

PRS, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS

Year Ended June 30, 2023
with Summarized Comparative Information
for the year ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PRS, Inc. (PRS), which comprise the statement of financial position as of June 30, 2023, 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, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 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 and *Government 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of PRS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PRS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PRS' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited PRS' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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, 2023

PRS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023 (with Summarized Comparative Information as of June 30, 2022)

	ASSETS			2022 Total
	2023		Total	
	Without Donor Restrictions	With Donor Restrictions		
CURRENT ASSETS				
Cash and restricted cash	\$ 329,254	\$ 249,326	\$ 578,580	\$ 2,572,966
Investments	1,047,857	-	1,047,857	47,271
Accounts receivable	2,706,130	-	2,706,130	1,388,702
Promises to give	-	2,852	2,852	21,731
Prepaid expenses	41,815	-	41,815	52,417
Grants receivable	-	-	-	15,288
TOTAL CURRENT ASSETS	<u>4,125,056</u>	<u>252,178</u>	<u>4,377,234</u>	<u>4,098,375</u>
PROPERTY AND EQUIPMENT, net	<u>816,618</u>	<u>-</u>	<u>816,618</u>	<u>976,273</u>
OTHER ASSETS				
Investments	3,021,074	-	3,021,074	2,162,259
Intangible assets, net	14,736	-	14,736	-
Operating right-of-use asset	1,784,448	-	1,784,448	-
Deferred compensation	90,194	-	90,194	82,317
Security deposit	38,936	-	38,936	38,936
TOTAL OTHER ASSETS	<u>4,949,388</u>	<u>-</u>	<u>4,949,388</u>	<u>2,283,512</u>
TOTAL ASSETS	<u>\$ 9,891,062</u>	<u>\$ 252,178</u>	<u>\$ 10,143,240</u>	<u>\$ 7,358,160</u>
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Accounts payable	\$ 67,361	\$ -	\$ 67,361	\$ 96,716
Accrued expenses	876,891	-	876,891	657,331
Deferred revenue	25,307	-	25,307	8,101
Custodial accounts	6,177	-	6,177	6,084
Deferred compensation	90,194	-	90,194	82,317
Operating lease liability	308,799	-	308,799	-
Deferred rent	-	-	-	26,881
Deferred tenant allowance	-	-	-	18,554
TOTAL CURRENT LIABILITIES	<u>1,374,729</u>	<u>-</u>	<u>1,374,729</u>	<u>895,984</u>
LONG-TERM LIABILITIES				
Operating lease liability, net	1,921,104	-	1,921,104	-
Deferred tenant allowance, net	-	-	-	105,132
Deferred rent, net	-	-	-	378,938
TOTAL LONG-TERM LIABILITIES	<u>1,921,104</u>	<u>-</u>	<u>1,921,104</u>	<u>484,070</u>
TOTAL LIABILITIES	<u>3,295,833</u>	<u>-</u>	<u>3,295,833</u>	<u>1,380,054</u>
COMMITMENTS AND CONTINGENCIES				
NET ASSETS	<u>6,595,229</u>	<u>252,178</u>	<u>6,847,407</u>	<u>5,978,106</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,891,062</u>	<u>\$ 252,178</u>	<u>\$ 10,143,240</u>	<u>\$ 7,358,160</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023 (with Summarized Comparative Information for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government contracts and grants	\$ 13,133,747	\$ -	\$ 13,133,747	\$ 9,610,153
Contributions and other grants	4,611,072	275,616	4,886,688	2,820,431
Donated facilities and services	588,765	-	588,765	541,601
Investment income	360,797	-	360,797	(369,321)
Miscellaneous	139,261	-	139,261	53,686
Consumer fees	35,215	-	35,215	37,126
Rental income	30,564	-	30,564	26,400
Net assets released from restrictions	202,748	(202,748)	-	-
TOTAL SUPPORT AND REVENUE	<u>19,102,169</u>	<u>72,868</u>	<u>19,175,037</u>	<u>12,720,076</u>
EXPENSES				
Program	15,718,950	-	15,718,950	9,195,766
Management and general	2,088,359	-	2,088,359	1,514,279
Fundraising	498,427	-	498,427	255,943
TOTAL EXPENSES	<u>18,305,736</u>	<u>-</u>	<u>18,305,736</u>	<u>10,965,988</u>
CHANGE IN NET ASSETS	796,433	72,868	869,301	1,754,088
NET ASSETS, beginning of year	<u>5,798,796</u>	<u>179,310</u>	<u>5,978,106</u>	<u>4,224,018</u>
NET ASSETS, end of year	<u>\$ 6,595,229</u>	<u>\$ 252,178</u>	<u>\$ 6,847,407</u>	<u>\$ 5,978,106</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023 (with Summarized Comparative Information for the year ended June 30, 2022)

	2023						2022			
	Program					Total Program	Support		Total	
	Psychosocial Rehabilitation	Community Services	CrisisLink	Peer Services	Other Program & Community Housing		Management and General	Fundraising		
Salaries and wages	\$ 917,815	\$ 1,904,098	\$ 7,037,180	\$ 763,789	\$ 658,775	\$ 11,281,657	\$ 1,015,454	\$ 144,505	\$ 12,441,616	\$ 7,044,793
Fringe benefits	90,535	231,224	536,181	88,870	78,840	1,025,650	101,404	15,085	1,142,139	637,718
Payroll taxes	79,706	164,763	684,692	68,835	56,101	1,054,097	84,724	10,884	1,149,705	553,204
TOTAL PERSONNEL EXPENSES	1,088,056	2,300,085	8,258,053	921,494	793,716	13,361,404	1,201,582	170,474	14,733,460	8,235,715
Professional fees	64,879	72,543	192,364	521	132,686	462,993	561,595	151,751	1,176,339	583,442
Occupancy	625,943	24,480	50,644	-	50,622	751,689	115,979	-	867,668	888,542
Communications	44,877	25,755	246,050	14,797	5,243	336,722	35,360	-	372,082	244,710
Donated services	-	-	225,140	-	-	225,140	-	-	225,140	181,360
Other	18,928	2,570	2,341	39	6,380	30,258	22,119	138,018	190,395	91,368
Office supplies	16,393	15,875	90,829	3,971	4,276	131,344	26,276	21,816	179,436	256,546
Depreciation and amortization	110,582	10,012	12,210	-	3,658	136,462	31,158	-	167,620	166,248
Rental and maintenance	95,514	7,972	32,978	1,869	14,979	153,312	16,287	-	169,599	153,616
Conference and training	17,644	2,534	16,624	5,139	795	42,736	20,629	50	63,415	25,869
Insurance	11,456	6,469	5,796	7,280	12,686	43,687	10,835	-	54,522	40,149
Travel	3,132	31,101	739	1,209	6,862	43,043	2,142	16	45,201	40,053
Accounting	-	-	-	-	-	-	39,514	-	39,514	33,071
Advertising	-	-	104	-	-	104	-	15,887	15,991	20,117
Legal services	-	-	-	-	-	-	4,883	415	5,298	3,929
Bad debt expense	-	56	-	-	-	56	-	-	56	-
Interest	-	-	-	-	-	-	-	-	-	1,253
OTHER EXPENSES	1,009,348	199,367	875,819	34,825	238,187	2,357,546	886,777	327,953	3,572,276	2,730,273
TOTAL EXPENSES	\$ 2,097,404	\$ 2,499,452	\$ 9,133,872	\$ 956,319	\$ 1,031,903	\$ 15,718,950	\$ 2,088,359	\$ 498,427	\$ 18,305,736	\$ 10,965,988

See Notes to Financial Statements.

PRS, INC.**STATEMENT OF CASH FLOWS****Year Ended June 30, 2023 (with Comparative Information for the year ended June 30, 2022)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 17,548,185	\$ 12,377,484
Investment income	93,243	120,589
	<u>17,641,428</u>	<u>12,498,073</u>
Total cash received from operations		
Cash used in operations		
Payments to employees and suppliers	18,021,359	10,635,179
Interest paid	-	1,253
	<u>18,021,359</u>	<u>10,636,432</u>
Total cash disbursed by operations		
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(379,931)</u>	<u>1,861,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,693,375	488,291
Purchase of investments	(3,285,222)	(608,537)
Purchase of property	(22,701)	(36,172)
Amounts received for member funds	452	716
Amounts paid out for member funds	(359)	(1,467)
	<u>(1,614,455)</u>	<u>(157,169)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	-	70,000
Repayment of line of credit	-	(70,000)
	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(1,994,386)	1,704,472
CASH AND RESTRICTED CASH, beginning of year	<u>2,572,966</u>	<u>868,494</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 578,580</u>	<u>\$ 2,572,966</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized (gain) loss in market value of investments	\$ (205,898)	\$ 596,922
Increase (decrease) in investment value	205,898	(596,922)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023 (with Comparative Information for the year ended June 30, 2022)

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS	<u>\$ 869,301</u>	<u>\$ 1,754,088</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	167,620	166,248
Non-cash occupancy costs	(84,050)	(34,164)
Realized and unrealized (gain) loss on investments	<u>(267,554)</u>	<u>489,910</u>
NET ADJUSTMENTS	<u>(183,984)</u>	<u>621,994</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH		
ASSETS		
Accounts receivable	(1,317,428)	(736,317)
Promises to give	18,879	23,639
Grants receivable	15,288	-
Prepaid expenses	10,602	2,058
Deferred compensation	(7,877)	-
Security deposits	<u>-</u>	<u>(2,970)</u>
NET CHANGES IN ASSETS	<u>(1,280,536)</u>	<u>(713,590)</u>
LIABILITIES		
Accounts payable	(29,355)	26,612
Accrued expenses	219,560	171,772
Deferred revenue	17,206	765
Deferred compensation	<u>7,877</u>	<u>-</u>
NET CHANGES IN LIABILITIES	<u>215,288</u>	<u>199,149</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(1,065,248)</u>	<u>(514,441)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (379,931)</u></u>	<u><u>\$ 1,861,641</u></u>

See Notes to Financial Statements.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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 Virginia.

A brief description of major programs include:

The Psychosocial Rehabilitation program, also known as the Recovery Academy program and the Community Readiness Support Program (CRSP), 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, and chatline. PRS is part of the 988 Suicide and Crisis Lifeline Network - answering calls in Virginia, and nationally as a National Back-up Center and Core Chat Center. PRS also serves as the Regional Crisis Call Center in four of the five Health Planning Regions (HPRs) in the Commonwealth of Virginia.

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, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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

Organization and Purpose (Continued)

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.

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 and 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, 2022, 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, 2023 and 2022.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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 no allowance for doubtful promises to give has been established as of June 30, 2023 and 2022, respectively. 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 consist principally of amounts due to PRS for government and private contracts and services performed. No interest is accrued on receivables. No provision for doubtful accounts has been established 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, 2023 and 2022 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.

Intangible Assets

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life ranging from 3 to 5 years. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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 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 Restrictions

Net assets without donor restriction include operating net assets that 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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

Classes of Assets (Continued)

Net Assets With Donor Restrictions

Net assets with donor restriction include net assets that are subject to donor-imposed restrictions for support of a particular program activity, have time restrictions, 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, 2023 and 2022.

Revenue Recognition

PRS provides a multitude of services that assist patients with mental illness in Virginia, 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 on a budget provided.

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.

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. These contracts can either have a standard hourly rate or unit rate or monthly fixed fee as specified in special-case contracts. Refunds are not provided once services are performed.

Significant Judgments

PRS' management determines and negotiates 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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

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.

Donated Services and In-Kind Contributions

Donated facilities and services represent the estimated fair value of rent and services provided on the date of receipt. 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. Donated services and in-kind contributions are reported in the Statement of Activities as both revenue and expense.

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, 2023 and 2022.

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 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 that 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.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

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.

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, conference and training, and travel have been allocated to programs, management and general, and fundraising expenses based on level of effort. Occupancy, communications, depreciation and amortization, rental and maintenance, and insurance have been allocated to programs and management and general based on level of effort. Advertising has been allocated to program and fundraising while legal services has been allocated to management and general and fundraising based on level of effort. Donated services and bad debt expense have been allocated solely to program while accounting has been allocated to management and general based on level of effort.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

PRS adopted ASU 2016-02 as of July 1, 2022. As a result, the statement of financial position as of June 30, 2023 includes the right-of-use asset and operating lease liability, which are not reflected in the statement of financial position as of June 30, 2022. There was no effect on beginning net assets without donor restrictions.

PRS elected to apply all practical expedients available under the ASU, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

Liquidity and Availability of Assets

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 \$800,000 to help manage cash flow. The outstanding balance is \$0 as of the year ended June 30, 2023. The line of credit expires April 6, 2024.

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, 2024 are as follows:

Financial Assets	
Cash	\$ 578,580
Investments	4,068,931
Accounts receivable	2,706,130
Total financial assets	<u>\$ 7,353,641</u>
Less amounts not available within one year	
Purpose restricted net assets	(249,326)
Board designated net assets	<u>(1,892,887)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 5,211,428</u></u>

2. CASH

Cash as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Checking	<u>\$ 578,580</u>	<u>\$ 2,572,966</u>

The checking accounts are insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000. The amounts in excess of deposit insurance limits were \$395,054 and \$2,115,175 as of June 30, 2023 and 2022, respectively. Restricted cash as of June 30, 2023 and 2022 totaled \$252,178 and \$179,310.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

3. ACCOUNTS RECEIVABLE

Receivables at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Services performed	\$ 2,544,569	\$ 1,388,702
Accrued revenue	161,560	-
	<u>\$ 2,706,129</u>	<u>\$ 1,388,702</u>

4. GRANTS RECEIVABLE

Grant receivables at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Nonprofit organizations	<u>\$ -</u>	<u>\$ 15,288</u>

5. PROMISES TO GIVE

Promises to give as of June 30, 2023 and 2022 consisted of unconditional pledges and are due as follows:

	2023		
	Receivable in		
	Less than one year	One to five years	Total
Promises to give	<u>\$ 2,852</u>	<u>\$ -</u>	<u>\$ 2,852</u>

	2022		
	Receivable in		
	Less than one year	One to five years	Total
Promises to give	<u>\$ 21,731</u>	<u>\$ -</u>	<u>\$ 21,731</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

5. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the years ended June 30, 2023 and 2022 is as follows:

	Estimated useful life (years)	2023			
		Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	163,867	(149,077)	14,964	14,790
Furniture and equipment	3 - 10	330,461	(302,805)	17,184	27,656
Building	40	326,738	(195,518)	8,168	131,220
Building improvements	3 - 20	467,502	(418,090)	17,474	49,412
Leasehold improvements	5 - 10	1,279,046	(743,166)	97,951	535,880
		<u>\$ 2,625,274</u>	<u>\$ (1,808,656)</u>	<u>\$ 155,741</u>	<u>\$ 816,618</u>
2022					
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	163,867	(134,113)	9,599	29,754
Furniture and equipment	3 - 10	311,260	(289,123)	15,168	22,137
Building	40	326,738	(187,349)	8,168	139,389
Building improvements	3 - 20	467,502	(400,616)	22,415	66,886
Computer equipment and software	3 - 5	166,534	(139,918)	12,449	26,616
Leasehold improvements	5 - 10	1,279,046	(645,215)	98,449	633,831
		<u>\$ 2,772,607</u>	<u>\$ (1,796,334)</u>	<u>\$ 166,248</u>	<u>\$ 976,273</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

6. INTANGIBLE ASSETS

Intangible asset costs and amortization for the year ended June 30, 2023 is as follows:

	Estimated useful life (years)	Cost	Accumulated amortization	Amortization expense	Book Value
Website and software	3 - 4	<u>\$ 166,534</u>	<u>\$ (151,798)</u>	<u>\$ 11,879</u>	<u>\$ 14,736</u>

7. INVESTMENTS

Investments are recorded at fair value and consist of the following as of June 30, 2023 and 2022:

	2023		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	<u>\$ 1,080,080</u>	<u>\$ 1,080,080</u>	<u>\$ -</u>
Mutual funds			
Diversified emerging markets	211,617	217,163	5,546
Large value	209,318	226,352	17,034
Nontraditional bond	92,281	87,642	(4,639)
Foreign small/mid blend	212,947	224,243	11,296
Intermediate core-plus bond	509,438	185,290	(324,148)
Foreign large growth	161,787	450,983	289,196
Mid-cap blend	176,872	171,083	(5,789)
Equity-traded products	<u>1,155,184</u>	<u>1,426,095</u>	<u>270,911</u>
	<u>\$ 3,809,524</u>	<u>\$ 4,068,931</u>	<u>\$ 259,407</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

7. INVESTMENTS (CONTINUED)

	2022		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 47,271	\$ 47,271	\$ -
Mutual funds			
Diversified emerging markets	147,219	132,060	(15,159)
Large value	303,571	324,967	21,396
Nontraditional bond	267,096	257,276	(9,820)
Foreign small/mid blend	72,215	72,683	468
Intermediate core-plus bond	330,890	283,770	(47,120)
Foreign large growth	119,600	121,157	1,557
Mid-cap growth	112,810	108,689	(4,121)
Small growth	42,326	39,495	(2,831)
Mid-cap value	106,763	123,140	16,377
Foreign small/mid growth	61,009	47,708	(13,301)
Small value	43,908	46,859	2,951
Exchange-traded products	517,369	604,455	87,086
	<u>\$ 2,172,047</u>	<u>\$ 2,209,530</u>	<u>\$ 37,483</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, 2023 and 2022, Board designated funds were \$1,892,887 and \$1,625,696, respectively.

Investment income consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 93,243	\$ 120,589
Unrealized and realized (loss) gain on investments	267,554	(489,910)
	<u>\$ 360,797</u>	<u>\$ (369,321)</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

8. 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, 2023 and 2022 were considered to be classified as Level 1 investments.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

9. NET ASSETS WITH DONOR RESTRICTION

A summary of net assets with donor restriction for the years ended June 30, 2023 and 2022 is as follows:

	2023			Balance at June 30, 2023
	Balance at June 30, 2022	Revenue and Support	Released	
Golf Tournament - Outpatient	\$ -	\$ 85,616	\$ -	\$ 85,616
Hope Fund	71,988	-	7,436	64,552
Access Hope	72,252	150,000	167,556	54,696
Washington Forrest Foundation	-	30,000	364	29,636
Peer Pilot	12,678	-	-	12,678
TD Charitable Foundation	-	10,000	5,000	5,000
Arlington Comm Covid-19 Grant	2,392	-	2,392	-
Private multi-year donation	20,000	-	20,000	-
Total	<u>\$ 179,310</u>	<u>\$ 275,616</u>	<u>\$ 202,748</u>	<u>\$ 252,178</u>

	2022			Balance at June 30, 2022
	Balance at June 30, 2021	Revenue and Support	Released	
Hope Fund	\$ 77,461	\$ -	\$ 5,473	\$ 71,988
Mt. Vernon Kiwanis	2,690	-	2,690	-
TD Charitable Foundation	15,000	-	15,000	-
PTG	1,000	-	1,000	-
Access Hope	-	208,095	135,843	72,252
Peer Pilot	23,757	-	11,079	12,678
Arlington Comm Covid-19 Grant	2,492	-	100	2,392
Private multi-year donation	40,000	-	20,000	20,000
Total	<u>\$ 162,400</u>	<u>\$ 208,095</u>	<u>\$ 191,185</u>	<u>\$ 179,310</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

10. GIFTS-IN-KIND - DONATED FACILITIES AND SERVICES

Gifts-in-kind consist of donated facilities provided by Fairfax County for program service sites in Mt. Vernon. In addition, it consists of volunteers providing their time as part of the 24-hour service that is the CrisisLink hotline and textline program. Due to the nature of these nonfinancial assets, the services and facility usage were all utilized in the period received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated facilities consist of a value estimate that is provided by the real estate firm managing the facility on an annual basis. For donated services, inputs consist of the volunteer hourly rate set by management, which is \$20 for the year ended June 30, 2023 and 2022, and the total volunteer hours in a fiscal year.

A summary of donated facilities and services for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Donated facilities	\$ 363,625	\$ 360,241
Donated volunteer hours	<u>225,140</u>	<u>181,360</u>
Total donated facilities and services	<u>\$ 588,765</u>	<u>\$ 541,601</u>

Many other 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.

11. GOVERNMENT CONTRACTS AND GRANTS

Government contracts and grants revenue is as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fairfax County	\$ 2,838,064	\$ 3,110,600
Health Planning Regions	4,602,316	2,633,633
Medicaid	1,309,227	1,370,194
Arlington Community Services Board	790,443	834,647
Loudoun County	754,822	720,074
Virginia Department of Health	428,539	619,722
Virginia Department of Behavioral Health and Developmental Services	891,231	50,204
United States Department of Housing and Urban Development	164,785	173,585
Virginia Department for Aging and Rehabilitative Services	112,992	97,494
SAMHSA VACBP	19,826	22,330
SAMHSA/Vibrant Emotional Health	<u>1,221,502</u>	<u>-</u>
	<u>\$ 13,133,747</u>	<u>\$ 9,610,153</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

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, 2023 and 2022, PRS contributed \$229,238 and \$152,183, 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 \$90,194 and \$82,317 for the years ended June 30, 2023 and 2022, respectively, and have been reflected within the statement of financial position as an asset and corresponding liability.

13. CONCENTRATIONS - REVENUE

For the years ended June 30, 2023 and 2022, PRS received \$4,147,291 (22%) and \$4,480,794 (35%), 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. LEASES

Operating 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. Under the terms of the lease, PRS received a leasehold improvement allowance of \$102,600, which will be amortized over the life of the lease. The rate used for the lease is the Treasury bill rate which was 2.78% as of the date of transition. The rate reflects the risk-free rate for PRS and is the coupon equivalent or investment yield for a 52-week bill. It is based on the purchase price, discount and a 365- or 366-day year. Rent expense was \$223,026 and \$208,529 for the years ended June 30, 2023 and 2022, respectively. There are no renewal or termination clauses within the lease. Neither option is considered reasonably certain for the calculation of the related right-of-use asset and lease liability. The right-of-use asset balance is \$1,029,251 as of June 30, 2023 for the lease.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

14. LEASES (CONTINUED)

Operating Office Lease - Fairfax, Virginia (Continued)

The estimated future minimum lease payments under the lease agreement as of June 30, 2023 are as follows:

For the fiscal years ended:

2024	\$ 228,601
2025	234,316
2026	240,174
2027	246,179
2028	252,333
2029	149,320
	<u>\$ 1,350,923</u>

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended June 30, 2023 is as follows:

Undiscounted future cash flows	\$ 1,350,923
Less: discount to present value	<u>(103,164)</u>
Operating lease liability	<u>\$ 1,247,759</u>

Operating 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. Under the terms of the lease, PRS received a leasehold improvement allowance of \$101,496, which will be amortized over the life of the lease. The rate explicit in the lease is 12%. Rent expense was \$218,310 and \$205,926 for the years ended June 30, 2023 and 2022, respectively. The lease contains renewal clauses; however, the option is not considered reasonably certain to be exercised for the calculation of the related right-of-use asset and lease liability. The right-of-use asset balance as of June 30, 2023 was \$755,197.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

14. LEASES (CONTINUED)

Operating Office Lease - Oakton, Virginia (Continued)

The estimated future minimum lease payments under the lease agreement as of June 30, 2023 are as follows:

For the fiscal years ended:

2024	\$ 224,290
2025	230,495
2026	236,834
2027	243,347
2028	250,039
2029	191,371
	<u>\$ 1,376,376</u>

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended June 30, 2023 is as follows:

Undiscounted future cash flows	\$ 1,376,376
Less: discount to present value	<u>(394,233)</u>
Operating lease liability	<u>\$ 982,143</u>

Housing Sublease - Falls Church, Virginia

PRS entered into a housing sublease agreement as a lessor for rental of a housing unit in Falls Church, VA. The lease commenced September 1, 2022 and expires August 31, 2024. The base monthly rent is \$2,500. Sublease income was \$30,564 and \$26,400 for the years ended June 30, 2023 and 2022, respectively.

The estimated future minimum lease rental income under the lease agreement as of June 30, 2023 is as follows:

For the fiscal year ended:

2024	\$ 30,000
2025	5,000
	<u>\$ 35,000</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Summarized Comparative Information as of and for the year ended June 30, 2022)

14. LEASES (CONTINUED)

Quantitative disclosures related to leases for the year ended June 30, 2023 are as follows:

Lease cost:	
Operating lease cost	\$ 441,336
Sublease income	<u>(30,564)</u>
Total lease cost	<u>\$ 410,772</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash outflows from operating leases	\$ 441,336
Weighted-average remaining lease term - operating leases	5.6 years
Weighted-average discount rate - operating leases	6.8%

15. COMMITMENTS AND CONTINGENCIES

Revolving Line of Credit

PRS has a \$800,000 line of credit with Truist Bank at a variable interest rate of 4% as of June 30, 2023 that will mature on April 6, 2024. 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, 2023 and 2022, the outstanding balance on the line of credit was \$0. Interest expense related to this line of credit for the years ended June 30, 2023 and 2022, was \$0 and \$1,253, respectively.

Employment Agreement

PRS has entered into an employment agreement that includes a severance package. Under the terms of the agreement, the organization could be required to pay severance of up to \$103,300 under circumstances of termination without cause.

16. SUBSEQUENT EVENTS

In preparing these financial statements, PRS has evaluated events and transactions for potential recognition or disclosure through September 28, 2023, the date the financial statements were available to be issued.