



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

YEARS ENDED JUNE 30, 2021 AND 2020



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

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

YEARS ENDED JUNE 30, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
Human Services Programs of Carroll County, Inc. and Subsidiary
Westminster, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Human Services Programs of Carroll County, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Human Services Programs of Carroll County, Inc. and Subsidiary as of June 30, 2021 and 2020 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

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 15, 2021 on our consideration of Human Services Programs of Carroll County, Inc. and Subsidiary'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 solely 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 the effectiveness of Human Services Programs of Carroll County, Inc. and Subsidiary's 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. and Subsidiary's internal control over financial reporting and compliance.

Brown Schultz Steidan & Fritz

Westminster, Maryland
November 15, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,261,446 | \$ 1,515,562 |
| Accounts receivable | 387,657 | 286,747 |
| Prepaid expenses | 45,049 | 13,919 |
| Restricted certificate of deposit | | 314,507 |
| Promised use of facility | 356,614 | 355,248 |
| | | |
| Total current assets | 3,050,766 | 2,485,983 |
| | | |
| Property and equipment net | 188,271 | 629,320 |
| | | |
| Other assets: | | |
| Investments | 763,533 | 375,871 |
| Promised use of facility (net of unamortized discount of \$26,950 and \$45,405, respectively) | 708,539 | 1,046,699 |
| | | |
| Total other assets | 1,472,072 | 1,422,570 |
| | | |
| Total assets | \$ 4,711,109 | \$ 4,537,873 |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,173,461 | \$ 505,418 |
| Accrued vacation | 64,407 | 72,657 |
| Accrued wages | 119,977 | 78,509 |
| Refundable advances | 319,680 | 197,975 |
| Note payable | | 308,000 |
| Current portion of long-term liabilities | 1,650 | 1,650 |
| | 1,679,175 | 1,164,209 |
| Total current liabilities | | |
| Long-term liabilities, loan payable | 10,400 | 12,050 |
| | 1,689,575 | 1,176,259 |
| Total liabilities | | |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 1,063,682 | 1,158,794 |
| Board designated | 791,664 | 694,869 |
| | 1,855,346 | 1,853,663 |
| Total without donor restrictions | | |
| With donor restrictions | 1,166,188 | 1,507,951 |
| | 3,021,534 | 3,361,614 |
| Total net assets | | |
| Total liabilities and net assets | \$ 4,711,109 | \$ 4,537,873 |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|---|---|--|------------------|
| Support, revenue and gains: | | | |
| Support: | | | |
| Contributions | \$ 162,722 | \$ 24,182 | \$ 186,904 |
| Donated items | 88,609 | | 88,609 |
| Total support | 251,331 | 24,182 | 275,513 |
| Revenue: | | | |
| Contracts/grants | 4,160,467 | | 4,160,467 |
| Shelter client fees | 17,502 | | 17,502 |
| Special events, net of direct costs of \$300 | 6,205 | | 6,205 |
| Investment income | 13,990 | | 13,990 |
| Miscellaneous revenue | 2,211 | | 2,211 |
| Total revenue | 4,200,375 | | 4,200,375 |
| Gains, net realized and unrealized gains on investments | 86,144 | | 86,144 |
| Net assets released from restrictions | 365,945 | (365,945) | - |
| Total support, revenue and gains | 4,903,795 | (341,763) | 4,562,032 |

(continued)

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

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021

| | <u>Net assets without donor restrictions</u> | <u>Net assets with donor restrictions</u> | <u>Total</u> |
|--|--|---|----------------------------|
| Expenses and losses: | | | |
| Expenses: | | | |
| Program services: | | | |
| Home energy | \$ 959,082 | | \$ 959,082 |
| Family support services | 557,160 | | 557,160 |
| Housing and shelter services | 2,245,009 | | 2,245,009 |
| Economic mobility | 443,444 | | 443,444 |
| | <u>4,204,695</u> | | <u>4,204,695</u> |
| Total program services | | | |
| | <u>4,204,695</u> | | <u>4,204,695</u> |
| Supporting services: | | | |
| Management and general | 483,700 | | 483,700 |
| Fundraising | 86,140 | | 86,140 |
| | <u>569,840</u> | | <u>569,840</u> |
| Total supporting services | | | |
| | <u>569,840</u> | | <u>569,840</u> |
| Total expenses | 4,774,535 | | 4,774,535 |
| Losses, loss on disposal of property and equipment | 127,577 | | 127,577 |
| | <u>127,577</u> | | <u>127,577</u> |
| Total expenses and losses | <u>4,902,112</u> | | <u>4,902,112</u> |
| Change in net assets | 1,683 | \$ (341,763) | (340,080) |
| Net assets: | | | |
| Beginning of year | 1,853,663 | 1,507,951 | 3,361,614 |
| | <u>1,853,663</u> | <u>1,507,951</u> | <u>3,361,614</u> |
| End of year | <u>\$ 1,855,346</u> | <u>\$ 1,166,188</u> | <u>\$ 3,021,534</u> |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|---|---|--|------------------|
| Support, revenue and gains (losses): | | | |
| Support: | | | |
| Contributions | \$ 250,474 | \$ 1,017,745 | \$ 1,268,219 |
| Donated items | 96,917 | | 96,917 |
| Donated facilities | 210,504 | | 210,504 |
| | | | |
| Total support | 557,895 | 1,017,745 | 1,575,640 |
| Revenue: | | | |
| Contracts/grants | 3,973,694 | | 3,973,694 |
| Shelter client fees | 18,939 | | 18,939 |
| Special events, net of direct costs of \$1,239 | 8,534 | | 8,534 |
| Investment income | 25,196 | | 25,196 |
| Miscellaneous revenue | 44,199 | | 44,199 |
| | | | |
| Total revenue | 4,070,562 | | 4,070,562 |
| Gains (losses): | | | |
| Net realized and unrealized losses on investments | (2,848) | | (2,848) |
| Gain on disposal of equipment | 100 | | 100 |
| | | | |
| Total losses | (2,748) | | (2,748) |
| Net assets released from restrictions | 178,067 | (178,067) | - |
| Total support, revenue and gains (losses) | 4,803,776 | 839,678 | 5,643,454 |

(continued)

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

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020

| | <u>Net assets without donor restrictions</u> | <u>Net assets with donor restrictions</u> | <u>Total</u> |
|------------------------------|--|---|---------------------|
| Expenses: | | | |
| Program services: | | | |
| Home energy | \$ 1,036,152 | | \$ 1,036,152 |
| Family support services | 683,054 | | 683,054 |
| Housing and shelter services | 1,939,822 | | 1,939,822 |
| Economic mobility | 430,566 | | 430,566 |
| | <u>4,089,594</u> | | <u>4,089,594</u> |
| Total program services | | | |
| Supporting services: | | | |
| Management and general | 506,069 | | 506,069 |
| Fundraising | 140,369 | | 140,369 |
| | <u>646,438</u> | | <u>646,438</u> |
| Total supporting services | | | |
| | <u>4,736,032</u> | | <u>4,736,032</u> |
| Total expenses | | | |
| | 67,744 | \$ 839,678 | 907,422 |
| Change in net assets: | | | |
| Net assets: | | | |
| Beginning of year | 1,785,919 | 668,273 | 2,454,192 |
| | <u>1,785,919</u> | <u>668,273</u> | <u>2,454,192</u> |
| End of year | \$ 1,853,663 | \$ 1,507,951 | \$ 3,361,614 |
| | <u>\$ 1,853,663</u> | <u>\$ 1,507,951</u> | <u>\$ 3,361,614</u> |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | Program services | | | | Supporting services | | | Total | |
|------------------------------------|-------------------|-------------------------|------------------------------|-------------------|------------------------|------------------------|------------------|---------------------------|---------------------|
| | Home energy | Family support services | Housing and shelter services | Economic mobility | Total program services | Management and general | Fundraising | Total supporting services | Total expenses |
| Functional expenses: | | | | | | | | | |
| Communications | \$ 6,050 | \$ 3,034 | \$ 6,645 | \$ 4,659 | \$ 20,388 | \$ (1,684) | \$ 1,990 | \$ 306 | \$ 20,694 |
| Conferences, training and travel | 120 | 2,330 | 2,431 | 898 | 5,779 | 3,608 | 2,055 | 5,663 | 11,442 |
| Depreciation | 2,042 | 6,277 | 23,704 | 1,942 | 33,965 | 6,385 | 334 | 6,719 | 40,684 |
| Equipment rental and maintenance | 3,322 | 2,280 | 5,987 | 1,402 | 12,991 | 10,766 | 5,867 | 16,633 | 29,624 |
| Insurance | 2,843 | 4,300 | 20,085 | 7,172 | 34,400 | 4,267 | 1,176 | 5,443 | 39,843 |
| Occupancy | 27,080 | 40,273 | 317,734 | 49,012 | 434,099 | 42,928 | 11,036 | 53,964 | 488,063 |
| Other expenses | 1,122 | 2,359 | 1,706 | 1,062 | 6,249 | 6,218 | 2,049 | 8,267 | 14,516 |
| Printing and outreach | 26,596 | 233 | 718 | 293 | 27,840 | 3,021 | 2,761 | 5,782 | 33,622 |
| Professional fees | 14,372 | 23,211 | 11,297 | 10,474 | 59,354 | 50,819 | 710 | 51,529 | 110,883 |
| Salaries, taxes and benefits | 384,995 | 418,983 | 1,190,190 | 280,268 | 2,274,436 | 345,296 | 57,678 | 402,974 | 2,677,410 |
| Specific assistance to individuals | 426,263 | 37,210 | 607,680 | 83,342 | 1,154,495 | | | | 1,154,495 |
| Supplies | 64,277 | 16,670 | 56,832 | 2,920 | 140,699 | 12,076 | 484 | 12,560 | 153,259 |
| Total functional expenses | \$ 959,082 | \$ 557,160 | \$ 2,245,009 | \$ 443,444 | \$ 4,204,695 | \$ 483,700 | \$ 86,140 | \$ 569,840 | \$ 4,774,535 |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

| | Program services | | | | Supporting services | | | Total | |
|------------------------------------|---------------------|-------------------------|------------------------------|-------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
| | Home energy | Family support services | Housing and shelter services | Economic mobility | Total program services | Management and general | Fundraising | Total supporting services | Total expenses |
| Functional expenses: | | | | | | | | | |
| Communications | \$ 4,762 | \$ 2,969 | \$ 8,068 | \$ 3,503 | \$ 19,302 | \$ 2,046 | \$ 1,407 | \$ 3,453 | \$ 22,755 |
| Conferences, training and travel | 300 | 4,331 | 5,779 | 895 | 11,305 | 3,753 | 78 | 3,831 | 15,136 |
| Depreciation | 1,768 | 4,395 | 24,835 | 1,184 | 32,182 | 19,383 | 359 | 19,742 | 51,924 |
| Equipment rental and maintenance | 2,588 | 2,579 | 5,804 | 1,172 | 12,143 | 10,627 | 8,681 | 19,308 | 31,451 |
| Insurance | 2,820 | 3,982 | 20,652 | 3,710 | 31,164 | 3,987 | 1,414 | 5,401 | 36,565 |
| Occupancy | 44,096 | 57,561 | 263,520 | 59,799 | 424,976 | 71,284 | 17,518 | 88,802 | 513,778 |
| Other expenses | 1,029 | 2,661 | 1,231 | 1,351 | 6,272 | 4,926 | 1,724 | 6,650 | 12,922 |
| Printing and outreach | 3,864 | 1,400 | 942 | 598 | 6,804 | 568 | 9,325 | 9,893 | 16,697 |
| Professional fees | 15,771 | 20,390 | 11,834 | 12,300 | 60,295 | 56,631 | 7,772 | 64,403 | 124,698 |
| Salaries, taxes and benefits | 379,041 | 437,069 | 1,131,529 | 244,928 | 2,192,567 | 316,520 | 91,494 | 408,014 | 2,600,581 |
| Specific assistance to individuals | 575,223 | 113,523 | 407,058 | 95,689 | 1,191,493 | | | | 1,191,493 |
| Supplies | 4,890 | 32,194 | 58,570 | 5,437 | 101,091 | 16,344 | 597 | 16,941 | 118,032 |
| Total functional expenses | \$ 1,036,152 | \$ 683,054 | \$ 1,939,822 | \$ 430,566 | \$ 4,089,594 | \$ 506,069 | \$ 140,369 | \$ 646,438 | \$ 4,736,032 |

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Inflows: | | |
| Receipts from: | | |
| Contracts/grants | \$ 4,181,262 | \$ 4,247,958 |
| Contributions | 154,593 | 164,902 |
| Special events | 4,970 | 7,353 |
| Other income received | 19,713 | 63,138 |
| Interest income received | 21,292 | 25,196 |
| | 4,381,830 | 4,508,547 |
| Outflows: | | |
| Payments to employees | 2,644,192 | 2,584,362 |
| Payments for: | | |
| Program services | 864,105 | 1,275,822 |
| Management and general | 92,269 | 99,082 |
| Fundraising | 15,936 | 29,817 |
| Interest | 2,124 | 14,076 |
| | 3,618,626 | 4,003,159 |
| Net cash provided by operating activities | 763,204 | 505,388 |
| Cash flows from investing activities: | | |
| Inflows: | | |
| Certificate of deposit proceeds | 316,152 | |
| Sale of: | | |
| Investments | 22,266 | 13,120 |
| Property and equipment | 331,075 | 100 |
| | 669,493 | 13,220 |
| Outflows: | | |
| Purchase of: | | |
| Investments | 320,525 | 34,720 |
| Property and equipment | 58,288 | 69,336 |
| | 378,813 | 104,056 |
| Net cash provided by (used) in investing activities | 290,680 | (90,836) |
| Cash flows used by financing activities, outflows, payments on note payable | (308,000) | |
| Net increase in cash and cash equivalents | 745,884 | 414,552 |
| Cash and cash equivalents: | | |
| Beginning of year | 1,515,562 | 1,101,010 |
| End of year | \$ 2,261,446 | \$ 1,515,562 |
| Noncash investing and financing transactions include the following: | | |
| Debt forgiveness | \$ 1,650 | \$ 1,650 |

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements of Human Services Programs of Carroll County, Inc. (the Organization) include the activities of Human Services Programs of Carroll County, Inc. and its subsidiary, Carrolltowne HSPCC, Inc. (the Subsidiary). All intra-entity transactions have been eliminated in consolidation.

Nature of activities:

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.

The home energy program works to prevent the loss of and restoring basic needs for everyday life by empowering Carroll County residents to move toward self-sufficiency through assistance with electric and fuel costs as well as bill arrearage.

The family support services program works with parents and expectant parents with children ages four and under. The Organization's team of adult educators, child development workers, case managers and administrative staff are trained to provide services in the areas of adult education and parenting, child health and development and family enrichment. A home visitation program provides similar services to families in their home if they are not able to attend programming during regular center hours. The Organization also offers a child and adult care food program. This service allows in-home child care providers to receive federal subsidies for serving healthy meals and snacks to the children in their care. During the year ended June 30, 2021, the child and adult care food program was transferred to other agencies.

The housing and shelter services program provides community resources services including eviction prevention, security deposit assistance, referrals and minor prescription/medical assistance. The Organization also operates an adult shelter which is an integrated shelter for men, women, homeless adults with a serious mental illness and those seeking shelter from the cold. In addition, the Organization provides a family shelter. All shelter residents receive case management services. Permanent supportive housing services are offered for chronically homeless individuals with a documented medical disability while rapid rehousing services assist homeless families who can sustain housing but need temporary help to obtain it.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Nature of activities:

The economic mobility program provides pre-employment services including hands on skills training, job readiness services and ongoing case management. The Second Chances community free store is the vehicle for accomplishing skills training while also serving those in need in the community. The Organization also provides financial education services through workshops, consultations and one-on-one financing coaching.

The Organization is also the 100% owner of Carrolltowne HSPCC, Inc., a Maryland corporation formed on July 17, 2019. As of October 23, 2019, the Subsidiary owns 11% of Carrolltowne Village Development, LLC, a company that owns, manages and operates a low-income housing apartment complex referred to as Carrolltowne Village Apartments. The Subsidiary receives no profits or losses from this investment. The purpose of the ownership was for the Organization to assist with facilitating the project since the population that will live in the housing units align with those that the Organization serves.

Cash and cash equivalents:

For purposes of the consolidated 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 consist 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 support under net assets with donor restrictions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Property and equipment:

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 net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization capitalized all purchases of property and equipment over \$5,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 3 to 7 years for equipment and vehicles and 15 to 27 years for leasehold improvements and buildings.

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 consolidated statements of activities. The investment in Carrolltowne Village Development, LLC held by the Subsidiary is recorded using the equity method. Since no initial investment contribution was paid and no income or loss was allocated to the Subsidiary, no value is assigned to the investment.

Promised use of facility:

The Organization uses property leased at below market value to provide its services. Donated assets are capitalized and recorded as donor restricted contributions at their fair value at the start date of the lease and are reported as increases in net assets with donor restrictions. These restrictions expire based on the terms of the lease agreement, and the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Net assets:

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

Net assets without donor restrictions: Net assets without donor restrictions are resources that are currently available for support of the Organization's operations and are not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Resources may also be received with donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction, nor by the passage of time.

Support:

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management has determined the Organization's contributions are considered nonexchange transactions, and therefore, are recognized when a promise to give becomes unconditional.

Donated items: The Organization received a variety of donated goods and supplies valued using the donor's estimated fair value of \$90,144 and \$99,337 as of the date of the donation for the years ended June 30, 2021 and 2020, respectively. These donated items are recorded as support and revenue and expenses in the financial statements.

Donated facilities: The Organization uses properties leased at below market value to provide its services. Management utilizes the donor's rental price per square foot of the facility to determine the value of each donated facility. 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 12, these donated facilities are recorded at \$0 and \$210,504 for the years ended June 30, 2021 and 2020, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Support:

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 provide administrative and fundraising services, but those services are not recognized as contributions in the financial statements since the recognition criteria is not met.

Revenue:

Contracts/grants: When funds from contracts/grants, considered conditional contributions, are received before the applicable conditions have been met, the appropriate amount is recorded as a refundable advance. Conditions will typically be met within one year, at which point the revenue will be recognized.

Other revenue sources: The Organization generates revenue through shelter client fees, rental activity and special events. Revenue for each type of service is recognized when the service is provided, in an amount that reflects the consideration expected in exchange for the service.

Functional expenses:

The costs of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs are 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, presented in printing and outreach, was \$26,856 and \$11,584 for the years ended June 30, 2021 and 2020, respectively.

Income taxes:

Human Services Programs of Carroll County, Inc. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

Income taxes:

Carrolltowne HSPCC, Inc. accounts for its income taxes by recognizing deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The Subsidiary has no such assets or liabilities.

Reclassifications:

Certain amounts 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.

New financial accounting standards board pronouncements:

The Financial Accounting Standards Board (FASB) has issued several pronouncements prior to the year ended June 30, 2021 and through the date the financial statements were available to be issued that have an effective date that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following standards may have on the financial statements of the Organization:

FASB Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, will be effective for the Organization as of July 1, 2022. The objective of this Standard is to improve transparency by requiring lessees to recognize a lease liability for the obligation to make lease payments and an associated right-of-use asset measured at the present value of the lease payments for leases with a term of more than 12 months. Organizations will also be required to improve the usefulness of information provided to financial statement users through qualitative and quantitative disclosures.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

1. Nature of activities and summary of significant accounting policies (continued):

New financial accounting standards board pronouncements:

FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will be effective for the Organization as of July 1, 2021. The objective of this Standard is to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure.

2. New accounting pronouncement adopted:

FASB ASU 2014-09, *Revenue from Contracts and Customers* (Accounting Standards Codification 606) is effective for the Organization's year ended June 30, 2021 and identifies specific steps to be applied to properly recognize revenue from customer contracts. Under the standard, revenue recognition is determined using a five step model which identifies customer contracts, identifies performance obligations in each contract, determines transaction price, allocates transaction price to performance obligations and recognizes revenue when or as the performance obligations are satisfied. The standard permits the use of either the retrospective or cumulative effect transition method. All exchange revenue streams were evaluated, and the adoption of ASU 2014-09 has no impact on the financial statements.

3. Financial assets and liquidity resources:

The following reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2021 and 2020:

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 2,261,446 | \$ 1,515,562 |
| Accounts receivable | 387,657 | 286,747 |
| Financial assets, as of year end | 2,649,103 | 1,802,309 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Contractual or donor-imposed restriction, | | |
| restricted by donor with time or purpose restrictions | 101,035 | 106,004 |
| Board designations | 28,131 | 4,491 |
| | \$ 2,519,937 | \$ 1,691,814 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

3. Financial assets and liquidity resources (continued):

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$100,000 (all of which was available as of June 30, 2021 and 2020), which it could draw upon. Additionally, as of June 30, 2021 and 2020, the Organization has a quasi-endowment of \$791,664 and \$692,634, respectively. If desired, the Board could make quasi-endowment funds available for providing support for the programs, client services and the overall operations of the Organization.

4. Investments:

Investments are stated at fair market value and consist of the following as of June 30:

| | 2021 | | 2020 | |
|---------------------------|------------|------------|------------|------------|
| | Cost | Market | Cost | Market |
| Equity mutual funds | \$ 366,733 | \$ 449,510 | \$ 141,160 | \$ 151,884 |
| Fixed income mutual funds | 306,325 | 314,023 | 220,054 | 223,987 |
| | \$ 673,058 | \$ 763,533 | \$ 361,214 | \$ 375,871 |

5. 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 Organization 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

5. Fair value measurements (continued):

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: 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 their long-term donated leases and recorded a restricted contribution in the year the lease or extension is signed. The Organization discounted the value of the lease by the discount interest rate for the United States on the start date of the lease.

Mutual fund investments: 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

5. Fair value measurements (continued):

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

| | 2021 | | |
|--------------------------|------------|--------------|--------------|
| | Level 1 | Level 2 | Total |
| Promised use of facility | | \$ 1,065,153 | \$ 1,065,153 |
| Mutual funds | \$ 763,533 | | 763,533 |
| | \$ 763,533 | \$ 1,065,153 | \$ 1,828,686 |
| | 2020 | | |
| | Level 1 | Level 2 | Total |
| Promised use of facility | | \$ 1,401,947 | \$ 1,401,947 |
| Mutual funds | \$ 375,871 | | 375,871 |
| | \$ 375,871 | \$ 1,401,947 | \$ 1,777,818 |

6. Quasi-endowment:

The Organization's endowment consists of quasi-endowment funds established through net assets without donor restrictions 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 net assets without donor restrictions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

6. Quasi-endowment (continued):

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

| | 2021 | 2020 |
|---|------------|------------|
| Board designated quasi-endowment net assets, beginning of year | \$ 692,634 | \$ 680,202 |
| Investment return: | | |
| Investment income | 12,886 | 15,280 |
| Net appreciation (depreciation) (realized and unrealized) | 86,144 | (2,848) |
| Total investment return | 99,030 | 12,432 |
| Board designated quasi-endowment nets assets, end of year | \$ 791,664 | \$ 692,634 |
| Board designated: | | |
| Cash | \$ 28,131 | \$ 2,080 |
| Accrued interest | | 176 |
| Certificate of deposit (Note 9) | | 314,507 |
| Investments | 763,533 | 375,871 |
| Board designated quasi-endowment nets assets, end of year | \$ 791,664 | \$ 692,634 |

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

6. Quasi-endowment (continued):

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 market and bond/fixed income instruments should be rated with a "B+" grade or better and/or government or quasi-government securities. However, depending on actual market performance and the forecasted economic outlook, investments in equity securities could constitute up to 60% of the portfolio up to 12 months. This provides adequate time for the investment manager to strategically re-balance the fund. 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.

7. Property and equipment:

Property and equipment consists of the following as of June 30:

| | 2021 | 2020 |
|-------------------------------|------------|------------|
| Buildings | \$ 192,794 | \$ 393,156 |
| Equipment | 173,909 | 169,327 |
| Leasehold improvements | 110,884 | 98,938 |
| Vehicles | 192,307 | 229,880 |
| Land | 10,000 | 205,400 |
| Construction in progress | | 62,096 |
| Total property & equipment | 679,894 | 1,158,797 |
| Less accumulated depreciation | (491,623) | (529,477) |
| Property and equipment, net | \$ 188,271 | \$ 629,320 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

8. 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 4.00% as of June 30, 2021. The Organization had \$100,000 available as of June 30, 2021. The line expires on March 29, 2022.

9. Note payable:

The note payable related to the property at 12 Carroll Street that was not put into service and had an interest rate of 3.25% and was due in full in May 2021. The note required the Organization to maintain a certificate of deposit at the financial institution holding the note payable in the same amount of the note as collateral. During the year ended June 30, 2021, the Organization cashed in the certificate of deposit and paid off the loan.

10. Loan payable:

The loan payable is secured by real property with a carrying value of \$218,634 less accumulated depreciation of \$169,284 as of June 30, 2021. 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. As of June 30, 2021 and 2020, the loan payable had an outstanding balance of \$12,050 and \$13,700, 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:

| | |
|------------|-------------------------|
| 2022 | \$ 1,650 |
| 2023 | 1,650 |
| 2024 | 1,650 |
| 2025 | 1,650 |
| 2026 | 1,650 |
| Thereafter | <u>3,800</u> |
| Total | <u><u>\$ 12,050</u></u> |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

11. Net assets:

The Organization's Board of Directors have designated net assets without donor restrictions to be used for the following purposes as of June 30:

| | 2021 | 2020 |
|--|------------|------------|
| Capital Campaign | | \$ 2,235 |
| Note payable requirement (funds held in certificate of deposit (Notes 6 and 9) | | 314,507 |
| Providing support for the programs, client services and the overall operations for the Organization (Note 6) | \$ 791,664 | 378,127 |
| Total net assets without donor restrictions - board designated | \$ 791,664 | \$ 694,869 |

Net assets with donor restrictions are available for the following purposes as of June 30:

| | 2021 | 2020 |
|--|--------------|--------------|
| Capital campaign | \$ 93,272 | \$ 86,514 |
| Community energy fund | 6,362 | 2,035 |
| Family literacy services | | 5,000 |
| Home energy program | | 600 |
| Opportunity works | | 4,000 |
| Promised use of facility (Note 12) | 1,065,153 | 1,401,947 |
| Volunteer income tax assistance program | 1,401 | 7,855 |
| Total net assets with donor restrictions | \$ 1,166,188 | \$ 1,507,951 |

12. Operating leases, donated facilities and promised use of facility operating leases:

The Organization leases several permanent housing apartments for individuals in Westminster, Maryland. The leases are either annual or month-to-month. Monthly lease payments range from \$675 to \$1,500. Rent expense, presented in specific assistance to individuals, for the years ended June 30, 2021 and 2020 was \$241,427 and \$151,779, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

12. Operating leases, donated facilities and promised use of facility operating leases (continued):

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 was renewed for an additional 60-months in August 2020 with monthly rental payments of \$59 per month. In May 2019, the Organization entered into a 48-month lease with a company to rent and maintain multiple copiers and printers. Lease expense for these agreements, presented in equipment rental and maintenance, was \$11,308 and \$11,524, for the years ended June 30, 2021 and 2020, respectively.

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

| | |
|------|------------------|
| 2022 | \$ 11,368 |
| 2023 | 10,480 |
| 2024 | 714 |
| 2025 | 714 |
| 2026 | <u>59</u> |
| | <u>\$ 23,335</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 on May 1, 1994 with an annual payment of \$1. Beginning January 1, 2020, the County and the Organization agreed to a five-year lease for this space (see below). The estimated value of the lease for the six months ended December 31, 2019 was \$210,504.

Promised use of facility:

A ten-year lease was entered into on October 1, 2003 with the County for the adult 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 the years ended June 30, 2021 and 2020, net assets released from restriction and occupancy expense of \$129,987 were recorded in connection with this lease agreement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

12. Operating leases, donated facilities and promised use of facility operating leases (continued):

Promised use of facility:

A five-year lease was entered into on January 1, 2020 with the County for the Barrel House Building located at 10 Distillery Drive, Westminster, Maryland. The lease may be renewed for additional terms should the parties agree. Both parties agreed that there is no monetary consideration for this lease; rather the facility is provided by the County in consideration of the services provided to the community by the Organization. In connection with this lease agreement, the Organization discounted the value of the five-year term of the lease and recorded a restricted contribution for the year ended June 30, 2020. For the years ended June 30, 2021 and 2020, net assets released from restriction of \$225,261 and \$112,350, respectively, and occupancy expense of \$225,261 and \$0, respectively, were recorded in connection with this lease agreement.

Promised use of facility is as follows as of June 30:

| | 2021 | 2020 |
|--|--------------|--------------|
| Adult shelter | \$ 292,472 | \$ 422,460 |
| Barrel House Building | 799,631 | 1,024,892 |
| | \$ 1,092,103 | \$ 1,447,352 |
| Receivable in one to five years | \$ 1,092,103 | \$ 1,447,352 |
| Less unamortized discount to net present value | 26,950 | 45,405 |
| Net promised use of facility | \$ 1,065,153 | \$ 1,401,947 |

13. 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 match determined each year. For the years ended June 30, 2021 and 2020, the expense recognized for employer contributions totaled \$66,481 and \$53,883, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

14. 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. Revenue from the County made up 49% and 44% of total contracts/grants for each of the years ended June 30, 2021 and 2020, respectively.

The Organization also received a large portion of its grant funding from the Maryland Department of Human Resources. For the years ended June 30, 2021 and 2020, the grants made up 22% and 26% of the revenue from contracts/grants, respectively.

Accounts receivable from two funding sources made up 76% of the balance as of June 30, 2021. Accounts receivable from three funding agencies made up 84% of the balance as of June 30, 2020.

The Organization maintains its cash deposits in several financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000. As of June 30, 2021, the cash deposits exceeded the limit by \$1,671,412, 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. As of June 30, 2021, the Organization has over \$500,000 in investments at the institution, thus would be insured \$500,000 by the SIPC in the event such failure or misappropriation occurs.

15. Risks and uncertainties:

During the COVID-19 pandemic, the Organization's services have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of their business, including how it impacts clients, community, vendors and employees, in addition to how the COVID-19 pandemic impacts the ability to provide services to clients. The ultimate impact of the COVID-19 pandemic on the Organization's operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of its control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially and financially adversely impact the Organization's business.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

16. 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.

17. Subsequent events:

Management has evaluated subsequent events through November 15, 2021, the date which the financial statements were available to be issued.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
(See independent auditor's report)

| Federal grantor/pass-through grantor/program or cluster title | Federal AL 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: Child and Adult Care Food Program | 10.558 | 10/01/19 - 09/30/20 | \$ 35,740 | |
| Passed through Carroll Community College: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CRRL/FIA 21-015 (05/01/21 - 09/30/21) | 26,283 | |
| Passed through the Maryland State Department of Human Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | FIA/HSP 20-002 (10/01/19 - 09/30/20) | 10,455 | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | FIA/FSO 19-033 (10/01/19 - 09/30/20) | 5,902 | |
| Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the Maryland State Department of Human Services | | | 16,357 | |
| Passed through the Maryland State Department of Human Services Carroll County Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CRRL/FIA 20-013 (10/01/19 - 09/30/20) | 19,102 | |
| Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | 61,742 | |
| Total U.S. Department of Agriculture | | | 97,482 | |
| U.S. Department of Housing and Urban Development: | | | | |
| Passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners: COVID-19 - Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | CV-1-3 (07/01/20 - 07/31/22) | 230,164 | |

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(See independent auditor's report)

| Federal grantor/pass-through grantor/program or cluster title | Federal AL number | Pass-through entity identifying number | Federal expenditures | Amount passed through to subrecipients |
|---|----------------------|--|-------------------------|--|
| Passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners: Emergency Solutions Grant Program | 14.231 | (07/01/20 - 12/31/21) | \$ 84,971 | |
| COVID-19 - Emergency Solutions Grant Program | 14.231 | FY20 ESG-COVID (07/01/19 - 09/30/20) | 166,954 | |
| COVID-19 - Emergency Solutions Grant Program | 14.231 | FY21 ESG-COVID2 (09/28/20 - 09/30/22) | <u>36,133</u> | |
| Total Emergency Solutions Grant Program passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners | | | <u>288,058</u> | |
| Direct Funding: | | | | |
| Continuum of Care Program | 14.267 | Perm Housing - MD0135L3B061912 (07/01/20 - 06/30/21) | 160,090 | |
| Continuum of Care Program | 14.267 | Perm Housing II - MD0134L3B061811 (12/01/19 - 11/30/20) | 21,517 | |
| Continuum of Care Program | 14.267 | Perm Housing VIII - MD0260L3B061807 (10/01/19 - 09/30/20) | 5,234 | |
| Continuum of Care Program | 14.267 | Perm Housing Transition - MD0438T3B061900 (07/01/20 - 06/30/21) | 74,227 | |
| Continuum of Care Program | 14.267 | SHP - MD0139L3B062012 (02/01/21 - 01/31/22) | 15,736 | |
| Continuum of Care Program | 14.267 | SHP - MD0139L3B061911 (02/01/20 - 01/31/21) | <u>15,569</u> | |
| Total Continuum of Care Program, Direct Funding | | | <u>292,373</u> | |
| Total U.S. Department of Housing and Urban Development | | | <u>810,595</u> | |
| Department of Justice: | | | | |
| Passed through Governor's Office of Crime Control and Prevention: Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | BJAG-2018-0009 (10/01/19 - 09/30/20) | <u>8,651</u> | |
| Total Department of Justice | | | <u>8,651</u> | |

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(See independent auditor's report)

| Federal grantor/pass-through grantor/program or cluster title | Federal AL number | Pass-through entity identifying number | Federal expenditures | Amount passed through to subrecipients |
|--|----------------------|--|-------------------------|--|
| Department of the Treasury: | | | | |
| Passed through CASH Campaign of Maryland: Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21.009 | (10/01/20 - 09/30/21) | \$ 10,000 | |
| Passed through the Board of Carroll County Commissioners: Emergency Rental Assistance Program | 21.023 | ERAP-2021-Carroll Co-000853 (03/01/20 - 09/30/22) | <u>3,990</u> | |
| Total Department of the Treasury | | | <u>13,990</u> | |
| Department of Education: | | | | |
| Passed through Maryland State Department of Education, Division of Rehabilitation Services: Rehabilitation Services Vocational Rehabilitation Grants to States | 84.126 | 10/01/19 - 10/31/22 | <u>2,138</u> | |
| Total Department of Education | | | <u>2,138</u> | |
| Department of Health and Human Services: | | | | |
| Passed through the Board of Carroll County Commissioners: MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | CRRL/SSA 21-012 (07/01/20 - 06/30/21) | <u>42,780</u> | |
| Passed through the Maryland Department of Human Resources: Low-Income Home Energy Assistance | 93.568 | FIA/OHEP-15-003-A2 (07/01/19 - 07/31/20) | 13,502 | |
| Low-Income Home Energy Assistance | 93.568 | FIA/OHEP-15-003-A3 (04/01/20 - 06/30/21) | 262,761 | |
| Low-Income Home Energy Assistance | 93.568 | Benefit Funds (07/01/20 - 06/30/21) | <u>421,267</u> | |
| Total Low-Income Home Energy Assistance passed through the Maryland Department of Human Resources | | | <u>697,530</u> | |

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(See independent auditor's report)

| Federal grantor/pass-through grantor/program or cluster title | Federal AL number | Pass-through entity identifying number | Federal expenditures | Amount passed through to subrecipients |
|---|----------------------|---|----------------------------|--|
| Passed through the Maryland Department of Housing and Community Development: | | | | |
| Community Services Block Grant | 93.569 | 10/01/20 - 09/30/21 | \$ 180,936 | |
| Community Services Block Grant | 93.569 | 10/01/19 - 09/30/20 | 87,325 | |
| Community Services Block Grant | 93.569 | 07/01/20 - 06/30/21 | 17,000 | |
| COVID-19 - Community Services Block Grant | 93.569 | 03/27/20 - 09/30/22 | <u>67,485</u> | |
| Total Community Services Block Grant passed through the Maryland Department of Housing and Community Development | | | <u>352,746</u> | |
| Passed through the Maryland Family Network, Inc.: | | | | |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1901MDBCAP (07/01/20 - 12/31/20) | <u>30,000</u> | |
| Total Department of Health and Human Services | | | <u>1,123,056</u> | |
| U.S. Department of Homeland Security: | | | | |
| Direct Funding: | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | Phase 37 (01/01/20 - 05/31/21) | 12,000 | |
| COVID-19 - Emergency Food and Shelter National Board Program | 97.024 | Phase CARES (01/27/20 - 05/31/21) | <u>12,616</u> | |
| Total U.S. Department of Homeland Security | | | <u>24,616</u> | |
| Total federal expenditures | | | <u>\$ 2,080,528</u> | |

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021
(See independent auditor's report)

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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. CFR 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.

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. CFR Part 200, Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect cost rate:

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

Independent Auditor's 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

Board of Directors
Human Services Programs of Carroll County, Inc. and Subsidiary
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. and Subsidiary, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Human Services Programs of Carroll County, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing 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. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Human Services Programs of Carroll County, Inc. and Subsidiary'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 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services Programs of Carroll County, Inc. and Subsidiary'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 financial statements. 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*.

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.

Brown Schultz Steidman & Fritz

Westminster, Maryland
November 15, 2021

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Board of Directors
Human Services Programs of Carroll County, Inc. and Subsidiary
Westminster, Maryland

Report on Compliance for the Major Federal Program

We have audited Human Services Programs of Carroll County, Inc. and Subsidiary'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. and Subsidiary's major federal programs for the year ended June 30, 2021. Human Services Programs of Carroll County, Inc. and Subsidiary's major federal program is identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Human Services Programs of Carroll County, Inc. and Subsidiary'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 (CFR) 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. and Subsidiary'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 the major federal program. However, our audit does not provide a legal determination of Human Services Programs of Carroll County, Inc. and Subsidiary's compliance.

Opinion on the Major Federal Program

In our opinion, Human Services Programs of Carroll County, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Human Services Programs of Carroll County, Inc. and Subsidiary 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. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on the 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. and Subsidiary'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.

Brown Schultz Steidman & Fritz

Westminster, Maryland
November 15, 2021

(continued)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

I. Summary of auditor's results

Financial statements:

| | |
|--|--------------------------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | ___ yes <u>X</u> no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ___ yes <u>X</u> none reported |
| Noncompliance material to financial statements noted | ___ yes <u>X</u> no |

Federal awards:

| | |
|--|--------------------------------|
| Internal control over major programs: | |
| Material weaknesses identified: | ___ yes <u>X</u> no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ___ yes <u>X</u> none reported |
| Type of auditor's report issues on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | ___ yes <u>X</u> no |

Identification of major program tested:

| <u>CFDA numbers</u> | <u>Name of federal program or cluster</u> |
|---------------------|---|
| 93.568 | Low-Income Housing Energy Assistance |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: X yes ___ no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

II. Financial statement findings:

None

III. Federal award findings and questioned costs:

None

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

There were no prior audit findings reported.