

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

**SINGLE AUDIT REPORTING PACKAGE
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Human Services Programs of Carroll County, Inc., which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the 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 audit 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2018, were audited by RLH CPAs & Business Advisors, LLC, who merged with Brown Schultz Sheridan & Fritz as of June 1, 2019, and whose report dated February 14, 2019, expressed an unmodified opinion on those statements.

Brown Schultz Sheridan & Fritz

Westminster, Maryland
January 15, 2020

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,101,010	\$ 906,489
Accounts Receivable	482,761	453,859
Prepaid Expenses	10,054	20,307
Certificate of Deposit	308,916	308,158
Promised Use of Facility	129,987	129,987
TOTAL CURRENT ASSETS	2,032,728	1,818,800
 PROPERTY AND EQUIPMENT, NET	 614,878	 600,845
 OTHER ASSETS		
Investments	362,720	326,979
Promised Use of Facility (Net of Unamortized Discount of \$9,829 and \$14,829, respectively)	412,632	537,617
TOTAL OTHER ASSETS	775,352	864,596
 TOTAL ASSETS	 \$ 3,422,958	 \$ 3,284,241

See Notes to Financial Statements

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 390,734	\$ 167,636
Accrued Vacation	70,188	60,634
Accrued Wages	64,759	63,238
Refundable Advances	119,735	66,194
Note Payable	308,000	308,000
Current Portion of Long-Term Liabilities	1,650	1,650
TOTAL CURRENT LIABILITIES	955,066	667,352
LONG-TERM LIABILITIES		
Loan Payable	13,700	15,350
TOTAL LONG-TERM LIABILITIES	13,700	15,350
TOTAL LIABILITIES	968,766	682,702
NET ASSETS		
Net Assets Without Donor Restrictions		
Undesignated	1,085,108	1,050,769
Board Designated	700,811	692,839
Total Net Assets Without Donor Restrictions	1,785,919	1,743,608
Net Assets With Donor Restrictions	668,273	857,931
TOTAL NET ASSETS	2,454,192	2,601,539
TOTAL LIABILITIES AND NET ASSETS	\$ 3,422,958	\$ 3,284,241

See Notes to Financial Statements

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT, REVENUE, AND GAINS			
SUPPORT			
Contributions	\$ 85,684	\$ 23,284	\$ 108,968
Donated Items	257,260	-	257,260
Donated Facilities	423,000	-	423,000
TOTAL SUPPORT	765,944	23,284	789,228
REVENUE			
Contracts/Grants	4,069,276	-	4,069,276
Shelter Client Fees	25,145	-	25,145
Special Events, Net of Direct Costs of \$637	7,329	-	7,329
Investment Income	14,531	-	14,531
Rental Income	11,000	-	11,000
Miscellaneous Revenue	3,626	-	3,626
TOTAL REVENUE	4,130,907	-	4,130,907
GAINS			
Net Realized and Unrealized Gains on Investments	4,467	-	4,467
Gain on Disposal of Equipment	-	-	-
TOTAL GAINS	4,467	-	4,467
NET ASSETS RELEASED FROM RESTRICTIONS	212,942	(212,942)	-
TOTAL SUPPORT, REVENUE, AND GAINS	5,114,260	(189,658)	4,924,602
EXPENSES			
PROGRAM SERVICES			
Home Energy	1,480,578	-	1,480,578
Family Support Services	700,225	-	700,225
Housing and Shelter Services	1,531,111	-	1,531,111
Economic Mobility	636,699	-	636,699
TOTAL PROGRAM SERVICES	4,348,613	-	4,348,613
SUPPORTING SERVICES			
Management and General	561,926	-	561,926
Fundraising	161,410	-	161,410
TOTAL SUPPORTING SERVICES	723,336	-	723,336
TOTAL EXPENSES	5,071,949	-	5,071,949
CHANGE IN NET ASSETS	42,311	(189,658)	(147,347)
Net Assets - Beginning of Year	1,743,608	857,931	2,601,539
NET ASSETS - END OF YEAR	\$ 1,785,919	\$ 668,273	\$ 2,454,192

See Notes to Financial Statements

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	2018		Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
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			
Home Energy	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 Notes to Financial Statements

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	2019								
	Program Services					Supporting Services			Total
	Home Energy	Family Support Services	Housing and Shelter Services	Economic Mobility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
FUNCTIONAL EXPENSES									
Communications	\$ 8,389	\$ 4,195	\$ 6,823	\$ 3,606	\$ 23,013	\$ 3,500	\$ 1,525	\$ 5,025	\$ 28,038
Conferences, Training, and Travel	2,630	4,659	4,697	1,234	13,220	5,104	178	5,282	18,502
Depreciation	1,519	3,359	20,959	623	26,460	18,797	364	19,161	45,621
Equipment Rental and Maintenance	8,152	3,751	5,265	4,673	21,841	10,724	857	11,581	33,422
Insurance	2,990	3,942	17,884	2,716	27,532	4,971	1,169	6,140	33,672
Occupancy	62,418	77,918	283,293	57,056	480,685	106,045	24,375	130,420	611,105
Other Expenses	1,537	2,610	1,538	1,442	7,127	5,268	1,625	6,893	14,020
Printing and Outreach	3,095	4,348	983	200	8,626	395	7,881	8,276	16,902
Professional Fees	18,599	23,477	7,477	8,472	58,025	34,720	15,399	50,119	108,144
Salaries, Taxes, and Benefits	623,822	405,139	850,990	288,467	2,168,418	357,721	105,659	463,380	2,631,798
Specific Assistance to Individuals	734,590	137,779	285,372	257,749	1,415,490	-	-	-	1,415,490
Supplies	12,837	29,048	45,830	10,461	98,176	14,681	2,378	17,059	115,235
TOTAL FUNCTIONAL EXPENSES	\$ 1,480,578	\$ 700,225	\$ 1,531,111	\$ 636,699	\$ 4,348,613	\$ 561,926	\$ 161,410	\$ 723,336	\$ 5,071,949

See Notes to Financial Statements

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	2018								
	Program Services					Supporting Services			Total
	Home Energy	Family Support Services	Housing and Shelter Services	Economic Mobility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
FUNCTIONAL EXPENSES									
Communications	\$ 6,669	\$ 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

See Notes to Financial Statements

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
Receipts from Contracts/Grants	\$ 4,093,802	\$ 3,507,599
Receipts from Contributions	102,318	209,597
Receipts from Special Events	7,504	25,251
Other Income Received	39,771	47,241
Interest Income Received	3,821	3,726
	4,247,216	3,793,414
Outflows:		
Payments to Employees	2,620,723	2,393,585
Payments for Program Services	1,222,999	1,330,586
Payments for Management and General	81,725	75,098
Payments for Fundraising	31,341	32,331
Payments for Income Tax	191	-
Payments for Interest	16,615	14,112
	3,973,594	3,845,712
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	273,622	(52,298)
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Certificate of Deposit Proceeds	-	616,323
Net Sale of Investments	-	68,318
	-	684,641
Outflows:		
Certificate of Deposit Purchase	-	616,090
Net Purchase of Investments	21,208	-
Purchase of Property and Equipment	57,893	64,261
	79,101	680,351
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(79,101)	4,290
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,521	(48,008)
Cash and Cash Equivalents - Beginning of Year	906,489	954,497
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,101,010	\$ 906,489

Noncash investing and financing transactions include the following:

Debt Forgiveness	\$ 1,650	\$ 1,650
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HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and 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 consist of amounts due from funding sources for services performed. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and Equipment

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

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization capitalized all purchases of property and equipment over \$2,500 at cost through June 1, 2019, after which the threshold was increased to \$5,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 3 to 7 years for equipment and vehicles and 15 to 27 years for leasehold improvements and buildings.

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 donor restricted contributions at their fair value at the start date of the lease and are reported as increases in net assets with donor restrictions. These restrictions expire based on the terms of the lease agreement, and the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Accrued Vacation

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

Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

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.

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 \$257,260 and \$281,709 as of the date of the donation for the years ended June 30, 2019 and 2018, 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 10, these donated facilities are recorded at \$423,000 and \$416,000 for the years ended June 30, 2019 and 2018, 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.

Functional Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs are allocated among the programs and the supporting services benefited.

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

Advertising

The Organization follows the policy of charging all costs of advertising to expense as incurred. Advertising expense, presented in printing and outreach, was \$14,107 and \$11,848 for the years ended June 30, 2019 and 2018, 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.

New Accounting Pronouncement Adopted

The Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the former net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The Standard was effective for fiscal years beginning after December 15, 2017, and resulted in significant enhancement to liquidity disclosures and net asset classifications. The Organization has adjusted the presentation in these financial statements for the years ended June 30, 2019 and 2018 accordingly.

Reclassifications

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

Estimates

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

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

New Financial Accounting Standards Board Pronouncements

The FASB has issued several pronouncements prior to the year ended June 30, 2019 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 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.

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 2016-18, *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.

FASB ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, will be effective for the Organization as of July 1, 2019. The objective of this Standard is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

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

Note 2. Financial Assets and Liquidity Resources

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,101,010	\$ 906,489
Accounts Receivable	482,761	453,859
Certificate of Deposit	308,916	308,158
Investments	<u>362,720</u>	<u>326,979</u>
Financial assets, as of year end	2,255,407	1,995,485
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions (Note 9)	125,654	190,327
Board designations (Note 9)	<u>700,811</u>	<u>692,839</u>
	<u>\$ 1,428,942</u>	<u>\$ 1,112,319</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$100,000 (all of which was available as of June 30, 2019 and 2018), which it could draw upon. Additionally, as of June 30, 2019 and 2018, the Organization has a quasi-endowment of \$680,202 and \$665,025, respectively. The quasi-endowment fund is to be used for providing support for the programs, client services, and the overall operations of the Organization. However, if necessary, amounts from its quasi-endowment could be made available (Note 4).

Note 3. Investments

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity Mutual Funds	\$ 126,144	\$ 147,237	\$ 112,648	\$ 139,862
Fixed Income Mutual Funds	<u>219,065</u>	<u>215,483</u>	<u>196,098</u>	<u>187,117</u>
	<u>\$ 345,209</u>	<u>\$ 362,720</u>	<u>\$ 308,746</u>	<u>\$ 326,979</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 net assets without donor restrictions designated by the Board of Directors to function as a general endowment fund for the purpose of providing support for the programs, client services, and the overall operations of the Organization. Since the funds are not donor-restricted, they are classified and reported as net assets without donor restrictions.

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

	<u>2019</u>	<u>2018</u>
Board Designated Quasi-Endowment Net Assets - Beginning of Year	\$ <u>665,025</u>	\$ <u>647,618</u>
Investment Return		
Investment Income	10,710	8,812
Net Appreciation (Realized and Unrealized)	<u>4,467</u>	<u>8,595</u>
Total Investment Return	<u>15,177</u>	<u>17,407</u>
Board Designated Quasi-Endowment Net Assets - End of Year	<u>\$ 680,202</u>	<u>\$ 665,025</u>
Board Designated Cash	\$ 8,400	\$ 29,609
Board Designated Accrued Interest	166	279
Board Designated Certificate of Deposit (Note 7)	308,916	308,158
Board Designated Investments	<u>362,720</u>	<u>326,979</u>
Board Designated Quasi-Endowment Net Assets - End of Year	<u>\$ 680,202</u>	<u>\$ 665,025</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.

The Board of Directors adopted a resolution in May 2019 to waive the investment policy’s targeted allocation for equity securities and fixed income securities until the funds held in the certificate of deposit (see Note 7) are able to be redeposited into the Organization’s investment account.

Note 5. Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Buildings	\$ 393,156	\$ 393,156
Equipment	177,376	165,958
Leasehold Improvements	68,438	61,476
Vehicles	223,227	201,922
Land	205,400	205,400
Construction in Progress	<u>54,927</u>	<u>43,566</u>
Total Property and Equipment	1,122,524	1,071,478
Less: Accumulated Depreciation	<u>507,646</u>	<u>470,633</u>
Property and Equipment, Net	<u>\$ 614,878</u>	<u>\$ 600,845</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.

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

Note 6. 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 6.25% as of June 30, 2019. The Organization had \$100,000 available as of June 30, 2019. The line expires on March 29, 2020.

Note 7. Note Payable

The note payable has an interest rate of 5.50% and is due in full in May 2020. 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.

Note 8. Loan Payable

The loan payable is secured by real property with a carrying value of \$218,634 less accumulated depreciation of \$158,072 as of June 30, 2019. 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, 2019 and 2018, the loan payable had an outstanding balance of \$15,350 and \$17,000, respectively. If not paid off by the Organization, the entire indebtedness shall be forgiven by February 2028.

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

2020	\$ 1,650
2021	1,650
2022	1,650
2023	1,650
2024	1,650
Thereafter	<u>7,100</u>
	<u>\$ 15,350</u>

Note 9. Net Assets

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

	<u>2019</u>	<u>2018</u>
Capital Campaign - Economic Mobility	\$ 20,609	\$ 27,814
Note payable requirement (funds held in certificate of deposit) (Notes 4 and 7)	308,916	308,158
Providing support for the programs, client services, and the overall operations of the Organization (Note 4)	<u>371,286</u>	<u>356,867</u>
Total Net Assets Without Donor Restrictions - Board Designated	<u>\$ 700,811</u>	<u>\$ 692,839</u>

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

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

	<u>2019</u>	<u>2018</u>
Back to School Clothes for Shelter Children	\$ -	\$ 1,054
Capital Campaign - Economic Mobility	100,930	131,024
Cold Weather Shelter	-	200
Community Energy Fund	134	-
Economic Mobility Program	-	15,000
Family Literacy Services	50	8,000
Financial Education	-	4,715
Housing	15,000	15,000
Opportunity Scholarship Fund	7,540	9,404
Promised Use of Facility (Note 10)	542,619	667,604
Shelters	-	2,200
Transportation	-	1,480
Volunteer Income Tax Assistance Program	-	2,000
Women's Shelter	<u>2,000</u>	<u>250</u>
	<u>\$ 668,273</u>	<u>\$ 857,931</u>

Note 10. Operating Leases, Donated Facilities, and Promised Use of Facility

Operating Leases

The Organization leases a number of permanent housing apartments for individuals in Westminister, Maryland. The leases are either annual or month-to-month. Monthly lease payments range from \$675 to \$1,500. Rent expense, presented in specific assistance to individuals, for the years ended June 30, 2019 and 2018 was \$144,835 and \$141,885, 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, 2019 and 2018.

In December 2014, the Organization entered into a 60-month lease with a company to rent and maintain multiple copiers and printers. In May 2019, the Organization entered into a 48-month lease with a company to rent and maintain multiple copiers and printers. The May 2019 lease superseded the December 2014 lease. Lease expense, presented in equipment rental and maintenance, was \$9,528 and \$8,640 for the years ended June 30, 2019 and 2018, respectively, under these copier leases.

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, 2019 and 2018.

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

2020	\$ 18,324
2021	10,654
2022	10,654
2023	<u>9,767</u>
	<u>\$ 49,399</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 30 days prior to the renewal date. Rent expense was \$1 for each of the years ended June 30, 2019 and 2018. The estimated value for the years ended June 30, 2019 and 2018 was \$423,000 and \$416,000, 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 the years ended June 30, 2019 and 2018, net assets released from restriction and donated facilities expense of \$129,985 and \$129,987, respectively, were recorded in connection with this lease agreement.

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

Promised use of facility is as follows as of June 30, 2019:

Receivable in 1 to 5 Years	\$ 552,448
Less: Unamortized Discount to Net Present Value	<u>9,829</u>
Net Promised Use of Facility	<u>\$ 542,619</u>

Note 11. Rental Income

The Organization leases a portion of the building and improvements at 12 Carroll Street, Westminster, Maryland, to a third party. The lease was terminated effective September 3, 2019 with the last rental payment received in April 2019.

Major classes of property available for lease and the total amount of accumulated depreciation thereon were as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 44,171	\$ 44,171
Land	43,078	43,078
Less: Accumulated Depreciation (Note 5)	<u>-</u>	<u>-</u>
	<u>\$ 87,249</u>	<u>\$ 87,249</u>

Income recognized under this agreement for the years ended June 30, 2019 and 2018 was \$11,000 and \$12,000, respectively.

Note 12. 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, 2019 and 2018, the expense recognized for employer contributions totaled \$50,719 and \$47,515, respectively.

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

Note 13. Fair Value Measurements

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

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

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

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

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

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

Promised Use of Facility - The income approach utilizes valuation techniques (the present value method, a Level 2 measurement) to convert future amounts to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. The Organization discounted the value of 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%.

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

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

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

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

	<u>2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Promised Use of Facility	\$ -	\$ 542,619	\$ 542,619
Mutual Funds	<u>362,720</u>	<u>-</u>	<u>362,720</u>
	<u>\$ 362,720</u>	<u>\$ 542,619</u>	<u>\$ 905,339</u>
	 <u>2018</u> 		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Promised Use of Facility	\$ -	\$ 667,604	\$ 667,604
Mutual Funds	<u>326,979</u>	<u>-</u>	<u>326,979</u>
	<u>\$ 326,979</u>	<u>\$ 667,604</u>	<u>\$ 994,583</u>

Note 14. Concentrations

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

The Organization's expenses are largely funded by grants received from the County. During the years ended June 30, 2019 and 2018, the grants made up 44% and 42% 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, 2019 and 2018, the grants made up 24% and 25% of the revenue from contracts/grants, respectively.

Accounts receivable from three funding agencies made up 84% of the balance as of June 30, 2019.

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

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, 2019, the cash deposits exceeded the limit by \$934,317, representing the maximum loss risk.

The institution holding the Organization's equity and mutual fund investments is a member of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker; however, only up to \$250,000 of the total coverage can be applied to cash. As of June 30, 2019, the Organization had no amounts in excess of insured limits.

Note 15. 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 16. Subsequent Events

In July 2019, the Organization became the sole owner of Carrolltowne HSPCC, Inc. This entity was created to own 11% of Carrolltowne Village Development, LLC, a company that will own, manage, and operate a low-income housing apartment complex referred to as Carrolltowne Village Apartments. The financial statements for the year ended June 30, 2020 will be consolidated to appropriately reflect the ownership.

Management has evaluated subsequent events through January 15, 2020, the date which the financial statements were available to be issued.

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through the Maryland State Department of Education				
Child and Adult Care Food Program	10.558	10/01/17 - 09/30/18	\$ 49,383	\$ -
Child and Adult Care Food Program	10.558	10/01/18 - 09/30/19	148,592	-
Total Child and Adult Care Food Program passed through the Maryland State Department of Education			<u>197,975</u>	<u>-</u>
Passed through the Maryland State Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FIA/HSP 18-002 (10/01/17 - 09/30/18)	10,238	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FIA/HSP 19-002 (10/01/18 - 09/30/19)	47,085	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the Maryland State Department of Human Services			<u>57,323</u>	<u>-</u>
Passed through the Maryland State Department of Human Services Carroll County Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CRRL/FIA 18-013 (02/01/18 - 11/30/18)	26,868	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CRRL/FIA 19-013 (03/04/19 - 08/30/19)	20,083	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the Maryland State Department of Human Services Carroll County Department of Social Services			<u>46,951</u>	<u>-</u>
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>104,274</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>302,249</u>	<u>-</u>

See 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, 2019

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 Housing and Urban Development				
Passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	MD-18-HI-2 (01/11/18 - 01/31/20)	\$ 93,867	-
Emergency Solutions Grant Program	14.231	SFY 2019 / FFY 2018 (07/01/18 - 09/30/19)	<u>68,062</u>	<u>-</u>
Total passed through the Department of Housing and Community Development and the Board of Carroll County Commissioners			<u>161,929</u>	<u>-</u>
Direct Funding				
Continuum of Care Program	14.267	Perm Housing I - MD0135L3B061710 (07/01/18 - 06/30/19)	65,357	-
Continuum of Care Program	14.267	Perm Housing II - MD0134L3B061609 (12/01/17 - 11/30/18)	18,967	-
Continuum of Care Program	14.267	Perm Housing II - MD0134L3B061710 (12/01/18 - 11/30/19)	26,472	-
Continuum of Care Program	14.267	Perm Housing VIII - MD0260L3B061605 (10/01/17 - 09/30/18)	7,964	-
Continuum of Care Program	14.267	Perm Housing VIII - MD0260L3B061706 (10/01/18 - 09/30/19)	38,112	-
Continuum of Care Program	14.267	SHP - MD0139L3B061709 (02/01/18 - 01/31/19)	17,549	-
Continuum of Care Program	14.267	SHP - MD0139L3B061810 (02/01/19 - 01/31/20)	12,231	-
Continuum of Care Program	14.267	Safe Haven - MD0138L3B061709 (02/01/18 - 01/31/19)	37,843	-

See 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, 2019

<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>
		Safe Haven - MD0138L3B061810		
Continuum of Care Program	14.267	(02/01/19 - 01/31/20)	\$ 41,729	-
Total Continuum of Care Program - Direct Funding			<u>266,224</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>428,153</u>	<u>-</u>
Department of Justice				
Passed through Governor's Office of Crime Control and Prevention				
		BJAG-2017-0002		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(10/01/18 - 09/30/19)	<u>37,774</u>	<u>-</u>
Total Department of Justice			<u>37,774</u>	<u>-</u>
Department of the Treasury				
Passed through CASH Campaign of Maryland				
Volunteer Income Tax Assistance (VITA) Matching Grant				
Program	21.009	08/01/17 - 07/31/18	2,769	-
Volunteer Income Tax Assistance (VITA) Matching Grant	21.009	08/01/18 - 07/31/19	<u>30,000</u>	<u>-</u>
Program				
Total Department of the Treasury			<u>32,769</u>	<u>-</u>
Department of Health and Human Services				
Passed through the Board of Carroll County Commissioners				
		CRRL/SSA 18-012		
Promoting Safe and Stable Families	93.556	(07/01/18 - 06/30/19)	<u>42,780</u>	<u>-</u>
Passed through the Maryland Department of Human Resources				
		FIA/OHEP-15-003-A2		
Low-Income Home Energy Assistance	93.568	(07/01/18 - 06/30/20)	197,461	-
		Benefit Funds		
Low-Income Home Energy Assistance	93.568	(07/01/18 - 06/30/19)	<u>578,307</u>	<u>-</u>

See 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, 2019

<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>Passed Through to Subrecipients</u>
Total Low-Income Home Energy Assistance passed through the Maryland Department of Human Resources			\$ 775,768	-
Passed through the Maryland Department of Housing and Community Development				
Community Services Block Grant	93.569	10/01/17 - 09/30/18	59,344	-
Community Services Block Grant	93.569	10/01/18 - 09/30/19	204,040	-
Community Services Block Grant	93.569	07/01/17 - 09/30/18	15,800	-
Community Services Block Grant	93.569	07/01/18 - 06/30/19	26,612	-
Total Community Services Block Grant passed through the Maryland Department of Housing and Community			305,796	-
Passed through the Maryland Family Network, Inc.				
Community-Based Child Abuse Prevention Grants	93.590	G1501MDFRPG (07/01/18 - 12/31/18)	30,000	-
Total Department of Health and Human Services			1,154,344	-
Department of Homeland Security				
Direct Funding				
Emergency Food and Shelter National Board Program	97.024	10/01/18 - 03/31/20	5,713	-
Total Department of Homeland Security			5,713	-
TOTAL FEDERAL EXPENDITURES			\$ 1,961,002	\$ -

See Notes to Schedule of Expenditures of Federal Awards

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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***

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., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 15, 2020.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services Programs of Carroll County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or 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 2019-001.

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 are 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Schultz Steidman & Fritz

Westminster, Maryland
January 15, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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, 2019. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Human Services Programs of Carroll County, Inc.'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, 2019.

Report on Internal Control over Compliance

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

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

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

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

Brown Schultz Steindler & Fritz

Westminster, Maryland
January 15, 2020

**HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

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

Federal Awards

Internal control over major programs:

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

Identification of major programs tested:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low-Income Home Energy Assistance
93.569	Community Services Block Grant

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

Auditee qualified as low-risk auditee? _____ Yes _____ **X** _____ No

HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001 - Significant Deficiency; Noncompliance

Condition: Federal funds received under the food supplement employment and training program (FSET) from the Carroll County Department of Social Services (DSS) were used to match federal funds received through the state administrative matching grants for the supplemental nutritional assistance program (SNAP). The Organization was not informed that the FSET funds were federal funds until August 2019.

Criteria: SNAP funds require a 50% match of non-federal funds.

Context: Federal funds received under the FSET program from DSS were used on all monthly reports from July 2018 through June 2019 as matching funds.

Cause: Prior to the Organization offering the program, the Organization's prior executive director and program director had meetings with representatives from the Maryland Department of Human Services (DHS) and DHS workforce development team including discussions related to the matching funds requirement. Throughout the entire process, they were told that local DSS money would be state funds and were eligible to match the SNAP funds. With this understanding, the program application including the proposed budget for multiple years, which specifically listed local DSS funds as match dollars, was approved.

Effect: Since the Organization does not have other available funds to use towards the match, the ineligible matching funds of \$24,411 should be returned to the Maryland Department of Human Services.

Recommendation: Management should contact the Maryland Department of Human Services and determine how the funds should be returned since other funds are not available for replacement of the matching funds. If there are periods where other eligible matching funds can be determined, we recommend that the reports be amended to reflect a non-federal matching funding source. Going forward the Organization needs to identify eligible matching funds, or discontinue offering the program.

Views of Responsible Officials and Planned Corrective Actions: As soon as management was informed that the local DSS funds were federal, they contacted the director of workforce development with the Maryland Department of Human Services to discuss the situation, and requested unsuccessfully that they speak directly with someone in the fiscal department. The State has already closed out the grants through July 2019 and does not want the funds returned. Even through the State recommended that the Organization keep the funds, the Organization returned the funds in November 2019 since they inadvertently did not satisfy the matching requirement.

**HUMAN SERVICES PROGRAMS OF CARROLL COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

None



Human Services Programs
of Carroll County, Inc.

10 Distillery Drive, Westminster, MD 21157

P. O. Box 489, Westminster, MD 21158

www.hspinc.org

410-857-2999

(F) 410-857-8793

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 8, 2020

U.S. Department of Housing and Urban Development

Human Services Programs of Carroll County, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Name and address of independent accounting firm:

Brown Shultz Sheridan & Fritz
205 E Main Street
Westminster, MD 21157

Please see below for the findings noted in the audit for the year ended June 30, 2018.

If you require additional information or have concerns, please contact Scott Yard, Executive Director (410-386-6657 or email: syard@hspinc.org).

Sincerely,

Scott Yard
Executive Director

PRIOR YEAR FINDINGS

Finding number 2018-001 and 2018-003

Department of Health and Human Services
93.568 Low-Income Home Energy Assistance

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

Current Status: A schedule of grant due dates was created and is followed by the Grant Reporting Specialist. The schedule is periodically reviewed by the Deputy Executive Director for internal compliance.

Finding number 2018-002 and 2018-004

Department of Health and Human Services
93.568 Low-Income Home Energy Assistance

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

Current Status: The check signer reviews the supporting documentation to assure all internal approvals are in place.



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CORRECTIVE ACTION PLAN

January 15, 2020

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, 2019.

Name and address of independent public accounting firm:

Brown Schultz Sheridan & Fritz
205 East Main Street
Westminster, MD 21157

Audit period: For the year ended June 30, 2019

The finding from the June 30, 2019 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001 - Significant Deficiency; Noncompliance

Recommendation: Management should contact the Maryland Department of Human Services and determine how the funds should be returned since other funds are not available for replacement of the matching funds. If there are periods where other eligible matching funds can be determined, we recommend that the reports be amended to reflect a non-federal matching funding source. Going forward the Organization needs to identify eligible matching funds, or discontinue offering the program.

Action Taken: HSP changed its policy by assigning to the Grant Reporting Specialist the responsibility to confirm with the grantor the breakdown of federal vs state funding for all contracts.

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

None

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,

A handwritten signature in blue ink, appearing to be 'S. Yard', written over the printed name.

Scott Yard
Executive Director