UNITED COMMUNITY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
United Community Ministries, Inc.

Opinion
We have audited the accompanying financial statements of **United Community Ministries, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 **United Community Ministries, Inc.** as of June 30, 2023 and 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.

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

Auditor's 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 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.

To the Board of Directors
United Community Ministries, Inc.

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 **United Community Ministries, Inc.'s** 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 **United Community Ministries, Inc.'s** 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.

Kositzka, Wicks and Company

Alexandria, Virginia
October 26, 2023

United Community Ministries, Inc.

Statements of Financial Position
June 30,

	2023	2022
Assets		
Current assets		
Cash and cash equivalents, unrestricted	$ 1,124,542	$ 1,397,990
Cash and cash equivalents, restricted	749,929	669,588
Total cash and cash equivalents	1,874,471	2,067,578
Accounts receivable	674,598	819,346
Contributions receivable	90,174	75,000
Investments	798,164	748,759
Employee advances	-	1,015
Inventory	65,146	37,805
Prepaid expenses	24,578	12,853
Total current assets	3,527,131	3,762,356
Other assets		
Property and equipment, net	130,396	77,410
Operating lease right-of-use asset	9,304	-
Investments, perpetual endowment	144,100	144,100
Security deposits	2,100	2,100
Total other assets	285,900	223,610
Total assets	$ 3,813,031	$ 3,985,966
Liabilities and net assets		
Current liabilities		
Accounts payable	$ 103,362	$ 149,649
Accrued payroll	329,749	341,298
Other accrued liabilities	47,288	43,503
Operating lease liability, current portion	5,584	-
Refundable advances - government funds	52,391	148,295
Refundable advances - agency funds	749,994	669,628
Total current liabilities	1,288,368	1,352,373
Other liabilities		
Operating lease liability, non-current portion	3,720	-
Total liabilities	1,292,088	1,352,373
Net assets		
Without donor restrictions		
Undesignated	775,270	1,016,155
Board designated	933,203	943,986
Total net assets without donor restrictions	1,708,473	1,960,141
With donor restrictions		
Purpose restricted	668,370	529,352
Perpetual in nature	144,100	144,100
Total net assets with donor restrictions	812,470	673,452
Total net assets	2,520,943	2,633,593
Total liabilities and net assets	$ 3,813,031	$ 3,985,966

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Activities
for the year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	$ 1,342,754	$ 346,491	$ 1,689,245
Government grants	3,725,119	-	3,725,119
Gifts in kind			
Facilities	969,422	-	969,422
Food	778,256	-	778,256
Other	81,747	-	81,747
Program fees	1,078,493	-	1,078,493
Investment gain, net	75,283	-	75,283
Administrative fees	78,586	-	78,586
Other income	39	-	39
Net assets released from restrictions	207,473	(207,473)	-
Total revenue	8,337,172	139,018	8,476,190
Expenses			
Program services			
Collective impact	437,031	-	437,031
Child development	1,990,401	-	1,990,401
Social services	3,248,058	-	3,248,058
Community development	940,338	-	940,338
Literacy and citizenship	333,378	-	333,378
Total program services	6,949,206	-	6,949,206
Supporting services			
Management and general	1,027,215	-	1,027,215
Fundraising	612,419	-	612,419
Total supporting services	1,639,634	-	1,639,634
Total expenses	8,588,840	-	8,588,840
Change in net assets	(251,668)	139,018	(112,650)
Net assets, beginning of year	1,960,141	673,452	2,633,593
Net assets, end of year	$ 1,708,473	$ 812,470	$ 2,520,943

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Activities
for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	$ 1,625,668	$ 339,791	$ 1,965,459
Government grants	3,099,946	-	3,099,946
Gifts in kind			
Facilities	765,445	-	765,445
Food	1,082,527	-	1,082,527
Program fees	659,453	-	659,453
Investment loss, net	(118,136)	-	(118,136)
Administrative fees	345,913	-	345,913
SBA Paycheck Protection Program forgiveness	500,297	-	500,297
Other income	9,077	-	9,077
Net assets released from restrictions	313,238	(313,238)	-
Total revenue	8,283,428	26,553	8,309,981
Expenses			
Program services			
Collective impact	538,577	-	538,577
Child development	1,419,180	-	1,419,180
Social services	3,087,004	-	3,087,004
Community development	932,809	-	932,809
Literacy and citizenship	370,605	-	370,605
Total program services	6,348,175	-	6,348,175
Supporting services			
Management and general	1,274,011	-	1,274,011
Fundraising	678,427	-	678,427
Total supporting services	1,952,438	-	1,952,438
Total expenses	8,300,613	-	8,300,613
Change in net assets	(17,185)	26,553	9,368
Net assets, beginning of year	1,977,326	646,899	2,624,225
Net assets, end of year	$ 1,960,141	$ 673,452	$ 2,633,593

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Functional Expenses
for the year ended June 30, 2023

	Program services						Supporting Services		
	Collective impact	Child development	Social services	Community development	Literacy and citizenship	Total program services	Management and general	Fundraising	Total expenses
Expenses									
Salaries	$ 269,980	$ 1,335,036	$ 1,030,329	$ 521,807	$ 191,470	$ 3,348,622	$ 671,180	$ 416,271	$ 4,436,073
Gift in kind - donated facilities	31,078	185,667	348,892	193,462	75,686	834,785	106,273	28,364	969,422
Gift in kind - donated food	-	-	747,335	-	-	747,335	-	-	747,335
Direct assistance	-	1,967	616,826	2,080	7,936	628,809	-	-	628,809
Employee benefits	30,140	166,637	130,419	64,116	23,334	414,646	116,692	48,332	579,670
Payroll taxes	18,732	105,617	75,156	39,026	15,177	253,708	38,379	32,212	324,299
Program activities and supplies	18,509	104,107	34,328	89,527	3,910	250,381	1,366	97	251,844
IT and communications	10,438	19,263	65,049	10,622	6,936	112,308	27,942	40,038	180,288
Professional services	47,772	3,200	33,400	2,600	-	86,972	6,616	3,725	97,313
Occupancy	-	32,530	27,703	5,409	500	66,142	10,641	1,405	78,188
Gifts in kind - donated diapers	-	-	49,012	-	-	49,012	-	-	49,012
Depreciation and amortization	998	6,026	19,911	2,729	1,941	31,605	4,245	2,131	37,981
Staff development	1,439	8,635	6,569	2,791	355	19,789	9,134	954	29,877
Insurance	1,765	5,027	4,867	2,246	749	14,654	9,978	2,097	26,729
Marketing	4,150	1,378	827	-	-	6,355	-	19,375	25,730
Gifts in kind - other	-	-	24,501	-	-	24,501	-	-	24,501
Equipment and maintenance	-	-	19,246	642	1,211	21,099	-	-	21,099
Printing and publications	309	1,123	2,464	95	454	4,445	11,128	4,121	19,694
Bank fees	-	8,646	2	-	126	8,774	1,990	8,030	18,794
Office supplies	1,141	972	3,090	1,091	1,522	7,816	10,358	334	18,508
Travel and conferences	580	4,444	6,500	1,981	2,051	15,556	359	924	16,839
Postage and shipping	-	26	312	-	20	358	580	3,741	4,679
Gifts in kind - donated household items	-	-	1,235	83	-	1,318	-	-	1,318
Miscellaneous expenses	-	100	85	31	-	216	291	268	775
Interest expense	-	-	-	-	-	-	63	-	63
Total expenses by function	$ 437,031	$ 1,990,401	$ 3,248,058	$ 940,338	$ 333,378	$ 6,949,206	$ 1,027,215	$ 612,419	$ 8,588,840

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Functional Expenses
for the year ended June 30, 2022

	Program services						Supporting Services		
	Collective impact	Child development	Social services	Community development	Literacy and citizenship	Total program services	Management and general	Fundraising	Total expenses
Expenses									
Salaries	$ 269,547	$ 884,842	$ 779,707	$ 506,963	$ 185,472	$ 2,626,531	$ 774,315	$ 327,436	$ 3,728,282
Gift in kind - donated food	-	-	1,082,527	-	-	1,082,527	-	-	1,082,527
Gift in kind - donated facilities	-	167,277	188,547	174,304	109,620	639,748	125,697	-	765,445
Direct assistance	3,800	868	626,042	3,195	22,190	656,095	-	-	656,095
Employee benefits	28,251	104,669	91,806	57,814	21,548	304,088	94,827	38,225	437,140
Professional services	156,797	4,500	13,860	16,591	-	191,748	90,657	113,479	395,884
Payroll taxes	21,742	78,504	69,634	43,522	16,454	229,856	75,144	28,498	333,498
IT and communications	7,809	28,425	136,477	12,553	4,224	189,488	16,077	52,049	257,614
Program activities and supplies	38,827	70,783	21,908	105,544	2,952	240,014	-	36	240,050
Marketing	642	25,080	1,693	-	-	27,415	10,044	59,712	97,171
Occupancy	-	30,379	12,019	1,703	3,000	47,101	17,278	17,340	81,719
Depreciation and amortization	-	10,128	30,716	1,941	3,125	45,910	17,905	-	63,815
Staff development	8,515	3,984	5,427	2,358	164	20,448	29,695	5,746	55,889
Printing and publications	45	988	1,080	290	479	2,882	8,048	20,098	31,028
Insurance	1,561	4,391	4,874	1,718	802	13,346	7,114	2,096	22,556
Equipment and maintenance	39	-	18,157	180	-	18,376	1,615	100	20,091
Bank fees	40	1,331	65	31	89	1,556	1,858	11,471	14,885
Office supplies	190	918	1,506	2,745	451	5,810	1,397	477	7,684
Travel and conferences	772	1,950	959	1,317	-	4,998	213	-	5,211
Postage and shipping	-	163	-	40	35	238	2,127	1,664	4,029
Total expenses by function	$ 538,577	$ 1,419,180	$ 3,087,004	$ 932,809	$ 370,605	$ 6,348,175	$ 1,274,011	$ 678,427	$ 8,300,613

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statements of Cash Flows
for the years ended June 30,

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (112,650)	$ 9,368
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization expense	37,981	63,815
Unrealized (gain) loss on investments	(41,632)	162,618
(Increase) decrease in assets		
Accounts receivable	144,748	(379,554)
Contributions receivable	(15,174)	32,025
Employee advances	1,015	(1,015)
Inventory	(27,341)	(27,955)
Prepaid expenses	(11,725)	36,584
Increase (decrease) in liabilities		
Accounts payable	(46,287)	103,839
Accrued payroll	(11,549)	106,912
Other accrued liabilities	3,785	38,699
Refundable advances - government funds	(95,904)	143,295
Refundable advances - agency funds	80,366	(1,327,205)
Net cash used in operating activities	(94,367)	(1,038,574)
Cash flows from investing activities		
Purchase of equipment	(90,967)	(26,185)
Purchase of investments and reinvestments	(7,773)	(7,883)
Net cash used in investing activities	(98,740)	(34,068)
Net change in cash, cash equivalents and restricted cash	(193,107)	(1,072,642)
Cash, cash equivalents and restricted cash, beginning of year	2,067,578	3,140,220
Cash, cash equivalents and restricted cash, end of year	$ 1,874,471	$ 2,067,578
Supplementary disclosure of cash flow information		
Interest paid	$ 63	$ -
Income taxes paid	$ -	$ -

See accompanying notes and independent auditor's report.

1. Organization

United Community Ministries, Inc. (the Organization) is a not-for-profit corporation that works in the Fairfax County, Virginia, “South County” area to mobilize community, individual, and church resources for community service. Special emphasis is placed on the area bound by the west bank of the Potomac River, the north boundary of Fort Belvoir, Telegraph Road, and I-95 (Beltway). The Organization’s major sources of income are contributions and grants from Fairfax County, foundations, corporations and individuals.

Collective impact
The Organization’s collective impact initiative, COMMUN1TY+, strives to bring people together in a structured way to achieve social change. Working closely with the Fairfax County Opportunity Neighborhood program, COMMUN1TY+ aligns resources and efforts to support communities based on the needs expressed by Mount Vernon residents in order to improve equity and reduce disparities in health, safety, economic strength, child and youth well-being, and neighborhood livability. Residents become leaders by bringing community voice to the forefront of policy and system development impacting Mount Vernon neighborhoods along the Route 1 corridor.

Child development
The Organization’s Healthy Families Fairfax program provides home-based parenting education, health information, community support, and school readiness for parents from pregnancy until the child reaches age three. Family Support Specialists works with families to promote positive parenting, improve child health and development, encourage school readiness, and prevent child abuse and neglect. Early Learning Center (ELC) provides high-quality daycare and childhood education for children ages six weeks to 5 years. All children receive positive classroom experiences that naturally stimulate children’s curiosity and development. Children 3 years and older receive free medical, dental and vision screenings. Four- and five-year-olds work in curriculum-based classrooms focused on kindergarten readiness. Parents are supported with parenting education and referrals to appropriate resources.

Social services
The Organization’s Stepping Stones program provides critical basic needs supportive services to families in need of emergency assistance. Stepping Stones coordinates with Fairfax County to distribute rental assistance for families impacted by the COVID-19 pandemic. We also provide emergency assistance for utilities, medical costs, transportation and diapers. Stepping Stones runs seasonal events such as a Thanksgiving food drive, holiday gift drive in December and back-to-school supplies in August.

The Emergency Food Distribution program manages a food pantry which provides a wide variety of food assistance on a regular basis. Families living within our service area come to the pantry to receive canned goods, fresh produce, eggs, meat, and more weekly. In addition, we work with a network of volunteers in seven neighborhoods to deliver food directly into communities along the Route 1 corridor. The Family Achievement Program (FAP) provides wrap-around social services to TANF-eligible families living below the federal poverty line. Each family is supported by a qualified social worker and may be provided with services such as child care assistance, transportation, job skills training, work experience, job readiness training, and other education and work related expenses.

Community development
Sacramento Neighborhood Center and Creekside Village Community Center serve as hubs for 15 local neighborhoods to meet, learn, and grow as neighbors and as a larger community. These centers are places where residents connect with their neighbors, learn to lead, and make changes that strengthen their community, with programs are developed by and for local residents. Our SPARK program (Success through Purpose, Achievement, Respect and Knowledge) is a multifaceted youth development program for students in grades 1–12. SPARK provides a safe after-school and summer environment where at-risk youth can receive homework help, learn new skills, and engage in activities that promote leadership and intervention/prevention of negative behaviors. Working with Fairfax County, we provide resources for learning, mentorship, and health screenings to community residents of all ages.

The Organization sponsors two Community School programs at Walt Whitman Middle School and Mount Vernon Woods Elementary School. We work with teachers to provide students and their families with direct access to the health and social services they need to succeed in and outside of the classroom. We provide students and their families with access to youth and community development programs and community engagement opportunities that promote stronger families and healthier communities.

Literacy and citizenship
Progreso Literacy and Citizenship Center empowers immigrants through education, citizenship services, and immigration assistance services. At Progreso, we open doors for our fellow community members by helping them acquire the skills and resources they need to succeed. We provide semester-long English as a Second Language (ESL) classes for adult learners of all language levels. Progreso is also dedicated to helping those on the path to obtaining US Citizenship, offering citizenship classes that are designed to prepare students for the US Citizenship Exam and Oral Interview. We have an immigration consultant on staff to help clients with immigration-related legal issues including asylum, green cards, temporary protective status, family petitions, and citizenship applications.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for operating reserves and innovations.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, restricted cash and cash equivalents
The Organization considers all short-term investments with original maturities of three months or less to be cash and cash equivalents.

Restricted cash represents funds received from Fairfax County, Virginia (the County), which are required to be maintained in a separate bank account and additional funds set aside by the board. The County funds are to be used to assist in the implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Supplemental Basic Needs Program assisting residents in the "South County" area of Fairfax County with rent and utility payments.

The board has also designated additional funds to be set aside to support the vision and mission of the Organization.

Investments
Investments in equity securities with readily determinable fair values, investments in debt securities, and cash in the investment accounts are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Organization's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

Receivables
Accounts and contributions receivable are due in less than one year and are measured at net receivable value. All receivables are expected to be collected within one year. Management considers past history, current economic conditions and overall viability of the third party to determine the potential for uncollectible accounts. No allowance for uncollectible accounts, nor bad debt expense, was recorded for the years ended June 30, 2023 and 2022.

Property and equipment
Property and equipment over $1,000 and with an estimated useful life in excess of one year is capitalized at cost or its estimated value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the asset, generally three to fifteen years.

Inventory
Inventory consists of food pantry, diapers and gift cards and is recorded at the lower of cost or net realizable value or its estimated value at the date of donation. The value of food pantry items is based on a cost study conducted by national consortium of regional food banks and valued at $1.75 per pound. The value of diapers is based on a cost study conducted by DC Diaper Bank and valued at $0.40 each. Gift cards are valued at cost. During the years ended June 30, 2023 and 2022, management has assessed its inventory for obsolescence and has determined that no impairment was necessary given the nature of the items held as inventory.

Other financial assets and liabilities
Financial assets with carrying values approximating fair value include cash and cash equivalents, receivables and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and refundable advances. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Revenue and revenue recognition
Contributions
The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Refundable advances – government grants
A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances – government grants in the statements of financial position.

Refundable advances – agency funds
During the year ended June 30, 2022, the Organization received funding via Fairfax County pursuant to the CARES Act Direct Assistance Supplemental Funding Program in the amount of $3,698,650. The Organization serves only as a funding source. Fairfax County conducts client assessments, conducts eligibility determinations, collects verifications and requests financial assistance from the Organization. As the Organization does not have variance power over the recipients, the receipt and disbursements were treated as an agency transaction and were therefore excluded from the Organization’s revenue and expenses. During the year ended June 30, 2023, the portion of the funding attributable to an administrative fee for the Organization in the amount of $78,586 (2022: $345,913) was recognized as administrative fees on the accompanying statements of activities. As of June 30, 2023, the unspent balance of $749,994 (2022: $669,628) is presented as refundable advances – agency funds on the accompanying statements of financial position.

Contracts with customers
Sources of revenue from contracts with customers include administrative fees and program fees. Customers consist of Fairfax County and individuals located in Fairfax County. Management expects that the geographical location of customers will not have a significant impact on the nature, amount, timing, and uncertainty of future revenue and cash flows. Resources received in these exchange transactions are reported as an increase in net assets.

Contracts were evaluated using the practical expedient of a portfolio approach because each contract is with an individual person or County. Each type of contract has similar characteristics and corresponds to a revenue stream that is carried out on a consistent basis.

Revenue with performance obligations satisfied over time include administrative fee income related to services provided to the County and client program fees. Administrative fees are based on an allowance of 5 to 10 percent of the monthly CARES funding distributed. The revenue is recognized as the performance obligations are received and consumed by the County during the contract period.

Client program fees are based on the individual client's financial situation and are paid on a monthly basis. The revenue is recognized as the performance obligation is received and consumed by the client within the month paid.

Daycare tuition fees
Tuition fees are received from parents who send their children to the daycare center. The performance obligation of delivering educational and care services is simultaneously received and consumed by the children; therefore, the revenue is recognized ratably over the course of the academic year. All amounts of payment received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period.

In-kind contributions
Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contribution as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Donated facilities in which the contributor retains legal title are recognized as unrestricted support in the period received and as an expense in the period used. The Organization uses various donated facilities in Alexandria, Virginia for its main headquarters location and other locations to carry out its exempt activities. The Fairfax County Government has donated use of these facilities.

The Organization reports the fair value of donated food and grocery products it receives as donor support without restrictions and shortly thereafter as expenses when granted to individuals and families in need. Based on the annual study performed by Feeding America (the nation’s leading domestic hunger-relief charity) the approximate average value of one pound of donated nonperishable food was determined to be $1.75.

Functional classification of expenses
The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries, payroll taxes, benefits, occupancy costs, insurance, and office expenses.

Compensated absences
Employees of the Organization are entitled to paid vacation during the year. Estimated compensated absences of $126,574 and $115,781 are include in accrued expenses in the accompanying statements of financial position as of June 30, 2023 and 2022, respectively.

Lease arrangements
In the ordinary course of business, the Organization can enter into a variety of lease arrangements, including operating and financing leases. Effective July 1, 2022, the Organization determines if an arrangement is a lease at inception. The operating lease right-of-use (ROU) assets are included within the Organization’s non-current other assets and lease liabilities are included in current or non-current other liabilities on the Organization’s statements of financial position. The Organization had no financing leases as of June 30, 2023. ROU assets represent the Organization’s right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Organization’s obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. As most of the Organization’s leases do not provide an implicit rate, the Organization assesses the magnitude of the discount and if material, the risk-free Treasury rate for the lease term would be used based on the information available on the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease term.

Income taxes
The Organization is exempt from federal income and state income taxes (except taxes on unrelated business income) as a nonprofit organization described in Section 501(c)(3). The Organization did not have a liability for unrelated business income taxes for the years ended June 30, 2023 and 2022.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization’s results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2020 through 2023.

Recently adopted accounting pronouncements
The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize on the statements of financial position, the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 was adopted by the Organization on its effective date, which was July 1, 2022. There was no impact to the Organization’s beginning net assets as a result of the adoption because of the election of the practical expedients. The Organization has elected to utilize the package of practical expedients that allows entities to not reassess (1) the classification of leases existing at the date of adoption, (2) the initial direct costs for any existing leases, and (3) whether any expired or existing contracts are or contain leases.

Impact on transition
At the date of adoption, the Organization applied the modified retrospective approach under which all leases were valued and recognized in the financial statements as of the beginning of the period of adoption. The office equipment liabilities were not discounted as the applicable discount is not considered material. At July 1, 2022, the Organization recorded “Operating lease right-of-use asset,” “Operating lease liability, current portion” and “Operating lease liability, non-current portion” of $17,116, $7,812, and $9,304, respectively on the statements of financial position. The adoption of this standard did not have a material impact on the Organization’s statements of activities. Refer to Note 12 for further information regarding lease periods and the weighted average discount rates used.

Upcoming accounting pronouncements
The FASB has issued ASU 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The statements of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and the Organization plans to adopt this standard on its effective date, which for the Organization is July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

Reclassifications
In preparing the financial statements, certain prior year amounts have been reclassified to conform to the current year presentation. There were no changes to previously reported total net assets with or without donor restrictions or net income associated with the reclassifications.

3. Cash, cash equivalents and restricted cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended June 30, 2023 and 2022:

	2023	2022
Unrestricted operating accounts	$ 550,491	$ 782,638
Unrestricted - board designated savings	574,051	615,352
Restricted for CARES funding	749,929	669,588
	$ 1,874,471	$ 2,067,578

The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to $250,000 of cash held in each separate FDIC insured bank and savings institution. From time to time, the Organization may have amounts on deposit in excess of the insured limits. As of June 30, 2023, $1,523,154 (2022: $1,874,359) was not covered by the FDIC.

4. Liquidity and availability

The Organization’s cash flows have seasonal variations due to the timing of contributions, program revenues and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities and other obligations as they become due.

The Organization has a line of credit available up to $300,000 from a financial institution that is secured by its investments, inventory, equipment and accounts receivable. Interest is payable monthly at the rate of 4%. The line of credit has a maturity date of May 24, 2024. There was no outstanding balance on the line of credit at June 30, 2023 and 2022.

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	$ 1,124,542	$ 1,397,990
Investments	942,264	892,859
Accounts receivable	674,598	819,346
Contributions receivable	90,174	75,000
	$ 2,831,578	$ 3,185,195
Less those unavailable for general expenditures within one year due to:		
Investments held in perpetuity	(144,100)	(144,100)
Board-designated reserves	(933,203)	(943,986)
With donor restrictions	(668,370)	(529,352)
	$ 1,085,905	$ 1,567,757

5. Investments

The Organization classifies its investments into Level 1, Level 2, and Level 3.The input hierarchy is broken down into the three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2023 and 2022.

	2023			
	Level 1	Level 2	Level 3	Total assets at fair value
Money market sweep accounts	$ 11	$ -	$ -	$ 11
Mutual funds	821,188	-	-	821,188
Stocks, options, ETFs	121,065	-	-	121,065
	$ 942,264	$ -	$ -	$ 942,264

	2022			
	Level 1	Level 2	Level 3	Total assets at fair value
Money market sweep accounts	$ 104	$ -	$ -	$ 104
Mutual funds	772,972	-	-	772,972
Stocks, options, ETFs	119,783	-	-	119,783
	$ 892,859	$ -	$ -	$ 892,859

6. Board-designated net assets without donor restrictions

The Organization has two savings accounts and one investment account that are designated by the board for the following purposes:

The Innovations Fund was established to fund innovative efforts in support of the Organization's vision and mission. Uses of this fund is determined by the President and CEO.

The Messiah Lutheran Fund was opened as a result of a church selling its property and donating the proceeds among several local nonprofit organizations. The board decided to set aside this cash as a future reserve.

The Board Reserve Investment Fund was established as a quasi-endowment fund and is subject to an annual spending rate as described in Note 8. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

On June 30, 2023 and 2022, the balance for each fund was as follows:

	2023	2022
Innovations Fund	$ 102,765	$ 113,051
Messiah Lutheran Fund	471,286	502,301
Board Reserve Investment Fund	359,152	328,634
	$ 933,203	$ 943,986

7. Net assets with donor restrictions

The Organization has received certain purpose restricted donations which include the following programs and assistance:

	June 30, 2022	Contributions	Restriction accomplished	June 30, 2023
Restricted for specified purposes				
Collective impact	$ 68,409	$ 101,830	$ (77,327)	$ 92,912
Child development	795	-	(795)	-
Social services	7,000	-	(7,000)	-
Community development	37,354	85,000	(46,901)	75,453
Literacy and citizenship	232,659	40,004	(10,408)	262,255
Medical and dental assistance	133,135	12,157	(15,042)	130,250
Restricted for a specified time				
Grant for fiscal year 2023	50,000	-	(50,000)	-
Grant for fiscal year 2024	-	107,500	-	107,500
	$ 529,352	$ 346,491	$ (207,473)	$ 668,370
Restricted in perpetuity				
Endowment fund	144,100	-	-	144,100
	$ 673,452	$ 346,491	$ (207,473)	$ 812,470

	June 30, 2021	Contributions	Restriction accomplished	June 30, 2022
Restricted for specified purposes				
Collective impact	$ 66,774	$ 198,000	$ (196,365)	$ 68,409
Child development	-	10,000	(9,205)	795
Social services	22,639	7,000	(22,639)	7,000
Community development	22,252	60,000	(44,898)	37,354
Literacy and citizenship	242,659	7,180	(17,180)	232,659
Medical and dental assistance	148,475	7,611	(22,951)	133,135
Restricted for a specified time				
Grant for fiscal year 2023	-	50,000	-	50,000
	$ 502,799	$ 339,791	$ (313,238)	$ 529,352
Restricted in perpetuity				
Endowment fund	144,100	-	-	144,100
	$ 646,899	$ 339,791	$ (313,238)	$ 673,452

8. Endowment funds

The Organization’s endowment consists of an investment fund established to fund the Organization’s programs. Under U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

<u>Interpretation of relevant law</u>
The Board of Directors of the Organization has interpreted the Commonwealth of Virginia’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

Return objectives and risk parameters
The Organization has adopted an informal investment policy for endowment assets that attempts to provide a predictable stream of funding and the growth of financial surplus while seeking to maintain the purchasing power of the endowment assets. Under this informal policy, the endowment assets are invested in a manner that is intended to produce results that are predictable while assuming a low level of risk. Actual returns in any given year may vary.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a return strategy in which investment returns are achieved through additional gifts and continued reinvestment of realized capital gains and earned income to the extent that earned income is not required for operating purposes. The Organization targets an asset allocation that places a greater emphasis on certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

Funds with deficiencies
The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported by the Organization as net assets without donor restrictions.

Composition of endowment funds and changes in endowment net assets
Endowment funds consisted solely of funds with donor restrictions for the years ended June 30, 2023 and 2022. Changes in endowment net assets were as follows:

	2023	2022
Endowment, beginning of the year	$ 144,100	$ 144,100
Contributions	-	-
Investment return	9,176	13,919
Appropriation of endowment assets for expenditures	(9,176)	(13,919)
	$ 144,100	$ 144,100

9. Property and equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022	Useful life
Computer equipment	$ 316,155	$ 270,281	3 - 5 years
Leasehold improvements	319,236	319,236	5 - 15 years
	635,391	589,517	
Accumulated depreciation	(504,995)	(512,107)	
	$ 130,396	$ 77,410	

Depreciation and amortization expense was $37,981 and $63,815 for the years ended June 30, 2023 and 2022, respectively.

10. In-kind contributions

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	2023	2022
Donated facilities	$ 969,422	$ 765,445
Donated food	778,256	1,082,527
Donated diapers	56,012	-
Donated miscellaneous items	24,500	-
Donated household items	1,235	-
	$ 1,829,425	$ 1,847,972

Fairfax County Government donates the use of facilities at five locations to the Organization. The organization receives an annual estimated value per square foot from the County. At June 30, 2023 and 2022, the value of donated facilities was $969,421 and $765,445, respectively. The use of the facilities is approved annually by the County.

The Organization reports the fair value of donated food and grocery products it receives as unrestricted public support and, shortly thereafter, as expenses when granted to individuals and families in need. During the years ended June 30, 2023 and 2022, the Organization distributed approximately 458,000 and 628,000 pounds of food product, respectively.

11. Retirement Plan

The Organization has available a 403(b) retirement plan (the Plan) for employees who meet specific age and eligibility requirements. All employees earning at least $5,000 in the current plan year may contribute to the Plan through elective deferrals of salary up to the limitation specified by the Plan. The Organization may choose to contribute a 100 percent match on the first 3 percent deferred or a 2 percent non-elective contribution on behalf of all eligible employees. For the years ended June 30, 2023 and 2022, the Organization's retirement plan contribution was $47,665 and $28,005, respectively.

12. Lease obligations

The Organization has operating leases for office equipment. The amounts of operating lease right-of-use assets and related lease obligations recorded within the Organization's statements of financial position as of June 30, are as follows:

	2023
Operating lease right-of-use asset	$ 9,304
Current portion of long-term lease obligation	5,584
Long-term lease obligation	3,720
Total operating lease liabilities	$ 9,304

The total lease expense for the year ended June 30, 2023 was $10,651 and is included with the equipment and maintenance expenses.

For the year ending June 30, the Organization had the following cash and non-cash activities associated with leases:

	2023
Cash paid for amount included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 10,651

The lease term and discount rates elected by the Organization as of June 30, include:

	2023
Weighted-average remaining lease term:	
Operating leases	1.11 years
Weighted-average discount rate:	
Operating leases	0%

As of June 30, 2023, the future payments due under operating leases were as follows:

	2023
2024	$ 5,584
2025	2,232
2026	1,488
Total undiscounted cash flows	9,304
Less present value discount	-
Total lease liabilities	$ 9,304

The Organization does not have any finance leases as of June 30, 2023.

13. Concentrations

For the years ended June 30, 2023 and 2022, the Organization received approximately 56% and 50% of its revenue, including in-kind contributions, from the Fairfax County government and Virginia Department of Social Services.

14. SBA Paycheck Protection Program Loan

The Organization obtained a CARES Act Paycheck Protection Program loan for $500,297 as a result of the COVID-19 pandemic. The Organization complied with the loan requirements and the loan was fully forgiven during the fiscal year ended June 30, 2022.

15. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2023 through October 26, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No other events occurred during that time period that would require adjustment to or disclosure in the financial statements.