CALMRA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022

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MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of CALMRA, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALMRA, Inc. as of June 30, 2022, 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 the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of CALMRA, Inc. and to meet our other ethical responsibilities in accordance with 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.

Management's Responsibility for the Financial Statements

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

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

To Management and the Board of Directors of
CALMRA, Inc.

Auditor's Responsibility 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of 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 CALMRA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about CALMRA, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of amounts previously reported for accrued payroll tax liabilities, salaries and miscellaneous expenses as of June 30, 2021, were discovered by management of the Organization during the current fiscal year. Accordingly, amounts reported for accrued payroll tax liabilities, salaries and miscellaneous expenses have been restated in the June 30, 2021 financial statements now presented, and an adjustment has been made to net assets without donor restrictions as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

To Management and the Board of Directors of
CALMRA, Inc.

Report on Summarized Comparative Information

We have previously audited CALMRA, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects with the audited financial statements from which it has been derived, as adjusted for the correction of error noted above.

Mullen Sondberg Wimbish & Stone

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

Annapolis, Maryland
September 8, 2023

CALMRA, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

	2022	2021 (As Restated)
CURRENT ASSETS		
Cash and cash equivalents	$ 3,322,105	$ 978,586
Investments	428,210	471,206
Accounts receivable - funding sources	323,429	709,589
Prepaid expenses	7,601	13,604
Total current assets	4,081,345	2,172,985
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	5,741,062	5,971,629
OTHER ASSETS		
Loan fees - mortgage escrow	615	651
Deposits	55,389	14,461
Restricted deposits - reserve for replacements	241,737	237,270
Total other assets	297,741	252,382
Total assets	$ 10,120,148	$ 8,396,996

LIABILITIES AND NET ASSETS

	2022	2021 (As Restated)
CURRENT LIABILITIES		
Accounts payable	$ 84,777	$ 9,755
Accrued payroll, taxes, and benefits	77,953	80,212
Accrued vacation	218,562	250,341
Due to consumers	39,583	47,308
Due to State of Maryland	239,129	198,614
Mortgages and notes payable - net of debt issuance costs	152,796	190,776
Capital lease obligations	150,961	151,964
Total current liabilities	963,761	928,970
LONG-TERM LIABILITIES		
Mortgages and notes payable - net of debt issuance costs	3,607,997	3,533,940
Participation liability	316,346	358,606
Capital lease obligations	136,976	214,118
Total long-term liabilities	4,061,319	4,106,664
Total liabilities	5,025,080	5,035,634
NET ASSETS		
Without donor restrictions - undesignated	5,095,068	3,361,362
Total net assets	5,095,068	3,361,362
Total liabilities and net assets	$ 10,120,148	$ 8,396,996

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

CALMRA, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	2022	2021 (As Restated)
REVENUES, GAINS AND OTHER SUPPORT		
WITHOUT DONOR RESTRICTIONS		
State of Maryland Program fees	$ 7,181,133	$ 6,657,492
Montgomery and Prince George's County program fees	374,907	379,293
Consumer fees	285,952	287,708
Miscellaneous	209,549	85,996
Food stamps	100,996	87,608
Contributions of financial assets and fundraising	100,633	127,577
Grants	44,287	115,853
Forgiveness of debt	42,550	109,000
Gain on sale of property and equipment	3,139	-
Special events, net of direct expenses	197	13,082
Memberships	150	8,010
Rental income	-	6,810
Investment income (loss), net	(41,866)	186
Total revenues, gains and other support	8,301,627	7,878,615
EXPENSES		
Program services		
Residential	4,994,698	5,017,052
Day	830,429	868,022
Personal supports	-	48,195
Individual support services	-	16,680
Total program services	5,825,127	5,949,949
Supporting services		
Management and general	742,794	812,630
Fundraising	-	781
Total supporting services	742,794	813,411
Total expenses	6,567,921	6,763,360
Change in net assets before other changes	1,733,706	1,115,255
OTHER CHANGES IN NET ASSETS		
Other grant income - Paycheck Protection Program	-	88,950
Change in net assets	1,733,706	1,204,205
NET ASSETS AT BEGINNING OF YEAR WITHOUT DONOR RESTRICTIONS, as restated	3,361,362	2,157,157
NET ASSETS AT END OF YEAR WITHOUT DONOR RESTRICTIONS, as restated	$ 5,095,068	$ 3,361,362

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

CALMRA, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
With Summarized Financial Information for the Year Ended June 30, 2021

	Program Services		Supporting Services		Total	
	Residential	Day	Management and General	Fundraising	2022	2021 (As Restated)
Salaries	$ 3,319,191	$ 514,607	$ 403,458	$ -	$ 4,237,256	$ 4,326,368
Fringe benefits	304,641	32,335	26,139	-	363,115	362,409
Payroll taxes	259,876	40,567	31,849	-	332,292	379,845
Total salaries and related expenses	3,883,708	587,509	461,446	-	4,932,663	5,068,622
Depreciation	290,508	79,347	37,100	-	406,955	376,004
Utilities	193,394	28,915	17,071	-	239,380	215,059
Food	154,839	19,015	-	-	173,854	150,447
Repairs and maintenance	134,785	23,277	10,629	-	168,691	110,638
Office supplies	43,770	31,439	49,807	-	125,016	83,813
Interest	64,771	35,965	31,221	-	131,957	240,718
Insurance	85,887	13,709	7,291	-	106,887	98,913
Supplies	92,191	-	1,709	7,053	100,953	129,496
Purchase of services - other	-	-	93,563	-	93,563	78,431
Travel and vehicle expense	42,117	11,141	5,671	-	58,929	56,954
Professional fees	545	-	16,130	-	16,675	43,190
National dues	106	-	8,972	-	9,078	14,383
Training	7,365	112	946	-	8,423	11,860
Awards and grants	157	-	1,238	-	1,395	5,326
Purchase of services - consumers	555	-	-	-	555	3,145
Miscellaneous	-	-	-	-	-	14,640
Penalties and late fees	-	-	-	-	-	26,539
Bad debt	-	-	-	-	-	24,861
Real estate taxes	-	-	-	-	-	12,009
Total expenses	4,994,698	830,429	742,794	7,053	6,574,974	6,765,048
Less: special events expense offset against revenue in the statement of activities	-	-	-	(7,053)	(7,053)	(1,688)
Total expenses reported in the statement of activities	$ 4,994,698	$ 830,429	$ 742,794	$ -	$ 6,567,921	$ 6,763,360

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

CALMRA, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	2022	2021 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,733,706	$ 1,204,205
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	406,955	376,004
Amortization of debt issuance costs	197	197
Gain on sale of property and equipment	(3,139)	-
Realized/unrealized loss on investments	45,505	-
Amortization of loan discount and equity participation liability	19,123	7,750
Forgiveness of debt	(42,550)	(109,000)
Increase (decrease) in operating assets:		
Accounts receivable	386,160	(69,083)
Prepaid expenses	6,003	(33)
Deposits	(40,928)	841
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	40,984	(771,135)
Due to consumers	(7,725)	16,543
Due to State of Maryland	40,515	58,340
Deferred revenue - Paycheck Protection Program	-	(88,950)
Net cash provided by operating activities	2,584,806	625,679
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	(2,509)	(971,251)
Acquisition of property and equipment	(157,182)	(130,637)
Proceeds from sale/redemption of investments	-	500,045
Proceeds from sale/disposal of property and equipment	12,500	-
Net cash used in investing activities	(147,191)	(601,843)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in restricted deposits - reserve for replacements	(4,467)	12,658
Proceeds from mortgages and notes payable	164,860	45,476
Principal payments on line of credit	-	(350,223)
Principal payments on mortgages and notes payable	(147,813)	(201,668)
Principal payments on capital lease obligations	(106,676)	(131,172)
Net cash used in financing activities	(94,096)	(624,929)
Net change in cash and cash equivalents	2,343,519	(601,093)
Cash and cash equivalents at beginning of year	978,586	1,579,679
Cash and cash equivalents at end of year	$ 3,322,105	$ 978,586
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 150,882	$ 232,771
Noncash investing and financing activities:		
Acquisition of property and equipment	$ 189,730	$ 130,637
Less amounts financed	(32,548)	-
Cash paid for property and equipment	$ 157,182	$ 130,637

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

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

CALMRA, Inc. (the Organization) is a not-for-profit 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. 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. Generally Accepted Accounting Principles, which require 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, 2022 and 2021, the Organization did not have any net assets with donor restrictions.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information. 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, 2021, from which the summarized information was derived.

Reclassifications of Prior Year Balances

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

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

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, 2022 and 2021.

Revenue Recognition – 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.

Revenue Recognition – 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 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Program Service Fees and Consumer Program Fees (Cont.)

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.

The Organization discontinued providing services under the personal supports program in November 2020.

Program service fees recognized for DDA programs for the years ending June 30, 2022 and 2021 are as follows:

Service Type:	Measurement Period for Performance Obligations	Revenue Recognized June 30, 2022	Revenue Recognized June 30, 2021
Residential	Daily	$ 6,620,667	$ 6,105,547
Day	Daily	560,466	551,437
Personal supports	Quarter-hour	-	508
		$ 7,181,133	$ 6,657,492

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:

	2022	2021
Room and board fees	$ 199,737	$ 201,238
Contribution to care	63,081	74,006
Representative pay fees	23,134	12,464
	$ 285,952	$ 287,708

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

Revenue Recognition – Program Service Fees and Consumer Fees (Cont.)

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:

	2022	2021
Montgomery County supplement	$ 302,737	$ 295,859
Prince George's County supplement	72,170	83,434
	$ 374,907	$ 379,293

Revenue Recognition – Special Events

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

Revenue Recognition – 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 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.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all not-for-profit 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.

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

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. Nonoperating activities for the years ended June 30, 2021 consist of other grant income from the Paycheck Protection Program (See Note 13).

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, 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, 2022 and 2021 was $39,583 and $47,308, respectively.

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. During the year ended June 30, 2021, the organization increased is threshold for the capitalization of assets from $500 to $5,000. 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, 2022 and 2021. Accordingly, an allowance for doubtful accounts has not been established.

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

Contributions – Non-Financial 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, 2022 and 2021.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Total advertising costs for the years ended June 30, 2022 and 2021 amounted to $-0-.

Income Tax Status and Income Tax Position

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 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 not-for-profit 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. 501(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.

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

New Accounting Pronouncements

On July 1, 2021 the Organization adopted Accounting Standards Update *(ASU) 2020-07*, "*Presentation and Disclosures by Not-for-Profit (NFP) Entities for Contributed Nonfinancial Assets*." The guidance requires that a NFP 1) present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash and other assets and 2) disclose a disaggregation of the contributed nonfinancial assets by category with qualitative information about a) whether the contributed nonfinancial assets were monetized or utilized during the reporting period; b) the NFP's policy regarding monetization or utilization; c) a description of any donor-imposed restrictions; d) a description of valuation techniques and inputs used to arrive at fair value; and e) the principal market used to arrive at fair value if it is a market in which the NFP is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. The Organization has adopted *ASU 2020-07* using the retrospective method. Accordingly, the financial statements for the year ending June 30, 2021 have been adjusted to fully conform with *ASU 2020-07*. The adoption of *ASU 2020-07* did not have any impact on the Organization's financial position, result of operations or cash flows, and therefore did not result in any prior period adjustments. The adjustments that have been made to the year ending June 30, 2021 consisted of enhanced disclosures only.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued *ASU 2016-02,* "*Leases"* which will be effective for fiscal years beginning after June 30, 2022. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of leases on the financial statements.

Note 2 - Availability and Liquidity

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

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	$ 3,322,105	$ 978,586
Investments	428,210	471,206
Accounts receivable - funding sources	323,429	709,589
Total financial assets	4,073,744	2,159,381
Less amounts not available to be used within one year:		
Consumer cash	(39,583)	(47,308)
Financial assets available to meet general expenditures over the next twelve months	$ 4,034,161	$ 2,112,073

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately $1,640,000). Monthly average recurring costs are calculated by dividing total operating expenses for the year by twelve 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 a $300,000 line of credit 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, 2022 and 2021 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:

	June 30, 2022		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash/money market funds	$ 5,434	$ 5,434	$ -
Mutual funds	181,799	161,201	(20,598)
Fixed income bonds	284,283	261,575	(22,708)
Total	$ 471,516	$ 428,210	$ (43,306)

	June 30, 2021		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash/money market funds	$ 471,206	$ 471,206	$ -

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.

Note 5 - Fair Value Measurement (Cont.)

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.

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 non-transferability, 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:

	2022			
	Level 1	Level 2	Level 3	Total
Cash/money market funds	$ 5,434	$ -	$ -	$ 5,434
Mutual funds	161,201	-	-	161,201
Fixed income bonds	-	261,575	-	261,575
	$ 166,635	$ 261,575	$ -	$ 428,210

	2021			
	Level 1	Level 2	Level 3	Total
Cash/money market	$ 471,206	$ -	$ -	$ 471,206

Note 6 - Property and Equipment

A summary of property and equipment follows for June 30:

	Estimated Lives	2022	2021
Land	-	$ 2,274,829	$ 2,274,829
Buildings	25 - 30 years	4,066,370	4,066,370
Furniture and equipment	5 - 10 years	258,563	258,563
Vehicles	75,000 miles	77,084	77,084
Vehicles	5 years	955,880	973,692
Capital and leasehold improvements	5 - 30 years	2,407,876	2,251,740
		10,040,602	9,902,278
Less accumulated depreciation		(4,299,540)	(3,930,649)
Net property and equipment		$ 5,741,062	$ 5,971,629

Depreciation expense for the years ended June 30, 2022 and 2021 was $406,955 and $376,004, 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, 2022 and 2021, the cumulative monthly deposits required to be made into the reserve for replacements escrow accounts was $2,156 and $2,355, 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, 2022 and 2021, the balance in the reserve for replacement accounts was $241,737 and $237,270, 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, 2022 and 2021 is shown net of unamortized debt issuance cost of $2,442 and $2,639, respectively.

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

	2022	2021
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% - 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.	$ 1,361,237	$ 1,439,877
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.	306,816	320,171
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 non-interest bearing and are forgivable after 5 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.	377,979	255,671
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 non-interest 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.	55,158	65,857
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% - 6.75%. The mortgages mature in May 2042. The mortgages are secured by the property.	1,792,705	1,837,822
Total mortgages and notes payable	3,893,895	3,919,398
Less discount	(130,660)	(192,043)
Less current maturities	(152,796)	(190,776)
Less debt issuance costs, net of amortization	(2,442)	(2,639)
Long-term portion	$ 3,607,997	$ 3,533,940

Note 8 - 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 $1,361,237 and $1,439,877 as of June 30, 2022 and 2021, 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, 2022 and 2021, the Organization has recorded a participation liability of $316,346 and $358,606, respectively, and a related mortgage loan discount of $130,660 and $192,043, respectively in connection with these agreements.

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 ending June 30:

2023	$	152,796
2024		270,912
2025		427,527
2026		152,743
2027		152,668
Thereafter		2,725,890
	$	3,882,536

For the years ended June 30, 2022 and 2021, total interest expense was $131,957 and $240,718, 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, 2022 and 2021, 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, 2022 and 2021, there was not a balance outstanding on the line of credit.

Note 10 - 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 range between 36 - 60 months. At June 30, 2022 and 2021, aggregate monthly payments of $9,130 and $11,413, respectively, include principal and interest ranging between 5.9% - 7.0%. At June 30, 2022 and 2021, the total cost of vehicles acquired was $955,880. The remaining book value at June 30, 2022 and 2021 was $136,973 and $269,111 respectively. Amortization of the vehicles is included in depreciation expense.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	
2023	$ 164,001
2024	77,478
2025	69,506
	310,985
Less payments representing interest	(23,048)
Present value of future lease payments (including current portion of $150,961)	$ 287,937

Note 11 - Accrued Vacation

Employees of the Organization are entitled to paid vacation, depending on the length of service and job classification. At June 30, 2022 and 2021, there was $218,562 and $250,341, respectively, of vacation benefits due employees.

Note 12 - 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, 2022 and 2021 was $85,306 and $-0-, respectively, and is included in fringe benefits in the financial statements.

Note 13 - Paycheck Protection Program

In April 2020, the Organization received $926,200 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period.

The Organization has accounted for the PPP funding as a conditional grant in the financial statements. The Organization's management believed the Organization had met the substantial requirements for partial forgiveness of the loan and recorded grant revenue totaling $837,250 during the year ending June 30, 2020. The remaining balance of the loan that did not meet the criteria for recognition as of June 30, 2020, amounted to $88,950 and was included in deferred revenue as of June 30, 2020. During the year ended June 30, 2021, the Organization spent the remaining funds consistent with the PPP loan terms and recognized grant revenue of $88,950 in the financial statements. Due to the unusual nature of the PPP funding, this revenue has been presented separately in the financial statements under other changes in net assets.

In December 2020, the Organization was notified by its lender that the SBA had forgiven the loan in the full amount of $926,200, including forgiven interest of $5,938.

Note 14 - Special Events Revenue

The direct costs of special events have been netted with special events revenue. Special events revenue and direct costs consisted of the following on June 30:

	2022	2021
Revenues	$ 7,250	$ 14,770
Direct expenses	(7,053)	(1,688)
Total net revenue	$ 197	$ 13,082

Note 15 - 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 16 - 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 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.

Note 17 - Restatement of Net Assets Without Donor Restrictions

Net assets without donor restrictions for the year ended June 30, 2021 have been restated to correct an error for an overstatement of accrued payroll tax liabilities as follows:

	Previously Reported June 30, 2021	Restatement June 30, 2021	As Restated June 30, 2021
Accrued payroll, taxes, and benefits	$ 170,470	$ (90,258)	$ 80,212
Salaries expense	4,374,354	(47,986)	4,326,368
Miscellaneous expense	56,912	(42,272)	14,640
Net assets without donor restrictions	3,271,104	90,258	3,361,362

Note 18 - Subsequent Events

Subsequent events and transactions have been evaluated by the Organization for potential recognition or disclosure in the financial statements through September 8, 2023, the day the Organization’s financial statements were available to be issued. Except as described below, there have been no subsequent events that require recognition or disclosure in the financial statements.

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 ten 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.

Note 18 - Subsequent Events (Cont.)

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.