

**HUMAN SERVICES PROGRAMS
OF CARROLL COUNTY, INC.**

**SINGLE AUDIT REPORTING PACKAGE
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**



**CPAs &
BUSINESS
ADVISORS**

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

November 13, 2017

To the Board of Directors
Human Services Programs of Carroll County, Inc.
Westminster, Maryland

We have audited the accompanying financial statements of Human Services Programs of Carroll County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Services Programs of Carroll County, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of Human Services Programs of Carroll County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Services Programs of Carroll County, Inc.'s internal control over financial reporting and compliance.

RLH CPAs & Business Advisors, LLC

Westminster, Maryland

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

| | 2017 | 2016 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 954,497 | \$ 1,156,793 |
| Accounts Receivable | 211,717 | 268,276 |
| Prepaid Expenses | 21,715 | - |
| Certificate of Deposit | 308,041 | - |
| Promised Use of Facility | 129,987 | 129,987 |
| TOTAL CURRENT ASSETS | 1,625,957 | 1,555,056 |
| PROPERTY AND EQUIPMENT, NET | 579,217 | 164,035 |
| OTHER ASSETS | | |
| Investments | 370,350 | 539,855 |
| Promised Use of Facility (Net of Unamortized Discount of \$20,759 and \$27,613, respectively) | 661,674 | 784,807 |
| TOTAL OTHER ASSETS | 1,032,024 | 1,324,662 |
| TOTAL ASSETS | \$ 3,237,198 | \$ 3,043,753 |

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

LIABILITIES AND NET ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 48,865 | \$ 57,085 |
| Accrued Vacation | 59,816 | 56,441 |
| Accrued Wages | 73,768 | 53,199 |
| Refundable Advances | 80,350 | 240,563 |
| Note Payable | 308,000 | - |
| Current Portion of Long-Term Liabilities | 1,650 | 1,650 |
| TOTAL CURRENT LIABILITIES | <u>572,449</u> | <u>408,938</u> |
| LONG-TERM LIABILITIES | | |
| Loan Payable | 18,650 | 20,300 |
| Less: Current Portion | 1,650 | 1,650 |
| TOTAL LONG-TERM LIABILITIES | <u>17,000</u> | <u>18,650</u> |
| TOTAL LIABILITIES | <u>589,449</u> | <u>427,588</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 1,000,762 | 905,256 |
| Board Designated | 697,618 | 662,793 |
| Total Unrestricted | <u>1,698,380</u> | <u>1,568,049</u> |
| Temporarily Restricted | 949,369 | 1,048,116 |
| TOTAL NET ASSETS | <u>2,647,749</u> | <u>2,616,165</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,237,198</u> | <u>\$ 3,043,753</u> |

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | |
|---|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | |
| SUPPORT | | | |
| Contributions | \$ 87,201 | \$ 141,240 | \$ 228,441 |
| Donated Items | 262,995 | - | 262,995 |
| Donated Facilities | 406,000 | - | 406,000 |
| TOTAL SUPPORT | 756,196 | 141,240 | 897,436 |
| REVENUE | | | |
| Contracts/Grants | 3,683,362 | - | 3,683,362 |
| Shelter Client Fees | 29,304 | - | 29,304 |
| Special Events | 7,090 | - | 7,090 |
| Investment Income | 19,718 | - | 19,718 |
| Rental Income | 1,000 | - | 1,000 |
| Miscellaneous Revenue | 49,119 | - | 49,119 |
| TOTAL REVENUE | 3,789,593 | - | 3,789,593 |
| GAINS | | | |
| Net Realized and Unrealized Gains on Investments | 21,329 | - | 21,329 |
| TOTAL GAINS | 21,329 | - | 21,329 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 239,987 | (239,987) | - |
| TOTAL SUPPORT AND REVENUE | 4,807,105 | (98,747) | 4,708,358 |
| EXPENSES AND LOSSES | | | |
| PROGRAM SERVICES | | | |
| Emergency & Prevention Program | 1,247,968 | - | 1,247,968 |
| Family Support Services | 691,754 | - | 691,754 |
| Housing & Shelter Services | 1,438,494 | - | 1,438,494 |
| Workforce Development | 565,299 | - | 565,299 |
| TOTAL PROGRAM SERVICES | 3,943,515 | - | 3,943,515 |
| SUPPORTING SERVICES | | | |
| Management and General | 700,720 | - | 700,720 |
| Fundraising | 32,539 | - | 32,539 |
| TOTAL SUPPORTING SERVICES | 733,259 | - | 733,259 |
| LOSSES | | | |
| Net Realized and Unrealized Losses on Investments | - | - | - |
| Loss on Disposal of Equipment | - | - | - |
| TOTAL LOSSES | - | - | - |
| TOTAL EXPENSES AND LOSSES | 4,676,774 | - | 4,676,774 |
| CHANGE IN NET ASSETS | 130,331 | (98,747) | 31,584 |
| Net Assets - Beginning of Year | 1,568,049 | 1,048,116 | 2,616,165 |
| NET ASSETS - END OF YEAR | \$ 1,698,380 | \$ 949,369 | \$ 2,647,749 |

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2016 | | |
|---|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | |
| SUPPORT | | | |
| Contributions | \$ 102,621 | \$ 117,770 | \$ 220,391 |
| Donated Items | 204,389 | - | 204,389 |
| Donated Facilities | 195,033 | - | 195,033 |
| TOTAL SUPPORT | 502,043 | 117,770 | 619,813 |
| REVENUE | | | |
| Contracts/Grants | 3,694,231 | - | 3,694,231 |
| Shelter Client Fees | 29,643 | - | 29,643 |
| Special Events | 33,335 | - | 33,335 |
| Investment Income | 17,931 | - | 17,931 |
| Rental Income | - | - | - |
| Miscellaneous Revenue | - | - | - |
| TOTAL REVENUE | 3,775,140 | - | 3,775,140 |
| GAINS | | | |
| Net Realized and Unrealized Gains on Investments | - | - | - |
| TOTAL GAINS | - | - | - |
| NET ASSETS RELEASED FROM RESTRICTIONS | 204,987 | (204,987) | - |
| TOTAL SUPPORT AND REVENUE | 4,482,170 | (87,217) | 4,394,953 |
| EXPENSES AND LOSSES | | | |
| PROGRAM SERVICES | | | |
| Emergency & Prevention Program | 1,337,463 | - | 1,337,463 |
| Family Support Services | 672,633 | - | 672,633 |
| Housing & Shelter Services | 1,313,810 | - | 1,313,810 |
| Workforce Development | 499,825 | - | 499,825 |
| TOTAL PROGRAM SERVICES | 3,823,731 | - | 3,823,731 |
| SUPPORTING SERVICES | | | |
| Management and General | 662,038 | - | 662,038 |
| Fundraising | 20,463 | - | 20,463 |
| TOTAL SUPPORTING SERVICES | 682,501 | - | 682,501 |
| LOSSES | | | |
| Net Realized and Unrealized Losses on Investments | 6,367 | - | 6,367 |
| Loss on Disposal of Equipment | 3,634 | - | 3,634 |
| TOTAL LOSSES | 10,001 | - | 10,001 |
| TOTAL EXPENSES AND LOSSES | 4,516,233 | - | 4,516,233 |
| CHANGE IN NET ASSETS | (34,063) | (87,217) | (121,280) |
| Net Assets - Beginning of Year | 1,602,112 | 1,135,333 | 2,737,445 |
| NET ASSETS - END OF YEAR | \$ 1,568,049 | \$ 1,048,116 | \$ 2,616,165 |

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Inflows: | | |
| Receipts from Contracts/Grants | \$ 3,579,708 | \$ 3,795,185 |
| Receipts from Contributions | 219,937 | 210,971 |
| Receipts from Special Events | 7,090 | 33,335 |
| Other Income Received | 38,653 | 29,643 |
| Interest Income Received | 3,936 | 3,658 |
| | 3,849,324 | 4,072,792 |
| Outflows: | | |
| Payments to Employees | 2,392,654 | 2,301,917 |
| Payments for Program Services | 1,391,880 | 1,561,404 |
| Payments for Management and General | 72,317 | 73,652 |
| Payments for Fundraising | 2,239 | 4,369 |
| Payments for Interest | 1,095 | - |
| | 3,860,185 | 3,941,342 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (10,861) | 131,450 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Inflows: | | |
| Net Sale of Investments | - | 45,910 |
| | - | 45,910 |
| Outflows: | | |
| Net Purchase of Investments | 57,366 | - |
| Purchase of Property and Equipment | 134,069 | 67,667 |
| | 191,435 | 67,667 |
| NET CASH USED BY INVESTING ACTIVITIES | (191,435) | (21,757) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (202,296) | 109,693 |
| Cash and Cash Equivalents - Beginning of Year | 1,156,793 | 1,047,100 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 954,497 | \$ 1,156,793 |

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Human Services Programs of Carroll County, Inc. (the "Organization") is a nonprofit corporation with the mission of giving hope, inspiring change, and providing opportunity by mobilizing the Carroll County, Maryland community in the fight against poverty. The Organization is dedicated to improving the quality of life and self-sufficiency of at-risk and low-income Carroll County residents by providing assistance with basic needs, advocacy, linkages to resources, and opportunities to enhance life skills. The Organization is the officially designated community action agency for Carroll County, Maryland.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid instruments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Accounts Receivable

Accounts receivable consists of amounts due from funding sources for services performed. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization capitalizes all purchases of property and equipment over \$2,500 at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2017 and 2016 was \$26,887 and \$22,603, respectively.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are valued at their market values, which is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers, with gains and losses included in the statements of activities. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Promised Use of Facility

The Organization uses a property leased at below market value to provide its services. Donated assets are capitalized and recorded as restricted contributions at their fair value at the start date of the lease and are reported as increases in temporarily restricted net assets. These restrictions expire based on the terms of the lease agreement and the Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Accrued Vacation

Permanent employees are granted vacation leave based on the number of continuous service years. The employees are allowed to carry a maximum of 20 days of leave.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are resources that are currently available for support of the Organization's operations and are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that may be utilized only in accordance with the restricted purposes established by the donor. The restriction may require passage of time or the occurrence of a specific event in order to trigger the release of the restriction. The Organization considers all contributions that are designated to a particular program to be transferred to unrestricted net assets when the terms of the restrictions have been met.

Permanently Restricted Net Assets

Net assets that are subject to donor-imposed restrictions and must be maintained permanently. The Organization had no permanently restricted net assets as of June 30, 2017 or 2016.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Refundable Advances and Revenue from Contracts/Grants

When funds from contracts/grants, classified as exchange transactions, are received before all costs have been incurred, the appropriate amount is recorded as a refundable advance until the related service has been performed or the related costs have been recognized. Amounts will typically be recognized or liquidated within one year.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are valued based on the value the donor assigns. Volunteers also provided administrative and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Donated Items

The Organization received a variety of donated goods and supplies valued using the donor's estimated fair value of \$262,995 and \$204,389 as of the date of the donation for the years ended June 30, 2017 and 2016, respectively. These donated items were recorded as support and expenses in the financial statements.

Donated Facilities

The Organization uses properties leased at below market value to provide its services. For the year ended June 30, 2017, management utilized the donor's rental price per square foot of the facility to determine the value of each donated facility. During the year ended June 30, 2016, management estimated the fair market value of these donated facilities using rates published by real estate brokers and the square footage donated. Then management records the difference between the estimated fair market value of the lease payment and the actual lease payment as support and expense. As detailed in Note 9, these donated facilities are recorded at \$406,000 and \$195,033 for the years ended June 30, 2017 and 2016, respectively.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

The Organization generates revenue through client fees and events. Revenue for each type of service is recognized when the service is provided.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Advertising

The Organization follows the policy of charging all costs of advertising to expense as incurred. Advertising expense was \$4,237 and \$4,379 for the years ended June 30, 2017 and 2016, respectively.

Tax-Exempt Status

The Organization is incorporated under the laws of the State of Maryland as a nonprofit organization. The Organization has elected under provisions of Internal Revenue Code Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income. However, the Organization is subject to unrelated business income tax on rental activities that aren't directly related to their tax-exempt purpose.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year statements.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Management has evaluated subsequent events through November 13, 2017, the date which the financial statements were available to be issued.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2. Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------------|-------------------|
| Buildings and Land | \$ 606,150 | \$ 210,388 |
| Equipment | 216,812 | 182,998 |
| Leasehold Improvements | 68,299 | 68,299 |
| Vehicles | 189,729 | 189,729 |
| Construction in Progress | <u>12,493</u> | <u>-</u> |
| | 1,093,483 | 651,414 |
| Accumulated Depreciation | <u>514,266</u> | <u>487,379</u> |
| | <u>\$ 579,217</u> | <u>\$ 164,035</u> |

Note 3. Quasi-Endowment

The Organization's endowment consists of quasi-endowment funds established through unrestricted net assets designated by the Board of Directors to function as a general endowment fund for the purpose of providing support for the programs, client services, and the overall operations of the Organization. Since the funds are not donor-restricted, they are classified and reported as unrestricted net assets.

Composition of and changes in quasi-endowment net assets were as follows for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Board-Designated Quasi-Endowment Net Assets - Beginning of Year | <u>\$ 612,793</u> | <u>\$ 604,886</u> |
| Investment Return | | |
| Investment Income | 13,496 | 14,274 |
| Net Depreciation (Realized and Unrealized) | <u>21,329</u> | <u>(6,367)</u> |
| Total Investment Return | <u>34,825</u> | <u>7,907</u> |
| Board-Designated Quasi-Endowment Net Assets - End of Year | <u>\$ 647,618</u> | <u>\$ 612,793</u> |
| Board-Designated Cash | \$ 15,562 | \$ 72,938 |
| Board-Designated Certificate of Deposit | 308,041 | - |
| Board-Designated Investments | <u>324,015</u> | <u>539,855</u> |
| Board-Designated Quasi-Endowment Net Assets - End of Year | <u>\$ 647,618</u> | <u>\$ 612,793</u> |

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Return Objectives and Risk Parameters

The Organization has a formal policy, approved by the Board of Directors, that defines the return objectives and risk parameters for long-term investment funds of the Organization. It is the objective of the fund to provide growth of principal and income from dividends paid on funds invested in accordance with this statement. The intent is to preserve capital value of the fund and to insure and protect the fund from wide variations in market value by active management of the fund.

To manage risk in the fund, the investment policy is to be reviewed annually by the Board of Directors for any necessary revisions. The performance of the fund's investment manager is reviewed annually by the Board of Directors to ensure the investment strategies and objectives are being met.

Strategies for Achieving Return Objectives and Spending Policy

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified, balanced asset allocation of a maximum of 40% equity securities and 60% fixed income securities which are considered within the scope of those that a similar not-for-profit 501(c)(3) organization would customarily invest in, and investments in money and bond/fixed income instruments should be rated of a "B+" grade or better and/or government or quasi-government securities. The policy also permits, at the discretion of the investment manager, that funds be invested in collective investment funds or mutual funds conforming to the policy guidelines. The fund's policies allow for partial or total withdrawal at any time for use by the Organization in accordance with the spirit of the fund.

Note 4. Investments

As discussed in Note 1, the Organization reports its investments at fair market value. Investments consist of the following at June 30:

| | <u>2017</u> | | <u>2016</u> | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Equities | \$ 78,828 | \$ 82,764 | \$ 90,259 | \$ 114,574 |
| Agency Trust | 46,335 | 46,335 | - | - |
| Mutual Funds | <u>230,232</u> | <u>241,251</u> | <u>420,202</u> | <u>425,281</u> |
| | <u>\$ 355,395</u> | <u>\$ 370,350</u> | <u>\$ 510,461</u> | <u>\$ 539,855</u> |

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Net realized and unrealized gains on investments are as follows for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-------------------|
| Net Realized Gains | \$ 18,168 | \$ 10,336 |
| Unrealized Gains (Losses) (net of investment fees totaling \$3,117 and \$2,965, respectively) | <u>3,161</u> | <u>(16,703)</u> |
| | <u>\$ 21,329</u> | <u>\$ (6,367)</u> |

Note 5. Line of Credit

The Organization has a \$100,000 line of credit with a local financial institution. The interest rate is prime plus 0.75%, with a floor of 4.00%. The interest rate was 5.00% at June 30, 2017. The Organization had \$100,000 available at June 30, 2017. The line expires on March 29, 2018.

Note 6. Note Payable

The note payable is secured by real property with a carrying value of \$395,762 at June 30, 2017. The note has an interest rate of 4.25% and is due in full by May 2018. The note requires the Organization to maintain a Certificate of Deposit at the financial institution holding the note payable in the same amount of the note payable.

Note 7. Loan Payable

The loan payable is secured by real property with a carrying value of \$210,387 less accumulated depreciation of \$140,707 at June 30, 2017. The loan is non-interest bearing. Principal shall be forgiven at the rate of \$1,650 per year while the property is utilized as a shelter for low and moderate income families and individuals. At June 30, 2017 and 2016, the loan payable had an outstanding balance of \$18,650 and \$20,300, respectively. If not paid off by the Organization, the entire indebtedness shall be forgiven by February 2028.

The principal requirements of the loan payable that are to be forgiven as due are as follows for the years ending June 30:

| | |
|------------|------------------|
| 2018 | \$ 1,650 |
| 2019 | 1,650 |
| 2020 | 1,650 |
| 2021 | 1,650 |
| 2022 | 1,650 |
| Thereafter | <u>10,400</u> |
| | <u>\$ 18,650</u> |

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 8. Net Assets - Board Designations and Restrictions

The Organization's Board of Directors has designated net assets to be used for the following purposes at June 30:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Workforce Development Center Capital Campaign | \$ 50,000 | \$ 50,000 |
| Certificate of Deposit (Note 6) | 308,041 | - |
| Quasi-Endowment Funds (Note 3); of which \$25,000 is designated for purchase of accounting software at June 30, 2017 | <u>339,577</u> | <u>612,793</u> |
| | <u>\$ 697,618</u> | <u>\$ 662,793</u> |

Temporarily restricted net assets are available for the following purposes at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|---------------------|
| Neighbors In Need Holiday Program | \$ 23,322 | \$ 23,322 |
| Neighbors In Need Housing Program | 15,200 | - |
| Promised Use of Facility (Note 9) | 791,661 | 914,794 |
| Perm Housing | 1,369 | - |
| Housing Case Management | 563 | - |
| Cold Weather Shelter | 4,843 | - |
| Workforce Development Center Capital Campaign | 97,411 | 100,000 |
| Transportation | <u>15,000</u> | <u>10,000</u> |
| | <u>\$ 949,369</u> | <u>\$ 1,048,116</u> |

Note 9. Operating Leases, Donated Facilities, and Promised Use of Facility

Operating Leases

The Organization leases a number of Permanent Housing apartments for individuals in Westminster, Maryland. All leases are either annual or month-to-month. Monthly lease payments range from \$675 to \$1,055. Rent expense for the years ended June 30, 2017 and 2016 was \$133,680 and \$138,760, respectively.

In October 2014, the Organization entered into a 63 month lease with a company to rent and maintain a postage meter and scale. The lease automatically renews for consecutive one year terms unless the lease is terminated by either party. Lease expense, presented in repairs and maintenance, was \$1,740 for each of the years ended June 30, 2017 and 2016.

In December 2014, the Organization entered into a 60 month lease with a company to rent and maintain multiple copiers and printers. The lease automatically renews with the same terms unless the lease is terminated by either party. Lease expense, presented in repairs and maintenance, was \$8,640 for each of the years ended June 30, 2017 and 2016.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

In June 2016, the Organization entered into a 36 month lease with a company to maintain storage of some of the Organization’s computerized data. Lease expense, presented in equipment purchases and rent, was \$7,089 and \$-0- for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under the operating lease agreements are as follows for the years ending June 30:

| | |
|------|------------------|
| 2018 | \$ 35,554 |
| 2019 | 17,468 |
| 2020 | <u>4,470</u> |
| | <u>\$ 57,492</u> |

Donated Facilities

A one-year lease with the County Commissioners of Carroll County, Maryland (the “County”) was adopted for the Barrel House Building located at 10 Distillery Drive, Westminster, Maryland in which the Organization began operating its business in May 1, 1994 with an annual payment of \$1. This lease automatically renews for one-year terms unless either party notifies the other of its intention not to renew the lease at least thirty days prior to the renewal date. Rent expense was \$1 for each of the years ended June 30, 2017 and 2016. The estimated value for the years ended June 30, 2017 and 2016 was \$406,000 and \$181,214, respectively. The Organization expanded the use of donated space and changed the valuation method for the year ended June 30, 2017 as described in Note 1.

The Organization maintained a month-to-month lease with the City of Westminster, Maryland (the “City”) for the Family Shelter located at 52 Charles Street, Westminster, Maryland. The parties of the lease agreed that there was no monetary consideration for this lease or set date of expiration. In September 2016, the Organization notified the City that the Organization was no longer utilizing the space and therefore was relinquishing the donated facility back to the City. The estimated value for the years ended June 30, 2017 and 2016 was \$-0- and \$13,819, respectively.

Promised Use of Facility

A ten-year lease was entered into on October 1, 2003 with the County for the Safe Haven Shelter, Men’s Shelter, and Cold Weather Shelter located at 127 Stoner Avenue, Westminster, Maryland. This lease automatically renews for ten-year terms unless either party notifies the other of its intention not to renew the lease at least two months prior to the renewal date. Both parties agreed that there is no monetary consideration for this lease, under the condition that the Organization furnishes temporary shelter and lodging to economically disadvantaged persons. In connection with this lease agreement, the Organization discounted the value of the ten-year second term of the lease and recorded a restricted contribution for the year ended June 30, 2014. For both years ended June 30, 2017 and 2016, net assets released from

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

restriction and donated facilities expense of \$129,987 were recorded in connection with this lease agreement.

Promised use of facility is as follows at June 30, 2017:

| | |
|---|-------------------|
| Receivable in one to five years | \$ 649,936 |
| Receivable in greater than five years | <u>162,484</u> |
| | ...812,420 |
| Less: Unamortized Discount to Net Present Value | <u>20,759</u> |
| Net Promised Use of Facility | <u>\$ 791,661</u> |

Note 10. Rental Income

The Organization leases a portion of the building and improvements at 12 Carroll Street, Westminster, Maryland to a third party. Major classes of property available for lease and the total amount of accumulated depreciation thereon were as follows as of June 30:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|------------------|-------------|
| Buildings and Land | \$ 87,249 | \$ - |
| Less: Accumulated Depreciation | <u>-</u> | <u>-</u> |
| | <u>\$ 87,249</u> | <u>\$ -</u> |

Income recognized under this agreement for the years ended June 30, 2017 and 2016 consisted of \$1,000 and \$-0-, respectively.

Future minimum non-cancelable rental income, assuming no change in current terms, consists of the following for the years ending June 30:

| | |
|------|------------------|
| 2018 | \$ 12,100 |
| 2019 | 13,300 |
| 2020 | <u>13,200</u> |
| | <u>\$ 38,600</u> |

Note 11. Retirement Plan

The Organization sponsors a 401(k) retirement plan for its employees who have attained a certain age and period of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization will contribute a discretionary amount determined each year. For the years ended June 30, 2017 and 2016, the expense recognized for employer contributions totaled \$45,707 and \$43,490, respectively.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 12. Fair Value Measurements

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology for assets and liabilities that have no active market in the same assets but do have parallel markets or alternative means to estimate fair value using observable information inputs, such as the value placed on similar assets or liabilities that were recently traded or transferred between external entities (i.e. market participants).

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Promised Use of Facility (see Note 9) - The income approach utilizes valuation techniques (the present value method, a Level 2 measurement) to convert future amounts to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. The Organization discounted the value of the ten-year second term of the lease and recorded a restricted contribution for the year ended June 30, 2014. The Organization discounted the value of the lease by the discount interest rate for the United States on October 1, 2013, the start date of the lease, which was 0.75%.

Equity Investments (see Note 4) - Valued at the unadjusted quoted prices for identical assets in active markets, a Level 1 input.

Agency Trust (see Note 4) - Valued at the quoted price in the active market for identical funds, a Level 1 input.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Mutual Fund Investments (see Note 4) - Valued at the quoted price in the active market for identical funds, a Level 1 input.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

| | <u>2017</u> | | |
|--------------------------|---------------------|-------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Promised Use of Facility | \$ - | \$ 791,661 | \$ 791,661 |
| Equities | 82,764 | - | 82,764 |
| Agency Trust | 46,335 | - | 46,335 |
| Mutual Funds | <u>241,251</u> | <u>-</u> | <u>241,251</u> |
| | <u>\$ 370,350</u> | <u>\$ 791,661</u> | <u>\$ 1,162,011</u> |
| | <u>2016</u> | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Promised Use of Facility | \$ - | \$ 914,794 | \$ 914,794 |
| Equities | 114,574 | - | 114,574 |
| Mutual Funds | <u>425,281</u> | <u>-</u> | <u>425,281</u> |
| | <u>\$ 539,855</u> | <u>\$ 914,794</u> | <u>\$ 1,454,649</u> |

Note 13. Concentrations

The Organization's services are primarily provided to clients within Carroll County, Maryland.

The Organization's expenses are largely funded by grants received from the County. During the years ended June 30, 2017 and 2016, the grant made up 43% and 39% of the revenue from contracts/grants, respectively.

During the years ended June 30, 2017 and 2016, the Organization also received a majority of its grant funding for energy assistance from the Maryland Department of Human Resources - Office of Home Energy Programs. During the years ended June 30, 2017 and 2016, the grants made up 24% and 28% of the revenue from contracts/grants, respectively.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Accounts receivable from three funding agencies made up 74% of the balance at June 30, 2017.

The Organization maintains its cash deposits in several financial institutions located in Westminster, Maryland. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 for the year ended June 30, 2017. At June 30, 2017, the cash deposits exceeded the limit by \$626,439, representing the maximum loss risk.

The institution holding the Organization's equity and mutual fund investments is a member of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker, however only up to \$250,000 of the total coverage can be applied to cash. At June 30, 2017, the Organization had no amounts in excess of insured limits.

Note 14. Compliance Audits

The Organization participates in a number of federal-assisted and state-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Organization's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time; the Organization expects such amounts, if any, to be immaterial.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 15. Reconciliations of Change in Net Assets to Net Cash Provided (Used) by Operating Activities

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Change in Net Assets | \$ <u>31,584</u> | \$ <u>(121,280)</u> |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 26,887 | 22,603 |
| Loss on Disposal of Equipment | - | 3,634 |
| Net Investment Income | (15,782) | (14,273) |
| Net Unrealized (Gains) Losses on Investments | (3,161) | 16,703 |
| Net Realized Gains on Investments | (18,168) | (10,336) |
| Non-Cash Decrease in Principal of Loan Payable | (1,650) | (1,650) |
| Non-Cash Portion of Donated Facilities | 129,987 | 129,987 |
| Non-Cash Portion of Unemployment Insurance | (44,059) | - |
| In-Kind Rent Contribution | (6,854) | (7,770) |
| (Increase) Decrease in: | | |
| Accounts Receivable | 56,559 | 2,328 |
| Prepaid Expenses | (21,715) | - |
| Increase (Decrease) in: | | |
| Accounts Payable | (8,220) | 6,165 |
| Accrued Expenses | 23,944 | 6,713 |
| Refundable Advances | <u>(160,213)</u> | <u>98,626</u> |
| Total Adjustments | <u>... (42,445)</u> | <u>... 252,730</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (10,861)</u> | <u>\$ 131,450</u> |

Non-cash transactions include the following during the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------------|-------------------|
| Debt Forgiveness | \$ 1,650 | \$ 1,650 |
| Donated Facilities Revenue | 406,000 | 195,033 |
| Donated Items | 262,995 | 204,389 |
| Building Acquired with Note Payable | 308,000 | - |
| In-Kind Rent Contribution | <u>6,854</u> | <u>7,770</u> |
| | <u>\$ 985,499</u> | <u>\$ 408,842</u> |

SUPPLEMENTARY INFORMATION

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

Schedule "1"

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| FUNCTIONAL EXPENSES | 2017 | | | | | | | | |
|--------------------------------------|---------------------------------|-------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|---------------------------|---------------------|
| | Program Services | | | | Supporting Services | | | Total | |
| | Emergency & Prevention Programs | Family Support Services | Housing & Shelter Services | Workforce Development | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses |
| Accounting and Legal Fees | \$ 8,162 | \$ 5,500 | \$ 13,342 | \$ 2,738 | \$ 29,742 | \$ 5,868 | \$ - | \$ 5,868 | \$ 35,610 |
| Advertising | 377 | 402 | 402 | 546 | 1,727 | 1,890 | 620 | 2,510 | 4,237 |
| Client Benefits | 729,443 | 151,605 | 194,363 | 260,693 | 1,336,104 | - | - | - | 1,336,104 |
| Contract Services | 1,914 | 2,449 | 6,668 | 9,517 | 20,548 | 2,852 | - | 2,852 | 23,400 |
| Depreciation | 838 | 196 | 8,549 | 1,610 | 11,193 | 14,974 | 720 | 15,694 | 26,887 |
| Donated Facilities | 59,435 | 72,499 | 265,217 | 16,753 | 413,904 | 98,852 | 23,231 | 122,083 | 535,987 |
| Equipment Purchases and Rent | 4,353 | 1,182 | 4,665 | 6,514 | 16,714 | 11,922 | - | 11,922 | 28,636 |
| Insurance | 3,623 | 4,076 | 12,260 | 2,310 | 22,269 | 3,545 | - | 3,545 | 25,814 |
| Miscellaneous | 653 | 1,153 | 2,080 | 1,725 | 5,611 | 4,596 | 393 | 4,989 | 10,600 |
| Office Supplies | 8,544 | 2,292 | 5,681 | 3,669 | 20,186 | 15,802 | 405 | 16,207 | 36,393 |
| Outreach/ Incentives | 5,992 | - | - | - | 5,992 | - | - | - | 5,992 |
| Program Supplies | 454 | 19,741 | 41,101 | 3,902 | 65,198 | 1,406 | 622 | 2,028 | 67,226 |
| Repairs and Maintenance | 10,720 | 8,685 | 28,195 | 7,694 | 55,294 | 10,911 | 30 | 10,941 | 66,235 |
| Salaries, Taxes, and Fringe Benefits | 408,187 | 413,179 | 835,955 | 237,299 | 1,894,620 | 515,629 | 6,349 | 521,978 | 2,416,598 |
| Staff Training | 766 | 1,911 | 2,758 | 2,396 | 7,831 | 8,692 | 21 | 8,713 | 16,544 |
| Telephone | 3,308 | 2,356 | 8,194 | 1,874 | 15,732 | 1,658 | - | 1,658 | 17,390 |
| Travel | 1,199 | 4,528 | 3,525 | 590 | 9,842 | 2,108 | 148 | 2,256 | 12,098 |
| Utilities | - | - | 5,539 | 5,469 | 11,008 | 15 | - | 15 | 11,023 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,247,968 | \$ 691,754 | \$ 1,438,494 | \$ 565,299 | \$ 3,943,515 | \$ 700,720 | \$ 32,539 | \$ 733,259 | \$ 4,676,774 |

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

Schedule "1"

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| FUNCTIONAL EXPENSES | 2016 | | | | | | | | |
|--------------------------------------|---------------------------------|-------------------------|----------------------------|-----------------------|------------------------|------------------------|------------------|---------------------------|---------------------|
| | Program Services | | | | Supporting Services | | | Total | |
| | Emergency & Prevention Programs | Family Support Services | Housing & Shelter Services | Workforce Development | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses |
| Accounting and Legal Fees | \$ 6,420 | \$ 6,188 | \$ 18,705 | \$ 2,308 | \$ 33,621 | \$ 4,144 | \$ - | \$ 4,144 | \$ 37,765 |
| Advertising | 786 | 236 | 1,481 | 87 | 2,590 | 806 | 983 | 1,789 | 4,379 |
| Client Benefits | 894,169 | 171,125 | 149,075 | 204,389 | 1,418,758 | - | - | - | 1,418,758 |
| Contract Services | 2,129 | 2,481 | 6,777 | 834 | 12,221 | 6,079 | - | 6,079 | 18,300 |
| Depreciation | 961 | 223 | 8,916 | 1,755 | 11,855 | 9,890 | 858 | 10,748 | 22,603 |
| Donated Facilities | 32,619 | 12,685 | 195,271 | 67,593 | 308,168 | 9,967 | 6,885 | 16,852 | 325,020 |
| Equipment Purchases and Rent | 973 | 375 | 6,612 | 8,442 | 16,402 | 11,212 | - | 11,212 | 27,614 |
| Insurance | 6,929 | 6,896 | 20,866 | 2,780 | 37,471 | 4,612 | - | 4,612 | 42,083 |
| Miscellaneous | 922 | 989 | 2,687 | 533 | 5,131 | 3,995 | 842 | 4,837 | 9,968 |
| Office Supplies | 7,639 | 2,367 | 6,670 | 4,148 | 20,824 | 17,930 | 1,548 | 19,478 | 40,302 |
| Outreach/ Incentives | 302 | 573 | 567 | 556 | 1,998 | 2,716 | - | 2,716 | 4,714 |
| Program Supplies | 847 | 32,759 | 54,584 | 16,103 | 104,293 | 1,926 | 986 | 2,912 | 107,205 |
| Repairs and Maintenance | 10,653 | 11,309 | 32,835 | 10,985 | 65,782 | 11,159 | - | 11,159 | 76,941 |
| Salaries, Taxes, and Fringe Benefits | 367,368 | 416,070 | 787,874 | 160,438 | 1,731,750 | 568,529 | 8,351 | 576,880 | 2,308,630 |
| Staff Training | 634 | 539 | 693 | 12,001 | 13,867 | 4,811 | 1 | 4,812 | 18,679 |
| Telephone | 2,647 | 2,451 | 10,140 | 1,325 | 16,563 | 1,688 | - | 1,688 | 18,251 |
| Travel | 1,465 | 5,367 | 3,764 | 522 | 11,118 | 2,574 | 9 | 2,583 | 13,701 |
| Utilities | - | - | 6,293 | 5,026 | 11,319 | - | - | - | 11,319 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,337,463 | \$ 672,633 | \$ 1,313,810 | \$ 499,825 | \$ 3,823,731 | \$ 662,038 | \$ 20,463 | \$ 682,501 | \$ 4,506,232 |

SINGLE AUDIT REPORTING

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 13, 2017

To the Board of Directors
Human Services Programs of Carroll County, Inc.
Westminster, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Human Services Programs of Carroll County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Human Services Programs of Carroll County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Human Services Programs of Carroll County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Human Services Programs of Carroll County, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, with reference number 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services Programs of Carroll County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Human Services Programs of Carroll County, Inc.'s Response to Findings

Human Services Programs of Carroll County, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Human Services Programs of Carroll County, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RLH CPAs & Business Advisors, LLC

Westminster, Maryland



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

November 13, 2017

To the Board of Directors
Human Services Programs of Carroll County, Inc.
Westminster, Maryland

Report on Compliance for Each Major Federal Program

We have audited Human Services Programs of Carroll County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Human Services Programs of Carroll County, Inc.'s major federal programs for the year ended June 30, 2017. Human Services Programs of Carroll County, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Human Services Programs of Carroll County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Human Services Programs of Carroll County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Human Services Programs of Carroll County, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Human Services Programs of Carroll County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Human Services Programs of Carroll County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Human Services Programs of Carroll County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Human Services Programs of Carroll County, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RLH CPAs & Business Advisors, LLC

Westminster, Maryland

**HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Amount Passed Through to Subrecipients |
|--|------------------------|--|-------------------------|--|
| U.S. Department of Agriculture | | | | |
| Passed through the Maryland State Department of Education | | | | |
| | | Women's Shelter Food Program | | |
| Child and Adult Care Food Program | 10.558 | 07/01/16 - 06/30/17 | \$ 4,393 | \$ - |
| Child and Adult Care Food Program | 10.558 | 10/01/15 - 09/30/16 | 56,409 | - |
| Child and Adult Care Food Program | 10.558 | 10/01/16 - 09/30/17 | <u>164,864</u> | <u>-</u> |
| Total Child and Adult Care Food Program passed through the Maryland State Department of Education | | | <u>225,666</u> | <u>-</u> |
| Passed through the Board of Carroll County Commissioners | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CRRL / FIA 16-007 (01/01/2016 - 09/30/2016) | 17,294 | - |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CRRL / FIA 17-017 (02/01/2017 - 10/31/2017) | <u>25,711</u> | <u>-</u> |
| Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the Board of Carroll County Commissioners | | | <u>43,005</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | <u>268,671</u> | <u>-</u> |
| Department of Housing and Urban Development | | | | |
| Passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners | | | | |
| Emergency Solutions Grant Program | 14.231 | (10/01/16 - 03/31/18) | 24,171 | - |
| Emergency Solutions Grant Program | 14.231 | 16-ESG-05-2015 (10/01/15 - 09/30/17) | <u>38,122</u> | <u>-</u> |
| Total Emergency Solutions Grant Program passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners | | | <u>62,293</u> | <u>-</u> |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> | <u>Amount Passed Through to Subrecipients</u> |
|--|--------------------------------|--|---------------------------------|---|
| Direct Funding | | | | |
| Continuum of Care Program | 14.267 | Perm Housing I - MD0135L3B061508 (07/01/16 - 06/30/17) | 65,747 | - |
| Continuum of Care Program | 14.267 | Perm Housing II - MD0134L3B061407 (12/01/15 - 11/30/16) | 14,220 | - |
| Continuum of Care Program | 14.267 | Perm Housing II - MD0134L3B061508 (12/01/16 - 11/30/17) | 26,877 | - |
| Continuum of Care Program | 14.267 | Perm Housing VIII - MD0260L3B061403 (10/01/15 - 09/30/16) | 3,825 | - |
| Continuum of Care Program | 14.267 | Perm Housing VIII - MD0260L3B061504 (10/01/16 - 09/30/17) | 31,409 | - |
| Continuum of Care Program | 14.267 | SHP - MD0139L3B061608 (02/01/17 - 01/31/18) | 16,208 | - |
| Continuum of Care Program | 14.267 | SHP - MD0139L3B061507 (02/01/16 - 01/31/17) | 17,439 | - |
| Continuum of Care Program | 14.267 | Safe Haven - MD0138L3B061608 (02/01/17 - 01/31/18) | 45,276 | - |
| Continuum of Care Program | 14.267 | Safe Haven - MD0138L3B061507 (02/01/16 - 01/31/17) | 48,001 | - |
| Total Continuum of Care Program - Direct Funding | | | <u>269,002</u> | <u>-</u> |
| Total Department of Housing and Urban Development | | | 331,295 | - |
| Department of Justice | | | | |
| Passed through Governor's Office of Crime Control and Prevention | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | BJAG-2014-0031 (10/01/16 - 09/30/17) | 26,112 | - |
| Total Department of Justice | | | <u>26,112</u> | <u>-</u> |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Amount Passed Through to Subrecipients |
|--|------------------------|---|-------------------------|--|
| Department of the Treasury | | | | |
| Passed through Governor's Office of Crime Control and Prevention and Maryland Cash Campaign Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21.009 | 17VITA0214 08/01/16 - 07/31/17 | 16,000 | - |
| Total Department of the Treasury | | | 16,000 | - |
| Department of Health and Human Services | | | | |
| Passed through the Board of Carroll County Commissioners Promoting Safe and Stable Families | 93.556 | 07/01/16 - 06/30/17 | 42,780 | - |
| Passed through the Maryland Department of Human Resources | | | | |
| Low-Income Home Energy Assistance | 93.568 | FIA/OHEP-15-003 (04/01/15 - 03/31/18) | 176,613 | - |
| Low-Income Home Energy Assistance | 93.568 | Benefit Funds (07/01/16 - 06/30/17) | 585,441 | - |
| Total Low-Income Home Energy Assistance passed through the Maryland Department of Human Resources | | | 762,054 | - |
| Passed through the Maryland Department of Housing and Community Development | | | | |
| Community Services Block Grant | 93.569 | 10/01/16 - 09/30/17 | 186,044 | - |
| Community Services Block Grant | 93.569 | 10/01/15 - 09/30/16 | 104,821 | - |
| Total Community Services Block Grant passed through the Maryland Department of Housing and Community Development | | | 290,865 | - |
| Passed through the Maryland Family Network, Inc. | | | | |
| Community-Based Child Abuse Prevention Grants | 93.590 | G1501MDFRPG (07/01/16 - 09/30/16) | 27,000 | - |
| Total Department of Health and Human Services | | | 1,122,699 | - |
| TOTAL FEDERAL EXPENDITURES | | | \$ 1,764,777 | \$ - |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Federal expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

| | | | | |
|--|---------------|-----|---------------|----|
| Material weaknesses identified? | <u> X </u> | Yes | <u> </u> | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | No |

| | | | | |
|---|---------------|-----|--------------|----|
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |
|---|---------------|-----|--------------|----|

Federal Awards

Internal control over major programs:

| | | | | |
|--|---------------|-----|--------------|----|
| Material weaknesses identified? | <u> </u> | Yes | <u> X </u> | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | No |

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

| | | | | |
|--|---------------|-----|--------------|----|
| Any audit findings disclosed that are required to be reported under section 200.516 of the Uniform Guidance? | <u> </u> | Yes | <u> X </u> | No |
|--|---------------|-----|--------------|----|

Identification of major programs tested:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 93.568 | Low-Income Home Energy Assistance |

| | |
|---|-------------------|
| Dollar threshold used to distinguish between type A and type B programs | <u>\$ 750,000</u> |
|---|-------------------|

| | | | | |
|--|---------------|-----|--------------|----|
| Auditee qualified as low-risk auditee? | <u> </u> | Yes | <u> X </u> | No |
|--|---------------|-----|--------------|----|

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2017-001 - Material Weakness

Condition: Amounts determined by the Organization to be 100% federal included state funding for the schedule of expenditures of federal awards.

Criteria: The schedule of expenditures of federal awards should only include amounts provided by the federal government.

Context: The Office of Home Energy Programs completed a revenue confirmation for the financial statement audit. They confirmed that only 60% of the funds they provide the Organization are from a federal source.

Cause: The Office of Home Energy Programs provides funds under two programs to the Organization; one is state-funded and one is federally-funded. Funds are commingled when provided to the Organization without documentation for the allocation of state versus federal funds.

Effect: Total administrative expenditures were \$294,355 for the year ended June 30, 2017. The federal portion, at 60%, totals \$176,613.

Recommendation: We recommend contacting the Office of Home Energy Programs to determine the breakout of federal funding versus state funding on an annual basis.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE



Human Services Programs
of Carroll County, Inc.

10 Distillery Drive, Westminster, MD 21157

P. O. Box 489, Westminster, MD 21158

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410-857-2999

(F) 410-857-8793

CORRECTIVE ACTION PLAN

November 13, 2017

Department of Housing and Urban Development

Human Services Programs of Carroll County, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

RLH CPAs & Business Advisors, LLC
205 East Main Street
Westminster, MD 21157

Audit period: For the year ended June 30, 2017

The finding from the June 30, 2017 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2017-001 - Material Weakness

Recommendation: We recommend contacting the Office of Home Energy Programs to determine the breakout of federal funding versus state funding on an annual basis.

Action Taken:

The Director of the Emergency & Prevention Programs will contact the Office of Home Energy Programs annually in accordance to the attached Standard Operating Procedure to get information related to the annual percentage of federal vs state funding. The Fiscal Department will also be responsible to ensure that this information is received annually to align our accounting with the established breakdown.



HSP is a 501c3 Tax-Exempt Organization.




If the Department of Housing and Urban Development has any questions regarding this response, please call Angela Gustus, Executive Director at (410) 857-2999.

Sincerely,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Angela Gustus
Executive Director

Human Services Programs of Carroll County, Inc. Standard Operating Procedure

| | |
|--|--|
| Implementation Date: January 2017 | Approval (signature):  |
| Title: OHEP Funding Breakout | |
| Programs Affected: Fiscal and Emergency & Prevention Programs | |

Each year the Office of Home Energy Programs evaluates their funding to assess the ratio of funds from the Federal government vs. State government. This information is typically shared with all of the OHEP providers throughout the state; however, it is incumbent upon the providers to ensure that they have this information.

Annually, prior to the beginning of the fiscal year, the Director of Emergency and Prevention will contact the Office of Home Energy Programs (OHEP) to find out the annual breakdown of funds between federal and state funds.

Once that information is gathered, it will be shared in writing with the fiscal team to ensure proper designation of the funds.