CALMRA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
CALMRA, Inc.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CALMRA, Inc.'s 2017 financial statements, and our report dated November 7, 2017 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

Mullen Sondberg Wimbish & Stone

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

Annapolis, Maryland
November 8, 2018

CALMRA, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2018
ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 147,386	$ 221,709
Investments	731,658	954,436
Accounts receivable - funding sources	71,289	148,373
Accounts receivable - other	27,891	41,541
Prepaid expenses	35,950	14,145
Total current assets	1,014,174	1,380,204
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	6,710,696	6,854,662
OTHER ASSETS		
Loan fees - mortgage escrow	749	785
Deposits	12,777	11,631
Restricted deposits - reserve for replacements	230,687	223,166
Total other assets	244,213	235,582
Total assets	$ 7,969,083	$ 8,470,448

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 98,696	$ 90,370
Accrued payroll, taxes, and benefits	156,774	141,826
Accrued vacation	163,971	127,000
Due to consumers	52,152	31,325
Due to State of Maryland	103,569	94,478
Margin line of credit	158,900	169,483
Line of credit	300,000	300,000
Mortgages and notes payable - net of debt issuance costs	223,241	307,729
Capital lease obligations	125,904	108,822
Total current liabilities	1,383,207	1,371,033
LONG-TERM LIABILITIES		
Mortgages and notes payable - net of debt issuance costs	4,434,139	4,636,549
Participation liability	299,796	255,672
Capital lease obligations	373,704	373,795
Total long-term liabilities	5,107,639	5,266,016
Total liabilities	6,490,846	6,637,049
NET ASSETS		
Unrestricted - undesignated	870,821	1,064,197
Unrestricted - Board designated	532,416	689,702
Temporarily restricted	75,000	79,500
Total net assets	1,478,237	1,833,399
Total liabilities and net assets	$ 7,969,083	$ 8,470,448

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

CALMRA, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
With Summarized Financial Information for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
REVENUES, GAINS AND OTHER SUPPORT				
Fees and grants	$ 5,263,317	$ -	$ 5,263,317	$ 5,105,900
Consumer fees	261,866	-	261,866	267,370
Forgiveness of debt	85,560	-	85,560	-
Contributions and fundraising	57,796	-	57,796	66,912
Interest income	36,761	-	36,761	40,861
Gain on sale of fixed assets	26,395	-	26,395	23,903
Rental income	25,379	-	25,379	91,200
Realized/unrealized gain on investments	15,638	-	15,638	34,412
Insurance reimbursement	13,857	-	13,857	43,807
Food stamps	11,402	-	11,402	7,540
Miscellaneous	12,961	-	12,961	5,457
Memberships	5,440	-	5,440	6,559
	5,816,372	-	5,816,372	5,693,921
Net assets released from restrictions	4,500	(4,500)	-	-
Total revenues, gains and other support	5,820,872	(4,500)	5,816,372	5,693,921
EXPENSES				
Program services				
Residential	4,730,934	-	4,730,934	4,564,681
Day habilitation	619,647	-	619,647	635,318
Personal support	59,042	-	59,042	56,032
Individual support services	28,226	-	28,226	26,459
Total program services	5,437,849	-	5,437,849	5,282,490
Supporting services				
Management and general	730,303	-	730,303	602,975
Fundraising	3,382	-	3,382	12,818
Total supporting services	733,685	-	733,685	615,793
Total expenses	6,171,534	-	6,171,534	5,898,283
Change in net assets	(350,662)	(4,500)	(355,162)	(204,362)
NET ASSETS AT BEGINNING OF YEAR	1,753,899	79,500	1,833,399	2,037,761
NET ASSETS AT END OF YEAR	$ 1,403,237	$ 75,000	$ 1,478,237	$ 1,833,399

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

CALMRA, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
With Summarized Financial Information for the Year Ended June 30, 2017

	Program Services				Supporting Services		Total	
	Residential	Day	Personal Support	ISS	Management and General	Fundraising	2018	2017
Salaries	$ 3,006,025	$ 323,405	$ 39,433	$ 20,204	$ 387,844	$ -	$ 3,776,911	$ 3,541,116
Fringe benefits	316,862	13,462	2,873	480	29,654	-	363,332	430,795
Payroll taxes	228,525	25,870	2,620	2,097	27,415	-	286,527	271,071
Total salaries and related expenses	3,551,412	362,737	44,926	22,781	444,913	-	4,426,770	4,242,982
Depreciation	280,411	67,419	6	2	30,930	-	378,768	294,115
Interest	138,679	72,891	-	-	55,217	-	266,787	160,157
Food	160,446	26,933	-	-	-	-	187,379	205,117
Utilities	120,855	10,151	-	-	21,886	-	152,892	118,172
Janitorial	111,650	10,635	-	-	17,471	-	139,756	102,396
Insurance	73,156	12,899	357	119	6,844	-	93,375	92,514
Consultants	55,629	-	-	-	325	-	55,954	60,139
Vehicle expense	44,485	10,478	-	-	478	-	55,441	81,200
Purchase of services - other	17,590	-	-	-	31,071	-	48,661	75,914
Professional fees	3,232	-	-	-	45,387	-	48,619	75,460
Telephone	32,941	9,724	687	195	3,514	-	47,061	43,966
Supplies	39,182	-	-	-	-	3,382	42,564	47,739
Office supplies	13,037	17,627	433	230	7,008	-	38,335	33,884
Repairs and maintenance	26,151	3,180	967	322	2,318	-	32,938	27,055
Awards and grants	57	-	-	-	20,530	-	20,587	11,149
Travel	10,601	832	3,359	1,218	4,350	-	20,360	22,264
Training	16,837	1,471	305	101	508	-	19,222	13,288
Miscellaneous	7,522	47	99	-	10,650	-	18,318	35,710
Purchase of services - consumers	6,250	1,365	6,621	2,825	-	-	17,061	16,266
National dues	490	-	-	-	16,053	-	16,543	14,594
Printing and publications	5,394	3,104	205	68	4,886	-	13,657	9,971
Rent	7,073	310	937	337	702	-	9,359	85,572
Condo dues	-	6,423	-	-	-	-	6,423	6,270
Postage and shipping	2,909	279	140	28	279	-	3,635	3,715
Conferences and meetings	250	-	-	-	2,894	-	3,144	2,523
Licenses and permits	1,348	689	-	-	936	-	2,973	739
Small equipment	1,985	452	-	-	148	-	2,585	1,761
Registration fees	1,362	-	-	-	1,005	-	2,367	6,495
Real estate taxes	-	-	-	-	-	-	-	7,156
Total expenses	$ 4,730,934	$ 619,647	$ 59,042	$ 28,226	$ 730,303	$ 3,382	$ 6,171,534	$ 5,898,283

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

CALMRA, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (355,162)	$ (204,362)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	378,768	294,115
Amortization of debt issuance costs	197	197
Gain on sale of fixed assets	(26,395)	(23,903)
Realized/unrealized gain on investments	(15,638)	(34,412)
Amortization of loan discount	26,186	2,531
Increase (decrease) in operating assets:		
Accounts receivable	90,734	150,306
Prepaid expenses	(21,805)	3,255
Deposits	(1,146)	(4,097)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	60,245	57,703
Due to consumers	20,827	10,370
Deferred revenue	-	(16,371)
Due to State of Maryland	9,091	-
Net cash provided by operating activities	165,902	235,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	(71,597)	(283,649)
Acquisition of property and equipment	(107,402)	(229,074)
Proceeds from sale/redemption of investments	310,013	367,090
Proceeds from sale/disposal of fixed assets	26,395	25,035
Net cash provided by (used in) investing activities	157,409	(120,598)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in margin line of credit	(10,583)	(116,640)
Change in restricted deposits - reserve for replacements	(7,521)	(15,732)
Proceeds from line of credit	700,000	300,000
Principal payments on line of credit	(700,000)	(150,000)
Principal payments on mortgages and notes payable	(269,157)	(140,400)
Principal payments on capital leases payable	(110,373)	(87,295)
Net cash used in financing activities	(397,634)	(210,067)
Net change in cash and cash equivalents	(74,323)	(95,333)
Cash and cash equivalents at beginning of year	221,709	317,042
Cash and cash equivalents at end of year	$ 147,386	$ 221,709
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 240,404	$ 157,430
Noncash investing and financing activities:		
Acquisition of property and equipment	$ 234,766	$ 2,686,488
Less amounts financed	(127,364)	(2,457,414)
Cash paid for property and equipment	$ 107,402	$ 229,074

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) 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, 2017, 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.

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.

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.

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, 2018 and 2017 was $52,152 and $31,325, 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.

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 collectible at June 30, 2018 and 2017. Accordingly, an allowance for doubtful accounts has not been established.

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.

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

Income Tax Status and Income Tax Position (Cont.)

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 non-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) 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. Fiscal years ending on or after June 30, 2015 remain subject to examination by federal and State authorities.

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.

Reclassifications of Prior Year Balances

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

Note 2 - Concentration of Cash Balances

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. Amounts held in excess of FDIC insurance coverage limits were approximately $-0- as of June 30, 2018 and 2017.

Note 3 - Investments

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

	June 30, 2018			June 30, 2017		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)	Cost	Fair Market Value	Gross Unrealized Gain
Cash/money market	$ 1,750	$ 1,750	$ -	$ 8,474	$ 8,474	$ -
Mutual funds	299,147	356,759	57,612	355,517	421,048	65,531
Unit investment trusts	15,000	14,285	(715)	80,531	85,254	4,723
Fixed income bonds	352,553	358,864	6,311	431,968	439,660	7,692
	$ 668,450	$ 731,658	$ 63,208	$ 876,490	$ 954,436	$ 77,946

Note 4 - Fair Value Measurement

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability at the measurement date. The three levels of the fair value hierarchy are 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 other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

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 4 - Fair Value Measurement (Cont.)

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 and money market funds held in brokerage accounts, active listed mutual funds, and unit investment trusts.

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 fixed income bonds.

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:

	2018			
	Level 1	Level 2	Level 3	Total
Cash/money market	$ 1,750	$ -	$ -	$ 1,750
Mutual funds	356,759	-	-	356,759
Unit investment trusts	14,285	-	-	14,285
Fixed income bonds	-	358,864	-	358,864
	$ 372,794	$ 358,864	$ -	$ 731,658

	2017			
	Level 1	Level 2	Level 3	Total
Cash/money market	$ 8,474	$ -	$ -	$ 8,474
Mutual funds	421,048	-	-	421,048
Unit investment trusts	85,254	-	-	85,254
Fixed income bonds	-	439,660	-	439,660
	$ 514,776	$ 439,660	$ -	$ 954,436

Note 5 - Property and Equipment

A summary of property and equipment follows for June 30:

	Estimated Lives	2018	2017
Land	-	$ 2,424,936	$ 2,424,936
Buildings	10 - 35 years	4,345,141	4,345,141
Furniture and equipment	2 - 10 years	209,762	197,444
Vehicles	75,000 miles	211,148	263,335
Vehicles	5 years	767,702	759,514
Capital and leasehold improvements	10 - 25 years	1,756,557	1,658,871
Construction in progress	-	-	2,600
		9,715,246	9,651,841
Less accumulated depreciation		(3,004,550)	(2,797,179)
Net property and equipment		$ 6,710,696	$ 6,854,662

Depreciation expense for the years ended June 30, 2018 and 2017 was $378,768 and $294,115, respectively.

Note 6 - 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, 2018 and 2017, the cumulative monthly deposits required to be made into the reserve for replacements escrow accounts was $2,371 and $2,403, respectively. 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, 2018 and 2017, the balance in the reserve for replacement accounts was $230,687 and $223,166, respectively.

Note 7 - Mortgages and Notes Payable

In prior years, the Organization had reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as depreciation and amortization expense. To comply with ASU 2015-3, during the year ended June 30, 2017, the Organization began reporting such costs as a direct deduction from the face amount of the related debt and reclassified prior year amounts. The Organization now reports amortization of debt issuance costs as interest expense. Debt at June 30, 2018 and 2017 is shown net of unamortized debt issuance cost of $3,230 and $3,426, respectively.

Note 7 - Mortgages and Notes Payable (Cont.)

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

	2018	2017
Mortgages payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of $14,343 include principal and interest ranging between 1% - 7.06%. The mortgages are for 30 years and mature between October 2020 and May 2042. The mortgages are secured by residential properties.	$ 1,753,851	$ 1,854,558
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 4.65%. The mortgage is due July 2019. The mortgage is secured by the two building units and one residential property.	413,965	429,858
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% through September 2024. A balloon payment is due for the remaining principal balance on the mortgage in September 2024. The mortgage is secured by one residential property.	368,778	379,013
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, 2020 and 2022.	78,552	164,112
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 1% - 4%. Effective April 2018, these notes are non-interest bearing. The mortgages are for 30 years and mature between March 2027 and November 2036. The mortgages are secured by residential properties.	95,988	104,509
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 for 20 years. The notes mature between fiscal years ending June 30, 2019 and 2021.	109,000	109,000
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 1% - 6.75%. The mortgages mature in May 2042. The mortgages are secured by the property.	2,009,943	2,058,183
Total mortgages and notes payable	4,830,077	5,099,233
Less discount	(169,467)	(151,529)
Less current maturities	(223,241)	(307,729)
Less debt issuance costs, net of amortization	(3,230)	(3,426)
Long-term portion	$ 4,434,139	$ 4,636,549

Note 7 - 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 $1,753,851 and $1,854,558 as of June 30, 2018 and 2017, 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, 2018 and 2017, the Organization has recorded a participation liability of $299,796 and $255,672, respectively, and a related mortgage loan discount of $169,467 and $151,529, 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 from loaning money, or selling the building or merging with another entity. The Organization received a waiver from SECU for the debt service coverage ratio for the year ended June 30, 2017. The debt service coverage ratio is considered waived through July 1, 2018.

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

2019	$ 223,241
2020	618,750
2021	255,613
2022	226,596
2023	190,523
Thereafter	3,315,354
	$ 4,830,077

For the years ended June 30, 2018 and 2017, total interest expense was $266,787 and $160,157, respectively.

Note 8 - Line 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, 2018 and 2017, the balance outstanding on the line of credit was $300,000.

In March 2012, the Organization entered into a line of credit with a bank with a borrowing limit of $125,000. The line of credit is available to assist with the purchase of equipment or to finance improvements to group homes. As of June 30, 2018 and 2017, there were no amounts outstanding on the line of credit.

Note 9 - 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, 2018 and 2017 was 7.37% and 6.62%, respectively. The balance outstanding as of June 30, 2018 and 2017 was $158,900 and $169,483, respectively.

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 are 60 months. At June 30, 2018 and 2017, aggregate monthly payments of $12,766 and $11,166, respectively, include principal and interest at 6.50%. At June 30, 2018 and 2017, the total cost of vehicles acquired was $767,702 and $759,514, respectively. The remaining book value at June 30, 2018 and 2017 was $481,202 and $486,933, respectively. Amortization of the vehicles is included in depreciation expense.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	
2019	$ 154,367
2020	142,297
2021	96,076
2022	127,800
2023	51,392
	571,933
Less payments representing interest	(72,325)
Present value of future lease payments (including current portion of $125,904)	$ 499,608

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, 2018 and 2017, there was $163,971 and $127,000, 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. Pension expense for the years ended June 30, 2018 and 2017 was $58,495 and $54,858, respectively, and is included in fringe benefits in the financial statements.

Note 13 - Operating Lease

An administrative office space was leased on a monthly basis. The monthly rent as of August 2017 was $3,834. The lease was terminated as of August 2017.

A storage facility space was leased on a monthly basis. The monthly rent as of June 30, 2018 was $388. The lease was terminated as of February 2018.

The Organization entered into a lease agreement in November 2016 to lease a residential property. The term of the lease is from December 1, 2016 to November 30, 2017. There is a $1,500 monthly facility fee for the use of the residence. The monthly rent is determined based upon HUD's recertification of each resident of the home and is separate from the monthly facility fee. The monthly rent varies based on HUD's recertification's. The lease was terminated as of June 30, 2017.

Total rent expense for the years ended June 30, 2018 and 2017 was $9,359 and $85,572, respectively.

Note 14 - Unrestricted - Board Designated Net Assets

Board designated net assets represent investment accounts which 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:

	2018	2017
Cash	$ 70,905	$ 69,300
Investments	461,511	620,402
	$ 532,416	$ 689,702

Note 15 - Temporarily Restricted Net Assets

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.

During the year ended June 30, 2017, the Organization received grant funds in the amount of $4,500 from a bank for day program supplies. These funds ware expended as of June 30, 2018.

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

	2018	2017
State of Maryland - renovation grant	$ 75,000	$ 75,000
Day program supplies	-	4,500
	$ 75,000	$ 79,500

Note 16 - Related Party Transactions

For the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

Note 17 - 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 18 - 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 19 - Subsequent Events

Subsequent events and transactions have been evaluated by the Organization for potential recognition or disclosure in the financial statements through November 8, 2018, the day the financial statements were available to be issued. Except for the following, there have been no subsequent events that require recognition or disclosure in the financial statements.

On July 31, 2018, the Organization signed a proposal with a construction company to perform renovations to the building located in Laurel, Maryland in the amount of $65,970.