensation	65,250	-	65,250	45,269
Security deposit	39,200	-	39,200	41,400
TOTAL OTHER ASSETS	<u>1,908,962</u>	<u>230,696</u>	<u>2,139,658</u>	<u>2,004,690</u>
TOTAL ASSETS	<u>\$ 5,091,523</u>	<u>\$ 251,434</u>	<u>\$ 5,342,957</u>	<u>\$ 4,415,123</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 94,090	\$ -	\$ 94,090	\$ 83,623
Paycheck Protection Program loan, current portion	470,865	-	470,865	-
Accrued expenses	421,635	-	421,635	361,176
Deferred revenue	141,933	-	141,933	35,369
Custodial accounts	6,931	-	6,931	5,802
Deferred compensation	65,250	-	65,250	46,000
Deferred tenant allowance	18,554	-	18,554	18,554
TOTAL CURRENT LIABILITIES	<u>1,219,258</u>	<u>-</u>	<u>1,219,258</u>	<u>550,524</u>
LONG-TERM LIABILITIES				
Deferred tenant allowance, net of current portion	142,240	-	142,240	160,795
Deferred rent, net of current portion	426,045	-	426,045	360,168
Paycheck Protection Program loan, net of current portion	575,020	-	575,020	-
TOTAL LONG-TERM LIABILITIES	<u>1,143,305</u>	<u>-</u>	<u>1,143,305</u>	<u>520,963</u>
TOTAL LIABILITIES	<u>2,362,563</u>	<u>-</u>	<u>2,362,563</u>	<u>1,071,487</u>
COMMITMENTS AND CONTINGENCIES				
NET ASSETS	<u>2,728,960</u>	<u>251,434</u>	<u>2,980,394</u>	<u>3,343,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,091,523</u>	<u>\$ 251,434</u>	<u>\$ 5,342,957</u>	<u>\$ 4,415,123</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020 (with Summarized Comparative Information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
SUPPORT AND REVENUE				
Government contracts and grants	\$ 5,875,918	\$ -	\$ 5,875,918	\$ 6,068,362
Contributions and other grants	1,256,474	167,364	1,423,838	915,367
Donated facilities and services	601,263	-	601,263	485,603
Consumer fees	101,218	-	101,218	109,791
Investment income	52,217	-	52,217	82,476
Rental income	24,823	-	24,823	-
Miscellaneous	24,773	-	24,773	5,792
Net assets released from restrictions	173,148	(173,148)	-	-
TOTAL SUPPORT AND REVENUE	8,109,834	(5,784)	8,104,050	7,667,391
EXPENSES				
Program	7,036,617	-	7,036,617	6,432,384
Management and general	1,255,911	-	1,255,911	1,123,143
Fundraising	174,764	-	174,764	268,564
TOTAL EXPENSES	8,467,292	-	8,467,292	7,824,091
CHANGE IN NET ASSETS	(357,458)	(5,784)	(363,242)	(156,700)
NET ASSETS, beginning of year	3,086,418	257,218	3,343,636	3,500,336
NET ASSETS, end of year	\$ 2,728,960	\$ 251,434	\$ 2,980,394	\$ 3,343,636

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 (with Summarized Comparative Information for the year ended June 30, 2019)

	2020								2019	
	Psychosocial Rehabilitation	Community Housing	Community Services	CrisisLink	Other Program Services	Total Program	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,018,397	\$ 133,424	\$ 1,645,026	\$ 998,223	\$ 530,740	\$ 4,325,810	\$ 652,509	\$ 107,315	\$ 5,085,634	\$ 4,649,856
Fringe benefits	85,846	11,056	203,616	65,609	75,637	441,764	64,411	8,027	514,202	484,430
Payroll taxes	72,636	10,154	121,418	77,995	39,204	321,407	44,291	7,587	373,285	344,163
TOTAL PERSONNEL EXPENSES	1,176,879	154,634	1,970,060	1,141,827	645,581	5,088,981	761,211	122,929	5,973,121	5,478,449
Occupancy	601,690	64,145	51,262	50,905	-	768,002	149,948	-	917,950	932,100
Professional fees	66,785	1,282	75,982	45,423	100,634	290,106	187,358	19,167	496,631	297,706
Depreciation and amortization	144,531	45,941	20,090	4,804	-	215,366	5,423	-	220,789	167,254
Rental and maintenance	83,708	1,688	13,608	9,683	1,590	110,277	13,670	-	123,947	110,977
Other	61,735	45,351	13,549	7,597	146	128,378	7,512	20,516	156,406	202,103
Office supplies	18,534	504	9,511	23,774	3,819	56,142	65,840	10,117	132,099	144,876
Travel	7,951	7,522	38,994	529	4,202	59,198	1,096	49	60,343	95,113
Communications	38,775	-	20,956	27,928	4,163	91,822	25,270	-	117,092	107,046
Insurance	9,488	5,335	7,228	2,759	3,288	28,098	8,455	-	36,553	35,564
Conference and training	9,557	-	2,651	1,935	2,101	16,244	1,752	-	17,996	14,451
Accounting	-	-	-	-	-	-	23,873	-	23,873	36,977
Legal services	378	-	-	-	-	378	3,670	-	4,048	5,704
Advertising	425	-	1,005	493	344	2,267	-	1,986	4,253	11,954
Donated services	-	-	-	177,689	-	177,689	-	-	177,689	175,560
Interest	-	-	-	-	-	-	833	-	833	3,421
Loss on sale of asset	-	-	-	-	-	-	-	-	-	2,017
Bad debt expense	1,381	-	2,288	-	-	3,669	-	-	3,669	2,819
OTHER EXPENSES	1,044,938	171,768	257,124	353,519	120,287	1,947,636	494,700	51,835	2,494,171	2,345,642
TOTAL EXPENSES	\$ 2,221,817	\$ 326,402	\$ 2,227,184	\$ 1,495,346	\$ 765,868	\$ 7,036,617	\$ 1,255,911	\$ 174,764	\$ 8,467,292	\$ 7,824,091

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020 (with Comparative Information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 8,414,931	\$ 7,733,033
Investment income	62,807	73,122
	<u>8,477,738</u>	<u>7,806,155</u>
Total cash received from operations		
Cash used in operations		
Payments to employees and suppliers	8,143,366	7,488,958
Interest paid	833	3,421
	<u>8,144,199</u>	<u>7,492,379</u>
Total cash disbursed by operations		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>333,539</u>	<u>313,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	752,412	427,176
Purchase of investments	(815,139)	(495,308)
Purchase of property	(141,783)	(60,007)
Amounts received for member funds	2,617	2,238
Amounts paid out for member funds	(1,488)	(2,242)
NET CASH USED BY INVESTING ACTIVITIES	<u>(203,381)</u>	<u>(128,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	1,045,885	-
Borrowing from line of credit	875,000	2,915,000
Repayment of line of credit	(875,000)	(3,040,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>1,045,885</u>	<u>(125,000)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	1,176,043	60,633
CASH AND RESTRICTED CASH, beginning of year	<u>110,696</u>	<u>50,063</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 1,286,739</u>	<u>\$ 110,696</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized gain in market value of investments	\$ (19,307)	\$ (17,559)
Increase in investment value	19,307	17,559
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020 (with Comparative Information for the year ended June 30, 2019)

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	<u>\$ (363,242)</u>	<u>\$ (156,700)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	220,789	167,254
Non-cash occupancy costs	47,322	244,904
Realized and unrealized loss (gain) on investments	10,590	(9,354)
Loss on disposal of assets	-	2,017
	<u>278,701</u>	<u>404,821</u>
NET ADJUSTMENTS		
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable, net of allowance	208,012	48,181
Promises to give, net of discount	48,522	107,083
Prepaid expenses	(17,413)	(5,576)
Deferred compensation	(19,981)	(18,731)
Security deposits	2,200	-
	<u>221,340</u>	<u>130,957</u>
LIABILITIES		
Accounts payable	10,467	(93,579)
Accrued expenses	60,459	16,673
Deferred revenue	106,564	(7,146)
Deferred compensation	19,250	18,750
	<u>196,740</u>	<u>(65,302)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>418,080</u>	<u>65,655</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 333,539</u></u>	<u><u>\$ 313,776</u></u>

See Notes to Financial Statements.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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 Housing program provides non-time-limited housing and support to help clients live as independently as possible. Residents live in one of the supported housing residences operated by PRS.

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.

In addition to PRS' four key program areas, PRS staff work collaboratively, through contracts, with key community partners to provide other critical community services. Among these programs are Coordinated Specialty Care Services (CSC) and recovery-oriented treatment programs 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. Be Well, another collaborative program, integrates primary health care into behavioral health settings with the goal of improving physical health of adults living with serious mental illnesses.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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, 2019, from which the summarized information was derived.

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, 2020 and 2019.

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, 2020 and 2019, 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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

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, 2020 and 2019, 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.

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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

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, 2020 and 2019.

Revenue Recognition

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.

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the period. Revenue from services is recognized as the services are performed.

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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

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, 2020 and 2019.

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.

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.

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, occupancy, professional fees, depreciation and amortization, rental and maintenance, other, office supplies, travel, communications, insurance, conference and training, legal services and advertising have been allocated to programs, management and general, and fundraising expenses based on level of effort.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

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, 2020. The line of credit expires August 5, 2021.

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, 2021 are as follows:

Financial Assets	
Cash	\$ 1,286,739
Investments	2,008,699
Accounts receivable	509,936
Promises to give	60,440
Total financial assets	<u>\$ 3,865,814</u>
Less amounts not available within one year	
Purpose restricted net assets	(190,994)
Time restricted net assets	(60,440)
Board designated net assets	<u>(1,606,831)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 2,007,549</u></u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

2. CASH

Cash as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Checking	\$ 1,286,739	\$ 110,371
Cash on hand	-	325
	<u>\$ 1,286,739</u>	<u>\$ 110,696</u>

Uninsured cash balances totaled \$815,269 as of June 30, 2020. The bank balances were fully insured within the Federal Deposit Insurance Corporation deposit insurance limits as of June 30, 2019.

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Services performed	\$ 509,936	\$ 722,924
Contracts and grants	-	4,605
	<u>\$ 509,936</u>	<u>\$ 727,529</u>

4. PROMISES TO GIVE

Promises to give as of June 30, 2020 and 2019 consisted of unconditional pledges and are due as follows:

	<u>2020</u>		
	<u>Receivable in</u>		
	<u>Less than one year</u>	<u>One to five years</u>	<u>Total</u>
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>
	<u>2019</u>		
	<u>Receivable in</u>		
	<u>Less than one year</u>	<u>One to five years</u>	<u>Total</u>
Promises to give	\$ 108,962	\$ -	\$ 108,962

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

5. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the years ended June 30, 2020 and 2019 is as follows:

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	155,728
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>
June 30, 2019					
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	115,890	(107,138)	4,039	8,752
Furniture and equipment	3 - 10	299,123	(259,067)	12,971	40,056
Building	40	326,738	(162,842)	8,168	163,936
Building improvements	3 - 20	467,501	(314,050)	29,616	153,451
Computer equipment and software	3 - 5	119,650	(118,358)	3,125	1,292
Leasehold improvements	5 - 10	1,338,247	(374,259)	109,335	963,988
		<u>\$ 2,724,809</u>	<u>\$ (1,335,714)</u>	<u>\$ 167,254</u>	<u>\$ 1,389,095</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

6. INVESTMENTS

Investments are recorded at fair value and consist of the following as of June 30, 2020 and 2019:

	2020		
	Cost	Fair 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>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

6. INVESTMENTS (CONTINUED)

	2019		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 38,541	\$ 38,541	\$ -
Mutual funds			
Market neutral	70,156	69,753	(403)
Large value	152,207	167,649	15,442
Nontraditional bond	97,828	97,853	25
Small value	61,458	55,807	(5,651)
Foreign small/mid blend	135,669	132,698	(2,971)
Foreign large growth	141,104	139,294	(1,810)
Mid-cap growth	129,295	143,248	13,953
Emerging markets	133,144	150,154	17,010
Large growth	126,653	148,274	21,621
Ultrashort bond	96,483	96,475	(8)
Energy Limited partnership	94,390	91,180	(3,210)
Small growth	56,628	62,307	5,679
Mid-cap value	125,704	129,883	4,179
Foreign small/mid growth	71,789	77,961	6,172
Exchange-traded products	340,053	355,485	15,432
	<u>\$ 1,871,102</u>	<u>\$ 1,956,562</u>	<u>\$ 85,460</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, 2020 and 2019, Board designated funds were \$1,606,831 and \$1,658,743, respectively.

Investment income consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 62,807	\$ 73,122
Unrealized and realized (loss) gain on investments	(10,590)	9,354
	<u>\$ 52,217</u>	<u>\$ 82,476</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

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, 2020 and 2019 were considered to be classified as Level 1 investments.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

8. PAYCHECK PROTECTION PROGRAM LOAN

PRS received loan proceeds in the amount of \$1,045,885 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. PRS intends to use the proceeds for the purposes consistent with the PPP.

9. NET ASSETS WITH DONOR RESTRICTION

A summary of net assets with donor restriction for the years ended June 30, 2020 and 2019 is as follows:

	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, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

9. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

	2019			
	Balance at	Revenue and	Released	Balance at
	June 30, 2018	Support		June 30, 2019
Hope Fund	\$ 137,778	\$ -	\$ 34,391	\$ 103,387
Mt. Vernon Kiwanis	290	750	590	450
St. Lukes (Comm ed scholarships)	629	-	629	-
McLean Rotary (Tysons RA equip)	2,210	-	1,129	1,081
PTG	1,000	-	-	1,000
Shenny Tomato pledge	200,000	-	100,000	100,000
Individual donations	515	200	715	-
Community Foundation for Northern Virginia - Care-Ring	17,900	-	17,900	-
VA Dept Behavioral Health & Development Services	-	1,300	-	1,300
Peer Pilot	-	50,000	-	50,000
Total	<u>\$ 360,322</u>	<u>\$ 52,250</u>	<u>\$ 155,354</u>	<u>\$ 257,218</u>

10. 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 \$345,559 and \$310,043 for the years ended June 30, 2020 and 2019, 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 \$177,689 and \$175,560 for the years ended June 30, 2020 and 2019, 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, 2019.

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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

11. GOVERNMENT CONTRACTS AND GRANTS

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

	<u>2020</u>	<u>2019</u>
Fairfax County	\$ 2,548,568	\$ 2,594,627
Medicaid	1,164,463	1,393,017
Loudoun County	668,482	598,583
Arlington Community Services Board	524,377	505,299
Virginia Department of Health	373,956	-
United States Department of Housing and Urban Development	193,294	404,283
Virginia Department for Aging and Rehabilitative Services	158,801	207,313
DC Rehabilitation Services Administration	106,077	174,004
CCFP Grant	57,484	58,766
United States Department of Agriculture	48,537	67,308
Regional DAD Program	17,648	62,129
DARS	13,673	-
DC Department of Behavioral Health	558	3,033
	<u>\$ 5,875,918</u>	<u>\$ 6,068,362</u>

12. 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, 2020 and 2019, PRS contributed \$133,776 and \$117,346, 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 total \$65,250 for the year ended June 30, 2020 and have been reflected within the statement of financial position as an asset and corresponding liability.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

13. CONCENTRATIONS - REVENUE

For the years ended June 30, 2020 and 2019, PRS received \$3,713,031 (46%) and \$3,987,644 (52%), 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.

14. 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, 2020 that will mature on August 5, 2021. 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, 2020 and 2019, the outstanding balance on the line of credit was \$0. Interest expense related to this line of credit for the years ended June 30, 2020 and 2019 was \$833 and \$3,421, 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, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

14. 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 and \$208,529 for the years ended June 30, 2020 and 2019, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2020 are as follows:

For the fiscal years ended:	
2021	\$ 212,279
2022	217,586
2023	223,026
2024	228,601
2025	234,316
2026 and thereafter	<u>888,005</u>
	<u>\$ 2,003,813</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 and \$205,926 for the years ended June 30, 2020 and 2019, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2020 are as follows:

For the fiscal years ended:	
2021	\$ 206,792
2022	212,479
2023	218,310
2024	224,290
2025	230,495
2026 and thereafter	<u>921,590</u>
	<u>\$ 2,013,956</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Summarized Comparative Information as of and for the year ended June 30, 2019)

14. 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, 2020 are as follows:

For the fiscal years ended:	
2021	\$ 26,400
2022	26,400
2023	<u>4,400</u>
	<u>\$ 57,200</u>

Housing Leases - Alexandria, Virginia

PRS entered into a housing agreement as a lessor for four housing units in Alexandria, VA. The agreement commenced on April 1, 2020 and expires March 31, 2021. Future minimum lease rental income payments under the agreement as of June 30, 2020 total \$80,000.

15. SUBSEQUENT EVENTS

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the 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 2021 financial results will be significantly impacted and the implications beyond 2021, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.