

**PRS, INC.**  
**(a nonprofit organization)**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**  
**with Summarized Comparative Information**  
**for the year ended June 30, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of PRS, Inc. (PRS), which comprise the statement of financial position as of June 30, 2022, 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, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter - Contingencies**

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PRS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PRS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PRS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Summarized Comparative Information

We have previously audited PRS' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 26, 2022

PRS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022 (with Summarized Comparative Information as of June 30, 2021)

ASSETS

	2022		2021	
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>CURRENT ASSETS</b>				
Cash and restricted cash	\$ 2,415,387	\$ 157,579	\$ 2,572,966	\$ 868,494
Investments	47,271	-	47,271	14,491
Accounts receivable, net of allowance	1,388,702	-	1,388,702	667,673
Grants receivable	15,288	-	15,288	-
Promises to give	-	21,731	21,731	25,538
Prepaid expenses	52,417	-	52,417	54,475
<b>TOTAL CURRENT ASSETS</b>	<b>3,919,065</b>	<b>179,310</b>	<b>4,098,375</b>	<b>1,630,671</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>976,273</b>	<b>-</b>	<b>976,273</b>	<b>1,106,349</b>
<b>OTHER ASSETS</b>				
Investments	2,162,259	-	2,162,259	2,564,703
Long-term promises to give, net of \$99 discount	-	-	-	19,832
Deferred compensation	82,317	-	82,317	100,523
Security deposit	38,936	-	38,936	35,966
<b>TOTAL OTHER ASSETS</b>	<b>2,283,512</b>	<b>-</b>	<b>2,283,512</b>	<b>2,721,024</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,178,850</b>	<b>\$ 179,310</b>	<b>\$ 7,358,160</b>	<b>\$ 5,458,044</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 96,716	\$ -	\$ 96,716	\$ 70,104
Accrued expenses	657,331	-	657,331	485,559
Deferred revenue	8,101	-	8,101	7,336
Custodial accounts	6,084	-	6,084	6,835
Deferred compensation	82,317	-	82,317	100,523
Deferred rent	26,881	-	26,881	15,610
Deferred tenant allowance	18,554	-	18,554	18,554
<b>TOTAL CURRENT LIABILITIES</b>	<b>895,984</b>	<b>-</b>	<b>895,984</b>	<b>704,521</b>
<b>LONG-TERM LIABILITIES</b>				
Deferred tenant allowance, net of current portion	105,132	-	105,132	123,686
Deferred rent, net of current portion	378,938	-	378,938	405,819
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>484,070</b>	<b>-</b>	<b>484,070</b>	<b>529,505</b>
<b>TOTAL LIABILITIES</b>	<b>1,380,054</b>	<b>-</b>	<b>1,380,054</b>	<b>1,234,026</b>
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>NET ASSETS</b>	<b>5,798,796</b>	<b>179,310</b>	<b>5,978,106</b>	<b>4,224,018</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,178,850</b>	<b>\$ 179,310</b>	<b>\$ 7,358,160</b>	<b>\$ 5,458,044</b>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022 (with Summarized Comparative Information for the year ended June 30, 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>SUPPORT AND REVENUE</b>				
Government contracts and grants	\$ 9,610,153	\$ -	\$ 9,610,153	\$ 6,406,557
Contributions and other grants	2,612,336	208,095	2,820,431	1,484,264
Donated facilities and services	541,601	-	541,601	514,342
Consumer fees	37,126	-	37,126	87,396
Investment income	(369,321)	-	(369,321)	571,283
Rental income	26,400	-	26,400	29,585
Miscellaneous	53,686	-	53,686	1,109,725
Net assets released from restrictions	191,185	(191,185)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>12,703,166</u>	<u>16,910</u>	<u>12,720,076</u>	<u>10,203,152</u>
<b>EXPENSES</b>				
Program	9,195,766	-	9,195,766	7,482,609
Management and general	1,514,279	-	1,514,279	1,300,061
Fundraising	255,943	-	255,943	176,858
<b>TOTAL EXPENSES</b>	<u>10,965,988</u>	<u>-</u>	<u>10,965,988</u>	<u>8,959,528</u>
<b>CHANGE IN NET ASSETS</b>	1,737,178	16,910	1,754,088	1,243,624
<b>NET ASSETS, beginning of year</b>	<u>4,061,618</u>	<u>162,400</u>	<u>4,224,018</u>	<u>2,980,394</u>
<b>NET ASSETS, end of year</b>	<u>\$ 5,798,796</u>	<u>\$ 179,310</u>	<u>\$ 5,978,106</u>	<u>\$ 4,224,018</u>

See Notes to Financial Statements.

PRS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022 (with Summarized Comparative Information for the year ended June 30, 2021)

	2022						2021			
	Program					Total Program	Support		Total	Total
	Psychosocial Rehabilitation	Community Services	CrisisLink	Peer Services	Other Program & Community Housing		Management and General	Fundraising		
Salaries and wages	\$ 926,700	\$ 1,750,798	\$ 2,332,092	\$ 612,086	\$ 523,018	\$ 6,144,694	\$ 781,262	\$ 118,837	\$ 7,044,793	\$ 5,696,908
Fringe benefits	82,782	228,942	96,319	84,448	66,317	558,808	69,051	9,859	637,718	594,876
Payroll taxes	71,890	133,438	198,068	47,262	39,580	490,238	54,289	8,677	553,204	421,160
<b>TOTAL PERSONNEL EXPENSES</b>	<b>1,081,372</b>	<b>2,113,178</b>	<b>2,626,479</b>	<b>743,796</b>	<b>628,915</b>	<b>7,193,740</b>	<b>904,602</b>	<b>137,373</b>	<b>8,235,715</b>	<b>6,712,944</b>
Occupancy	615,816	23,741	50,576	-	46,612	736,745	151,797	-	888,542	892,382
Professional fees	51,046	80,934	59,055	-	125,555	316,590	222,368	44,484	583,442	360,593
Office supplies	24,744	15,440	74,601	4,006	4,110	122,901	113,223	20,422	256,546	115,508
Communications	41,541	18,559	145,597	9,374	4,175	219,246	25,464	-	244,710	140,490
Donated services	-	-	181,360	-	-	181,360	-	-	181,360	158,417
Depreciation and amortization	103,701	9,230	12,953	-	34,293	160,177	6,071	-	166,248	189,054
Rental and maintenance	95,310	4,032	27,826	3,393	3,081	133,642	19,974	-	153,616	99,480
Other	21,763	4,593	2,851	-	12,779	41,986	15,668	33,714	91,368	128,165
Insurance	10,557	5,996	2,978	2,906	8,529	30,966	9,183	-	40,149	36,829
Travel	1,767	30,755	-	177	5,783	38,482	1,507	64	40,053	17,739
Accounting	-	-	-	-	-	-	33,071	-	33,071	49,161
Conference and training	8,878	8,476	100	1,598	50	19,102	6,567	200	25,869	14,789
Advertising	215	371	52	191	-	829	-	19,288	20,117	8,354
Legal services	-	-	-	-	-	-	3,531	398	3,929	4,486
Interest	-	-	-	-	-	-	1,253	-	1,253	46
Loss on sale of asset	-	-	-	-	-	-	-	-	-	30,854
Bad debt expense	-	-	-	-	-	-	-	-	-	237
<b>OTHER EXPENSES</b>	<b>975,338</b>	<b>202,127</b>	<b>557,949</b>	<b>21,645</b>	<b>244,967</b>	<b>2,002,026</b>	<b>609,677</b>	<b>118,570</b>	<b>2,730,273</b>	<b>2,246,584</b>
<b>TOTAL EXPENSES</b>	<b>\$ 2,056,710</b>	<b>\$ 2,315,305</b>	<b>\$ 3,184,428</b>	<b>\$ 765,441</b>	<b>\$ 873,882</b>	<b>\$ 9,195,766</b>	<b>\$ 1,514,279</b>	<b>\$ 255,943</b>	<b>\$ 10,965,988</b>	<b>\$ 8,959,528</b>

See Notes to Financial Statements.



PRS, INC.

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2022 (with Comparative Information for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Support and revenue	\$ 12,377,484	\$ 8,318,301
Investment income	120,589	61,976
	<u>12,498,073</u>	<u>8,380,277</u>
Cash used in operations		
Payments to employees and suppliers	10,635,179	8,721,023
Interest paid	1,253	46
	<u>10,636,432</u>	<u>8,721,069</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,861,641</u>	<u>(340,792)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	488,291	297,473
Purchase of investments	(608,537)	(358,661)
Purchase of property	(36,172)	(16,169)
Amounts received for member funds	716	13
Amounts paid out for member funds	(1,467)	(109)
	<u>(157,169)</u>	<u>(77,453)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(157,169)</u>	<u>(77,453)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing from line of credit	70,000	80,000
Repayment of line of credit	(70,000)	(80,000)
	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	1,704,472	(418,245)
<b>CASH AND RESTRICTED CASH, beginning of year</b>	<u>868,494</u>	<u>1,286,739</u>
<b>CASH AND RESTRICTED CASH, end of year</b>	<u>\$ 2,572,966</u>	<u>\$ 868,494</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Forgiveness of Paycheck Protection Program Loan	\$ -	\$ (1,045,885)
Recognition of forgiveness of Paycheck Protection Program Loan	-	1,045,885
Unrealized loss (gain) in market value of investments	596,922	(481,433)
(Decrease) increase in investment value	(596,922)	481,433
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

PRS, INC.

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2022 (with Comparative Information for the year ended June 30, 2021)**

<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2022</u>	<u>2021</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 1,754,088</u>	<u>\$ 1,243,624</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation and amortization	166,248	189,054
Non-cash occupancy costs	(34,164)	(23,170)
Realized and unrealized loss (gain) on investments	489,910	(509,307)
Loss on disposal of assets	-	30,855
Foregiveness of Paycheck Protection Program Loan	-	(1,045,885)
<b>NET ADJUSTMENTS</b>	<u>621,994</u>	<u>(1,358,453)</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS USING CASH</b>		
<b>ASSETS</b>		
Accounts receivable, net of allowance	(736,317)	(157,737)
Promises to give, net of discount	23,639	15,070
Grants receivable	-	9,581
Prepaid expenses	2,058	(1,452)
Deferred compensation	-	(35,273)
Security deposits	(2,970)	3,234
	<u>(713,590)</u>	<u>(166,577)</u>
<b>LIABILITIES</b>		
Accounts payable	26,612	(23,986)
Accrued expenses	171,772	63,924
Deferred revenue	765	(134,597)
Deferred compensation	-	35,273
	<u>199,149</u>	<u>(59,386)</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(514,441)</u>	<u>(225,963)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 1,861,641</u></u>	<u><u>\$ (340,792)</u></u>

See Notes to Financial Statements.

**PRS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**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, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**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 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, 2021, 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, 2022 and 2021.

PRS, INC.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

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

**Significant Accounting Policies (Continued)**

**Promises to Give**

Unconditional promises to give are recognized as support in the period the promise is made. Promises to give are expected to be fully collectible, and as of June 30, 2022 and 2021, no allowance for doubtful promises to give has been established. Discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

**Accounts Receivable**

Accounts receivable consists principally of amounts due to PRS for government and private contracts and services performed. No interest is accrued on receivables. A provision for doubtful accounts has been established using the allowance method based on management's evaluation of the collectability of receivables. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Management records an allowance based on the history of collectability and its efforts to collect outstanding balances. Management will write off receivables when they are deemed to be uncollectible after efforts to collect are exhausted. Management believes the allowance for doubtful accounts of \$0 as of June 30, 2022 and 2021, is adequate.

**Property and Equipment**

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

PRS, INC.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

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

**Significant Accounting Policies (Continued)**

**Investments**

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

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

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

**Custodial Accounts**

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

**Deferred Revenue**

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

**Classes of Assets**

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

**Net Assets Without Donor Restrictions**

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.

PRS, INC.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**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 which 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, 2022 and 2021.

**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, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**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, 2022 and 2021.

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.



PRS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)

### 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.

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

##### 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, office supplies, other, travel, and conference and training have been allocated to programs, management and general, and fundraising expenses based on level of effort.

##### Adoption of New Accounting Standard

PRS has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, modifying ASC section 958. The change has been applied as of June 30, 2022, with no effect on beginning net assets.

##### 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, 2022. The line of credit expires April 6, 2023.

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, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

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

**Liquidity and Availability of Assets (Continued)**

PRS's financial assets available within one year to meet cash needs for general expenditures through June 30, 2023 are as follows:

Financial Assets	
Cash	\$ 2,572,966
Investments	2,209,530
Accounts receivable	1,388,702
Grants receivable	15,288
Promises to give	21,731
Total financial assets	<u>\$ 6,208,217</u>
Less amounts not available within one year	
Purpose restricted net assets	(157,579)
Time restricted net assets	(21,731)
Board designated net assets	<u>(1,625,696)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 4,403,211</u></u>

**2. CASH**

Cash as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Checking	<u>\$ 2,572,966</u>	<u>\$ 868,494</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 \$2,115,175 and \$374,358 as of June 30, 2022 and 2021, respectively. Restricted cash as of June 30, 2022 and 2021 totaled \$179,310 and \$162,400.

**3. ACCOUNTS RECEIVABLE**

Receivables at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Services performed	<u>\$ 1,388,702</u>	<u>\$ 667,673</u>

PRS, INC.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**4. GRANTS RECEIVABLE**

Grant receivables at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Nonprofit organizations	<u>\$ 15,288</u>	<u>\$ -</u>

**5. PROMISES TO GIVE**

Promises to give as of June 30, 2022 and 2021 consisted of unconditional pledges and are due as follows:

	<u>2022</u>		
	<u>Receivable in</u>		
	<u>Less than</u>	<u>One to</u>	<u>Total</u>
	<u>one year</u>	<u>five years</u>	
Promises to give	<u>\$ 21,731</u>	<u>\$ -</u>	<u>\$ 21,731</u>
	<u>2021</u>		
	<u>Receivable in</u>		
	<u>Less than</u>	<u>One to</u>	<u>Total</u>
	<u>one year</u>	<u>five years</u>	
Promises to give	<u>\$ 25,538</u>	<u>\$ 19,931</u>	<u>\$ 45,469</u>
Less: discount to present value at .5%	<u>-</u>	<u>(99)</u>	<u>(99)</u>
	<u>\$ 25,538</u>	<u>\$ 19,832</u>	<u>\$ 45,370</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)

5. PROPERTY AND EQUIPMENT

A summary of information related to property and depreciation for the years ended June 30, 2022 and 2021 is as follows:

	Estimated useful life (years)	2022			
		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>
2021					
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense	Book Value
Land		\$ 57,660	\$ -	\$ -	\$ 57,660
Vehicles	3 - 5	163,867	(124,514)	15,643	39,353
Furniture and equipment	3 - 10	305,972	(273,954)	16,207	32,018
Building	40	326,738	(179,181)	8,165	147,597
Building improvements	3 - 20	467,502	(378,201)	31,725	89,301
Computer equipment and software	3 - 5	135,650	(127,469)	8,333	8,181
Leasehold improvements	5 - 10	1,279,046	(546,767)	108,981	732,279
		<u>\$ 2,736,435</u>	<u>\$ (1,630,086)</u>	<u>\$ 189,054</u>	<u>\$ 1,106,349</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)

6. INVESTMENTS

Investments are recorded at fair value and consist of the following as of June 30, 2022 and 2021:

	2022		
	Cost	Fair 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
Equity-traded products	517,369	604,455	87,086
	<u>\$ 2,172,047</u>	<u>\$ 2,209,530</u>	<u>\$ 37,483</u>

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)

6. INVESTMENTS (CONTINUED)

	2021		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 14,491	\$ 14,491	\$ -
Mutual funds			
Large value	275,785	361,732	85,947
Nontraditional bond	324,409	324,921	512
Small value	67,516	88,991	21,475
Foreign small/mid blend	81,767	141,909	60,142
Foreign large growth	115,587	148,387	32,800
Mid-cap growth	130,832	176,553	45,721
Diversified Emerging markets	137,911	202,739	64,828
Intermediate core-plus bond	285,027	294,520	9,493
Small growth	61,693	88,827	27,134
Mid-cap value	150,823	202,154	51,331
Foreign small/mid growth	51,261	81,794	30,533
Exchange-traded products	271,686	452,176	180,490
	<u>\$ 1,968,788</u>	<u>\$ 2,579,194</u>	<u>\$ 610,406</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, 2022 and 2021, Board designated funds were \$1,625,696 and \$2,115,859, respectively.

Investment income consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 120,589	\$ 61,976
Unrealized and realized (loss) gain on investments	(489,910)	509,307
	<u>\$ (369,321)</u>	<u>\$ 571,283</u>

**PRS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**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, 2022 and 2021 were considered to be classified as Level 1 investments.

PRS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)

8. NET ASSETS WITH DONOR RESTRICTION

A summary of net assets with donor restriction for the years ended June 30, 2022 and 2021 is as follows:

	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
<b>Total</b>	<b>\$ 162,400</b>	<b>\$ 208,095</b>	<b>\$ 191,185</b>	<b>\$ 179,310</b>

  

	2021			Balance at June 30, 2021
	Balance at June 30, 2020	Revenue and Support	Released	
Hope Fund	\$ 95,038	\$ -	\$ 17,577	\$ 77,461
Mt. Vernon Kiwanis	640	2,050	-	2,690
TD Charitable Foundation	-	15,000	-	15,000
PTG	1,000	-	-	1,000
Community Foundation for Northern Virginia - Care-Ring	18,379	-	18,379	-
VA Dept Behavioral Health & Development Services	32,627	-	32,627	-
Peer Pilot	37,114	-	13,357	23,757
Arlington Comm Covid-19 Grant	6,636	-	4,144	2,492
Private multi-year donation	60,000	-	20,000	40,000
<b>Total</b>	<b>\$ 251,434</b>	<b>\$ 17,050</b>	<b>\$ 106,084</b>	<b>\$ 162,400</b>



**PRS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**9. 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 which 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, 2022 and 2021, and the total volunteer hours in a fiscal year.

	<u>2022</u>	<u>2021</u>
Donated facilities	\$ 360,241	\$ 355,925
Donated volunteer hours	<u>181,360</u>	<u>158,417</u>
Total donated facilities and services	<u><u>\$ 541,601</u></u>	<u><u>\$ 514,342</u></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.

**10. GOVERNMENT CONTRACTS AND GRANTS**

Government contracts and grants revenue is as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Fairfax County	\$ 3,110,600	\$ 2,986,164
Health Planning Regions	2,633,633	-
Medicaid	1,370,194	1,061,367
Arlington Community Services Board	834,647	835,242
Loudoun County	720,074	680,951
Virginia Department of Health	669,926	502,941
United States Department of Housing and Urban Development	173,585	210,374
Virginia Department for Aging and Rehabilitative Services	97,494	129,518
SAMHSA VACBP	<u>22,330</u>	<u>-</u>
	<u><u>\$ 9,610,153</u></u>	<u><u>\$ 6,406,557</u></u>

**PRS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**11. EMPLOYEE BENEFIT PLANS**

PRS offers a 403(b) deferred annuity plan for eligible employees. All employees are eligible to participate and make contributions to the plan as of the first day of employment. PRS matches employee contributions of 1% up to a maximum of 5% of eligible compensation. For the years ended June 30, 2022 and 2021, PRS contributed \$152,183 and \$154,862, 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 \$82,317 and \$100,523 for the years ended June 30, 2022 and 2021, respectively, and have been reflected within the statement of financial position as an asset and corresponding liability.

**12. CONCENTRATIONS - REVENUE**

For the years ended June 30, 2022 and 2021, PRS received \$4,480,794 (35%) and \$4,047,531 (40%), of total support and revenue from two sources, respectively. Consequently, any material declines in funding from these sources could have a significant negative impact on PRS' financial condition.

**13. COMMITMENTS AND CONTINGENCIES**

**Revolving Line of Credit**

PRS has a \$800,000 line of credit with BB&T Bank at a variable interest rate of 4.25% as of June 30, 2022 that will mature on April 6, 2023. 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, 2022 and 2021, the outstanding balance on the line of credit was \$0. Interest expense related to this line of credit for the years ended June 30, 2022 and 2021, was \$1,253 and \$46, 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 \$76,984 under circumstances of termination without cause.

**PRS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**13. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Office Lease - Fairfax, Virginia**

PRS has an operating lease agreement for space in Fairfax, VA. The term for the lease agreement is from September 1, 2017 through January 31, 2029. Rent payments did not begin until February 1, 2018. Rent expense was \$208,529 for the years ended June 30, 2022 and 2021, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2022 are as follows:

For the fiscal years ended:	
2023	\$ 223,026
2024	228,601
2025	234,316
2026	240,174
2027	246,179
2028 and thereafter	<u>401,652</u>
	<u>\$ 1,573,948</u>

**Office Lease - Oakton, Virginia**

PRS has an operating lease agreement for space in Oakton, VA. The term for the lease agreement is from April 1, 2018 through March 31, 2029. Rent expense was \$205,926 for the years ended June 30, 2022 and 2021, respectively.

The estimated future minimum lease payments under the lease agreement as of June 30, 2022 are as follows:

For the fiscal years ended:	
2023	\$ 218,310
2024	224,290
2025	230,495
2026	236,834
2027	243,347
2028 and thereafter	<u>441,409</u>
	<u>\$ 1,594,685</u>

PRS, INC.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 (with Summarized Comparative Information as of and for the year ended June 30, 2021)**

**13. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Housing Lease - Falls Church, Virginia**

PRS entered into a housing lease agreement as a lessor for rental of a housing unit in Falls Church, VA. The lease commenced September 1, 2019 and expired August 31, 2022. Subsequent to the fiscal year end, the lease was renewed through August 31, 2024.

The estimated future minimum lease rental income under the lease agreement as of June 30, 2022 is as follows:

2023	\$	30,000
2024		30,000
2025		<u>5,000</u>
	\$	<u><u>65,000</u></u>

**COVID-19 Coronavirus**

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect PRS' operations because the disease's severity and duration are uncertain, we expect 2023 financial results will be significantly impacted and the implications beyond 2023, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, PRS has evaluated events and transactions for potential recognition or disclosure through September 26, 2022, the date the financial statements were available to be issued.