

JUBILEE ASSOCIATION OF MARYLAND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019

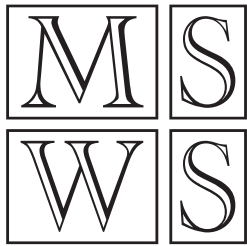


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 22



MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jubilee Association of Maryland, Inc.
Kensington, Maryland

We have audited the accompanying financial statements of Jubilee Association of Maryland, Inc. (a non-profit Organization), 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.

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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

To the Board of Directors of
Jubilee Association of Maryland, Inc.

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 Jubilee Association of Maryland, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jubilee Association of Maryland, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 7, 2019

Jubilee Association of Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS		2019	2018
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,417,392	\$ 823,399
Investments		603,117	445,339
Accounts receivable, funding agencies		396,923	456,802
Accounts receivable, other		130,651	364,212
Prepaid expenses		35,489	27,337
Total current assets		2,583,572	2,117,089
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		3,828,578	3,831,309
OTHER ASSETS			
Restricted deposits - reserve for replacements		33,335	27,562
Deposits and escrows		55,660	60,496
Total other assets		88,995	88,058
Total assets		\$ 6,501,145	\$ 6,036,456
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 115,773	\$ 125,253
Deferred compensation		10,000	10,000
Accrued salaries and related liabilities		383,310	291,247
Accrued vacation		378,777	336,386
Client escrow		228,386	130,896
Due to State of Maryland		146,908	388,913
Funds held for others		29,299	32,479
Mortgages payable		112,108	107,460
Total current liabilities		1,404,561	1,422,634
LONG-TERM LIABILITIES			
Deferred compensation		99,698	110,533
Mortgages payable, net of loan origination fees		413,447	524,151
Participation liability		97,876	96,177
Total long-term liabilities		611,021	730,861
Total liabilities		2,015,582	2,153,495
NET ASSETS			
Without donor restrictions			
Undesignated		3,658,915	3,234,634
Board designated		317,945	194,945
Total net assets without donor restrictions		3,976,860	3,429,579
With donor restrictions		508,703	453,382
Total net assets		4,485,563	3,882,961
Total liabilities and net assets		\$ 6,501,145	\$ 6,036,456

The accompanying notes are an integral part of these financial statements.

Jubilee Association of Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
With Summarized Financial Information for the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUES, GAINS AND OTHER SUPPORT				
State of Maryland - program fees and grants	\$ 9,930,729	\$ -	\$ 9,930,729	\$ 9,440,206
Montgomery County - program fees and grants	1,139,781	92,813	1,232,594	900,141
Consumer program fees	368,032	-	368,032	388,727
Contributions and grants	292,111	-	292,111	314,228
Management fees	128,580	-	128,580	109,296
Other income	52,034	-	52,034	51,128
Investment income, net	57,716	-	57,716	29,289
Loss on sale of equipment	(2,819)	-	(2,819)	-
	<u>11,966,164</u>	<u>92,813</u>	<u>12,058,977</u>	<u>11,233,015</u>
Net assets released from restrictions	<u>37,492</u>	<u>(37,492)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>12,003,656</u>	<u>55,321</u>	<u>12,058,977</u>	<u>11,233,015</u>
EXPENSES				
Program services				
Residential	4,223,829	-	4,223,829	4,113,388
Personal supports	5,314,950	-	5,314,950	4,777,358
Other services	220,272	-	220,272	191,497
State support services	-	-	-	8,984
Total program services	<u>9,759,051</u>	<u>-</u>	<u>9,759,051</u>	<u>9,091,227</u>
Supporting services				
Management and general	1,602,782	-	1,602,782	1,433,219
Fundraising	94,542	-	94,542	73,338
Total supporting services	<u>1,697,324</u>	<u>-</u>	<u>1,697,324</u>	<u>1,506,557</u>
Total expenses	<u>11,456,375</u>	<u>-</u>	<u>11,456,375</u>	<u>10,597,784</u>
Change in net assets	547,281	55,321	602,602	635,231
NET ASSETS AT BEGINNING OF YEAR	<u>3,429,579</u>	<u>453,382</u>	<u>3,882,961</u>	<u>3,247,730</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,976,860</u>	<u>\$ 508,703</u>	<u>\$ 4,485,563</u>	<u>\$ 3,882,961</u>

The accompanying notes are an integral part of these financial statements.

Jubilee Association of Maryland, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
With Summarized Financial Information for the Year Ended June 30, 2018

	Program Services			Supporting Services		Total		
	Residential	Personal Supports	Other Services	Total Program Services	Management and General	Fundraising	2019	2018
Salaries	\$ 2,751,353	\$ 3,983,396	\$ 155,367	\$ 6,890,116	\$ 997,930	\$ 70,655	\$ 7,958,701	\$ 7,274,179
Employee benefits	318,779	419,752	10,832	749,363	107,582	2,703	859,648	860,927
Payroll taxes	211,698	308,905	11,493	532,096	71,746	5,053	608,895	554,011
Total salaries and related expenses	3,281,830	4,712,053	177,692	8,171,575	1,177,258	78,411	9,427,244	8,689,117
Depreciation	188,166	71,860	729	260,755	62,726	6,000	329,481	301,729
Travel	78,409	124,697	1,373	204,479	21,792	-	226,271	202,623
Food and household supplies	135,991	25,665	1,115	162,771	2,002	-	164,773	163,186
Insurance	70,257	73,351	95	143,703	18,965	1,000	163,668	149,983
Computer services	46,672	60,534	1,081	108,287	47,299	-	155,586	193,991
Repairs and maintenance	86,989	42,844	628	130,461	18,438	1,000	149,899	136,034
Utilities	95,429	18,783	541	114,753	10,721	1,000	126,474	120,840
Professional fees	5,452	9,751	9,983	25,186	79,621	-	104,807	96,300
Telephone	44,680	40,236	709	85,625	12,560	1,000	99,185	80,434
Rent	73,276	-	-	73,276	3,811	-	77,087	82,059
Staff training	27,622	9,653	53	37,328	26,532	3,260	67,120	47,119
Program activities and supplies	17,577	36,111	9,311	62,999	852	850	64,701	69,518
Postage and printing	7,444	9,446	169	17,059	37,926	-	54,985	51,069
Small furniture and equipment	18,678	13,595	239	32,512	20,939	-	53,451	21,378
Client rent subsidy	-	39,415	-	39,415	-	-	39,415	41,787
Interest	22,997	3,307	59	26,363	3,477	-	29,840	33,640
Bad debts	-	-	16,232	16,232	12,777	-	29,009	3,065
Office supplies	6,209	8,061	144	14,414	10,208	1,021	25,643	21,579
Dues and subscriptions	-	-	-	-	16,592	1,000	17,592	17,432
Miscellaneous expenses	5,084	7,863	112	13,059	3,688	-	16,747	24,058
Real estate taxes	3,662	3,811	-	7,473	-	-	7,473	7,415
Purchase of services	4,766	2,578	-	7,344	-	-	7,344	15,084
Recruiting	-	315	-	315	4,579	-	4,894	9,346
Contributions	-	-	-	-	3,939	-	3,939	1,525
Licensing expense	2,639	1,021	7	3,667	200	-	3,867	4,099
Bank charges	-	-	-	-	3,455	-	3,455	3,190
Board expenses	-	-	-	-	2,425	-	2,425	10,184
Total expenses	\$ 4,223,829	\$ 5,314,950	\$ 220,272	\$ 9,759,051	\$ 1,602,782	\$ 94,542	\$ 11,456,375	\$ 10,597,784

The accompanying notes are an integral part of these financial statements.

Jubilee Association of Maryland, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 602,602	\$ 635,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	329,481	301,729
Loss on sale/disposal of equipment	2,819	-
Amortization of premium for debt issuance costs	2,000	2,001
Amortization of loan discount	1,541	1,165
Unrealized/realized gain on investments	(14,366)	(3,849)
(Increase) decrease in operating assets:		
Accounts receivable, funding agencies	59,879	128,118
Accounts receivable, other	233,561	(271,515)
Prepaid expenses	(8,152)	21,452
Deposits and escrows	(937)	(1,047)
Increase (decrease) in operating liabilities:		
Accounts payable	(9,480)	24,670
Deferred compensation	(10,835)	149
Accrued salaries and related liabilities	92,063	23,139
Accrued vacation	42,391	50,103
Client escrow	97,490	(6,236)
Funds held for others	(3,180)	32,154
Due to State of Maryland	(242,005)	(112,823)
	<u>1,174,872</u>	<u>824,441</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(329,570)	(517,748)
Purchase of investments	(146,554)	(31,854)
Proceeds from sale of investments	3,143	18,921
	<u>(472,981)</u>	<u>(530,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(107,898)	(103,598)
	<u>593,993</u>	<u>190,162</u>
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of year	823,399	633,237
Cash and cash equivalents at end of year	<u>\$ 1,417,392</u>	<u>\$ 823,399</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 26,299</u>	<u>\$ 30,474</u>

The accompanying notes are an integral part of these financial statements.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

Jubilee Association of Maryland, Inc. (the Association) was formed to provide community-based residential services for individuals with developmental disabilities. The majority of the Association's funding is provided by the State of Maryland Department of Health and Montgomery County.

Basis of Accounting

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purpose of the statement of cash flows, except for funds held by investment managers, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Cont.)

Property and Equipment

Property and equipment acquisitions over \$1,000 are capitalized and carried at cost. Depreciation is expensed over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all non-profit Organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated based on asset usage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Other functional expenses are either charged directly to program services as incurred or allocated based on usage.

Investments

Investments consist of money market and mutual funds that are held by an investment broker and are presented in the financial statements at quoted fair values. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Cont.)

Accounts Receivable

Accounts receivable consists of program fees and grants due from funding agencies and consumers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Association provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on management's assessment of the current status of individual accounts. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The balance of the allowance for doubtful accounts related to all accounts receivable both from funding agencies and other was \$-0- at June 30, 2019 and 2018.

Advertising

The Association expenses advertising costs as incurred. Advertising expenses were \$744 and \$930 for the years ended June 30, 2019 and 2018, respectively and are included in recruiting on the statement of functional expenses.

Income Tax Status

The Association is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes, as the Association has had no significant unrelated business income.

Income Tax Position

The Association follows the guidance of *ASC 740-10, "Accounting for Uncertainty in Income Taxes"* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit Organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Association's financial statements.

The Association analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c)(3) to qualify as a tax exempt organization, activities performed by volunteers and Board Members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Association does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Association's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2016 remain subject to examination by Federal and State authorities.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Cont.)

Reclassifications

Certain reclassifications of prior year balances were made to conform to current year presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017, and accordingly the Association has adjusted the presentation of these statements. *ASU 2016-14* has been applied retrospectively to all periods presented. As a result of the implementation of *ASU 2016-14*, net assets have been reclassified in the accompanying financial statements as follows as of the beginning of the year ended June 30, 2018:

Net Asset Classification	Prior to the Adoption of ASU 2016-14	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,581,683	\$ -
Unrestricted net assets - Board designated	194,945	-
Temporarily restricted net assets	471,102	-
Net assets without donor restrictions	-	2,581,683
Net assets without donor restrictions - Board designated	-	194,945
Net assets with donor restrictions	-	471,102
Total net assets as of July 1, 2017	\$ 3,247,730	\$ 3,247,730

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 2 - Availability and Liquidity

The following represents the Association's financial assets at June 30:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 1,417,392	\$ 823,399
Investments	603,117	445,339
Accounts receivable, funding agencies	396,923	456,802
Accounts receivable, other	130,651	364,212
Total financial assets	2,548,083	2,089,752
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 508,703	\$ 453,382
Board designated funds	317,945	194,945
Total amounts not available to be used within one year	826,648	648,327
Financial assets available to meet general expenditures over next twelve months	\$ 1,721,435	\$ 1,441,425

The Organization's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$2,870,000). Monthly average recurring costs are calculated by dividing total operating expenses for the year by twelve months.

In addition to the financial assets available to meet general expenditures over the next twelve months listed above, the Organization also has a \$1,000,000 line of credit available (see Note 9) and a Board designated reserve fund available (upon Board committee approval, see Note 19) to meet cash flow needs (if needed).

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 3 - Concentration of Cash Balances

At June 30, 2019 and 2018, and at various times during the fiscal years then ended, the Association maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts held in excess of FDIC insurance coverage as of June 30, 2019 and 2018 was approximately \$1,194,000 and \$704,000 respectively.

Note 4 - Investments

Fair values and unrealized appreciation are summarized as follows for the years ending June 30:

	2019		
	Cost	Fair Market Value	Unrealized Gain
Cash and money market funds	\$ 2,509	\$ 2,509	\$ -
Mutual funds	405,346	600,608	195,262
Total investments	\$ 407,855	\$ 603,117	\$ 195,262
	2018		
	Cost	Fair Market Value	Unrealized Gain
Cash and money market funds	\$ 1,038	\$ 1,038	\$ -
Mutual funds	406,817	444,301	37,484
Total investments	\$ 407,855	\$ 445,339	\$ 37,484

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 5 - Fair Value Measurement

ASC 820-10 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under *FASB ASC820* are as described as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money Market Funds

A money market fund is valued at original cost, which equals fair value, it is a mutual fund that invests solely in cash and cash equivalent securities, which are also called money market instruments. These vehicles are very liquid short-term investments with high credit quality.

Mutual Funds

A mutual fund is valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 5 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	\$ 2,509	\$ -	\$ -	\$ 2,509
Mutual funds:				
Fixed income funds	262,108	-	-	262,108
Growth funds	119,869	-	-	119,869
International funds	44,241	-	-	44,241
Other funds	107,755	-	-	107,755
Value funds	66,635	-	-	66,635
Total mutual funds	<u>600,608</u>	<u>-</u>	<u>-</u>	<u>600,608</u>
Total investments	<u>\$ 603,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,117</u>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	\$ 1,038	\$ -	\$ -	\$ 1,038
Mutual funds:				
Fixed income funds	190,567	-	-	190,567
Growth funds	87,667	-	-	87,667
International funds	81,308	-	-	81,308
Other funds	53,033	-	-	53,033
Value funds	31,726	-	-	31,726
Total mutual funds	<u>444,301</u>	<u>-</u>	<u>-</u>	<u>444,301</u>
Total investments	<u>\$ 445,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,339</u>

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Life	2019	2018
Land	--	\$ 1,058,522	\$ 1,058,522
Buildings	25 years	2,617,833	2,617,833
Building and leasehold improvements	5 - 37 years	3,119,144	2,603,540
Building improvements in progress	--	4,674	-
Vehicles	5 years	916,880	820,338
Furniture and equipment	3 - 15 years	730,891	672,042
Construction in progress	--	-	478,745
		8,447,944	8,251,020
Less accumulated depreciation		<u>(4,619,366)</u>	<u>(4,419,711)</u>
		<u>\$ 3,828,578</u>	<u>\$ 3,831,309</u>

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$329,481 and \$301,729, respectively.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 7 - Mortgages Payable

Mortgages payable consisted of the following at June 30:

Property Mortgaged	Lender	Date	Term	Face Amount	Monthly Payment	Interest Rate	2019	2018	
Montgomery Avenue	BB & T	Nov-12	10 yrs	\$ 442,123	\$ 4,478	3.95%	\$ 158,956	\$ 205,301	
Scott Drive/Greenspan/Horton	BB & T	Nov-12	10 yrs	219,068	2,219	3.95%	84,179	106,931	
Snowdrop	AmeriNat*	Jun-99	30 yrs	192,600	892	3.75%	88,739	95,928	
Landgreen	AmeriNat*	Aug-99	30 yrs	176,874	1,027	4.50%	87,231	93,870	
Camellia	AmeriNat*	Jun-98	30 yrs	174,000	970	4.00%	73,783	80,632	
Cannon	AmeriNat*	Feb-93	30 yrs	148,651	1,051	7.00%	37,183	46,020	
Eaglewood	AmeriNat*	Jan-91	30 yrs	144,000	730	4.50%	17,914	25,668	
Cannon	AmeriNat*	Feb-93	30 yrs	37,733	139	2.00%	6,178	7,712	
							Total	554,163	662,062
							Less debt issuance costs	(6,846)	(8,847)
							Less current maturities	(112,108)	(107,460)
							Less loan discount	(21,762)	(21,604)
							Total mortgages payable long term	<u>\$ 413,447</u>	<u>\$ 524,151</u>

* Properties have equity participation assessments with MCPA rates.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 7 - Mortgages Payable (Cont.)

In November 2012, the Association refinanced four mortgages. Total costs associated with the refinancing amounted to \$20,018. The loan origination fees are amortized over the life of the mortgages (10 years) using the straight line method. Amortization expense for the years ended June 30, 2019 and 2018 amounted to \$2,001, and is included in interest expense.

Interest expense for the years ended June 30, 2019 and 2018 was \$29,840 and \$33,640, respectively.

Future maturities of mortgages payable are as follows:

<u>Years Ended June 30</u>	
2020	\$ 112,108
2021	116,967
2022	114,368
2023	52,634
2024	25,380
Thereafter	<u>132,706</u>
	<u>\$ 554,163</u>

Note 8 - Equity Participation Agreement with Maryland Community Development Administration

The Association has entered into certain participation mortgage loans with the Maryland Department of Housing and Community Development (DHCD) under the Group Home Financing Program. These loans totaled \$304,850 and \$342,118, as of June 30, 2019 and 2018, respectively. These arrangements entitle DHCD to 50% of the appreciation, as defined in the agreement, upon sale, refinancing, or transfer of the related property; upon ceasing use of the related property for its stated purpose; or default or maturity of the related note. At June 30, 2019 and 2018, the Association has recorded a participation liability of \$97,876 and \$96,177, respectively, and a related mortgage loan discount of \$21,762 and \$21,604, respectively, in connection with these arrangements.

The Association accounts for the liability in accordance with the *ASC 470-30* which requires recording a participation liability and an offsetting loan discount, upon execution of the agreement, equal to the present value of the estimated participation liability at maturity. The loan discount is amortized as interest expense over the term of the loan. The estimated participation is calculated using the appraised values of the properties.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 9 - Line of Credit

In November 2012, the Association obtained a \$500,000 line of credit, secured by general assets of the Association. In November 2018, the line of credit was extended to \$1,000,000. The line of credit bears interest at the bank's prime rate plus .25%. Accrued interest is payable monthly and outstanding principle is due in full at maturity on February 28, 2020. Management has historically renewed this annually. There were no amounts outstanding on the line of credit at June 30, 2019 and 2018.

Among other restrictions, the loan and line of credit agreement list a financial covenant, which must be maintained by the Association. This covenant requires the Association to maintain a cash flow coverage ratio of 1.10 times debt service. The cash flow coverage ratio equates to the change in net assets plus depreciation, amortization, and interest, to the sum of the required principal payments based on the prior year's current maturities and interest.

Note 10 - Accrued Vacation

The Association grants vacation leave based on a combination of time worked and years of service. Employees are permitted to carry over a maximum of three weeks from one calendar year to the next. The liability for compensated absences at June 30, 2019 and 2018 was \$378,777 and \$336,386, respectively.

Note 11 - Program Fees and Grants

Program service fees and grant revenue from the State of Maryland Department of Health were as follows for the years ended June 30:

	2019	2018
Personal supports	\$ 5,819,566	\$ 5,171,693
Residential	4,111,163	4,059,529
Renovation grant	-	200,000
Individual support services	-	8,984
	\$ 9,930,729	\$ 9,440,206

Program service fees and grant revenue from Montgomery County were as follows for the years ended June 30:

	2019	2018
Supplement	\$ 1,141,443	\$ 900,141
Renovation grants	91,151	-
	\$ 1,232,594	\$ 900,141

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 11 - Program Fees and Grants (Cont.)

Program service fees from consumers were as follows for the years ended June 30:

	2019	2018
Room and board fees	\$ 202,592	\$ 205,875
Private pay fees	92,848	103,597
Residential consumer fees	72,592	79,255
	\$ 368,032	\$ 388,727

Note 12 - Significant Funding Source

The Association receives a majority of its total revenues through the State of Maryland's Department of Health. The Association is highly dependent upon government funding to continue its operations.

Note 13 - Contingencies

The Association receives a substantial portion of its revenue from government grants and contracts, all of which are subject to audit by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. The Association is of the opinion that no significant liability will result from audit adjustments, if any.

Note 14 - Donated Materials

During the years ended June 30, 2019 and 2018, the Association received \$75,311 and \$107,697, respectively, of donated materials to be used towards software for operations and household/personal items for clients. Donated materials are recognized in contribution revenue on the statement of activities.

Note 15 - Retirement Plans

The Association has a 401(a) defined contribution pension plan through Mennonite Retirement Trust, which covers eligible employees after three years of service. The Association contributes 4% of eligible compensation. Participants are fully vested in employer and employee contributions in the event of withdrawal from the Plan.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 15 - Retirement Plans (Cont.)

The Association also has a 403(b) salary reduction pension plan through Mennonite Retirement Trust. The Association matches employee contributions up to 2% of gross wages for full-time direct care staff who have completed one year of service. In addition, the Association contributed 1% of gross wages for all full-time employees who have completed one year of service. For the years ended June 30, 2019 and 2018, the Association's contributions to the Plans were \$171,710 and \$155,024, respectively.

The Association has entered into an agreement with the Former Executive Director to establish a non-qualified deferred compensation plan. Effective January 1, 1990 and for each calendar year in which the Director was employed by the Association, the Association contributed \$1,327 toward the purchase of an annuity policy which enables the Association to provide certain benefits to the Director. The Association is the beneficiary of the policy. During the fiscal year ending June 30, 2017 the Director had remained continuously employed by the Association, attained age 65, and became entitled to receive \$10,000 from the Association annually during the next 15 years. At year end June 30, 2019 and 2018 the present value of the remaining payments due the Director is \$109,698 and \$120,533, respectively.

Note 16 - Self-Insured Health Plan

The Association entered into a self-insured health plan for their employees on April 1, 2013. The Association contracts with a provider to procure medical care and the provider invoices the Association for claims filed. The self-insured plan has secondary coverage to cover cost over \$25,000 per individual per Plan year, and also an aggregate limit on all costs, which is approximately 125% of expected costs. The self-insured premiums expensed by the Association for the years ended June 30, 2019 and 2018 were \$387,224 and \$355,484, respectively. The medical claims expensed by the Association for the years ended June 30, 2019 and 2018 were \$86,354 and \$120,512 respectively.

Note 17 - Operating Leases

The Association leases various residential homes under operating lease agreements, many of which are month-to-month leases.

Future minimum lease payments required under these leases are as follows for future years ending June 30:

2020	\$	64,200
2021		<u>65,400</u>
	\$	<u><u>129,600</u></u>

Rental expense of the Association and client subsidy rent for the years ended June 30, 2019 and 2018 was \$116,502 and \$123,846, respectively.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2019

Note 18 - Related Party Transactions

Jubilee Foundation, Inc. was formed to support Jubilee Association of Maryland, Inc. by, but not limited to, soliciting contributions, publicizing the work of the Association, granting funds to the Association, and acquiring and owning property for the benefit of the Association. Contributions provided by the Foundation to the Association for the years ended June 30, 2019 and 2018 amounted to \$200,000 and \$168,531, respectively.

The Association and the Foundation share common facilities, staff and other costs which are paid by the Association. The Association established a management contract with the Foundation for these services, which are billed monthly with any direct costs incurred by the Association. Management fees for the years ended June 30, 2019 and 2018 amounted to \$128,580 and \$109,296 respectively. Management expenses have not been offset against management income in the statement of activities.

As of June 30, 2019 amounts due to the Foundation which are included in accounts payable totaled \$3,284. As of June 30, 2018 amounts due from the Foundation which are included in accounts receivable totaled \$199.

Note 19 - Board Designated Net Assets Without Donor Restrictions

The Board of Directors has designated funds for the following purposes as of June 30:

	2019	2018
Health insurance reserve	\$ 173,000	\$ 50,000
Working capital fund	90,000	90,000
Long-term capital reserves	54,945	54,945
	\$ 317,945	\$ 194,945

Note 20 - Net Assets With Donor Restrictions

The following summarizes net assets with donor restrictions as of June 30:

	2019	2018
State of Maryland capital grants	\$ 350,000	\$ 350,000
Montgomery County renovations grants	122,556	31,405
Model housing program	32,260	49,752
Longevity incentives program	3,887	2,225
Vehicle grant	-	20,000
	\$ 508,703	\$ 453,382

June 30, 2019

Note 20 - Net Assets With Donor Restrictions (Cont.)

State of Maryland capital grants relate to funding received for the acquisition and renovation of the Montgomery Avenue building. If the property is not used for the purpose disclosed in the grant agreements, or if the property is sold or transferred to an unapproved party, the Association is required to return a portion of the grant proceeds to the State of Maryland.

Montgomery County renovation grants relate to funding received for building improvements from Montgomery County's Group Home Rehabilitation Program. A requirement of this program is for the Association to utilize the improved residences as group homes for varying periods from three to seven years. The possibility of not operating the improved residences as group homes for the specified periods is considered by the Association to be remote, however, in the event that the Association does not adhere to these restrictions they are required to repay these funds in full.

Note 21 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. There have been no subsequent events through October 7, 2019, the date the financial statements were available to be issued, that require recognition or disclosure.