

**CALMRA, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**



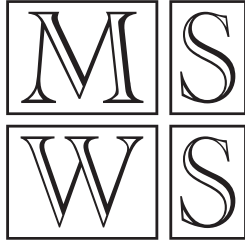
**MULLEN SONDBERG WIMBISH & STONE, PA**  

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**CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

	Page
Independent auditor's report	1
Financial statements	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6 - 16



MULLEN & SONDBERG  
WIMBISH & STONE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
CALMRA, Inc.  
Beltsville, Maryland

We have audited the accompanying statement of financial position of CALMRA, Inc. (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated November 4, 2010; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALMRA, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Mullen Sondberg Wimbish & Stone*

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland  
November 3, 2011

CALMRA, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011

ASSETS

	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,407,921	\$ 925,096
Investments	490,891	795,453
Accounts receivable - funding sources	120,508	195,765
Accounts receivable - other	23,590	5,387
Prepaid expenses	20,332	13,146
Total current assets	2,063,242	1,934,847
<b>PROPERTY AND EQUIPMENT</b>		
Net of accumulated depreciation	3,827,159	3,434,215
<b>OTHER ASSETS</b>		
Loan origination fees, net of amortization	4,607	4,804
Deposits	6,920	6,438
Restricted deposits - reserve for replacements	185,884	182,439
Total other assets	197,411	193,681
Total assets	\$ 6,087,812	\$ 5,562,743

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 78,531	\$ 42,762
Accrued payroll, taxes, and benefits	73,587	133,082
Accrued vacation	108,358	70,100
Due to consumers	47,731	38,515
Refundable advances	1,234,419	1,289,612
Margin line of credit	65,358	36,891
Line of credit	150,000	-
Mortgages and notes payable	210,317	82,673
Capital lease obligations	69,554	44,071
Total current liabilities	2,037,855	1,737,706
<b>LONG-TERM LIABILITIES</b>		
Mortgages and notes payable	2,652,154	2,482,210
Participation liability	232,415	235,095
Capital lease obligations	133,138	125,503
Total long-term liabilities	3,017,707	2,842,808
Total liabilities	5,055,562	4,580,514
<b>NET ASSETS</b>		
Unrestricted - undesignated	510,877	542,307
Unrestricted - board designated	403,042	364,922
Temporarily restricted	118,331	75,000
Total net assets	1,032,250	982,229
Total liabilities and net assets	\$ 6,087,812	\$ 5,562,743

The accompanying notes are an integral part of these financial statements.

CALMRA, Inc.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011  
With Summarized Financial Information for the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	2011	2010
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Fees and grants	\$ 4,015,767	\$ 39,831	\$ 4,055,598	\$ 3,843,128
Consumer fees	275,747	-	275,747	271,643
Contributions and fundraising	52,393	3,500	55,893	46,470
Realized/unrealized gain on investments	33,157	-	33,157	18,214
Interest income	25,023	-	25,023	24,276
Food stamps	21,972	-	21,972	21,718
Miscellaneous	15,596	-	15,596	19,827
Memberships	5,380	-	5,380	7,590
Gain on sale/disposal of fixed assets	1,812	-	1,812	8,765
	<u>4,446,847</u>	<u>43,331</u>	<u>4,490,178</u>	<u>4,261,631</u>
<b>EXPENSES</b>				
Program services				
Residential	3,375,272	-	3,375,272	3,045,314
Day Rehabilitation	431,431	-	431,431	279,962
Community Support Living Arrangements (CSLA)	212,300	-	212,300	216,164
Individual Support Services (ISS)	31,904	-	31,904	31,182
	<u>4,050,907</u>	<u>-</u>	<u>4,050,907</u>	<u>3,572,622</u>
Supporting services				
Management and general	380,057	-	380,057	367,957
Fundraising	9,193	-	9,193	7,795
	<u>389,250</u>	<u>-</u>	<u>389,250</u>	<u>375,752</u>
Total expenses	<u>4,440,157</u>	<u>-</u>	<u>4,440,157</u>	<u>3,948,374</u>
Change in net assets	6,690	43,331	50,021	313,257
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>907,229</u>	<u>75,000</u>	<u>982,229</u>	<u>668,972</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 913,919</u>	<u>\$ 118,331</u>	<u>\$ 1,032,250</u>	<u>\$ 982,229</u>

The accompanying notes are an integral part of these financial statements.

CALMRA, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2011

With Summarized Financial Information for the Year Ended June 30, 2010

	Program Services				Supporting Services		Total	
	Residential	Day	CSLA	ISS	Management	Fundraising	2011	2010
Salaries	\$ 2,018,770	\$ 233,626	\$ 87,575	\$ 10,445	\$ 229,822	\$ -	\$ 2,580,238	\$ 2,267,072
Fringe benefits	193,550	15,683	12,451	1,829	28,182	-	251,695	215,579
Payroll taxes	156,873	18,115	7,102	1,419	16,289	-	199,797	179,558
Total salaries and related expenses	2,369,193	267,424	107,128	13,693	274,292	-	3,031,730	2,662,209
Depreciation and amortization	181,075	29,335	1,570	192	4,749	-	216,921	199,229
Food	142,278	13,777	10,672	-	-	-	166,727	162,115
Interest	99,920	36,497	-	-	973	-	137,390	127,856
Utilities	100,549	6,919	5,332	44	967	-	113,811	106,095
Janitorial	101,496	8,102	90	-	29	-	109,717	59,600
Purchase of services - consumers	7,610	4	67,030	12,500	-	-	87,144	103,233
Consultants	81,356	200	480	-	421	-	82,457	77,310
Rent	61,494	7,116	2,668	-	7,132	-	78,410	60,257
Vehicle expense	50,697	18,646	4,128	-	197	-	73,668	59,503
Supplies	46,192	349	1,590	-	45	9,132	57,308	47,110
Insurance	38,995	5,894	966	322	3,863	-	50,040	48,993
Telephone	28,380	8,838	2,834	399	2,220	-	42,671	37,904
Professional fees	-	-	-	-	25,805	-	25,805	33,180
Office supplies	5,201	7,643	678	2,256	3,350	-	19,128	15,860
Purchase of services - other	-	-	-	175	18,892	-	19,067	26,455
Repairs and maintenance	13,669	2,370	952	364	807	-	18,162	12,511
Training	12,418	1,294	1,097	306	715	-	15,830	15,333
Travel	6,141	913	4,283	1,012	1,777	-	14,126	11,574
Printing and publications	5,127	1,187	514	319	4,621	-	11,768	5,698
Miscellaneous	3,908	5,567	-	147	1,684	-	11,307	11,635
Advertising	8,038	2,739	-	100	252	-	11,129	13,179
Awards and grants	-	-	-	-	10,527	-	10,527	13,051
National dues	50	-	-	-	9,224	-	9,274	10,104
Licenses and permits	4,923	425	-	-	547	-	5,895	3,930
Condo dues	-	5,806	-	-	-	-	5,806	5,806
Registration fees	1,868	-	-	-	3,615	-	5,483	2,582
Postage and shipping	2,535	360	276	72	551	61	3,855	4,038
Conferences and meetings	26	26	12	3	2,350	-	2,417	2,463
Real estate taxes	2,133	-	-	-	-	-	2,133	-
Small equipment	-	-	-	-	451	-	451	9,560
Total expenses	<u>\$ 3,375,272</u>	<u>\$ 431,431</u>	<u>\$ 212,300</u>	<u>\$ 31,904</u>	<u>\$ 380,057</u>	<u>\$ 9,193</u>	<u>\$ 4,440,157</u>	<u>\$ 3,948,373</u>

The accompanying notes are an integral part of these financial statements.

CALMRA, Inc.  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2011

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 50,021	\$ 313,257
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	216,921	199,229
Gain on sale/disposal of fixed assets	(1,812)	(8,765)
Realized/unrealized gain on investments	(33,157)	(18,214)
Amortization of loan discount	10,720	8,717
Grants and contributions restricted for long term purposes	(43,331)	-
(Increase) decrease in operating assets:		
Accounts receivable	57,054	(150,853)
Prepaid expenses	(7,186)	(40)
Deposits	(482)	(1,350)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	14,532	11,430
Due to consumers	9,216	2,290
Refundable advances	(55,193)	225,890
	<u>217,303</u>	<u>581,591</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments and reinvested earnings	(340,775)	(633,739)
Acquisition of property and equipment	(154,373)	(87,465)
Proceeds from sale/redemption of investments	678,494	260,558
Proceeds from sale/disposal of fixed assets	17,808	9,171
	<u>201,154</u>	<u>(451,475)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Grants and contributions restricted for long term purposes	43,331	-
Proceeds from line of credit	150,000	250,000
Change in margin line of credit	28,467	(50,021)
Change in restricted deposits - reserve for replacements	(3,445)	(8,837)
Principal payments on line of credit	-	(250,000)
Principal payments on mortgages and notes payable	(85,959)	(79,058)
Principal payments on capital leases payable	(68,026)	(48,316)
	<u>64,368</u>	<u>(186,232)</u>
Net cash provided (used) by investing activities		
Net change in cash and cash equivalents	482,825	(56,116)
Cash and cash equivalents at beginning of year	925,096	981,212
Cash and cash equivalents at end of year	<u>\$ 1,407,921</u>	<u>\$ 925,096</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 126,670</u>	<u>\$ 119,139</u>
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 625,664	\$ 226,557
Less amounts financed	(471,291)	(139,092)
Cash paid for property and equipment	<u>\$ 154,373</u>	<u>\$ 87,465</u>

The accompanying notes are an integral part of these financial statements.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

CALMRA, Inc. 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. 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.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered conditional promises to give.

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 ninety days or less.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont.)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Assets costing \$500 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. Vehicles acquired prior to June 30, 2005 are depreciated over the estimated mileage rate. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Accounts Receivable

All accounts receivable are considered collectible at June 30, 2011 and 2010. Accordingly, an allowance for doubtful accounts has not been established.

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.

Income Taxes

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code 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 analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) 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 if 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. Fiscal years ending on or after June 30, 2008 remain subject to examination by federal and state authorities.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont.)

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Total advertising costs for the year ended June 30, 2011 and 2010 amounted to \$11,129 and \$13,179, respectively.

Note 2 - Concentration of Cash Balances

At various times during the year, the Organization maintained cash-in-bank balances in excess of the federally insured limit of \$250,000. Amounts held in non-interest-bearing transaction accounts from December 31, 2010 through December 31, 2012 are fully insured under the provisions of Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act which provides unlimited deposit insurance coverage for non-interest-bearing transaction accounts. As of June 30, 2011 and 2010, there were no amounts in excess of the insured limit.

Note 3 - Investments

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

	June 30, 2011			June 30, 2010		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash/money market	\$ 7,355	\$ 7,355	\$ -	\$ 400,176	\$ 400,176	\$ -
Mutual funds:						
U.S. equities	38,326	35,028	(3,298)	25,716	16,255	(9,461)
International equities	37,327	36,152	(1,175)	36,282	25,391	(10,891)
Mixed assets	64,812	63,652	(1,160)	47,232	43,845	(3,387)
Other assets	19,573	15,534	(4,039)	11,019	5,115	(5,904)
Taxed fixed income bonds	333,187	333,170	(17)	310,268	304,671	(5,597)
	\$ 500,580	\$ 490,891	\$ (9,689)	\$ 830,693	\$ 795,453	\$ (35,240)

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 4 - Fair Value Measurement

ASC 820-10 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data such as interest rates
- Level 3: Unobservable inputs that are not corroborated by market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

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

Investments whose values are based on other than quoted 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 bonds.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 4 - Fair Value Measurement (Cont.)

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

	2011			
	Level 1	Level 2	Level 3	Total
Cash/money market	\$ 7,355	\$ -	\$ -	\$ 7,355
Mutual funds:				
U.S. equities	35,028	-	-	35,028
International equities	36,152	-	-	36,152
Mixed assets	63,652	-	-	63,652
Other assets	15,534	-	-	15,534
Taxable fixed income bonds	-	333,170	-	333,170
	<u>\$ 157,721</u>	<u>\$ 333,170</u>	<u>\$ -</u>	<u>\$ 490,891</u>
	2010			
	Level 1	Level 2	Level 3	Total
Cash/money market	\$ 400,176	\$ -	\$ -	\$ 400,176
Mutual funds:				
U.S. equities	16,255	-	-	16,255
International equities	25,391	-	-	25,391
Mixed assets	43,845	-	-	43,845
Other assets	5,115	-	-	5,115
Taxable fixed income bonds	-	304,671	-	304,671
	<u>\$ 490,782</u>	<u>\$ 304,671</u>	<u>\$ -</u>	<u>\$ 795,453</u>

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 5 - Property and Equipment

A summary of property and equipment follows for June 30:

	Estimated Lives	2011	2010
Land	-	\$ 1,324,913	\$ 1,099,265
Buildings	10 - 35 years	2,583,582	2,433,150
Furniture and equipment	2 - 10 years	233,490	220,145
Vehicles	75,000 miles	345,227	345,227
Vehicles	5 years	335,228	245,531
Capital and leasehold improvements	10 - 25 years	803,478	690,800
Construction in progress	-	16,415	-
		5,642,333	5,034,118
Less accumulated depreciation		(1,815,174)	(1,599,903)
Net property and equipment		<u>\$ 3,827,159</u>	<u>\$ 3,434,215</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$216,921 and \$199,229, respectively.

Note 6 - Loan Origination Fees

In December 2004, the Organization purchased a new residential home and incurred loan origination fees in the amount of \$5,902 in connection with the mortgage. The loan origination fees are amortized over the life of the mortgage (30 years). Amortization expense for the years ended June 30, 2011 and 2010 totaled \$197 and is included in depreciation expense.

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. As of June 30, 2011 and 2010, the cumulative monthly deposits required to be made into the reserve for replacements escrow accounts was \$2,138. The Organization must request approval from the Department of Housing and Community Development to expend the funds for approved repairs and replacements. As of June 30, 2011 and 2010, the balance in the reserve for replacement accounts was \$185,884 and \$182,439, respectively.

Note 8 - Refundable Advances

Refundable advances consist of advance funds received for the next fiscal year. This amount is presented as a current liability on the statement of financial position. The amount of the refundable advances at June 30, 2011 and 2010 was \$1,234,419 and \$1,289,612, respectively.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 9 - Mortgages and Notes Payable

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

	2011	2010
Mortgages payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$13,150 include principal and interest ranging between 1.5% - 7%. The mortgages are for 30 years and mature between August 2024 and March 2041. The mortgages are secured by residential properties.	\$ 2,127,531	\$ 1,828,512
Mortgage payable to the State Employee Credit Union. The mortgage was obtained to acquire two commercial building units as well as refinance a residential mortgage. Monthly payments of \$3,552 include principal and interest at 6.5%. The mortgage is due July 2019. The mortgage is secured by the two building units and one residential property.	503,464	513,019
Mortgages payable to the Montgomery County Department of Housing and Community Affairs. The loans were obtained to supplement the acquisition of six group homes. Aggregate monthly payments of \$856 include principal and interest ranging between 3% - 4%. The mortgages are for 30 years and mature between March 2027 and January 2035. The mortgages are secured by residential properties.	140,270	145,546
Notes payable to Prince George's County Department of Housing. The loans were obtained to assist in the purchase of four residential properties. The notes are non-interest bearing and are forgivable after 20 years. The notes mature between fiscal years ending June 30, 2019 and 2021.	109,000	109,000
Notes payable to Montgomery County Department of Housing and Community Affairs. The loans were obtained to assist in the purchase of sprinkler systems for six residential properties. The notes are non-interest bearing and are forgivable after 3 years. The notes mature in fiscal year ending June 30, 2012.	115,468	115,468
Note payable to Montgomery County Department of Housing and Community Affairs. The loan was obtained for capital renovations for one residential property. The note is non-interest bearing and is forgivable after 3 years. The note matures in fiscal year ending June 30, 2013.	32,000	32,000
Total mortgages and notes payable	3,027,733	2,743,545
Less discount	(165,262)	(178,662)
Less current maturities	(210,317)	(82,673)
Long-term portion	\$ 2,652,154	\$ 2,482,210

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 9 - Mortgages and Notes Payable (Cont.)

The Organization has entered into certain participation mortgage loans with Maryland Department of Housing and Community Development (DHCD). These loans totaled \$2,267,801 and \$1,974,058 as of June 30, 2011 and 2010, 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, 2011 and 2010, the Organization has recorded a participation liability of \$232,415 and \$235,095, respectively and a related mortgage loan discount of \$165,262 and \$178,662, respectively in connection with these agreements.

Required principal payments are as follows for future years ending June 30:

2012	\$ 210,317
2013	130,623
2014	102,490
2015	106,338
2016	90,318
Thereafter	<u>2,387,647</u>
	<u>\$ 3,027,733</u>

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, 2011 and 2010, the balance outstanding on the line of credit was \$150,000 and \$-0-, respectively.

For the years ended June 30, 2011 and 2010, total interest expense was \$137,390 and \$127,856, respectively.

Note 10 - Margin Line of Credit

The Organization has a margin line of credit available from its investment broker. The margin account is secured by the investments. The interest rate at June 30, 2011 was 7.25%. The balance outstanding as of June 30, 2011 and 2010 was \$65,358 and \$36,891, respectively.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 11 - Capital Lease Obligations

The Organization has entered into several lease arrangements for vehicles, which have been accounted for as capital leases. The terms of the leases are 60 months. Aggregate monthly payments of \$6,237 include principal and interest ranging from 6.5% to 9.75%. The total cost of vehicles acquired was \$335,228 with a remaining book value at June 30, 2011 of \$203,801. Amortization of the vehicles is included in depreciation expense.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	
2012	\$ 81,623
2013	60,350
2014	49,902
2015	27,333
2016	8,100
	227,308
Less payments representing interest	(24,616)
Present value of future lease payments (including current portion of \$68,165)	\$ 202,692

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, 2011 and 2010, there was \$108,358 and \$70,100, respectively, of vacation benefits due employees.

Note 13 - Operating Lease

An administrative office space is leased on a monthly basis. The monthly rent as of June 30, 2011 was \$3,834.

A storage facility space is leased on a monthly basis. The monthly rent as of June 30, 2011 was \$292.

A CSLA home is leased on an annual basis. The monthly rent as of June 30, 2011 was \$912.

Total rent expense for the years ended June 30, 2011 and 2010 was \$78,410 and \$60,257, respectively.

CALMRA, Inc.  
 NOTES TO FINANCIAL STATEMENTS (Cont.)  
 June 30, 2011

Note 14 - Retirement Plan

The Organization has established a 403(b) tax-deferred annuity plan for all eligible employees. The Organization matches employee's voluntary contributions of up to 3% to 6% of base pay, depending on the length of employment. Pension expense for the years ended June 30, 2011 and 2010 was \$44,592 and \$43,363, respectively, and is included in fringe benefits in the financial statements.

Note 15 - Unrestricted - Board Designated Net Assets

Board designated net assets represent investment accounts with RBC Dain Rauscher and SECU, including cash and investments, which are funds that the Board has designated to be used for future program improvements and expansion.

Board designated net assets include the following for the years ended June 30:

	2011	2010
Cash	\$ 14,023	\$ 12
Investments	389,019	309,688
	\$ 403,042	\$ 309,700

Note 16 - Temporarily Restricted Net Assets

During the year ended June 30, 2006 the Organization received grant funds from the State of Maryland for residential renovations. If the property is sold or transferred within thirty years to a non-approved 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.

During the year ended June 30, 2011 the Organization received grant funds from Prince George's County Department of Housing and Development for residential renovations. Use of the property must meet one of the three CDBG program national objectives for at least five years after the operating agreement has expired. If the property is not used in accordance with the CDBG program national objectives, the Organization is required to pay the County an amount equal to the current market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for the acquisition of, or improvements to, the property.

During the year ended June 30, 2011 the Organization received a contribution from a donor to be used for the Dresden residential home.

CALMRA, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2011

Note 16 - Temporarily Restricted Net Assets (Cont.)

Temporarily restricted net assets include the following for years ended June 30:

	<u>2011</u>	<u>2010</u>
State of Maryland - renovation grant	\$ 75,000	\$ 75,000
P.G. County CDBG - renovation grant	39,831	-
Dresden residential house	<u>3,500</u>	<u>-</u>
	<u>\$ 118,331</u>	<u>\$ 75,000</u>

Note 17 - Related Party Transactions

For the years ended June 30, 2011 and 2010, a member of the Board of Directors served as the Organization's investment agent. The Organization did not pay commissions to the board member during the years ended June 30, 2011 and 2010.

Note 18 - 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.

Note 19 - Significant Funding Source

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

Note 20 - Subsequent Events

Subsequent events were evaluated through November 3, 2011, which is the date the Organization's financial statements were available to be issued, require recognition or disclosure.

On October 5, 2011, the Organization signed a contract to purchase a residential property for \$355,000. The settlement date is scheduled in February 2012 and is contingent upon the Organization obtaining financing through the State of Maryland Community Development Administration.

On October 13, 2011 Montgomery County Department of Housing and Community Affairs forgave six rehabilitation loans in the amount of \$115,468.