CALMRA, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Management and Board of Directors
CALMRA, Inc.
Laurel, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CALMRA, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Other Matter

The financial statements of the Organization as of June 30, 2022 were audited by other auditors whose report dated September 8, 2023, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
August 22, 2024

CALMRA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,237,696	$ 3,322,105
Investments	1,657,276	428,210
Accounts Receivable - Funding Sources	131,107	323,429
Prepaid Expenses	-	7,601
Total Current Assets	6,026,079	4,081,345
PROPERTY AND EQUIPMENT, NET	5,439,204	5,741,062
RIGHT-OF-USE ASSETS - FINANCING, NET	418,578	-
OTHER ASSETS		
Loan Fees - Mortgage Escrow	580	615
Deposits	51,450	55,389
Restricted Deposits - Reserve for Replacements	245,378	241,737
Total Other Assets	297,408	297,741
Total Assets	$ 12,181,269	$ 10,120,148
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 313,114	$ 381,292
Due to Consumers	-	39,583
Due to State of Maryland	215,950	239,129
Mortgages and Notes Payable, Net of Debt Issuance Costs	275,295	152,796
Lease Liability - Finance	122,866	-
Capital Lease Obligations	-	150,961
Total Current Liabilities	927,225	963,761
LONG-TERM LIABILITIES		
Mortgages and Notes Payable, Net of Debt Issuance Costs	3,445,717	3,607,997
Participation Liability	463,688	316,346
Lease Liability - Finance	296,811	-
Capital Lease Obligations	-	136,976
Total Long-Term Liabilities	4,206,216	4,061,319
Total Liabilities	5,133,441	5,025,080
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,047,828	5,095,068
Total Net Assets	7,047,828	5,095,068
Total Liabilities and Net Assets	$ 12,181,269	$ 10,120,148

See accompanying Notes to Financial Statements.

CALMRA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
State of Maryland Program Fees	$ 7,878,824	$ -	$ 7,878,824
Montgomery and Prince George's County Program Fees	399,918	-	399,918
Consumer Fees	319,750	-	319,750
Food Stamps	80,853	-	80,853
Gain on Lease Implementation	105,431	-	105,431
Contributions of Financial Assets and Fundraising	98,759	-	98,759
Gain on Sale of Property, Equipment, and Leases	48,000	-	48,000
Special Events, Net of Direct Expenses of $8,688	(1,423)	-	(1,423)
Memberships	4,085	-	4,085
Miscellaneous	53,602	-	53,602
Investment Income, Net	37,781	-	37,781
Total Revenues, Gains, and Other Support	9,025,580	-	9,025,580
EXPENSES			
Program Services:			
Residential	5,174,257	-	5,174,257
Day	771,899	-	771,899
Total Program Services	5,946,156	-	5,946,156
Supporting Services:			
Management and General	1,126,664	-	1,126,664
Total Expenses	7,072,820	-	7,072,820
CHANGE IN NET ASSETS	1,952,760	-	1,952,760
Net Assets - Beginning of Year	5,095,068	-	5,095,068
NET ASSETS - END OF YEAR	$ 7,047,828	$ -	$ 7,047,828

See accompanying Notes to Financial Statements.

CALMRA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
State of Maryland Program Fees	$ 7,181,133	$ -	$ 7,181,133
Montgomery and Prince George County Program Fees	374,907	-	374,907
Consumer Fees	285,952	-	285,952
Miscellaneous	209,549	-	209,549
Food Stamps	100,996	-	100,996
Contributions of Financial Assets and Fundraising	100,633	-	100,633
Grants	44,287	-	44,287
Forgiveness of Debt	42,550	-	42,550
Gain on Sale of Property and Equipment	3,139	-	3,139
Special Events, Net of Direct Expenses of $7,053	197	-	197
Memberships	150	-	150
Investment Loss, Net	(41,866)	-	(41,866)
Total Revenues, Gains, and Other Support	8,301,627	-	8,301,627
EXPENSES			
Program Services:			
Residential	4,994,698	-	4,994,698
Day	830,429	-	830,429
Total Program Services	5,825,127	-	5,825,127
Supporting Services:			
Management and General	742,794	-	742,794
Total Expenses	6,567,921	-	6,567,921
CHANGE IN NET ASSETS	1,733,706	-	1,733,706
Net Assets - Beginning of Year	3,361,362	-	3,361,362
NET ASSETS - END OF YEAR	$ 5,095,068	$ -	$ 5,095,068

See accompanying Notes to Financial Statements.

CALMRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services		Supporting Services		
	Residential	Day	Management and General	Fundraising	Total
Salaries	$ 3,585,661	$ 566,511	$ 429,034	$ -	$ 4,581,206
Fringe Benefits	263,607	43,368	75,024	-	381,999
Payroll Taxes	265,548	41,980	34,909	-	342,437
Total Salaries and Related Expenses	4,114,816	651,859	538,967	-	5,305,642
Depreciation and Amortization	291,638	38,005	29,958	-	359,601
Utilities	198,067	26,743	19,272	-	244,082
Food	161,727	-	-	-	161,727
Interest	72,029	6,270	94,493	-	172,792
Office Supplies	20,255	13,136	114,218	-	147,609
Repairs and Maintenance	116,850	5,627	17,477	-	139,954
Professional Fees	-	-	120,326	-	120,326
Insurance	71,762	8,443	32,592	-	112,797
Purchase of Services - Other	-	-	93,470	-	93,470
Travel and Vehicle Expense	47,371	18,032	16,353	-	81,756
Supplies	61,423	1,961	3,949	8,688	76,021
Miscellaneous	13,557	276	29,431	-	43,264
Training	4,687	1,392	2,568	-	8,647
Awards and Grants	-	-	7,795	-	7,795
National Dues	-	-	5,795	-	5,795
Purchase of Services - Consumers	75	155	-	-	230
Total Expenses by Function	5,174,257	771,899	1,126,664	8,688	7,081,508
Less: Special Events Expense Offset Against Revenue in the Statements of Activities	-	-	-	(8,688)	(8,688)
Total Expenses Included in the Expense Section on the Statements of Activities	$ 5,174,257	$ 771,899	$ 1,126,664	$ -	$ 7,072,820

See accompanying Notes to Financial Statements.

CALMRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services		
	Residential	Day	Management and General	Fundraising	Total
Salaries	$ 3,319,191	$ 514,607	$ 403,458	$ -	$ 4,237,256
Fringe Benefits	304,641	32,335	26,139	-	363,115
Payroll Taxes	259,876	40,567	31,849	-	332,292
Total Salaries and Related Expenses	3,883,708	587,509	461,446	-	4,932,663
Depreciation	290,508	79,347	37,100	-	406,955
Utilities	193,394	28,915	17,071	-	239,380
Food	154,839	19,015	-	-	173,854
Repairs and Maintenance	134,785	23,277	10,629	-	168,691
Office Supplies	43,770	31,439	49,807	-	125,016
Interest	64,771	35,965	31,221	-	131,957
Insurance	85,887	13,709	7,291	-	106,887
Supplies	92,191	-	1,709	7,053	100,953
Purchase of Services - Other	-	-	93,563	-	93,563
Travel and Vehicle Expense	42,117	11,141	5,671	-	58,929
Professional Fees	545	-	16,130	-	16,675
National Dues	106	-	8,972	-	9,078
Training	7,365	112	946	-	8,423
Awards and Grants	157	-	1,238	-	1,395
Purchase of Services - Consumers	555	-	-	-	555
Total Expenses by Function	4,994,698	830,429	742,794	7,053	6,574,974
Less: Special Events Expense Offset Against Revenue in the Statements of Activities	-	-	-	(7,053)	(7,053)
Total Expenses Included in the Expense Section on the Statements of Activities	$ 4,994,698	$ 830,429	$ 742,794	$ -	$ 6,567,921

See accompanying Notes to Financial Statements.

CALMRA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,952,760	$ 1,733,706
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	252,759	406,955
Amortization of Debt Issuance Costs	200	197
Amortization of Financing Leases	106,842	-
Gain on Sale of Property and Equipment	(48,000)	(3,139)
Realized and Unrealized (Gain) Loss on Investments	(14,891)	45,505
Amortization of Loan Discount and Equity Participation Liability	34,262	19,123
Impact of ASC 842 Implementation	(153,942)	-
Forgiveness of Debt	-	(42,550)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	192,322	386,160
Prepaid Expenses	7,601	6,003
Deposits	3,939	(40,928)
Accounts Payable and Accrued Expenses	(68,178)	40,984
Due to Consumers	(39,583)	(7,725)
Due to State of Maryland	(23,179)	40,515
Net Cash Provided by Operating Activities	2,202,912	2,584,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments and Reinvested Earnings	(1,291,762)	(2,509)
Sales of Investments	77,587	
Acquisition of Property and Equipment	(87,874)	(157,182)
Proceeds from the Sale/Disposal of Property and Equipment	48,000	12,500
Net Cash Used by Investing Activities	(1,254,049)	(147,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Mortgages and Notes Payable	156,094	164,860
Payments on Mortgages and Notes Payable	(82,960)	(147,813)
Payments on Financing Leases	(102,765)	-
Payments on Capital Lease Obligations	-	(106,676)
Net Cash Used by Financing Activities	(29,631)	(89,629)
CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS	919,232	2,347,986
Cash and Cash Equivalents and Restricted Deposits - Beginning of Year	3,563,842	1,215,856
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS - END OF YEAR	$ 4,483,074	$ 3,563,842
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 121,074	$ 150,882
Acquisition of Property and Equipment	$ -	$ 189,730
Less: Amounts Financed	-	(32,548)
Total Cash Paid for Property and Equipment	$ -	$ 157,182

See accompanying Notes to Financial Statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of CALMRA, Inc. (the Organization), is a nonprofit organization and was incorporated in the state of Maryland on November 27, 1984, and began operations in 1992. The Organization provides residential, individual, and community support services for adults with developmental disabilities.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management or Board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2023 and 2022, the Organization did not have any net assets with donor restrictions.

Reclassifications of Prior Year Balances

Certain reclassifications of the prior year balances have been made to conform to current year presentation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Contributions and Fundraising

Contributions are reported as revenue in the year received and/or when the unconditional promises are made. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, including donor-restricted conditional contributions, whose restrictions (and conditions, if applicable) are met in the same year are reported as support without donor restrictions.

Promises to give with a measurable performance or other barrier and a right of return are considered conditional promises to give and are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended June 30, 2023 and 2022.

Grants

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on the expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Organization has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as deferred revenue in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without donor restrictions.

Program Service Fees and Consumer Program Fees

The Organization offers several levels of services for individuals with developmental disabilities. These services are funded primarily by the Developmental Disabilities Administration of the State of Maryland Department of Health (DDA). Program service fees for DDA programs are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing services. Changes in the valuation of the consideration to which the Organization expects to be entitled to in exchange for providing services are recognized in the period in which the changes are determined. Program service fees are recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a daily or hourly basis, as prescribed by DDA program regulations. Revenue is recorded based on daily or hourly reimbursement rates established and approved by DDA.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

Program Service Fees and Consumer Program Fees (Continued)

The Organization receives advance payments from DDA on a quarterly basis, which are subsequently reconciled to actual amounts earned. Any amounts due to or from DDA upon reconciliation are adjusted by an increase or decrease in future quarterly advances.

Program service fees recognized for DDA programs for the years ended June 30 are as follows:

Service Type	Measurement Period for Performance Obligations	2023	2022
Residential	Daily	$ 7,347,095	$ 6,620,667
Day	Daily	531,729	560,466
Total		$ 7,878,824	$ 7,181,133

The Organization collects consumer program fees for room and board and contribution to care from individuals in the Organization's residential services program. Consumer program fee revenue is recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a monthly basis. The monthly reimbursement rate is determined for each individual based on rates established and approved by DDA.

Program service fees from consumers were as follows for the years ended June 30:

	2023	2022
Room and Board Fees	$ 201,300	$ 199,737
Contribution to Care	71,302	63,081
Cable	24,153	-
Representative Pay Fees	22,995	23,134
Total	$ 319,750	$ 285,952

The Organization also receives a supplement from both Montgomery County and Prince George's County to support all DDA programs which are paid on a quarterly basis. Supplemental fund revenue amounted to the following during the years ended June 30:

	2023	2022
Montgomery County Supplement	$ 312,498	$ 302,737
Prince George's County Supplement	87,420	72,170
Total	$ 399,918	$ 374,907

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

Special Events

The Organization's policy for recognizing revenue for special events is to recognize revenue in the year the event occurs.

Rental Income

The Organization collects rent from employees who live in the Organization's residential program homes with their children. Rental income is recognized monthly as it is earned.

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 contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

U.S. GAAP requires all nonprofit organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Expenses are either charged directly to program services as incurred or allocated based on estimates of time and effort or usage. The expenses that have been allocated based on estimates of time and effort or usage include the following; salaries and related expenses, depreciation, repairs and maintenance, supplies, and various occupancy costs.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities for the year ended June 30, 2023 and June 30, 2022.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of 90 days or less, except cash and money market funds that are part of an investment portfolio.

The Organization manages funds for consumers in the residential program. The funds are deposited into a separate collective consumer representative payee bank account and are included with cash on the statement of financial position. The balance in the consumer representative payee account at June 30, 2023 and 2022 was $-0- and $39,583, respectively.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Assets costing $5,000 or more and having a useful life of more than one year are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings, or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Accounts Receivable

Accounts receivable from funding sources consist of amounts due from the State of Maryland Department of Health, Montgomery County, and Prince George's County for program fees and grants. Other accounts receivable consist of amounts due from consumers. All accounts receivable are considered fully collectible at June 30, 2023 and 2022. Accordingly, an allowance for doubtful accounts has not been established. The beginning balance in accounts receivable was $323,429 and $709,589 at June 30, 2023 and 2022, respectively. The ending balance was $131,107 and $323,429 at June 30, 2023 and 2022, respectively.

Contributions – Nonfinancial Assets

Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. There were no donated services or tangible assets that qualified for recognition during the years ended June 30, 2023 and 2022.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Total advertising costs for the years ended June 30, 2023 and 2022 amounted to $-0-.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status and Income Tax Position

The Organization is exempt under Section 50l(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes as the Organization has had no significant unrelated business income.

The Organization follows the guidance of ASC 740-10, *Accounting for Uncertainty in Income Taxes,* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of nonprofit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Organization's financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 50l(c)(3) to qualify as a tax-exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax positions.

Leases

The Organization leases vehicles. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statements of financial position. Finance leases are included in financing lease ROU assets and financing lease liabilities on the consolidated statements of financial position. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made 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 lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for the leases classified as operating leases.

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption.

The Organization did not elect the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Leases were reassessed the existing leases and redetermined whether the classification of capital leases or operating leases would be different with the new guidance.

As a result of the adoption of the new lease accounting guidance, the Organization recognized $284,057 of financing ROU and financing lease liability of $324,078 as of July 1, 2022. Additional detail regarding leases is provided in Note 10 Financing Leases – ASC 842.

The standard had a material impact on the consolidated statements of financial position and statements of cash flows but did have a material impact on the consolidated statements of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating and financing leases.

Subsequent Events

Subsequent events have been evaluated through August 22, 2024, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at June 30:

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 4,237,696	$ 3,322,105
Investments	1,657,276	428,210
Accounts Receivable - Funding Sources	131,107	323,429
Total Financial Assets	6,026,079	4,073,744
Less: Amouns Not Available to be Used Within One Year:		
Consumer Cash	-	(39,583)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 6,026,079	$ 4,034,161

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately $1,770,000). Monthly average recurring costs are calculated by dividing total operating expenses for the year by 12 months. In addition to calculating the actual operating reserve at year-end, the target minimum reserve will be calculated each year after approval of the annual budget. As part of its liquidity plan, excess cash is invested in an investment account to be used for operations.

The Organization has line of credits available to draw upon in the event of an unanticipated liquidity need (See Note 9). The Organization also has equity in its properties located in Prince George's and Montgomery Counties. The Organization may choose to use any available equity after all other options have been exhausted.

NOTE 3 CONCENTRATION OF CASH BALANCES

At June 30, 2023 and 2022 and at various times during the year, the Organization maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

NOTE 4 INVESTMENTS

Investments are recorded at fair market value. Investments consisted of the following at:

	Fair Market Value
June 30, 2023	
Cash and Money Market Funds	$ 216,846
Mutual Funds	831,316
Fixed Income Bonds	609,114
Total	$ 1,657,276
June 30, 2022	
Cash and Money Market Funds	$ 5,434
Mutual Funds	161,201
Fixed Income Bonds	261,575
Total	$ 428,210

NOTE 5 FAIR VALUE MEASUREMENT

ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are as described as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 5 FAIR VALUE MEASUREMENT (CONTINUED)

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include cash and money market funds held in brokerage accounts and mutual funds.

Investments whose values are based on other than quoted market prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active, and therefore classified with Level 2, include fixed income bonds.

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Fixed Income Bonds

Not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or nontransferability, which are generally based on available market information.

There have been no changes in investment valuation techniques.

The table below presents the balances of investments measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	Level 1	Level 2	Level 3	Total
June 30, 2023				
Cash and Money Market Funds	$ 216,846	$ -	$ -	$ 216,846
Mutual Funds	831,316	-	-	831,316
Fixed Income Bonds	-	609,114	-	609,114
Total	$ 1,048,162	$ 609,114	$ -	$ 1,657,276
June 30, 2022				
Cash and Money Market Funds	$ 5,434	$ -	$ -	$ 5,434
Mutual Funds	161,201	-	-	161,201
Fixed Income Bonds	-	261,575	-	261,575
Total	$ 166,635	$ 261,575	$ -	$ 428,210

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment follows for June 30:

	Estimated Useful Lives	2023	2022
Land	25 to 30 Years	$ 2,274,829	$ 2,274,829
Buildings	5 to 10 Years	4,066,370	4,066,370
Furniture and Equipment	75,000 Miles	258,563	258,563
Vehicles	5 Years	-	77,084
Vehicles	5 to 30 Years	-	955,880
Capital and Leasehold Improvements		2,495,751	2,407,876
Total		9,095,513	10,040,602
Less: Accumulated Depreciation		(3,656,309)	(4,299,540)
Property and Equipment, Net		$ 5,439,204	$ 5,741,062

Depreciation expense for the years ended June 30, 2023 and 2022 was $359,601 and $406,955, respectively.

NOTE 7 RESTRICTED DEPOSITS

The Organization is required to maintain a reserve for replacements escrow account for each residential property financed through Maryland Department of Housing and Community Development (MDHCD). As of June 30, 2023 and 2022, the cumulative monthly deposits required to be made into the reserve for replacements escrow accounts was $3,641 and $2,156, respectively. Effective June 1, 2020, MDHCD suspended the requirement to deposit funds into the reserve for replacements for 13 of the mortgages through May 30, 2021. The Organization must request approval from MDHCD to expend the funds for approved repairs and replacements. As of June 30, 2023 and 2022, the balance in the reserve for replacement accounts was $245,378 and $241,737, respectively.

NOTE 8 MORTGAGES AND NOTES PAYABLE

To comply with ASU 2015-3, the Organization reports debt issuance costs as a direct deduction from the face amount of the related debt. The Organization reports amortization of debt issuance costs as interest expense. Debt at June 30, 2023 and 2022 is shown net of unamortized debt issuance cost of $2,246 and $2,442, respectively.

Details and balances of mortgages and notes payable are as follows for years ended June 30:

Description	2023	2022
Mortgages payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of $9,222 include principal and interest ranging between 1% and 7.06%. The mortgages are for 15 to 30 years and mature between April 2033 and May 2050. The mortgages are secured by residential properties.	$ 1,334,049	$ 1,361,237
Mortgage payable to the State Employee Credit Union. The mortgage was obtained to acquire one residential property. Monthly payments of $2,301 include principal and interest at 4.65% for the first 60 months. Monthly payments increase to $2,355 in October 2019 and include interest at 4.92%. A balloon payment is due for the remaining principal balance on the mortgage in September 2024. The mortgage is secured by one residential property.	292,812	306,816
Notes payable to Montgomery County Department of Housing and Community Affairs. The loans were obtained to assist in the purchase of various capital renovations for residential properties. The notes are noninterest-bearing and are forgivable after five years if the Organization meets its obligations as stated in the loan agreements. The notes mature between fiscal years ending June 30, 2024 and 2032.	534,072	377,979

NOTE 8 MORTGAGES AND NOTES PAYABLE (CONTINUED)

Description	2023	2022
Mortgages payable to the Montgomery County Department of Housing and Community Affairs. The loans were obtained to supplement the acquisition of six group homes. The loans are noninterest-bearing and aggregate monthly payments total $856. The mortgages are for 30 years and mature between March 2027 and November 2036. The mortgages are secured by residential properties.	$ 65,541	$ 55,158
Mortgages payable to Prince George's County Community Development Administration. The mortgages were obtained for the acquisition of a building. Aggregate monthly payments of $12,085 include principal and interest ranging from 0% to 6.75%. The mortgages mature in May 2042. The mortgages are secured by the property.	1,740,559	1,792,705
Total Mortgages and Notes Payable	3,967,033	3,893,895
Less: Discount	(243,775)	(130,660)
Less: Current Maturities	(275,295)	(152,796)
Less Debt Issuance Costs, Net of Amortization	(2,246)	(2,442)
Total Long-Term Portion	$ 3,445,717	$ 3,607,997

The Organization has entered into certain participation mortgage loans with Maryland Department of Housing and Community Development (DHCD). These loans totaled $1,334,049 and $1,361,237 as of June 30, 2023 and 2022, respectively. These agreements entitle DHCD to 50% of the appreciation, as defined in the agreement, upon sale, refinancing, or transfer of the related property; upon ceasing use of the related property for its stated purpose; or default or maturity of the related note. At June 30, 2023 and 2022, the Organization has recorded a participation liability of $463,688 and $316,346, respectively, and a related mortgage loan discount of $243,775 and $130,660, respectively in connection with these agreements.

NOTE 8 MORTGAGES AND NOTES PAYABLE (CONTINUED)

On July 20, 2023, the Organization entered into a loan agreement with Montgomery County in an amount not to exceed $226,820. The proceeds are to be used to reimburse the Organization for improvements made to one of their group home facilities. The loan is made available through a 0% interest loan for a period of 10 years from the date the work is completed. The loan is secured by a promissory note and may be forgivable at the end of the ten-year period if the Organization meets all of the terms and conditions of the loan agreement. The promissory agreement matures on January 1, 2034.

The State Employee Credit Union (SECU) mortgage agreement contains various covenants, which among other things, places restrictions on the Organization's ability to incur additional indebtedness, requires the Organization to maintain certain financial ratios, and prevents the Organization for loaning money, or selling the building or merging with another entity.

Required principal payments are as follows for future years:

Year Ending June 30,	Amount
2024	$ 275,295
2025	426,655
2026	152,874
2027	157,897
2028	162,521
Thereafter	2,791,791
Total	$ 3,967,033

For the years ended June 30, 2023 and 2022, total interest expense for mortgages and notes payable was $151,660 and $107,282, respectively.

NOTE 9 LINES OF CREDIT

In April 2008, the Organization obtained a revolving line of credit with a bank. The borrowing limit is $300,000, with interest at the prime rate plus 1%, limited by a floor on the interest rate at a minimum of 4%. The line of credit is secured by cash, securities, and property of the Organization. As of June 30, 2023 and 2022, there was not a balance outstanding on the line of credit.

In March 2012, the Organization entered into a line of credit with a bank. The borrowing limit is $125,000, with interest at the prime rate plus 1%. The line of credit is available to assist with the purchase of equipment or to finance improvements to group homes. As of June 30, 2023 and 2022, there was not a balance outstanding on the line of credit.

On August 1, 2023 the Organization entered into a revolving line of credit loan agreement with a bank with a borrowing limit of $500,000. Monthly payments of interest at the prime rate are due to be paid beginning September 1, 2023, and the line of credit principal balance is due on demand. The line of credit is secured by cash, securities, and property and equipment of the Organization.

NOTE 10 FINANCING LEASES -ASC 842

The Organization has agreements for the lease of vehicles with a combined capitalized cost of $$1,040,245 as of June 30, 2023. The leases' terms are for 60-87 months and mature between 2024 and 2030. Accumulated amortization on the leased vehicles for the year ended June 30, 2023 was $$621,667..

Lease Costs:	
Finance Lease Costs:	
Amortization of Right-of-Use Assets	$ 106,842
Interest on Lease Liabilities	20,900
Operating Lease Costs	-
Total Lease Costs	$ 127,742
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Finance - Finance Cash Flows	$ 102,765
Finance - Operating Cash Flows	20,900
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	241,363
Weighted-Average Remaining Lease Term - Financing Leases	4.4 Years
Weighted Average Discount Rate - Financing Leases	6.42%

Year Ending June 30,	Financing Leases
2024	$ 145,936
2025	111,757
2026	83,624
2027	50,348
2028	36,375
Thereafter	58,650
Total Lease Payments	486,690
Less: Interest	67,013
Present Value of Lease Liabilities	$ 419,677

NOTE 11 CAPITAL LEASE OBLIGATIONS – ASC 840

The Organization elected to apply provisions of FASB ASC 842 to the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

The Organization has entered into several lease arrangements for vehicles, which have been accounted for as capital leases. The terms of the leases range between 36 and 60 months. At June 30, 2022, aggregate monthly payments of $9,130, include principal and interest ranging between 5.9% and 7.0%. At June 30, 2022, the total cost of vehicles acquired was $955,880. The remaining book value at June 30, 2022 was $136,973. Amortization of the vehicles is included in depreciation expense.

Future minimum lease payments under these leases are as follows:

Year Ending June 30,	Amount
2023	$ 164,001
2024	77,478
2025	69,506
Total Future Lease Payments	310,985
Less: Amount Representing Interest	(23,048)
Present Value of Future Lease Payments (Including Current Portion of $150,961)	$ 287,937

NOTE 12 ACCRUED VACATION

Employees of the Organization are entitled to paid vacation, depending on the length of service and job classification. At June 30, 2023 and 2022, there was $221,413 and $218,562, respectively, of vacation benefits due employees.

NOTE 13 RETIREMENT PLAN

The Organization has established a 403(b) tax-deferred annuity plan for all eligible employees. The Organization matches employees' voluntary contributions of up to 3% to 6% of base pay, depending on the length of employment. Employer contributions to the plan were suspended during the year ended June 30, 2021 and were reinstated during the year ended June 30, 2022. Employer retirement expense for the years ended June 30, 2023 and 2022 was $71,333 and $85,306, respectively, and is included in fringe benefits in the financial statements.

NOTE 14 SIGNIFICANT FUNDING SOURCE

The Organization receives a majority of its total revenues through the State of Maryland Department of Health. The Organization is highly dependent upon government funding to continue its operations.

NOTE 15 CONTINGENCIES

The Organization receives a substantial portion of its revenue from government grants and contracts, all of which are subject to audit by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Organization is of the opinion that no significant liability will result from audit adjustments, if any.

During the year ended June 30, 2006, the Organization received grant funds in the amount of $75,000 from the state of Maryland for residential renovations. If the property is sold or transferred within 30 years to a nonapproved person, agency, or organization after the completion of the renovation project, the State is entitled to receive an amount bearing the same ratio to the then current fair market value of the property.

NOTE 16 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

At June 30, cash and cash equivalents and restricted deposits consisted of the following:

	2023	2022
Operating Cash		
Cash and Cash Equivalents	$ 4,237,696	$ 3,322,105
Restricted Deposits		
Reserve for Replacements	245,378	241,737
Total Cash and Cash Equivalents and Restricted Deposits	$ 4,483,074	$ 3,563,842

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