

# ARLINGTON THRIVE

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



*Certified Public Accountants*

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*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
**Arlington Thrive**

### **Opinion**

We have audited the accompanying financial statements of **Arlington Thrive** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 **Arlington Thrive** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 **Arlington Thrive** 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 **Arlington Thrive'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.

The Board of Directors  
**Arlington Thrive**

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 **Arlington Thrive'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 **Arlington Thrive'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  
January 24, 2023

# Arlington Thrive

## Statements of Financial Position June 30,

**2022****2021****Assets****Current assets**

Cash and cash equivalents	\$ 737,871	\$ 457,392
Restricted cash	373,248	1,136,700
Contributions receivable	18,840	68,810
Prepaid expenses	36,475	14,661
	<u>1,166,434</u>	<u>1,677,563</u>

**Other assets**

Investments	-	191,205
Investments - endowment	801,668	875,270
Property and equipment, net	73,242	7,356
	<u>874,910</u>	<u>1,073,831</u>
Total assets	<u>\$ 2,041,344</u>	<u>\$ 2,751,394</u>

**Liabilities and net assets****Current liabilities**

Accounts payable	\$ 38,937	\$ 45,566
Accrued expenses	66,271	36,796
Refundable advance	82,205	26,721
Total liabilities	<u>187,413</u>	<u>109,083</u>

**Net assets**

Without donor restrictions, board designated reserve fund	182,432	191,205
Without donor restrictions	345,917	972,895
With donor restrictions		
Purpose restrictions	<u>1,325,582</u>	<u>1,478,211</u>
Total net assets	<u>1,853,931</u>	<u>2,642,311</u>
Total liabilities and net assets	<u>\$ 2,041,344</u>	<u>\$ 2,751,394</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support</b>			
Arlington County funds	\$ 2,835,649	\$ 258,158	\$ 3,093,807
Contributions	888,748	-	888,748
Federal grants	18,076	-	18,076
Foundation grants	189,910	-	189,910
Investment loss, net	(5,042)	(73,602)	(78,644)
Other	3,645	-	3,645
United Way and CFC funding	17,230	-	17,230
Net assets released from restrictions	337,185	(337,185)	-
Total revenue	<u>4,285,401</u>	<u>(152,629)</u>	<u>4,132,772</u>
<b>Expenses</b>			
Emergency assistance	4,172,174	-	4,172,174
Management and general	374,321	-	374,321
Fundraising	374,657	-	374,657
Total expenses	<u>4,921,152</u>	<u>-</u>	<u>4,921,152</u>
<b>Change in net assets</b>	(635,751)	(152,629)	(788,380)
<b>Net assets, beginning of year</b>	1,164,100	1,478,211	2,642,311
<b>Net assets, end of year</b>	<u>\$ 528,349</u>	<u>\$ 1,325,582</u>	<u>\$ 1,853,931</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statement of Activities for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support</b>			
Arlington County funds	\$ 2,193,485	\$ 766,059	\$ 2,959,544
Contributions	1,084,854	-	1,084,854
Federal grants	3,410,570	-	3,410,570
Foundation grants	156,150	-	156,150
Investment income, net	6,338	109,978	116,316
Other	1,216	-	1,216
SBA Paycheck Protection forgiveness	35,000	-	35,000
United Way and CFC funding	4,193	-	4,193
Net assets released from restrictions	487,144	(487,144)	-
Total revenue	<u>7,378,950</u>	<u>388,893</u>	<u>7,767,843</u>
<b>Expenses</b>			
Emergency assistance	6,167,658	-	6,167,658
Management and general	291,010	-	291,010
Fundraising	298,695	-	298,695
Total expenses	<u>6,757,363</u>	<u>-</u>	<u>6,757,363</u>
<b>Change in net assets</b>	621,587	388,893	1,010,480
<b>Net assets, beginning of year</b>	542,513	1,089,318	1,631,831
<b>Net assets, end of year</b>	<u>\$ 1,164,100</u>	<u>\$ 1,478,211</u>	<u>\$ 2,642,311</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Arlington Thrive

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

Expenses	Emergency assistance	Management and general	Fundraising	Total
Accounting	\$ 37,754	\$ 15,686	\$ 12,060	\$ 65,500
Bank charges	5,506	2,122	1,502	9,130
Community outreach	16,250	20,027	6,474	42,751
Computer-related expense	42,827	2,364	8,933	54,124
Conferences and meetings	-	3,625	-	3,625
Depreciation	-	2,190	-	2,190
Dues and subscriptions	15,214	6,774	11,574	33,562
Emergency assistance	3,474,530	-	-	3,474,530
Employee benefits	19,208	9,831	6,114	35,153
Fundraising	-	-	106,475	106,475
Insurance	8,043	3,632	2,569	14,244
Legal	-	6,739	-	6,739
Office rent	4,743	2,142	1,515	8,400
Office supplies and services	23,694	18,058	8,589	50,341
Other expenses	-	865	-	865
Payroll taxes	34,926	18,238	11,157	64,321
Professional fees	8,660	13,126	2,926	24,712
Postage and freight	-	916	837	1,753
Printing	-	1,983	40,797	42,780
Salaries	454,822	232,779	144,769	832,370
Staff training	17,712	7,996	5,658	31,366
Telephone	8,285	3,409	2,708	14,402
Travel	-	1,463	-	1,463
Website	-	356	-	356
<b>Total expenses by function</b>	<b>\$ 4,172,174</b>	<b>\$ 374,321</b>	<b>\$ 374,657</b>	<b>\$ 4,921,152</b>

The accompanying independent auditor's report and notes are an integral part of the financial statements.



## Arlington Thrive

### Statement of Functional Expenses for the year ended June 30, 2021

	Emergency assistance	Management and general	Fundraising	Total
<b>Expenses</b>				
Accounting	\$ 8,075	\$ 8,075	\$ -	\$ 16,150
Bank charges	4,549	1,860	9,514	15,923
Bookkeeping	17,047	18,586	-	35,633
Community outreach	5,579	8,475	28,136	42,190
Computer-related expense	21,072	8,270	5,048	34,390
Conferences and meetings	383	996	267	1,646
Depreciation	-	128	-	128
Dues and subscriptions	12,613	4,105	5,272	21,990
Emergency assistance	5,550,091	-	-	5,550,091
Employee benefits	6,944	25,243	419	32,606
Fundraising	-	-	69,406	69,406
Insurance	6,037	-	320	6,357
Legal	11,775	12,737	1,639	26,151
Office rent	2,706	2,731	2,706	8,143
Office supplies and services	4,498	8,832	2,010	15,340
Payroll taxes	23,806	28,253	4,826	56,885
Postage and freight	2,184	1,095	7,384	10,663
Printing	2,012	786	27,569	30,367
Salaries	449,601	144,549	128,091	722,241
Staff training	11,250	12,064	6,088	29,402
Telephone	27,436	3,894	-	31,330
Travel	-	67	-	67
Website	-	264	-	264
<b>Total expenses by function</b>	<b>\$ 6,167,658</b>	<b>\$ 291,010</b>	<b>\$ 298,695</b>	<b>\$ 6,757,363</b>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Statements of Cash Flows for the years ended June 30,

**2022**
**2021**

### Cash flows from operating activities

Change in net assets	\$ (788,380)	\$ 1,010,480
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation expense	2,190	128.00
SBA Paycheck Protection Program forgiveness	-	(35,000)
Unrealized and realized (gain) loss on investments	100,378	(100,551)
(Increase) decrease in operating assets		
Contributions receivable	49,970	(68,810)
Prepaid expenses	(21,814)	(12,723)
Increase (decrease) in operating liabilities		
Accounts payable	(6,629)	36,881
Accrued expenses	29,475	7,516
Refundable advance	55,484	(148,444)
Net cash provided by (used in) operating activities	<u>(579,326)</u>	<u>689,477</u>

### Cash flows from investing activities

Purchase of investments and reinvestments	-	(991,787)
Purchase of property and equipment	(68,076)	(7,484)
Proceeds from redemption of certificates of deposit	-	188,175
Proceeds from sale of investments	164,429	821,156
Net cash provided by investing activities	<u>96,353</u>	<u>10,060</u>

### Net change in cash and cash equivalents and restricted cash

(482,973) 699,537

### Cash and cash equivalents and restricted cash, beginning of year

1,594,092 894,555

### Cash and cash equivalents and restricted cash, end of year

\$ 1,111,119 \$ 1,594,092

### Supplemental cash flow information

Interest paid	\$ -	\$ -
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 1. The Organization and purpose

Arlington Thrive (the Organization) is a nonprofit organization incorporated in 1975 to provide emergency financial help to residents of Arlington, Virginia. Arlington Thrive provides timely assistance to help our neighbors in need so they can develop the capacity to be stable, secure and thrive in their jobs, health and homes. Arlington Thrive makes grants for rent, utility bills, medical and dental bills, prescriptions, and transportation.

Arlington Thrive's main sources of revenue include funding from Arlington County and contributions from individuals, churches, businesses, and foundations.

### 2. 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 restrictions imposed by donors or grantors. 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.

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.

#### Revenue and support recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is classified as with donor restriction when the donor has designated it for future use or specified an event that must transpire before it is available for use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, purpose restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other revenue is recognized when earned.

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 in the statement of financial position.

#### Cash and cash equivalents

For purposes of the statements of cash flows, Arlington Thrive considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Arlington Thrive maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. Arlington Thrive has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2022 and 2021, uninsured bank balances amounted to \$964,268 and \$1,439,352, respectively.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### **Restricted cash**

Restricted cash consists of funds from donors with restrictions for specific types of emergency services, held in separate, interest-bearing accounts. The interest received is recorded with donor restrictions.

### **Property and equipment**

Property and equipment is recorded at cost. Arlington Thrive's policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment, generally five years to seven years.

### **Investments**

Investments are carried at their fair market values based on publicly available market data obtained from services independent of Arlington Thrive. Investment income or loss (including 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.

### **Accrued vacation**

Employees of Arlington Thrive are entitled to paid vacation depending on job classification, length of service and other factors. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. Accrued vacation balances were \$30,184 and \$11,436 as of June 30, 2022 and 2021, respectively, and are included with accrued expenses on the accompanying statements of financial position.

### **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 present 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.

### **Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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.

### **Other financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, restricted cash, contributions receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and refundable advance. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### **Income taxes**

Arlington Thrive is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. For the years ended June 30, 2022 and 2021, Arlington Thrive did not have unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

Arlington Thrive is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the United States and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Arlington Thrive's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2019 through June 30, 2022.

### **Contributions receivable**

The Organization considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the years ended June 30, 2022 and 2021, the receivable balances were \$18,840 and \$68,810, respectively. The June 30, 2022 receivable balance consists of government grants.

### **Recently adopted accounting pronouncement**

The FASB (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021. The Organization adopted this standard for the year ended June 30, 2022.

### **Upcoming accounting pronouncements**

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization plans to adopt the standard on its effective date, which for the Organization is July 1, 2022. The Organization is evaluating the impact of this statement.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (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 income statement 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, July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

### **3. Arlington County funding**

According to the provisions of the agreement with Arlington County, funds received must be matched by \$232,315 in private funding for both the years ended June 30, 2022 and 2021. Arlington Thrive met this requirement during both years.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 4. Security deposit program

The Section 8 Security Deposit Program was initiated to assist Section 8 housing clients by providing loans for security deposits. Arlington County provides Arlington Thrive with funds to implement this program. Individuals repay the loans over a period of time through monthly payments to the County Section 8 program. The program has ended during fiscal year 2022, during which Arlington Thrive wrote off \$2,818, and additionally, Arlington County requested \$13,258 to be transferred to the Daily fund checking. No receivable has been recorded for the years ended June 30, 2022 and 2021.

### 5. Net assets with donor restrictions

Arlington Thrive received contributions in support of specific programs for the years ended June 30, 2022 and 2021. These contributions have been reflected in the statements of activities as purpose-restrictions contributions. To the extent those funds have been disbursed in support of these programs, amounts have been recorded as net assets released from restrictions. Funds that were received and the restrictions met in the same fiscal year are reported as net assets without donor restrictions. Any funds that have not been expended are included as net assets with donor restrictions as of June 30, 2022 and 2021. Additional expenditures to maintain these programs are provided from the net asset without donor restrictions balance.

Net assets with donor restrictions consisted of the following as of June 30, 2022:

	<u>2021</u>	<u>Additions</u>	<u>Releases</u>	<u>2022</u>
Arlington County funds				
Section 8 Security Deposits	\$ 16,074	\$ 1	\$ (16,075)	\$ -
Arlington Thrive Fund	305,066	-	-	305,066
Childcare	130,582	136	(81,233)	49,485
Emergency Lodging	44,761	90,278	(135,039)	-
Emergency Medical and Dental Assistance Fund	875,271	(73,603)	-	801,668
Parks and Recreation	15,254	11	(15,265)	-
Permanent Supportive Housing Emergency Fund	17,353	125,790	(57,454)	85,689
Permanent Supportive Housing Maintenance Reserve	9,285	41,861	(22,483)	28,663
Risk reduction	42,958	62	(3,000)	40,020
Youth in Transition	21,607	20	(6,636)	14,991
Total	<u>\$ 1,478,211</u>	<u>\$ 184,556</u>	<u>\$ (337,185)</u>	<u>\$ 1,325,582</u>

See independent auditor's report.

## Arlington Thrive

### Notes to Financial Statements June 30, 2022 and 2021

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#### 5. Purpose restrictions (continued)

Net assets with donor restrictions consisted of the following as of June 30, 2021:

	<u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>2021</u>
Arlington County funds				
Section 8 Security Deposits	\$ 13,664	\$ 2,410	\$ -	\$ 16,074
Arlington Thrive Fund	164,882	328,414	(188,230)	305,066
Childcare	-	200,231	(69,649)	130,582
Emergency Lodging	-	79,231	(34,470)	44,761
Emergency Medical and Dental				
Assistance Fund	795,293	109,978	(30,000)	875,271
Parks and Recreation	-	93,671	(78,417)	15,254
Permanent Supportive Housing				
Emergency Fund	16,846	52,063	(51,556)	17,353
Permanent Supportive Housing				
Maintenance Reserve	30,436	1,941	(23,092)	9,285
Risk reduction	50,806	79	(7,927)	42,958
Youth in Transition	17,391	8,019	(3,803)	21,607
Total	<u>\$ 1,089,318</u>	<u>\$ 876,037</u>	<u>\$ (487,144)</u>	<u>\$ 1,478,211</u>

#### 6. Board designated net assets

Arlington Thrive maintains an operating reserve fund for board designated net assets, the purpose of which is to provide an internal source of resources. The balance in the fund was \$182,432 and \$191,205 as of June 30, 2022 and 2021, respectively. The June 30, 2021 balance was maintained in the Arlington Community Foundation and transferred into Supreme Savings bank account in March 2022.

#### 7. Endowment funds

Arlington Thrive's endowment funds consist of donor-restricted funds established by Mitchel E. Davis, MD for emergency medical and dental assistance. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The Board of Directors of Arlington Thrive has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Arlington Thrive classifies its investments as donor-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Arlington Thrive considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 7. Endowment funds (continued)

1. The duration and preservation of the fund
2. The purposes of Arlington Thrive and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Arlington Thrive
7. The investment policies of Arlington Thrive

#### Return Objectives and Risk Parameters

Arlington Thrive adopted investment and spending policies and investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Arlington Thrive must hold in perpetuity as well as board-designated funds.

#### Strategies employed for achieving objectives

For the year ended June 30, 2022, Arlington Thrive's investments were with Lincoln Financial Advisors. The asset allocation was approximately 42 percent equities, 2 percent cash reserves, and 56 percent fixed income. The objective was to provide a balance between current income and growth of principal. This investment option was best suited for funds that desire an income stream and growth of principal through some exposure to the equity market. There was exposure to both equity market risk and interest rate risk.

#### Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by Arlington Thrive is based on donor imposed restrictions for distribution each year up to five percent of the endowment fund's fair value. However, the endowment fund allows Arlington Thrive to use more than five percent of the value in cases of extreme financial need.

#### Endowment net asset composition by type of fund

The endowment net assets consisted of the following as of:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Endowment funds as of June 30, 2022</b>			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	\$ -	\$ 801,669	\$ 801,669
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Endowment funds as of June 30, 2021</b>			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	\$ -	\$ 875,271	\$ 875,271

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# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 7. Endowment funds (continued)

#### Changes in endowment net assets

The endowment net activity consisted of the following:

	Without donor restrictions	With donor restrictions	Total
<b>Endowment funds as of June 30, 2020</b>	\$ -	\$ 795,293	\$ 795,293
Investment return			
Investment income	-	15,935	15,935
Net appreciation	-	100,551	100,551
Investment fees	-	(6,508)	(6,508)
Total investment return	-	109,978	109,978
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	(30,000)	(30,000)
<b>Endowment funds as of June 30, 2021</b>	<b>\$ -</b>	<b>\$ 875,271</b>	<b>\$ 875,271</b>
Investment return			
Investment income	\$ -	\$ 22,728	\$ 22,728
Net depreciation	-	(89,497)	(89,497)
Investment fees	-	(6,833)	(6,833)
Total investment return	-	(73,602)	(73,602)
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	-	-
<b>Endowment funds as of June 30, 2022</b>	<b>\$ -</b>	<b>\$ 801,669</b>	<b>\$ 801,669</b>

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Arlington Thrive to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

### 8. Fair value measurements

Arlington Thrive classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Arlington Thrive's investments as of June 30, 2022 consist of investments held at a financial institution, and June 30, 2021 investments also included funds held in a community foundation. The fair value of the assets held by the financial institution are values as level 1. The fair value of the assets held by the community foundation is based on the fair value of the fund investments as reported by the community foundation. These are considered Level 3 measurements.

See independent auditor's report.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

### 8. Fair value measurements (continued)

Assets measured at fair value on a recurring basis are summarized below as of:

June 30, 2022:	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 16,093	\$ -	\$ -	\$ 16,093
Equity			-	
Bond fund	446,284	-	-	446,284
Equity income	129,343	-	-	129,343
Mid cap	48,003	-	-	48,003
Growth	135,938	-	-	135,938
M/F US fixed tax	26,007	-	-	26,007
Total investments, at fair value	<u>\$ 801,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,668</u>
June 30, 2021:	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 13,249	\$ -	\$ 3,250	\$ 16,499
Equity			-	
Bond fund	471,799	-	93,882	565,681
Equity income	122,958	-	-	122,958
Mid cap	76,467	-	-	76,467
Growth	190,797	-	-	190,797
M/F US fixed tax	-	-	94,073	94,073
Total investments, at fair value	<u>\$ 875,270</u>	<u>\$ -</u>	<u>\$ 191,205</u>	<u>\$ 1,066,475</u>

The following table presents activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2022	2021
Beginning balance	\$ 191,205	\$ 795,293
Contributions	-	-
Total gains/(losses) (realized/unrealized) including changes in net assets	(8,906)	37,337
Transfer into level 3	-	190,181
Transfer out of level 3	(182,299)	(831,606)
Ending balance	<u>\$ -</u>	<u>\$ 191,205</u>

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# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 8. Fair value measurements (continued)

In the first quarter of fiscal year 2022, the Organization moved the endowment fund from Arlington Community Foundation into Lincoln Financial. The endowment fund from Arlington Community Foundation is closed as of June 30, 2022.

Investment income consisted of the following for the years ended June 30:

	2022	2021
Realized and unrealized gains	\$ (100,378)	\$ 100,551
Interest and dividend income	29,997	22,274
Fees	(8,263)	(6,509)
	<u>\$ (78,644)</u>	<u>\$ 116,316</u>

### 9. Property and equipment

A summary of information relative to property and equipment as of June 30, 2022 and 2021 is as follows:

	2022	2021	Useful life
Computer equipment	\$ 20,480	\$ 7,484	5 - 7 years
Website	55,080	-	5 years
Filing cabinet	1,591	1,591	7 years
Accumulated depreciation	(3,909)	(1,719)	
	<u>\$ 73,242</u>	<u>\$ 7,356</u>	

Depreciation expense of \$2,190 and \$180 was reported on the statement of functional expenses for the years ended June 30, 2022 and 2021, respectively.

### 10. Concentrations

Arlington County funds accounted for 71 percent and 82 percent of revenue for the years ended June 30, 2022 and 2021, respectively.

# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 11. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,111,119	\$ 1,594,092
Contributions receivable	18,840	68,810
Investments	<u>801,668</u>	<u>1,066,475</u>
Financial assets, at year end	<u>1,931,627</u>	<u>2,729,377</u>
Less amounts unavailable for general expenditures within one year due to:		
Donor-imposed restrictions	<u>(1,325,582)</u>	<u>(1,478,211)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 606,045</u>	<u>\$ 1,251,166</u>

As a part of its liquidity management plan, the Organization strives to maintain 90 days' worth of expenses as a reserve.

### 12. Risks and uncertainties

In March 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the continued spread of the COVID-19 coronavirus, economic uncertainties along with disruptions to supply chains are affecting production and sales across a range of industries. Arlington Thrive received significant funding to help meet the emergency needs of Arlington County residents. During fiscal year 2021, the Payroll Protection Program loan was fully forgiven as of January 2021 and recorded as income on the statement of activities. For the year ended June 30, 2022, no additional funding was granted to the Organization.

### 13. Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts show in the statement of cash flows.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 737,871	\$ 457,392
Restricted cash	<u>373,248</u>	<u>1,136,700</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 1,111,119</u>	<u>\$ 1,594,092</u>

### 14. Line of credit

The Organization secured a line of credit in the amount of \$200,000 from John Marshall Bank, that bears interest rate of Prime +1% and expired on July 29, 2022 and was not renewed subsequently to the year end. The line of credit outstanding balance is \$0 at June 30, 2022 and June 30, 2021.

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# Arlington Thrive

## Notes to Financial Statements June 30, 2022 and 2021

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### 15. Commitments

Arlington Thrive maintains an operating lease for office space with a church in Arlington. The agreement began March 1, 2011 and continues until terminated by either party. Base rental payments increased from \$700 per month for the year ended June 30, 2021, as additional office space was needed. Rental expense was \$8,400 and \$8,143 for the years ended June 30, 2022 and 2021, respectively.

### 16. Subsequent events

Arlington Thrive assessed events occurring subsequent to June 30, 2022 through January 24, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.