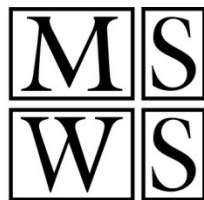


CALMRA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020

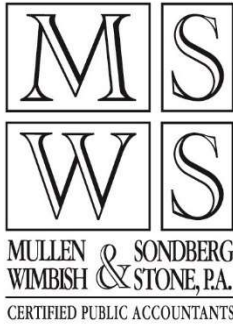


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 19



888 Bestgate Road • Suite 310 • 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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects with the audited financial statements from which it has been derived.



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

Annapolis, Maryland
November 3, 2020

CALMRA, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,579,679	\$ 84,827
Investments	-	402,415
Accounts receivable - funding sources	634,887	224,952
Accounts receivable - other	5,619	140,564
Prepaid expenses	13,571	19,892
Total current assets	<u>2,233,756</u>	<u>872,650</u>
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	<u>6,216,960</u>	<u>6,734,047</u>
OTHER ASSETS		
Loan fees - mortgage escrow	687	714
Deposits	15,302	14,899
Restricted deposits - reserve for replacements	249,928	226,467
Total other assets	<u>265,917</u>	<u>242,080</u>
Total assets	<u>\$ 8,716,633</u>	<u>\$ 7,848,777</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 205,455	\$ 267,054
Accrued payroll, taxes, and benefits	682,395	339,294
Accrued vacation	223,593	175,625
Due to consumers	30,765	3,871
Due to State of Maryland	140,274	137,776
Margin line of credit	-	154,064
Lines of credit	350,223	300,000
Deferred revenue - Paycheck Protection Program	88,950	-
Mortgages and notes payable - net of debt issuance costs	253,852	648,623
Capital lease obligations	119,928	126,936
Total current liabilities	<u>2,095,435</u>	<u>2,153,243</u>
LONG-TERM LIABILITIES		
Mortgages and notes payable - net of debt issuance costs	3,693,426	3,905,018
Participation liability	393,289	342,522
Capital lease obligations	377,326	356,932
Total long-term liabilities	<u>4,464,041</u>	<u>4,604,472</u>
Total liabilities	<u>6,559,476</u>	<u>6,757,715</u>
NET ASSETS		
Without donor restrictions - undesignated	2,157,157	918,237
Without donor restrictions - Board-designated	-	172,825
Total net assets	<u>2,157,157</u>	<u>1,091,062</u>
Total liabilities and net assets	<u>\$ 8,716,633</u>	<u>\$ 7,848,777</u>

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

CALMRA, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Program fees and grants	\$ 6,094,332	\$ 5,534,932
Consumer fees	280,536	264,991
Gain on sale of property and equipment	247,913	10,766
Contributions	104,581	65,742
Miscellaneous	43,126	47,131
Forgiveness of debt	36,000	-
Food stamps	27,373	12,745
Rental income	23,580	24,455
Memberships	8,295	5,415
Special events, net of direct expenses	-	16,564
Investment income, net	(4,087)	20,300
	<u>6,861,649</u>	<u>6,003,041</u>
Total revenues, gains and other support		
EXPENSES		
Program services		
Residential	4,858,212	4,851,214
Day	904,819	740,107
Personal supports	45,708	70,853
Individual support services	13,167	24,813
	<u>5,821,906</u>	<u>5,686,987</u>
Total program services		
Supporting services		
Management and general	809,818	700,854
Fundraising	1,080	2,375
	<u>810,898</u>	<u>703,229</u>
Total supporting services		
Total expenses	<u>6,632,804</u>	<u>6,390,216</u>
Change in net assets before other changes	228,845	(387,175)
OTHER CHANGES IN NET ASSETS		
Other grant income - Paycheck Protection Program	837,250	-
Change in net assets	1,066,095	(387,175)
NET ASSETS AT BEGINNING OF YEAR WITHOUT DONOR RESTRICTIONS	<u>1,091,062</u>	<u>1,478,237</u>
NET ASSETS AT END OF YEAR WITHOUT DONOR RESTRICTIONS	<u>\$ 2,157,157</u>	<u>\$ 1,091,062</u>

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

CALMRA, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
With Summarized Financial Information for the Year Ended June 30, 2019

	Program Services				Supporting Services		Total	
	Residential	Day	Personal Supports	ISS	Management and General	Fundraising	2020	2019
Salaries	\$ 3,156,717	\$ 489,417	\$ 31,036	\$ 10,067	\$ 383,709	\$ -	\$ 4,070,946	\$ 4,015,434
Fringe benefits	346,337	36,761	2,172	428	29,717	-	415,415	362,164
Payroll taxes	238,222	37,187	2,617	852	29,195	-	308,073	306,635
Total salaries and related expenses	3,741,276	563,365	35,825	11,347	442,621	-	4,794,434	4,684,233
Depreciation	309,065	84,415	170	56	39,470	-	433,176	407,425
Interest	122,999	68,296	-	-	59,289	-	250,584	250,688
Food	157,465	19,337	-	-	-	-	176,802	191,056
Utilities	129,099	19,302	-	-	11,396	-	159,797	154,923
Real estate taxes	-	82,080	-	-	54,718	-	136,798	-
Janitorial	80,003	13,901	-	-	6,267	-	100,171	121,532
Insurance	76,359	12,188	206	155	6,482	-	95,390	90,053
Supplies	62,787	-	53	41	1,164	-	64,045	53,119
Vehicle expense	37,399	9,749	-	-	5,128	-	52,276	60,584
Purchase of services - other	-	-	-	-	48,445	-	48,445	36,093
Miscellaneous	8,581	507	77	25	38,431	-	47,621	18,877
Telephone	33,753	6,338	730	135	2,262	-	43,218	50,104
Office supplies	12,455	8,848	452	163	14,731	-	36,649	42,457
Professional fees	-	-	-	-	36,291	-	36,291	39,011
Repairs and maintenance	27,470	3,767	967	322	2,649	-	35,175	34,685
Rent	23,118	-	-	-	-	-	23,118	-
Awards and grants	2,190	-	-	-	17,232	-	19,422	9,597
National dues	180	-	-	-	15,307	-	15,487	16,702
Travel	8,089	2,796	2,625	320	671	-	14,501	18,674
Training	11,340	173	5	2	1,456	-	12,976	13,761
Printing and publications	6,098	1,876	208	69	1,887	505	10,643	15,265
Purchase of services - consumers	2,682	-	4,306	511	-	-	7,499	12,612
Condo dues	-	5,066	-	-	-	-	5,066	6,701
Licenses and permits	707	2,134	-	-	699	-	3,540	4,031
Postage and shipping	1,411	215	84	21	999	575	3,305	1,693
Consultants	2,308	-	-	-	22	-	2,330	52,768
Registration fees	474	-	-	-	1,352	-	1,826	3,313
Conferences and meetings	407	250	-	-	819	-	1,476	4,654
Small equipment	472	216	-	-	10	-	698	5,658
Advertising	25	-	-	-	20	-	45	50
Total expenses	4,858,212	904,819	45,708	13,167	809,818	1,080	6,632,804	6,400,319
Less: special events expense offset against revenue in the statement of activities	-	-	-	-	-	-	-	(10,103)
Total expenses reported in the statement of activities	\$ 4,858,212	\$ 904,819	\$ 45,708	\$ 13,167	\$ 809,818	\$ 1,080	\$ 6,632,804	\$ 6,390,216

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

CALMRA, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,066,095	\$ (387,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	433,176	407,425
Amortization of debt issuance costs	197	197
Gain on sale of property and equipment	(247,913)	(10,766)
Realized/unrealized loss on investments	12,961	5,755
Amortization of loan discount	13,755	14,728
Increase (decrease) in operating assets:		
Accounts receivable	(274,990)	(266,336)
Prepaid expenses	6,321	16,058
Deposits	(403)	(2,122)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	329,470	362,532
Due to consumers	26,894	(48,281)
Due to State of Maryland	2,498	34,207
Deferred revenue - Paycheck Protection Program	88,950	-
Net cash provided by operating activities	1,457,011	126,222
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	3,995	(243,788)
Acquisition of property and equipment	(55,088)	(200,680)
Proceeds from sale/redemption of investments	385,459	567,276
Proceeds from sale/disposal of property and equipment	190,330	21,695
Net cash provided by investing activities	524,696	144,503
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in margin line of credit	(154,064)	(4,836)
Change in restricted deposits - reserve for replacements	(23,461)	4,220
Proceeds from line of credit	354,400	600,000
Principal payments on line of credit	(304,177)	(600,000)
Principal payments on mortgages and notes payable	(243,234)	(189,182)
Principal payments on capital lease obligations	(116,319)	(143,486)
Net cash used in financing activities	(486,855)	(333,284)
Net change in cash and cash equivalents	1,494,852	(62,559)
Cash and cash equivalents at beginning of year	84,827	147,386
Cash and cash equivalents at end of year	\$ 1,579,679	\$ 84,827
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 236,632	\$ 235,762
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 251,534	\$ 441,669
Less amounts financed	(196,446)	(240,989)
Cash paid for property and equipment	\$ 55,088	\$ 200,680
Sale proceeds of property and equipment	\$ 626,140	\$ 21,695
Less selling expenses and mortgage payoff withheld	(435,810)	-
Cash proceeds from sale of property and equipment	\$ 190,330	\$ 21,695

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

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020 and 2019, 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, 2019, 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.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

Revenue Recognition

Contributions received are recorded as support with donor restrictions or support without donor restrictions, 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions 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.

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.

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 year ended June 30, 2020 consist of other grant income from the Paycheck Protection Program (See Note 14).

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

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, 2020 and 2019 was \$30,765 and \$3,871, 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. 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. 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, 2020 and 2019. Accordingly, an allowance for doubtful accounts has not been established.

Donated Services, Materials, and Equipment

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no amounts recorded for contributed services, materials, or equipment for the years ending June 30, 2020 and 2019.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Total advertising costs for the years ended June 30, 2020 and 2019 amounted to \$45 and \$50, respectively.

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. Fiscal years ending on or after June 30, 2017 remain subject to examination by federal and state authorities.

New Accounting Pronouncement

On July 1, 2019, the Organization adopted *ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made."* This standard provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contributions versus an exchange. *ASU 2018-08* has been applied retrospectively to all periods presented. The adoption of *ASU 2018-08* did not have any impact on the Organization's financial position, result of operations or cash flows.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 2 - Availability and Liquidity

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,579,679	\$ 84,827
Investments	-	402,415
Accounts receivable - funding sources	634,887	224,952
Accounts receivable - other	5,619	140,564
Total financial assets	<u>2,220,185</u>	<u>852,758</u>
Less amounts not available to be used within one year:		
Consumer cash	(30,765)	(3,871)
Investments secured by margin line of credit	-	(154,064)
Financial assets available to meet general expenditures over the next twelve months before Board designations	<u>2,189,420</u>	<u>694,823</u>
Less: Board-designated funds	-	(172,825)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,189,420</u>	<u>\$ 521,998</u>

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$1,660,000). 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. 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.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 3 - 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. As of June 30, 2020 and 2019, amounts held in excess of the FDIC insured coverage limit were approximately \$1,278,000 and \$-0-, respectively.

Note 4 - Investments

Investments are recorded at fair market value. The Organization liquidated the investments during the year ended June 30, 2020. Investments consisted of the following at:

	June 30, 2019		
Cost	Fair Market Value	Gross Unrealized Gain (Loss)	
Cash/money market	\$ 11,328	\$ 11,328	\$ -
Mutual funds	84,936	83,731	(1,205)
Fixed income bonds	289,302	307,356	18,054
	\$ 385,566	\$ 402,415	\$ 16,849

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.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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.

As of June 30, 2019, 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 active listed mutual funds.

As of June 30, 2019, 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 investments measured at fair value on a recurring basis by level within the hierarchy as of:

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Cash/money market	\$ 11,328	\$ -	\$ -	\$ 11,328
Mutual funds	83,731	-	-	83,731
Fixed income bonds	-	307,356	-	307,356
	\$ 95,059	\$ 307,356	\$ -	\$ 402,415

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 6 - Property and Equipment

A summary of property and equipment follows for June 30:

	Estimated Lives	2020	2019
Land	-	\$ 2,274,829	\$ 2,424,936
Buildings	25 - 30 years	4,066,370	4,345,141
Furniture and equipment	5 - 10 years	258,563	245,547
Vehicles	75,000 miles	77,084	174,574
Vehicles	5 years	973,692	869,221
Capital and leasehold improvements	5 - 30 years	2,021,549	2,034,693
Construction in progress	-	99,875	-
		<u>9,771,962</u>	<u>10,094,112</u>
Less accumulated depreciation		<u>(3,555,002)</u>	<u>(3,360,065)</u>
Net property and equipment		<u>\$ 6,216,960</u>	<u>\$ 6,734,047</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$433,176 and \$407,425, 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, 2020 and 2019, the cumulative monthly deposits required to be made into the reserve for replacements escrow accounts was \$537 and \$2,362, 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, 2020 and 2019, the balance in the reserve for replacement accounts was \$249,928 and \$226,467, 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, 2020 and 2019 is shown net of unamortized debt issuance cost of \$2,836 and \$3,033, respectively.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 8 - Mortgages and Notes Payable (Cont.)

	2020	2019
<p>Mortgages payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$10,044 and \$14,343 as of June 30, 2020 and 2019, respectively, include principal and interest ranging between 1% - 7.06%. The mortgages are for 15 to 30 years and mature between October 2020 and May 2050. The mortgages are secured by residential properties.</p>	\$ 1,544,497	\$ 1,649,475
<p>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. The commercial building was sold during the fiscal year ending June 30, 2020, and the proceeds were used to repay the remaining mortgage.</p>	-	397,317
<p>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.</p>	328,117	359,905
<p>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, 2022 and 2029.</p>	210,195	191,795
<p>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.</p>	76,216	86,574
<p>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 repayment is only required if the Organization violates certain loan stipulations within 20 years from the date of the loan. Two notes matured during the year ended June 30, 2020. Forgiveness of these two loans has not been approved as of the fiscal year end. The remaining two notes mature during the fiscal year ending June 30, 2021.</p>	109,000	109,000
<p>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.</p>	1,905,876	1,960,072
<p>Note payable obtained to purchase new computer equipment. Note requires 48 monthly payments of \$333 including interest at 13.4%. The note matures in September 2023.</p>	10,689	-
<p>Total mortgages and notes payable</p>	4,184,590	4,754,138
<p>Less discount</p>	(234,476)	(197,464)
<p>Less current maturities</p>	(253,852)	(648,623)
<p>Less debt issuance costs, net of amortization</p>	(2,836)	(3,033)
<p>Long-term portion</p>	\$ 3,693,426	\$ 3,905,018

CALMRA, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

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 \$1,544,497 and \$1,649,475 as of June 30, 2020 and 2019, 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, 2020 and 2019, the Organization has recorded a participation liability of \$393,289 and \$342,522, respectively, and a related mortgage loan discount of \$234,476 and \$197,464, 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.

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

2021	\$	253,852
2022		193,923
2023		156,393
2024		271,889
2025		423,919
Thereafter		<u>2,884,614</u>
	\$	<u><u>4,184,590</u></u>

For the years ended June 30, 2020 and 2019, total interest expense was \$250,584 and \$250,688, 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, 2020 and 2019, 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. 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, 2020 and 2019, the balance outstanding on the line of credit was \$50,223 and \$0-, respectively.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 10 - Margin Line of Credit

During the year ended June 30, 2019, the Organization had a margin line of credit available from its investment broker. The margin account was secured by the investments. The interest rate at June 30, 2019 was 8.12%. The balance outstanding as of June 30, 2019 was \$154,064.

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 range between 36 - 60 months. At June 30, 2020 and 2019, aggregate monthly payments of \$16,177 and \$14,429, respectively, include principal and interest ranging between 5.9% - 6.9%. At June 30, 2020 and 2019, the total cost of vehicles acquired was \$973,692 and \$869,221, respectively. The remaining book value at June 30, 2020 and 2019 was \$396,238 and \$444,830 respectively. Amortization of the vehicles is included in depreciation expense.

Future minimum lease payments under these leases are as follows:

Year Ending June 30	
2021	\$ 149,233
2022	138,545
2023	165,078
2024	67,782
2025	47,396
	568,034
Less payments representing interest	(70,780)
Present value of future lease payments (including current portion of \$119,928)	\$ 497,254

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, 2020 and 2019, there was \$223,593 and \$175,625, respectively, of vacation benefits due employees.

Note 13 - Retirement Plan

The Organization has established a 403(b) tax-deferred annuity plan for all eligible employees. The Organization matches employees' voluntary contributions of up to 3% to 6% of base pay, depending on the length of employment. Pension expense for the years ended June 30, 2020 and 2019 was \$67,328 and \$65,867, respectively, and is included in fringe benefits in the financial statements.

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 14 - 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. As of June 30, 2020, the Organization's management believes the Organization has met the substantial requirements for partial forgiveness of the loan and as such, has 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 is included in deferred revenue. The Organization's PPP funding is subject to a formal forgiveness application.

Note 15 - Net Assets Without Donor Restrictions – Board-Designated

Board-designated net assets represent cash and investment accounts which the Board of Directors has designated to be used for future program improvements and expansion. The Board of Directors released the designated net assets during the year ended June 30, 2020.

Board-designated net assets include the following for the year ended June 30, 2019:

Cash	\$ 12,097
Investments	<u>160,728</u>
	<u>\$ 172,825</u>

Note 16 - Special Events Revenue

The direct costs of special events have been netted with special events revenue. There were no special events during the year ended June 30, 2020. Special events revenue and direct costs consisted of the following at June 30, 2019:

Revenues	\$ 26,667
Direct expenses	<u>(10,103)</u>
Total net revenues	<u>\$ 16,564</u>

CALMRA, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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.

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.

In March 2020, the Organization experienced disruption of its daily operations due to the global COVID-19 (coronavirus) pandemic. While the Organization expects this matter could potentially negatively impact its results of operations, cash flows, and financial position, the related impact cannot be reasonably estimated at this time.

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 3, 2020, the day the Organization's 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.

In September 2020, the Organization received approximately \$115,850 from the United States Department of Health and Human Service's Provider Relief Fund.

Subsequent to year end the Organization transferred Board-designated funds of approximately \$471,000 into the Organization's investment account.