

ELLIN & TUCKER

**FAMILY AND CHILDREN'S SERVICES OF CENTRAL
MARYLAND, INC.
DBA SPRINGBOARD COMMUNITY SERVICES
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**



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DBA Springboard Community Services
June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Family and Children's Services of Central Maryland, Inc. DBA Springboard Community Services

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Family and Children's Services of Central Maryland, Inc. DBA Springboard Community Services (SCS) which comprise the Statements of Financial Position as of June 30, 2020 and 2019, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended and 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 audits 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 auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 SCS as of June 30, 2020 and 2019, and the change 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021 on our consideration of SCS' 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCS' internal control over financial reporting and compliance.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
January 6, 2021

STATEMENTS OF FINANCIAL POSITION
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
June 30, 2020 and 2019

ASSETS

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 696,522	\$ 32,833
Investments (Note 5)	6,656,531	6,488,842
Grants and Other Receivables, Net of Allowance for Doubtful Accounts of \$55,000, Each Year	1,377,985	970,374
Prepaid Expenses	48,004	80,168
Property and Equipment, Net (Note 2)	1,147,390	834,248
 Total Assets	 <u>\$ 9,926,432</u>	 <u>\$ 8,406,465</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of Credit (Note 3)	\$ -	\$ 647,000
Note Payable (Note 4)	873,875	-
Accounts Payable and Accrued Expenses	268,296	311,362
Accrued Payroll and Payroll Taxes	293,341	196,654
Unexpended Portion of Grants Received	120,838	64,394
Deferred Revenue	1,461	-
 Total Liabilities	 <u>1,557,811</u>	 <u>1,219,410</u>

COMMITMENTS AND CONTINGENCIES (Notes 6 and 11)

NET ASSETS

Without Donor Restrictions	3,489,738	3,324,921
With Donor Restrictions (Notes 8 and 9)	4,878,883	3,862,134
 Total Net Assets	 <u>8,368,621</u>	 <u>7,187,055</u>
 Total Liabilities and Net Assets	 <u>\$ 9,926,432</u>	 <u>\$ 8,406,465</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF ACTIVITIES
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Governmental Grants	\$ 5,815,802	\$ -	\$ 5,815,802
Grants from Non-Governmental Sources	254,591	910,000	1,164,591
Program Service Fees	1,296,231	-	1,296,231
Contributions	446,463	-	446,463
Investment Return, Net (Note 5)	119,460	125,140	244,600
Gain on Sale and Disposal of Property and Equipment	130	-	130
Other Income	19,228	-	19,228
Net Assets Released from Restrictions	18,391	(18,391)	-
Total Support and Revenue	7,970,296	1,016,749	8,987,045
EXPENSES			
Program Services	6,161,121	-	6,161,121
Management and General	1,405,415	-	1,405,415
Fund Development	238,943	-	238,943
Total Expenses	7,805,479	-	7,805,479
Change in Net Assets	164,817	1,016,749	1,181,566
NET ASSETS - BEGINNING OF YEAR	3,324,921	3,862,134	7,187,055
NET ASSETS - END OF YEAR	\$ 3,489,738	\$ 4,878,883	\$ 8,368,621

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF ACTIVITIES
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Governmental Grants	\$ 5,053,661	\$ -	\$ 5,053,661
Grants from Non-Governmental Sources	249,205	-	249,205
Program Service Fees	1,332,644	-	1,332,644
Contributions	748,042	200,010	948,052
Investment Return, Net (Note 5)	455,901	380,868	836,769
Gain on Sale and Disposal of Property and Equipment	300	-	300
Other Income	30,067	-	30,067
Net Assets Released from Restrictions	154,910	(154,910)	-
Total Support and Revenue	8,024,730	425,968	8,450,698
EXPENSES			
Program Services	5,967,162	-	5,967,162
Management and General	1,367,605	-	1,367,605
Fund Development	239,093	-	239,093
Total Expenses	7,573,860	-	7,573,860
Change in Net Assets	450,870	425,968	876,838
NET ASSETS - BEGINNING OF YEAR	2,874,051	3,436,166	6,310,217
NET ASSETS - END OF YEAR	\$ 3,324,921	\$ 3,862,134	\$ 7,187,055

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
For the Year Ended June 30, 2020

	Program Services			Total Program Services	Supporting Services			Total
	Behavioral Health	Case Management	Housing		Fund Development	Management and General	Total Supporting Services	
Salaries, Wages and Stipends	\$ 1,453,757	\$ 1,950,439	\$ 384,699	\$ 3,788,895	\$ 125,711	\$ 1,021,149	\$ 1,146,860	\$ 4,935,755
Employee Benefits	112,745	125,906	16,728	255,379	7,372	69,071	76,443	331,822
Payroll Taxes and Insurance	131,913	169,400	48,912	350,225	8,076	56,601	64,677	414,902
Professional and Contracted Services	307,122	57,658	7,791	372,571	20,454	68,325	88,779	461,350
Supplies	108,998	117,854	60,586	287,438	12,244	49,611	61,855	349,293
Program Supplies	959	38,901	460	40,320	5	1,590	1,595	41,915
Catering and Food	664	66,146	1,270	68,080	27	299	326	68,406
Client Assistance	9,505	80,027	30,370	119,902	-	-	-	119,902
Transportation	3,208	72,550	2,663	78,421	12,479	4,862	17,341	95,762
Communication	37,248	73,165	7,398	117,811	2,252	18,972	21,224	139,035
Postage and Mailing	3,328	3,153	17	6,498	400	728	1,128	7,626
Occupancy	93,383	266,522	119,315	479,220	3,015	30,902	33,917	513,137
Equipment	830	2,670	600	4,100	44	175	219	4,319
Publicity and Promotion	38,586	15,143	-	53,729	46,132	5,882	52,014	105,743
Meetings and Conferences	4,249	30,843	1,003	36,095	-	20,366	20,366	56,461
Miscellaneous	16,091	24,517	2,709	43,317	732	26,841	27,573	70,890
Total Expenses before Depreciation and Supporting Services Allocation	2,322,586	3,094,894	684,521	6,102,001	238,943	1,375,374	1,614,317	7,716,318
Depreciation of Property and Equipment	23,877	26,110	9,133	59,120	-	30,041	30,041	89,161
Total Expenses before Supporting Services Allocation	2,346,463	3,121,004	693,654	6,161,121	238,943	1,405,415	1,644,358	7,805,479
Supporting Services Allocation	625,887	834,007	184,464	1,644,358	(238,943)	(1,405,415)	(1,644,358)	-
Total Expenses	\$ 2,972,350	\$ 3,955,011	\$ 878,118	\$ 7,805,479	\$ -	\$ -	\$ -	\$ 7,805,479

(See Independent Auditors' Report and Accompanying Notes)

STATEMENT OF FUNCTIONAL EXPENSES
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
For the Year Ended June 30, 2019

	Program Services			Total Program Services	Supporting Services			Total
	Behavioral Health	Case Management	Housing		Fund Development	Management and General	Total Supporting Services	
Salaries, Wages and Stipends	\$ 1,705,845	\$ 1,687,697	\$ 288,071	\$ 3,681,613	\$ 112,917	\$ 922,276	\$ 1,035,193	\$ 4,716,806
Employee Benefits	82,670	86,710	17,105	186,485	6,391	35,527	41,918	228,403
Payroll Taxes and Insurance	159,078	152,173	38,438	349,689	8,215	43,739	51,954	401,643
Professional and Contracted Services	156,348	39,983	10,614	206,945	12,468	82,713	95,181	302,126
Supplies	131,879	188,496	30,665	351,040	3,475	122,809	126,284	477,324
Program Supplies	4,579	31,129	197	35,905	-	4,037	4,037	39,942
Catering and Food	2,115	128,289	3,908	134,312	-	825	825	135,137
Client Assistance	6,262	60,183	636	67,081	-	-	-	67,081
Transportation	-	49,717	5,703	55,420	-	-	-	55,420
Communication	39,641	55,796	4,611	100,048	2,675	34,788	37,463	137,511
Postage and Mailing	2,086	2,084	-	4,170	290	1,058	1,348	5,518
Occupancy	100,193	300,829	153,052	554,074	3,551	20,149	23,700	577,774
Equipment	1,568	2,881	770	5,219	54	573	627	5,846
Publicity and Promotion	17,110	10,119	10	27,239	78,508	10,048	88,556	115,795
Meetings and Conferences	14,925	57,999	3,614	76,538	8,753	34,187	42,940	119,478
Miscellaneous	49,941	23,189	2,182	75,312	1,796	45,861	47,657	122,969
Total Expenses before Depreciation and Supporting Services Allocation	2,474,240	2,877,274	559,576	5,911,090	239,093	1,358,590	1,597,683	7,508,773
Depreciation of Property and Equipment	13,407	42,665	-	56,072	-	9,015	9,015	65,087
Total Expenses before Supporting Services Allocation	2,487,647	2,919,939	559,576	5,967,162	239,093	1,367,605	1,606,698	7,573,860
Supporting Services Allocation	672,525	782,074	152,099	1,606,698	(239,093)	(1,367,605)	(1,606,698)	-
Total Expenses	\$ 3,160,172	\$ 3,702,013	\$ 711,675	\$ 7,573,860	\$ -	\$ -	\$ -	\$ 7,573,860

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
Family and Children's Services of Central Maryland, Inc.
DBA Springboard Community Services
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,181,566	\$ 876,838
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	89,161	65,087
Gain on Sale and Disposal of Property and Equipment	(130)	(300)
Net Realized and Unrealized Gain on Investments	(79,722)	(282,717)
Net Changes in:		
Grants and Other Receivables	(407,611)	(583,238)
Prepaid Expenses	32,164	(9,063)
Accounts Payable and Accrued Expenses	(43,066)	180,825
Accrued Payroll and Payroll Taxes	96,687	(27,463)
Unexpended Portion of Grants Received	56,444	(15,045)
Deferred Revenue	1,461	(12,500)
Net Cash Provided by Operating Activities	926,954	192,424
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(402,303)	(266,116)
Proceeds from Sale of Property and Equipment	130	300
Proceeds from Sales of Investments	863,527	1,195,455
Purchases of Investments	(951,494)	(909,271)
Net Cash (Used in) Provided by Investing Activities	(490,140)	20,368
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	873,875	-
Net Repayments under Line of Credit	(647,000)	(183,000)
Net Cash Provided by (Used in) Financing Activities	226,875	(183,000)
Change in Cash and Cash Equivalents	663,689	29,792
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	32,833	3,041
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 696,522	\$ 32,833
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ 18,147	\$ 43,165

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

During the year ended June 30, 2020, Family and Children's Services of Central Maryland, Inc. changed its trade name from Family and Children's Services to Springboard Community Services (SCS). SCS provides a broad range of social services to families in Central Maryland. SCS is supported primarily through local, state and federal government grants and contracts for service, private foundations, individual and corporate contributions and client fees.

SCS has a long, distinguished history of providing services to the Baltimore community dating back to 1849 when it was established as The Association to Improve the Condition of the Poor (AICP), a voluntary organization convened by Mayor Stansbury of Baltimore to help families make the transition from an agrarian to industrial society. Over the years, SCS has grown and broadened its programs through numerous mergers in response to constantly changing and emerging needs.

As the community grew and awareness of other social issues emerged, other organizations were established to respond to those needs. The Henry Watson Children's Aid Society began in 1861 as the organization concerned with children's needs and rights. The other major predecessor organization was the Charity Organization Society (COS), which was founded in 1881 by Daniel Coit Gilman, President of Johns Hopkins University.

In 1910, AICP and COS merged, creating The Federated Charities of Baltimore and then, in 1919, changed its name to the Family Welfare Association. Family Welfare Association and Henry Watson Children's Aid merged in 1942 to form Family and Children's Society. In 1940, the Community Fund recommended a merger of four agencies. The Henry Watson Children's Aid Society and Family Welfare Association merged in 1942. Briefly known as the Family Welfare and Henry Watson Children's Aid Society of Baltimore, the name more popularly was known as the Family and Children's Society. Two additional merged agencies were the Protection of Children from Cruelty and Immorality and the Shelter for Aged and Infirm Colored Persons in 1943.

The Family and Children's Society emerged in 1943 as a multi-service agency. The Society's services to families expanded to include medical, foster care, housekeeping, marriage counseling, adoptions, home finding, group counseling, and community mental health.

(See Independent Auditors' Report)

The last major merger occurred in 1985, when Family and Children's Society came together with Maryland Family and Children's Services to form Family and Children's Services of Central Maryland, Inc.

Today, SCS delivers community based human services via 16 programs in Anne Arundel, Baltimore, Carroll, Harford, and Howard Counties and Baltimore City. SCS' mission is transforming the lives of children and adults by providing opportunities to build self-confidence, resilience and hope.

In 2018, SCS laid the foundation for decades of success with substantial investments in infrastructure to meet regulatory obligations to be licensed by the State of Maryland to practice as an Outpatient Mental Health Clinic (OMHC). Now licensed, SCS provides the fully integrated continuum of care consisting of case management, medication management, psychiatry and outpatient counseling services in multiple jurisdictions to support the mental health needs of those it serves. Simultaneously, SCS launched a sustainable behavioral health business model, Fee for Service, whereby clinicians receive a portion of revenue earned versus a guaranteed salary. As this change strategy was implemented, SCS reimaged its website with a customer centric design intended to ensure clients and patients could more readily access services. To support this change, SCS received unprecedented levels of support from its community and numerous foundations. The contributions aided in supporting staggering start-up costs required to launch multiple clinics simultaneously. Data indicators in fiscal year 2019 and 2020 demonstrate a positive return on investment and profitability. In late summer 2018, the SCS development team sought additional sources of revenue to drive transformative change on behalf of those it serves. Those efforts proved successful as SCS was notified in September 2018 that it received an unprecedented increase in funding exceeding \$2.5 million affording SCS to grow its services by partnering with various providers including local child advocacy centers, schools, law enforcement offices and local and state government agencies within the community.

As SCS continues in fiscal year 2021, its strategy continues to evolve as it meets challenges and seizes new opportunities. A new agency-wide electronic health record was selected and deployed in late 2019, improving efficiencies and increasing access to services. SCS will focus on continuing to operationalize new grants and contracts with integrity, honing the outpatient mental health clinic operations to drive profitability, ramping up for construction of a multimillion dollar facility in the City of Westminster and developing a far-reaching marketing plan to ensure SCS is at the forefront of meeting the contemporary needs of its communities.

ACCOUNTING STANDARDS CODIFICATION

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by

(See Independent Auditors' Report)

the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

NEW ACCOUNTING STANDARDS ADOPTED

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by subsequent ASUs (collectively, ASC 606) which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. SCS adopted ASU 2014-09 effective July 1, 2019 using the modified retrospective transition method. The adoption of ASU 2014-09 did not materially impact the timing and measurement of revenue recognition. As a result, SCS did not recognize a cumulative effect adjustment to the opening balance of net assets.

In June 2019, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a grant should be accounted for as a contribution or an exchange transaction. SCS adopted ASU 2018-08 as of July 1, 2019 under the modified prospective approach. The adoption of ASU 2018-08 did not materially impact the financial statements.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

SCS has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through January 6, 2021, the date the financial statements were available to be issued.

(See Independent Auditors' Report)

CASH AND CASH EQUIVALENTS

SCS maintains its cash in bank deposit and brokerage accounts which, at times, may exceed federally insured limits. SCS believes it is not exposed to any significant credit risk on cash and cash equivalents. SCS considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

REVENUE RECOGNITION

SCS' primary source of revenue is governmental grants. SCS is dependent on this funding to continue its programs and services. Restricted and unrestricted grants and contributions are recorded when the donor makes a promise to give to SCS that is, in substance, unconditional. Amounts received under exchange transactions are deferred and recognized as revenue when the services are performed.

Grants and contributions received and unconditional promises to give are measured at their fair values and reported as support within net assets with or without donor restrictions depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in support in net assets with donor restrictions, depending on the nature of the restrictions.

GRANTS AND OTHER RECEIVABLES

SCS records grants and other receivables at cost less an allowance for doubtful accounts, which is based on management's assessment of uncollectible amounts of grants and other receivables.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of the donation. Expenditures for property and equipment in excess of \$2,000 are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

INVESTMENTS

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in investment income. See Note 5 for a discussion of fair value measurements.

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RISKS AND UNCERTAINTIES

SCS invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which continues to spread, has adversely affected workforces, customers, economies, and global financial markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global economy. Therefore, SCS is currently unable to determine the extent of the impact to its future financial condition or results of operations.

CONTRIBUTED GOODS AND SERVICES

A number of volunteers and organizations have made contributions of their time to promote the activities of SCS. The value of these contributions is not reflected in the accompanying financial statements, because the services provided do not require specialized skills nor would they typically need to be purchased if not provided by the donation. Contributions of rent, professional or other services are recorded at their fair values which are estimated using values of comparable goods and services when the services are provided. Contributed goods and services amounted to approximately \$260,000 and \$370,000 for the years ended June 30, 2020 and 2019, respectively, and are reported as contributions in the Statements of Activities.

ADVERTISING COSTS

SCS expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2020 and 2019 were approximately \$80,000 and \$32,000, respectively.

INCOME TAXES

SCS is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined SCS is not a private foundation within the meaning of Section 509(a) of the Code.

SCS follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-

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than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

NOTE 2 **PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2020 and 2019 were as follows:

	2020	2019
Land	\$ 154,101	\$ 154,101
Buildings and Improvements	1,544,252	1,342,477
Equipment and Furniture	599,435	552,684
Vehicles	127,364	127,909
Construction in Progress	400,153	272,155
	2,825,305	2,449,326
Less: Accumulated Depreciation	1,677,915	1,615,078
Total	\$ 1,147,390	\$ 834,248

NOTE 3 **LINE OF CREDIT**

SCS has a working capital line of credit, which provides for borrowings of up to \$1,000,000, with interest at the prime rate plus 2.75%. The line of credit agreement requires SCS to maintain a minimum balance of \$2,000,000 in a brokerage account, which was pledged as collateral. At June 30, 2020 and 2019, the account balance was \$2,463,044 and \$2,367,255, respectively.

NOTE 4 **NOTE PAYABLE**

In April 2020, SCS received a loan of \$873,875 under the Small Business Administration's (SBA) Paycheck Protection Program. Either a portion or all of the loan may be forgiven provided the funds are used for the specific purposes outlined by the Paycheck Protection Program. Any amounts not forgiven will be repaid in monthly installments including 1% interest beginning the earlier of a) 10 months after the end of the Covered Period, as defined, or b) the date that the SBA remits the forgiven amount to the lender, through April 2022. Management is evaluating whether it has met all the requirements of the program and if the loan will be partially or fully forgiven. When partial or full forgiveness occurs income will be recognized.

(See Independent Auditors' Report)

NOTE 5 INVESTMENTS

Investments at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds	\$ 395,150	\$ 395,150	\$ 226,065	\$ 226,065
Exchange Traded Funds	6,261,381	5,003,573	6,262,777	4,996,967
	<u>\$ 6,656,531</u>	<u>\$ 5,398,723</u>	<u>\$ 6,488,842</u>	<u>\$ 5,223,032</u>

Investment income (loss) for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and Dividends	\$ 164,878	\$ 554,052
Realized Gain (Loss)	265,557	(42,903)
Unrealized (Loss) Gain	(185,835)	325,620
	<u>\$ 244,600</u>	<u>\$ 836,769</u>

The Board of Directors (Board) oversees management of SCS' investment accounts under the guidelines outlined in SCS' Investment Policy Statement. The Board is responsible to review and approve SCS' spending rate, which allows withdrawals from the investment accounts for use in operations of SCS. During the years ended June 30, 2020 and 2019, the Board approved withdrawals of \$50,000 and \$430,000, respectively, from SCS' investment accounts.

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

(See Independent Auditors' Report)

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's 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.

Below is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2020 and 2019.

Exchange Traded and Money Market Funds: Valued at the net asset value (NAV) of shares held at year end. NAV is a quoted price in an active market.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SCS believes its valuation method is 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, SCS' investments at fair value as of June 30, 2020 and 2019:

	<u>Level 1 and Total</u>	
	<u>2020</u>	<u>2019</u>
Money Market Funds	\$ 395,150	\$ 226,065
Exchange Traded Funds:		
Mid Cap	715,667	637,980
Bond	1,129,917	1,318,386
Mortgage Backed	553,487	479,115
Large Cap	3,505,323	3,475,402
Small Cap	356,987	351,894
Investments, at Fair Value	<u>\$ 6,656,531</u>	<u>\$ 6,488,842</u>

(See Independent Auditors' Report)

NOTE 6 **COMMITMENTS AND CONTINGENCIES**

OPERATING LEASES

SCS leases office facilities under operating leases which expire through May 2021. Future minimum lease payments under these arrangements are \$66,452 for the year ending June 30, 2021.

Total rent expense was \$365,802 and \$419,115, including approximately \$218,000 and \$242,000 of donated rent, for the years ended June 30, 2020 and 2019, respectively.

CONTINGENCIES

SCS receives a significant portion of revenue in the form of grants. Final determination of allowable costs is subject to audit or review by representatives or agents of the respective grantor.

NOTE 7 **RETIREMENT PLAN**

SCS maintains a 403(b) retirement plan for eligible employees. SCS' employer matching contribution is determined annually at the discretion of the Board. SCS did not make a contribution to the plan for the years ended June 30, 2020 and 2019.

NOTE 8 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Subject to Expenditure for Specified Purposes:		
Carroll County Domestic Violence Safe House	\$ 109,758	\$ 109,758
Capital Improvements	44,224	44,224
West End Place Capital Project	1,110,010	200,010
Shelter Fund	1,395,531	1,350,682
Subject to Organization's Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Greater than Original Gift Amounts of \$1,902,045), Which, Once Appropriated, is Expendable to Support:		
Any Activities of the Organization	2,219,360	2,157,460
	\$ 4,878,883	\$ 3,862,134

(See Independent Auditors' Report)

NOTE 9 **ENDOWMENT FUNDS**

SCS' endowment consists of various donor-restricted funds established to provide a source of income to support certain programs of SCS. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

SCS is subject to the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of SCS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, SCS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. SCS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, SCS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the endowment fund
- (2) Purposes of SCS and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of SCS
- (7) Investment policies of SCS

(See Independent Auditors' Report)

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2020 AND 2019

	With Donor Restrictions and Total	
	2020	2019
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 1,902,045	\$ 1,902,045
Accumulated Investment Gains	317,315	255,415
	\$ 2,219,360	\$ 2,157,460

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	With Donor Restrictions and Total
Endowment Funds, July 1, 2018	\$ 2,021,110
Investment Return, Net	291,260
Appropriation of Endowment Assets for Expenditure	(154,910)
Endowment Funds, June 30, 2019	2,157,460
Investment Return, Net	80,291
Appropriation of Endowment Assets for Expenditure	(18,391)
Endowment Funds, June 30, 2020	\$ 2,219,360

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires SCS to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020 and 2019.

RETURN OBJECTIVES AND RISK PARAMETERS

SCS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operating expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds SCS must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner intended to produce results that exceed the price and yield results of a composite index which is a weighted blend of the indices reflecting SCS' target asset allocation while assuming a

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moderate level of investment risk. SCS expects its endowment funds, over time, to provide an average rate of return of approximately 4.5% in excess of the Consumer Price Index annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objective, SCS relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). SCS targets a diversified asset allocation that approximates 65% equity-based investments and 35% fixed income investments to achieve its long-term return objectives within prudent risk parameters.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

SCS has a policy of appropriating for annual distribution a target of 4.5% of the endowment average fair value as of June 30 for the preceding three years. In establishing this policy, SCS considered the long-term expected return on its endowment. Annually, the Investment Subcommittee of the Board debates the prudence of the spending percentage, keeping in mind the seven prudence guidelines for appropriation as outlined by UPMIFA. Accordingly, over the long term, SCS expects the current spending policy to allow its endowment to grow at an average rate of return approximating the spending rate plus the Consumer Price Index. This is consistent with the objective to maintain the purchasing power of the endowment assets in perpetuity or for a donor-specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

SCS' financial assets available to meet cash needs for general expenditures within one year of the Statements of Financial Position date are as follows:

	2020	2019
Cash and Cash Equivalents	\$ 696,522	\$ 32,833
Investments	6,656,531	6,488,842
Grants and Other Receivables, Net	1,377,985	970,374
Total Financial Assets	8,731,038	7,492,049
Contractual or Donor-Imposed Restrictions:		
Endowment Funds to be Maintained in Perpetuity	(1,902,045)	(1,902,045)
Endowment Assets Restricted for Appropriation for Expenditure	(317,315)	(255,415)
Donor Contributions Restricted to Specific Purposes	(2,659,523)	(1,704,674)
Investments Pledged as Collateral for Line of Credit	(2,000,000)	(2,000,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,852,155	\$ 1,629,915

(See Independent Auditors' Report)

As part of SCS' 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 anticipated liquidity needs, SCS may draw upon a committed line of credit of \$1,000,000.

NOTE 11 **WEST END PLACE PROJECT**

SCS has begun construction of an addition to the West End Place and renovation of the existing senior center. The expected construction cost of approximately \$5.3 million will be funded through a combination of grants and donor contributions. As of June 30, 2020, SCS has secured approximately \$1.1 million of designated grants and donor contributions to finance the project. Subsequent to June 30, 2020, SCS has secured the additional \$4.2 million of grants and contributions to finance the project.

As of June 30, 2020 and 2019, \$400,153 and \$272,155 of construction had been completed, respectively.

(See Independent Auditors' Report)