

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

**SINGLE AUDIT REPORTING PACKAGE
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**



**CPAs &
BUSINESS
ADVISORS**

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

February 14, 2019

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

We have audited the accompanying financial statements of Human Services Programs of Carroll County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Services Programs of Carroll County, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 24 and 25 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of Human Services Programs of Carroll County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.'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.'s internal control over financial reporting and compliance.

RLH CPAs & Business Advisors, LLC

Westminster, Maryland

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 906,489	\$ 954,497
Accounts Receivable	453,859	211,717
Prepaid Expenses	20,307	21,715
Certificate of Deposit	308,158	308,041
Promised Use of Facility	129,987	129,987
TOTAL CURRENT ASSETS	<u>1,818,800</u>	<u>1,625,957</u>
PROPERTY AND EQUIPMENT, NET	<u>600,845</u>	<u>579,217</u>
OTHER ASSETS		
Investments	326,979	370,350
Promised Use of Facility (Net of Unamortized Discount of \$14,829 and \$20,759, respectively)	537,617	661,674
TOTAL OTHER ASSETS	<u>864,596</u>	<u>1,032,024</u>
TOTAL ASSETS	<u><u>\$ 3,284,241</u></u>	<u><u>\$ 3,237,198</u></u>

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 167,636	\$ 101,811
Accrued Vacation	60,634	59,816
Accrued Wages	63,238	20,822
Refundable Advances	66,194	80,350
Note Payable	308,000	308,000
Current Portion of Long-Term Liabilities	1,650	1,650
TOTAL CURRENT LIABILITIES	<u>667,352</u>	<u>572,449</u>
LONG-TERM LIABILITIES		
Loan Payable	17,000	18,650
Less: Current Portion	1,650	1,650
TOTAL LONG-TERM LIABILITIES	<u>15,350</u>	<u>17,000</u>
TOTAL LIABILITIES	<u>682,702</u>	<u>589,449</u>
NET ASSETS		
Unrestricted		
Undesignated	1,050,769	1,000,762
Board Designated	692,839	697,618
Total Unrestricted	<u>1,743,608</u>	<u>1,698,380</u>
Temporarily Restricted	857,931	949,369
TOTAL NET ASSETS	<u>2,601,539</u>	<u>2,647,749</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,284,241</u>	<u>\$ 3,237,198</u>

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND GAINS			
SUPPORT			
Contributions	\$ 102,562	\$ 114,615	\$ 217,177
Donated Items	277,526	-	277,526
Donated Facilities	416,000	-	416,000
TOTAL SUPPORT	796,088	114,615	910,703
REVENUE			
Contracts/Grants	3,763,897	-	3,763,897
Shelter Client Fees	32,549	-	32,549
Special Events, Net of Direct Costs of \$11,515	2,874	15,045	17,919
Investment Income	12,528	-	12,528
Rental Income	12,000	-	12,000
Miscellaneous Revenue	2,692	-	2,692
TOTAL REVENUE	3,826,540	15,045	3,841,585
GAINS			
Net Realized and Unrealized Gains on Investments	12,143	-	12,143
Gain on Disposal of Equipment	940	-	940
TOTAL GAINS	13,083	-	13,083
NET ASSETS RELEASED FROM RESTRICTIONS	221,098	(221,098)	-
TOTAL SUPPORT, REVENUE, AND GAINS	4,856,809	(91,438)	4,765,371
EXPENSES			
PROGRAM SERVICES			
Emergency and Prevention Programs	1,307,984	-	1,307,984
Family Support Services	728,174	-	728,174
Housing and Shelter Services	1,458,827	-	1,458,827
Economic Mobility	653,529	-	653,529
TOTAL PROGRAM SERVICES	4,148,514	-	4,148,514
SUPPORTING SERVICES			
Management and General	512,863	-	512,863
Fundraising	150,204	-	150,204
TOTAL SUPPORTING SERVICES	663,067	-	663,067
TOTAL EXPENSES	4,811,581	-	4,811,581
CHANGE IN NET ASSETS	45,228	(91,438)	(46,210)
Net Assets - Beginning of Year	1,698,380	949,369	2,647,749
NET ASSETS - END OF YEAR	\$ 1,743,608	\$ 857,931	\$ 2,601,539

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND GAINS			
SUPPORT			
Contributions	\$ 87,201	\$ 141,240	\$ 228,441
Donated Items	262,995	-	262,995
Donated Facilities	406,000	-	406,000
TOTAL SUPPORT	756,196	141,240	897,436
REVENUE			
Contracts/Grants	3,683,362	-	3,683,362
Shelter Client Fees	29,304	-	29,304
Special Events, Net of Direct Costs of \$373	7,090	-	7,090
Investment Income	19,718	-	19,718
Rental Income	1,000	-	1,000
Miscellaneous Revenue	49,119	-	49,119
TOTAL REVENUE	3,789,593	-	3,789,593
GAINS			
Net Realized and Unrealized Gains on Investments	21,329	-	21,329
Gain on Disposal of Equipment	-	-	-
TOTAL GAINS	21,329	-	21,329
NET ASSETS RELEASED FROM RESTRICTIONS	239,987	(239,987)	-
TOTAL SUPPORT, REVENUE, AND GAINS	4,807,105	(98,747)	4,708,358
EXPENSES			
PROGRAM SERVICES			
Emergency and Prevention Programs	1,247,968	-	1,247,968
Family Support Services	691,754	-	691,754
Housing and Shelter Services	1,438,494	-	1,438,494
Economic Mobility	565,299	-	565,299
TOTAL PROGRAM SERVICES	3,943,515	-	3,943,515
SUPPORTING SERVICES			
Management and General	700,720	-	700,720
Fundraising	32,539	-	32,539
TOTAL SUPPORTING SERVICES	733,259	-	733,259
TOTAL EXPENSES	4,676,774	-	4,676,774
CHANGE IN NET ASSETS	130,331	(98,747)	31,584
Net Assets - Beginning of Year	1,568,049	1,048,116	2,616,165
NET ASSETS - END OF YEAR	\$ 1,698,380	\$ 949,369	\$ 2,647,749

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
Receipts from Contracts/Grants	\$ 3,507,599	\$ 3,579,708
Receipts from Contributions	209,597	219,937
Receipts from Special Events	25,251	7,090
Other Income Received	47,241	38,653
Interest Income Received	3,726	3,936
	<u>3,793,414</u>	<u>3,849,324</u>
Outflows:		
Payments to Employees	2,393,585	2,392,401
Payments for Program Services	1,330,586	1,392,133
Payments for Management and General	75,098	72,317
Payments for Fundraising	32,331	2,239
Payments for Interest	14,112	1,095
	<u>3,845,712</u>	<u>3,860,185</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(52,298)</u>	<u>(10,861)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Certificate of Deposit Proceeds	616,323	-
Net Sale of Investments	68,318	-
	<u>684,641</u>	<u>-</u>
Outflows:		
Certificate of Deposit Purchase	616,090	-
Net Purchase of Investments	-	57,366
Purchase of Property and Equipment	64,261	134,069
	<u>680,351</u>	<u>191,435</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,290</u>	<u>(191,435)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(48,008)</u>	<u>(202,296)</u>
Cash and Cash Equivalents - Beginning of Year	<u>954,497</u>	<u>1,156,793</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 906,489</u></u>	<u><u>\$ 954,497</u></u>

See Accompanying Notes

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (46,210)	\$ 31,584
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	40,430	26,887
Gain on Disposal of Equipment	(940)	-
Net Investment Income	(8,802)	(15,782)
Net Unrealized Gains on Investments	(4,768)	(3,161)
Net Realized Gains on Investments	(7,375)	(18,168)
Non-Cash Decrease in Principal of Loan Payable	(1,650)	(1,650)
Non-Cash Portion of Donated Facilities	129,987	129,987
Non-Cash Portion of Unemployment Insurance	-	(44,059)
In-Kind Rent Contribution	(5,930)	(6,854)
(Increase) Decrease in:		
Accounts Receivable	(242,142)	56,559
Prepaid Expenses	1,408	(21,715)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	64,616	(8,473)
Accrued Vacation	818	3,375
Accrued Wages	42,416	20,822
Refundable Advances	(14,156)	(160,213)
Total Adjustments	(6,088)	(42,445)
NET CASH USED BY OPERATING ACTIVITIES	\$ (52,298)	\$ (10,861)

Non-cash investing and financing transactions include the following:

Debt Forgiveness	\$ 1,650	\$ 1,650
Building Acquired with Note Payable	-	308,000
	\$ 1,650	\$ 309,650

See Accompanying Notes

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

Note 1. Summary of Significant Accounting Policies

Nature of Activities

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

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

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

The Organization capitalizes all purchases of property and equipment over \$2,500 at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2018 and 2017 was \$40,430 and \$26,887, respectively.

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

Investments

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

Promised Use of Facility

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

Accrued Vacation

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

Net Assets

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Permanently restricted net assets are resources subject to donor-imposed restrictions and must be maintained permanently. The Organization had no permanently restricted net assets as of June 30, 2018 or 2017.

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

Refundable Advances and Revenue from Contracts/Grants

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

Donated Items

The Organization received a variety of donated goods and supplies valued using the donor's estimated fair value of \$281,709 and \$262,995 as of the date of the donation for the years ended June 30, 2018 and 2017, respectively. These donated items are recorded as support 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 9, these donated facilities are recorded at \$416,000 and \$406,000 for the years ended June 30, 2018 and 2017, respectively.

Revenue Recognition

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

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

Functional Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. 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 was \$11,848 and \$4,237 for the years ended June 30, 2018 and 2017, respectively.

Tax-Exempt Status

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

Reclassifications

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

Estimates

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

Subsequent Events

Management has evaluated subsequent events through February 14, 2019, the date which the financial statements were available to be issued.

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

Note 2. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 393,156	\$ 393,156
Equipment	165,958	231,229
Leasehold Improvements	61,476	61,476
Vehicles	201,922	189,729
Land	205,400	205,400
Construction in Progress	<u>43,566</u>	<u>12,493</u>
Total Property and Equipment	1,071,478	1,093,483
Less: Accumulated Depreciation	<u>470,633</u>	<u>514,266</u>
Property and Equipment, Net	<u>\$ 600,845</u>	<u>\$ 579,217</u>

In May 2017, the Organization purchased property at 12 Carroll Street, Westminster, Maryland valued at \$200,362 for the building and \$195,400 for the land. This building is not being depreciated because it has not been put into service for the Organization. There are significant renovations necessary to prepare the building for the Organization's occupancy.

Note 3. Investments

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

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 78,828	\$ 87,230	\$ 78,828	\$ 82,764
Agency Trust	-	-	46,335	46,335
Mutual Funds	<u>229,918</u>	<u>239,749</u>	<u>230,232</u>	<u>241,251</u>
	<u>\$ 308,746</u>	<u>\$ 326,979</u>	<u>\$ 355,395</u>	<u>\$ 370,350</u>

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

	<u>2018</u>	<u>2017</u>
Net Realized Gains	\$ 7,375	\$ 18,168
Unrealized Gains (net of investment fees totaling \$1,744 and \$3,117, respectively)	<u>4,768</u>	<u>3,161</u>
	<u>\$ 12,143</u>	<u>\$ 21,329</u>

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

Note 4. Quasi-Endowment

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

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

	<u>2018</u>	<u>2017</u>
Board-Designated Quasi-Endowment Net Assets - Beginning of Year	\$ 647,618	\$ 612,793
Investment Return		
Investment Income	8,812	13,496
Net Appreciation (Realized and Unrealized)	<u>8,595</u>	<u>21,329</u>
Total Investment Return17,40734,825
Board-Designated Quasi-Endowment Net Assets - End of Year	<u>\$ 665,025</u>	<u>\$ 647,618</u>
Board-Designated Cash	\$ 29,609	\$ 15,562
Board-Designated Accrued Interest	279	-
Board-Designated Certificate of Deposit (Note 6)	308,158	308,041
Board-Designated Investments	<u>326,979</u>	<u>324,015</u>
Board-Designated Quasi-Endowment Net Assets - End of Year	<u>\$ 665,025</u>	<u>\$ 647,618</u>

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.
NOTES TO FINANCIAL STATEMENTS

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. The policy also permits, at the discretion of the investment manager, that funds be invested in collective investment funds or mutual funds conforming to the policy guidelines. The fund’s policies allow for partial or total withdrawal at any time for use by the Organization in accordance with the spirit of the fund.

Note 5. Line of Credit

The Organization has a \$100,000 line of credit with a local financial institution. The interest rate is prime plus 0.75%, with a floor of 4.00%. The interest rate was 5.75% as of June 30, 2018. The Organization had \$100,000 available as of June 30, 2018. The line expires on March 29, 2019.

Note 6. Note Payable

The note payable is secured by real property with a carrying value of \$395,762 as of June 30, 2018. The note has an interest rate of 5.00% and is due in full by May 2019. The note requires the Organization to maintain a Certificate of Deposit at the financial institution holding the note payable in the same amount of the note payable.

Note 7. Loan Payable

The loan payable is secured by real property with a carrying value of \$218,634 less accumulated depreciation of \$151,534 as of June 30, 2018. 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, 2018 and 2017, the loan payable had an outstanding balance of \$17,000 and \$18,650, respectively. If not paid off by the Organization, the entire indebtedness shall be forgiven by February 2028.

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

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

2019	\$ 1,650
2020	1,650
2021	1,650
2022	1,650
2023	1,650
Thereafter	<u>8,750</u>
	<u>\$ 17,000</u>

Note 8. Net Assets - Board Designations and Restrictions

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

	<u>2018</u>	<u>2017</u>
Capital Campaign - Economic Mobility	\$ 27,814	\$ 50,000
Note payable requirement (Note 6)	308,158	308,041
Providing support for the programs, client services, and the overall operations of the Organization (Note 4)	<u>356,867</u>	<u>339,577</u>
Total Board Designated Net Assets	<u>\$ 692,839</u>	<u>\$ 697,618</u>

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

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

	<u>2018</u>	<u>2017</u>
Back to School Clothes for Shelter Children	\$ 1,054	\$ -
Capital Campaign - Economic Mobility	131,024	97,411
Cold Weather Shelter	200	4,843
Economic Mobility Program	15,000	-
Family Literacy Services	8,000	-
Financial Education	4,715	-
Housing	15,000	1,369
Housing Case Management	-	563
Neighbors In Need Holiday Program	-	23,322
Neighbors In Need Housing Program	-	15,200
Opportunity Scholarship Fund	9,404	-
Promised Use of Facility (Note 9)	667,604	791,661
Shelters	2,200	-
Transportation	1,480	15,000
Volunteer Income Tax Assistance Program	2,000	-
Women's Shelter	<u>250</u>	<u>-</u>
	<u>\$ 857,931</u>	<u>\$ 949,369</u>

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

Operating Leases

The Organization leases a number of Permanent Housing apartments for individuals in Westminster, Maryland. The leases are either annual or month-to-month. Monthly lease payments range from \$675 to \$1,055. Rent expense, presented in specific assistance to individuals, for the years ended June 30, 2018 and 2017 was \$141,885 and \$133,680, respectively.

In October 2014, the Organization entered into a 63 month lease with a company to rent and maintain a postage meter and scale. The lease automatically renews for consecutive one year terms unless the lease is terminated by either party. Lease expense, presented in equipment rental and maintenance, was \$1,740 for each of the years ended June 30, 2018 and 2017.

In December 2014, the Organization entered into a 60 month lease with a company to rent and maintain multiple copiers and printers. The lease automatically renews with the same terms unless the lease is terminated by either party. Lease expense, presented in equipment rental and maintenance, was \$8,640 for each of the years ended June 30, 2018 and 2017.

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

In June 2016, the Organization entered into a 36 month lease with a company to maintain storage of some of the Organization’s computerized data. Lease expense, presented in printing and outreach, was \$7,089 for each of the years ended June 30, 2018 and 2017.

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

2019	\$ 31,869
2020	<u>4,470</u>
	<u>\$ 36,339</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. This lease automatically renews for one-year terms unless either party notifies the other of its intention not to renew the lease at least thirty days prior to the renewal date. Rent expense was \$1 for each of the years ended June 30, 2018 and 2017. The estimated value for the years ended June 30, 2018 and 2017 was \$416,000 and \$406,000, respectively.

Promised Use of Facility

A ten-year lease was entered into on October 1, 2003 with the County for the Safe Haven Shelter, Men’s Shelter, and Cold Weather Shelter located at 127 Stoner Avenue, Westminster, Maryland. This lease automatically renews for ten-year terms unless either party notifies the other of its intention not to renew the lease at least two months prior to the renewal date. Both parties agreed that there is no monetary consideration for this lease, under the condition that the Organization furnishes temporary shelter and lodging to economically disadvantaged persons. In connection with this lease agreement, the Organization discounted the value of the ten-year second term of the lease and recorded a restricted contribution for the year ended June 30, 2014. For both years ended June 30, 2018 and 2017, net assets released from restriction and donated facilities expense of \$129,987 were recorded in connection with this lease agreement.

Promised use of facility is as follows as of June 30, 2018:

Receivable in one to five years	\$ 649,936
Receivable in greater than five years	<u>32,497</u>
	682,433
Less: Unamortized Discount to Net Present Value	<u>14,829</u>
Net Promised Use of Facility	<u>\$ 667,604</u>

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

Note 10. Rental Income

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 44,171	\$ 44,171
Land	43,078	43,078
Less: Accumulated Depreciation (see Note 2)	<u>-</u>	<u>-</u>
	<u>\$ 87,249</u>	<u>\$ 87,249</u>

Income recognized under this agreement for the years ended June 30, 2018 and 2017 was \$12,000 and \$1,000, respectively.

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

2019	\$ 13,300
2020	<u>13,200</u>
	<u>\$ 26,500</u>

Note 11. Retirement Plan

The Organization sponsors a 401(k) retirement plan for its employees who have attained a certain age and period of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization will contribute a discretionary amount determined each year. For the years ended June 30, 2018 and 2017, the expense recognized for employer contributions totaled \$47,515 and \$45,707, respectively.

Note 12. Fair Value Measurements

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

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

Equity Investments (see Note 3) - Valued at the unadjusted quoted prices for identical assets in active markets, a Level 1 input.

Agency Trust (see Note 3) - Valued at the quoted price in the active market for identical funds, a Level 1 input.

Mutual Fund Investments (see Note 3) - 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.
NOTES TO FINANCIAL STATEMENTS

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

	<u>2018</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Promised Use of Facility	\$ -	\$ 667,604	\$ 667,604
Equities	87,230	-	87,230
Agency Trust	-	-	-
Mutual Funds	<u>239,749</u>	<u>-</u>	<u>239,749</u>
	<u>\$ 326,979</u>	<u>\$ 667,604</u>	<u>\$ 994,583</u>
	 <u>2017</u> 		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Promised Use of Facility	\$ -	\$ 791,661	\$ 791,661
Equities	82,764	-	82,764
Agency Trust	46,335	-	46,335
Mutual Funds	<u>241,251</u>	<u>-</u>	<u>241,251</u>
	<u>\$ 370,350</u>	<u>\$ 791,661</u>	<u>\$ 1,162,011</u>

Note 13. Concentrations

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

The Organization's expenses are largely funded by grants received from the County. During the years ended June 30, 2018 and 2017, the grants made up 42% and 43% of the revenue from contracts/grants, respectively.

The Organization also received a majority of its grant funding from the Maryland Department of Human Resources. For the years ended June 30, 2018 and 2017, the grants made up 25% and 24% of the revenue from contracts/grants, respectively.

Accounts receivable from four funding agencies made up 80% of the balance as of June 30, 2018.

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, 2018, the cash deposits exceeded the limit by \$497,642, representing the maximum loss risk.

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

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, 2018, the Organization had no amounts in excess of insured limits.

Note 14. Compliance Audits

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

Note 15. Change in Accounting Estimate

For the year ended June 30, 2018, the Organization revised its methods for allocating costs across functions. These changes resulted in a material change of the prior year allocation methods.

Note 16. New Financial Accounting Standards Board Pronouncements

The Financial Accounting Standards Board (FASB) has issued several pronouncements prior to the year ended June 30, 2018 and through the date the financial statements were available to be issued that have effective dates 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) 2014-09, *Revenue from Contracts with Customers* (Topic 606), will be effective for the Organization as of July 1, 2018. However, FASB ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606), defers the effective date of ASU 2014-09 until July 1, 2019. The objective of this standard is to improve financial reporting by providing a framework to address revenue recognition issues, create more consistency and comparability of revenue recognition practices across entities and industries, and improve the usefulness of information provided to financial statement users through more robust disclosure requirements.

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

FASB ASU 2016-02, *Leases* (Topic 842), will be effective for the Organization as of July 1, 2020. 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.

FASB ASU 2016-14, *Not-for-Profit Entities* (Topic 958), will be effective for the Organization as of July 1, 2018. The objective of this standard is to improve financial reporting to provide more useful information to donors, grantors, creditors, and other users of financial statements. This includes changing the presentation of the three classes of net assets, increasing transparency and utility of information useful in assessing an entity's liquidity, providing more consistent reporting of expenses for all not-for-profits, and reducing complexity of financial statements when using the direct method for the statement of cash flows.

FASB ASU 2016-18, *Statement of Cash Flows* (Topic 230), will be effective for the Organization as of July 1, 2019. The objective of this standard is to unify presentation requirements of restricted cash and restricted cash equivalents in the statement of cash flows. Amounts described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when presented on the statement of cash flows.

SUPPLEMENTARY INFORMATION

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

Schedule "1"

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

FUNCTIONAL EXPENSES	2018								
	Program Services				Supporting Services			Total	
	Emergency and Prevention Programs	Family Support Services	Housing and Shelter Services	Economic Mobility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Communications	\$ 6,669	\$ 3,965	\$ 5,906	\$ 2,983	\$ 19,523	\$ 2,202	\$ 1,404	\$ 3,606	\$ 23,129
Conferences, Training, and Travel	13,165	8,251	6,654	16,594	44,664	11,828	2,568	14,396	59,060
Depreciation	1,509	11,975	19,508	422	33,414	6,611	405	7,016	40,430
Equipment Rental and Maintenance	8,893	5,156	5,187	5,015	24,251	9,349	2,099	11,448	35,699
Insurance	1,736	6,194	19,624	2,630	30,184	2,888	678	3,566	33,750
Occupancy	61,008	74,842	280,684	48,998	465,532	101,437	23,820	125,257	590,789
Other Expenses	687	2,034	658	785	4,164	3,838	1,215	5,053	9,217
Printing and Outreach	1,134	2,988	197	1,017	5,336	761	12,002	12,763	18,099
Professional Fees	17,607	12,339	7,413	9,484	46,843	37,411	2,548	39,959	86,802
Salaries, Taxes, and Benefits	467,798	420,122	836,485	281,571	2,005,976	329,863	100,980	430,843	2,436,819
Specific Assistance to Individuals	713,231	150,776	236,811	273,298	1,374,116	-	-	-	1,374,116
Supplies	14,547	29,532	39,700	10,732	94,511	6,675	2,485	9,160	103,671
TOTAL FUNCTIONAL EXPENSES	\$ 1,307,984	\$ 728,174	\$ 1,458,827	\$ 653,529	\$ 4,148,514	\$ 512,863	\$ 150,204	\$ 663,067	\$ 4,811,581

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

Schedule "1"

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

FUNCTIONAL EXPENSES	2017								
	Program Services				Supporting Services			Total	
	Emergency and Prevention Programs	Family Support Services	Housing and Shelter Services	Economic Mobility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Communications	\$ 6,873	\$ 2,944	\$ 8,658	\$ 2,252	\$ 20,727	\$ 2,243	\$ 9	\$ 2,252	\$ 22,979
Conferences, Training, and Travel	1,965	6,439	6,284	2,987	17,675	10,799	168	10,967	28,642
Depreciation	838	196	8,549	1,610	11,193	14,974	720	15,694	26,887
Equipment Rental and Maintenance	4,458	1,933	3,339	2,486	12,216	3,670	30	3,700	15,916
Insurance	3,623	4,076	12,260	2,310	22,269	3,545	-	3,545	25,814
Occupancy	59,435	72,499	273,731	24,414	430,079	98,867	23,231	122,098	552,177
Other Expenses	653	1,153	2,080	461	4,347	4,596	393	4,989	9,336
Printing and Outreach	6,369	402	402	546	7,719	9,104	620	9,724	17,443
Professional Fees	16,338	14,701	41,891	16,535	89,465	15,961	-	15,961	105,426
Salaries, Taxes, and Benefits	408,187	413,179	835,955	237,299	1,894,620	515,629	6,349	521,978	2,416,598
Specific Assistance to Individuals	729,443	151,605	194,363	260,693	1,336,104	-	-	-	1,336,104
Supplies	9,786	22,627	50,982	13,706	97,101	21,332	1,019	22,351	119,452
TOTAL FUNCTIONAL EXPENSES	\$ 1,247,968	\$ 691,754	\$ 1,438,494	\$ 565,299	\$ 3,943,515	\$ 700,720	\$ 32,539	\$ 733,259	\$ 4,676,774

SINGLE AUDIT REPORTING

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

February 14, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Human Services Programs of Carroll County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services Programs of Carroll County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

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

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

Purpose of this Report

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

RLH CPAs & Business Advisors, LLC

Westminster, Maryland



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

February 14, 2019

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

Report on Compliance for Each Major Federal Program

We have audited Human Services Programs of Carroll County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Human Services Programs of Carroll County, Inc.'s major federal programs for the year ended June 30, 2018. Human Services Programs of Carroll County, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Human Services Programs of Carroll County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material

noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004, that we consider to be significant deficiencies.

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

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

RLH CPAs & Business Advisors, LLC

Westminster, Maryland

**HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through the Maryland State Department of Human Services				
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537	FIA/HSP 18-001 (07/01/17 - 09/30/17)	\$ 18,353	\$ -
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537	FIA/HSP 18-002 (10/01/17 - 09/30/18)	56,813	-
Total Supplemental Nutrition Assistance Program passed through the Maryland State Department of Human Services			<u>75,166</u>	<u>-</u>
Passed through the Maryland State Department of Education				
Women's Shelter Food Program				
Child and Adult Care Food Program	10.558	07/01/17 - 10/31/17	2,077	-
Child and Adult Care Food Program	10.558	10/01/16 - 09/30/17	51,939	-
Child and Adult Care Food Program	10.558	10/01/17 - 09/30/18	158,915	-
Total Child and Adult Care Food Program passed through the Maryland State Department of Education			<u>212,931</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>288,097</u>	<u>-</u>
Department of Housing and Urban Development				
Passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners				
Community Development Block Grant	14.228	MD-18-HI-2 (01/11/18 - 01/31/20)	6,219	-
Emergency Solutions Grant Program	14.231	10/01/16 - 03/31/18	19,478	-
Emergency Solutions Grant Program	14.231	10/01/17 - 12/31/18	47,400	-
Total Emergency Solutions Grant Program			<u>66,878</u>	<u>-</u>
Total passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners			<u>73,097</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
Direct Funding				
Continuum of Care Program	14.267	Perm Housing I - MD0135L3B061609 (07/01/17 - 06/30/18)	65,747	-
Continuum of Care Program	14.267	Perm Housing II - MD0134L3B061609 (12/01/17 - 11/30/18)	23,283	-
Continuum of Care Program	14.267	Perm Housing II - MD0134L3B061508 (12/01/16 - 11/30/17)	15,373	-
Continuum of Care Program	14.267	Perm Housing VIII - MD0260L3B061605 (10/01/17 - 09/30/18)	32,455	-
Continuum of Care Program	14.267	Perm Housing VIII - MD0260L3B061504 (10/01/16 - 09/30/17)	9,010	-
Continuum of Care Program	14.267	SHP - MD0139L3B061608 (02/01/17 - 01/31/18)	15,890	-
Continuum of Care Program	14.267	SHP - MD0139L3B061709 (02/01/18 - 01/31/19)	14,549	-
Continuum of Care Program	14.267	Safe Haven - MD0138L3B061608 (02/01/17 - 01/31/18)	29,038	-
Continuum of Care Program	14.267	Safe Haven - MD0138L3B061709 (02/01/18 - 01/31/19)	36,471	-
Total Continuum of Care Program - Direct Funding			<u>241,816</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>314,913</u>	<u>-</u>
Department of Justice				
Passed through Governor's Office of Crime Control and Prevention				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	BJAG-2014-0031 (10/01/16 - 09/30/17)	18,123	-
Total Department of Justice			<u>18,123</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
Department of the Treasury				
Passed through Governor's Office of Crime Control and Prevention and Maryland Cash Campaign Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	08/01/17 - 07/31/18	16,000	-
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	06/01/18 - 06/30/18	<u>5,231</u>	<u>-</u>
Total Department of the Treasury			<u>21,231</u>	<u>-</u>
Department of Health and Human Services				
Passed through the Board of Carroll County Commissioners				
Promoting Safe and Stable Families	93.556	CRRL/SSA 18-012 (07/01/17 - 06/30/18)	<u>42,780</u>	<u>-</u>
Passed through the Maryland Department of Human Resources				
Low-Income Home Energy Assistance	93.568	FIA/OHEP-15-003 (04/01/15 - 06/30/18)	187,219	-
Low-Income Home Energy Assistance	93.568	Benefit Funds (07/01/17 - 06/30/18)	<u>562,012</u>	<u>-</u>
Total Low-Income Home Energy Assistance passed through the Maryland Department of Human Resources			<u>749,231</u>	<u>-</u>
Passed through the Maryland Department of Housing and Community Development				
Community Services Block Grant	93.569	10/01/16 - 09/30/17	80,377	-
Community Services Block Grant	93.569	10/01/17 - 09/30/18	207,077	-
Community Services Block Grant	93.569	07/01/17 - 06/30/18	<u>8,700</u>	<u>-</u>
Total Community Services Block Grant passed through the Maryland Department of Housing and Community Development			<u>296,154</u>	<u>-</u>
Passed through the Maryland Family Network, Inc.				
Community-Based Child Abuse Prevention Grants	93.590	07/01/17 - 09/30/17	<u>30,000</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amount Passed Through to Subrecipients</u>
Total Department of Health and Human Services			1,118,165	-
Department of Homeland Security				
Direct Funding				
Emergency Food and Shelter National Board Program	97.024	10/01/16 - 01/31/18	5,000	-
Total Department of Homeland Security			5,000	-
TOTAL FEDERAL EXPENDITURES			\$ 1,765,529	\$ -

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

**HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ X _____	Yes	_____	No

Noncompliance material to financial statements noted?	_____ X _____	Yes	_____	No
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Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ X _____	Yes	_____	No

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

Any audit findings disclosed that are required to be reported under section 200.516 of the Uniform Guidance?	_____ X _____	Yes	_____	No
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Identification of major programs tested:

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

Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	_____	Yes	_____ X _____	No
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HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001 - Significant Deficiency; Noncompliance

Condition: Grant reports for three programs were not submitted timely to the awarding agencies.

Criteria: For the Low-Income Home Energy Assistance program, reports are to be submitted each month to the Maryland Department of Human Resources by the 15th for the previous month.

For the Community Services Block Grant program, reports are to be submitted each month to the Maryland Department of Housing and Community Development by the 10th for the previous month (for July and August 2017), the 30th (for September 2017), and the 15th for the previous month (for October 2017 to June 2018).

For the Maryland Family Network program, reports are to be submitted each month to Maryland Family Network, Inc. by the 15th for the previous month.

Context: For the Low-Income Home Energy Assistance program, out of four reports tested, two were submitted late and two were not submitted at all. The reports for administrative funds for December 2017 and May 2018 were both submitted on July 15, 2018. The reports for benefit funds for December 2017 and May 2018 were not completed or submitted.

For the Community Services Block Grant program, out of twelve reports tested, four were submitted late. The reports for July 2017, February 2018, May 2018, and June 2018 were submitted after the 15th of the subsequent month.

For the Maryland Family Network program, out of twelve state reports tested, eight were submitted late. The reports for July 2017, September 2017, October 2017, December 2017, February 2018, March 2018, May 2018, and June 2018 were submitted after the 15th of the subsequent month. Out of three federal reports tested, one was submitted late. The report for July 2017 was submitted after the 15th of the subsequent month.

Cause: The Organization implemented new accounting software as of July 1, 2017 which resulted in new/updated data entry policies which caused difficulty in filing grant reports timely. There was also a lack of management oversight for grant reporting.

Effect: Failure to submit reports timely could lead to a delay in funding or termination of the grant programs.

Recommendation: During the fiscal year, the finance department implemented a calendar of grant reporting due dates. This should be monitored by the Deputy Executive Director to

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

ensure compliance. We also suggest training another staff member to prepare these reports in the Grant Reporting Specialist's absence. Another suggestion is to update the credit card policies. This is one factor that delays grant reporting each month. Lastly, before a grant contract is finalized, discussion should be had with the grantor if an unreasonable reporting due date is required.

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

2018-002 - Significant Deficiency

Condition: Invoices were not properly authorized and approved by the finance department during data entry.

Criteria: All invoices processed by the finance department are required to have a stamp indicating the data entry personnel and a signature of approval. The stamp indicates the transaction is entered into the accounting software and the signature of approval indicates that the account coding and expense allocations are accurate.

Context: Out of twenty-five transactions tested, four were not stamped by the data entry personnel and five did not have a signature of approval.

Cause: Deviations were due to lack of management oversight.

Effect: Although the oversight did not cause any errors in financial reporting, it could have led to errors in account coding or expense allocations.

Recommendation: The check signer should verify there are proper approvals on invoices being paid. Current policy requires the finance department to stamp every transaction when data entry is complete and give the supporting documentation to the proper individual for approval. The individual within the finance department that is responsible for approving the transaction should also ensure the documentation is stamped by the data entry personnel.

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

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Finding Reference: 2018-003

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
Grant Period: 04/01/15 - 06/30/18
Grant Number: FIA/OHEP-15-003
Requirement: Reporting
Type of Finding: Significant Deficiency; Noncompliance

See finding 2018-001

Finding Reference: 2018-004

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
Grant Period: 04/01/15 - 06/30/18
Grant Number: FIA/OHEP-15-003
Requirement: Activities Allowed and Unallowed; Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency

See finding 2018-002



Human Services Programs
of Carroll County, Inc.

10 Distillery Drive, Westminster, MD 21157
P. O. Box 489, Westminster, MD 21158
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410-857-2999
(F) 410-857-8793

CORRECTIVE ACTION PLAN

February 14, 2019

Department of Housing and Urban Development

Human Services Programs of Carroll County, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

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

Audit period: For the year ended June 30, 2018

The findings from the June 30, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001 - Significant Deficiency; Noncompliance

Recommendation: During the fiscal year, the finance department implemented a calendar of grant reporting due dates. This should be monitored by the Deputy Executive Director to ensure compliance. We also suggest training another staff member to prepare these reports in the Grant Reporting Specialist's absence. Another suggestion is to update the credit card policies. This is one factor that delays grant reporting each month. Lastly, before a grant contract is finalized, discussion should be had with the grantor if an unreasonable reporting due date is required.

Action Taken:

1) The Finance Department has been restructured to add an additional accountant team member, as well as the appointment of Deputy Executive Director who supervises all finance and operations of the agency. Duties and tasks have been carefully allocated to distribute work flow to prioritize reporting.

2) Grant report due date list has been constructed. This report will be monitored by the Deputy Executive Director and Executive Director to ensure compliance with due dates.

3) All contracts will be reviewed on an annual basis and report due dates will be considered to ensure deadlines can be met. Requests will be made to change due dates for deadlines that raise concerns.

4) A new credit card policy will be implemented. New expectations and accountability will ensure credit card statements will be reviewed and verified to ensure expedited completion to begin reports as needed to meet due dates. See Attached Credit Card use Policy.

2018-002 - Significant Deficiency

Recommendation: The check signer should verify there are proper approvals on invoices being paid. Current policy requires the finance department to stamp every transaction when data entry is complete and give the supporting documentation to the proper individual for approval. The individual within the finance department that is responsible for approving the transaction should also ensure the documentation is stamped by the data entry personnel.

Action Taken:

The Executive Director and backup check signer will review the backup for each check to confirm supporting documentation includes proper approvals.

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

Finding Reference: 2018-003

See finding 2018-001

Finding Reference: 2018-004

See finding 2018-002

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

Sincerely,



Scott Yard
Executive Director



Human Services Programs
of Carroll County, Inc.

Company Credit Card Agreement, Terms and Conditions

Company credit cards are available to staff authorized to make purchases on behalf of HSP. The credit cards are based upon the credit worthiness of HSP rather than the employee's credit.

I agree:

- ◆ To submit, within 24 hours of the purchase or by the next business day, the original receipts along with all required paperwork including but not limited to approved purchase orders, quotes and or bids.
- ◆ To follow the procedures governing the use of the card issued to me and all HSP procurement policies, procedures and practices.
- ◆ That I am responsible for all aspects of this policy should I chose to allow another staff person to use the card issued to me.
- ◆ To pay all interest and penalties should I fail to meet these terms and conditions.
- ◆ To return the card to HSP upon termination of employment or whenever specifically requested to do so.
- ◆ To indemnify and save as harmless HSP for any loss, claim, or expense arising from the failure to submit receipts for all business charges which I have incurred on the card or if I lose the card.
- ◆ That the card may not be used for personal charges.

I understand the company receives monthly reports for all company credit cards and will monitor individual spending and payment activities.

I hereby acknowledge receipt of HSP's Company Credit Card Agreement, Terms and Conditions. I agree to all the terms and conditions as stated and acknowledge receipt of company credit card number _____.

Date

Signature

XXX-XX-
Social Security Number

Printed Name