

**THE JUBILEE ASSOCIATION OF MARYLAND, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**



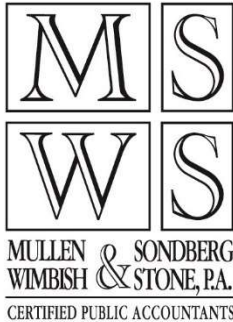
**MULLEN SONDBERG WIMBISH & STONE, PA**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Jubilee Association of Maryland, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **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.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jubilee Association of Maryland, Inc. as of June 30, 2021, 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.

## **Report on Summarized Comparative Information**

We have previously audited The Jubilee Association of Maryland, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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  
December 8, 2021

The Jubilee Association of Maryland, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2021

ASSETS		2021	2020
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 9,106,049	\$ 3,835,343
Investments		752,634	622,250
Accounts receivable, funding agencies		3,261,856	682,323
Accounts receivable, other		11,275	15,358
Prepaid expenses		68,972	68,006
Total current assets		13,200,786	5,223,280
<b>PROPERTY AND EQUIPMENT</b>			
Net of accumulated depreciation		3,365,374	3,559,143
<b>OTHER ASSETS</b>			
Restricted deposits - reserve for replacements		39,825	36,580
Deposits and escrows		275,771	53,533
Total other assets		315,596	90,113
Total assets		\$ 16,881,756	\$ 8,872,536
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 131,934	\$ 112,115
Deferred compensation		10,000	10,000
Accrued salaries and related liabilities		693,935	567,834
Accrued leave		672,697	283,754
Deferred revenue		55,370	90,867
Client escrow		231,279	233,663
Due to State of Maryland		4,724,052	36,806
Funds held for others		-	32,037
Mortgages payable		114,501	116,967
Total current liabilities		6,633,768	1,484,043
<b>LONG-TERM LIABILITIES</b>			
Deferred compensation		94,078	96,841
Mortgages payable, net of loan origination fees		181,966	290,180
Participation liability		104,805	97,060
Paycheck Protection Program loan program		1,980,378	1,960,770
Total long-term liabilities		2,361,227	2,444,851
Total liabilities		8,994,995	3,928,894
<b>NET ASSETS</b>			
Without donor restrictions			
Undesignated		7,073,920	4,088,109
Board-designated		317,945	317,945
Total net assets without donor restrictions		7,391,865	4,406,054
With donor restrictions		494,896	537,588
Total net assets		7,886,761	4,943,642
Total liabilities and net assets		\$ 16,881,756	\$ 8,872,536

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

The Jubilee Association of Maryland, Inc.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021  
With Summarized Financial Information for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
State of Maryland - program service fees	\$ 16,771,030	\$ -	\$ 16,771,030	\$ 11,304,641
Montgomery County - program service fees	1,227,569	-	1,227,569	1,141,451
Contributions and grants	862,291	-	862,291	233,482
Other income	324,364	-	324,364	81,617
Consumer program fees	318,592	-	318,592	455,206
Investment income, net	139,215	-	139,215	46,488
Management fees	24,480	-	24,480	24,000
Gain on sale of equipment	12,540	-	12,540	-
	<u>19,680,081</u>	<u>-</u>	<u>19,680,081</u>	<u>13,286,885</u>
Net assets released from restrictions	<u>42,692</u>	<u>(42,692)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	19,722,773	(42,692)	19,680,081	13,286,885
<b>EXPENSES</b>				
Program services				
Residential	6,302,274	-	6,302,274	4,500,786
Personal supports	8,020,694	-	8,020,694	6,375,967
Other services	141,091	-	141,091	207,744
Total program services	<u>14,464,059</u>	<u>-</u>	<u>14,464,059</u>	<u>11,084,497</u>
Supporting services				
Management and general	2,078,781	-	2,078,781	1,604,079
Fundraising	194,122	-	194,122	140,230
Total supporting services	<u>2,272,903</u>	<u>-</u>	<u>2,272,903</u>	<u>1,744,309</u>
Total expenses	<u>16,736,962</u>	<u>-</u>	<u>16,736,962</u>	<u>12,828,806</u>
Change in net assets	2,985,811	(42,692)	2,943,119	458,079
NET ASSETS AT BEGINNING OF YEAR	<u>4,406,054</u>	<u>537,588</u>	<u>4,943,642</u>	<u>4,485,563</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,391,865</u>	<u>\$ 494,896</u>	<u>\$ 7,886,761</u>	<u>\$ 4,943,642</u>

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

The Jubilee Association of Maryland, Inc.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2021  
With Summarized Financial Information for the Year Ended June 30, 2020

	Program Services			Supporting Services		Total		
	Residential	Personal Supports	Other Services	Total Program Services	Management and General	Fundraising	2021	2020
Salaries	\$ 4,758,486	\$ 6,498,113	\$ 122,947	\$ 11,379,546	\$ 1,225,101	\$ 154,907	\$ 12,759,554	\$ 9,227,786
Employee benefits	366,224	504,732	1,058	872,014	160,948	1,779	1,034,741	938,008
Payroll taxes	347,322	466,233	6,531	820,086	87,651	11,634	919,371	702,373
Total salaries and related expenses	5,472,032	7,469,078	130,536	13,071,646	1,473,700	168,320	14,713,666	10,868,167
Depreciation	146,992	56,458	-	203,450	92,020	-	295,470	339,581
Computer services	56,038	77,386	-	133,424	145,072	5,718	284,214	229,571
Insurance	72,431	103,491	-	175,922	31,010	-	206,932	180,782
Food and household supplies	134,798	26,155	-	160,953	1,000	-	161,953	173,247
Professional fees	-	-	10,480	10,480	126,171	19,300	155,951	108,254
Repairs and maintenance	79,127	40,938	-	120,065	21,255	-	141,320	142,542
Utilities	91,295	17,142	-	108,437	10,077	-	118,514	118,704
Travel	42,832	70,684	-	113,516	1,013	-	114,529	135,485
Telephone	34,183	32,788	-	66,971	18,516	-	85,487	95,398
Small furniture and equipment	27,256	29,965	-	57,221	19,227	-	76,448	44,173
Rent	70,551	-	-	70,551	3,954	-	74,505	77,331
Staff training	25,086	29,811	-	54,897	13,374	49	68,320	58,056
Miscellaneous expenses	612	881	-	1,493	51,328	-	52,821	8,498
Postage and printing	10,868	15,008	-	25,876	15,027	-	40,903	55,402
Client rent subsidy	-	35,959	-	35,959	-	-	35,959	44,004
Dues and subscriptions	-	-	-	-	23,208	425	23,633	19,051
Office supplies	2,570	3,549	-	6,119	7,866	-	13,985	21,961
Interest	27,296	1,625	-	28,921	2,702	-	31,623	15,270
Advertising and recruiting	-	-	-	-	10,879	310	11,189	13,907
Real estate taxes	3,903	3,903	-	7,806	-	-	7,806	7,602
Program activities and supplies	3,146	4,422	75	7,643	105	-	7,748	36,883
Bank charges	-	-	-	-	7,367	-	7,367	3,928
Licensing expense	1,129	1,274	-	2,403	759	-	3,162	1,669
Board expenses	-	-	-	-	2,346	-	2,346	3,251
Bad debts	129	177	-	306	805	-	1,111	20,591
Contributions	-	-	-	-	-	-	-	3,128
Purchase of services	-	-	-	-	-	-	-	2,370
Total expenses	\$ 6,302,274	\$ 8,020,694	\$ 141,091	\$ 14,464,059	\$ 2,078,781	\$ 194,122	\$ 16,736,962	\$ 12,828,806

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

The Jubilee Association of Maryland, Inc.  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,943,119	\$ 458,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	295,470	339,581
Gain on disposal of equipment	(12,540)	-
Amortization of premium for debt issuance costs	2,000	2,000
Amortization of loan discount	12,540	6,862
Unrealized/realized (gain) loss on investments	(106,842)	374
(Increase) decrease in operating assets:		
Accounts receivable, funding agencies	(2,579,533)	(285,400)
Accounts receivable, other	4,083	118,577
Prepaid expenses	(966)	(32,517)
Deposits and escrows	(225,483)	(1,118)
Increase (decrease) in operating liabilities:		
Accounts payable	19,819	(6,942)
Deferred compensation	(2,763)	(2,857)
Deferred revenue	(35,497)	90,867
Accrued salaries and related liabilities	126,101	184,524
Accrued leave	388,943	(95,023)
Client escrow	(2,384)	5,277
Funds held for others	(32,037)	2,738
Due to State of Maryland	4,687,246	(110,102)
	5,481,276	674,920
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(101,700)	(70,146)
Proceeds from sale of property and equipment	12,540	-
Purchase of investments	(26,958)	(22,934)
Proceeds from sale of investments	3,416	3,427
	(112,702)	(89,653)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(117,476)	(128,086)
Proceeds from Paycheck Protection Program loan	19,608	1,960,770
	(97,868)	1,832,684
Net change in cash and cash equivalents	5,270,706	2,417,951
Cash and cash equivalents at beginning of year	3,835,343	1,417,392
Cash and cash equivalents at end of year	\$ 9,106,049	\$ 3,835,343
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 17,083	\$ 6,408

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



The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

The 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.

Classification of Net Assets

The financial statement presentation follows the recommendations of *ASC 958-205, Not-for-Profit Entities: Presentation of Financial Statements*. Under *ASC 958-205*, the Association is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

*Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some other donor restrictions are temporary in nature: those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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, 2020, from which the summarized information was derived.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

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

Revenue Recognition – Contributions and Grants

Contributions are reported as revenue in the year received and/or when the unconditional promises are made. The Association reports gifts of cash and other assets as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, including donor-restricted conditional contributions, whose restrictions (and conditions, if applicable) are met in the same year are reported as support without donor restrictions.

Promises to give with a measurable performance or other barrier and a right of return are considered conditional promises to give and are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended June 30, 2021 and 2020.

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on the expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Association has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as deferred revenue in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without donor restrictions.

Revenue Recognition – Program Service and Consumer Program Fees

The Association offers several levels of services for individuals with developmental disabilities. These services are funded primarily by the Developmental Disabilities Administration of the State of Maryland Department of Health (DDA). Program service fees for DDA programs are reported at the amount that reflects the consideration to which the Association expects to be entitled to in exchange for providing services. Changes in the valuation of the consideration to which the Association expects to be entitled to in exchange for providing services are recognized in the period in which the changes are determined. Program service fees are recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a daily or hourly basis, as prescribed by DDA program regulations. Revenue is recorded based on daily or hourly reimbursement rates established and approved by DDA.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

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

Revenue Recognition – Program Service and Consumer Program Fees (Cont.)

The Association receives advance payments from DDA on a quarterly basis, which are subsequently reconciled to actual amounts earned. Any amounts due to or from DDA upon reconciliation are adjusted by an increase or decrease in future quarterly advances. During the year ending June 30, 2021, DDA converted the personal support program from the advance payment method to a reimbursement method. During 2020, DDA created a new service type, supported living, which was mainly to support select consumers who were previously funded under personal supports. As such, revenue under the personal support and supported living programs are now reimbursed by DDA approximately 2 to 4 weeks after billing.

Program service fees recognized for DDA programs for the years ending June 30, 2021 and 2020 are as follows:

<u>Service Type:</u>	<u>Measurement Period for Performance Obligations</u>	<u>Revenue Recognized June 30, 2021</u>	<u>Revenue Recognized June 30, 2020</u>
Supported living	Daily	\$ 6,944,958	\$ -
Residential	Daily	5,129,748	4,385,306
Personal support	Hourly	4,696,324	6,919,335
		<u>\$ 16,771,030</u>	<u>\$ 11,304,641</u>

The Association also receives a supplement from Montgomery County to support all DDA programs which is paid quarterly.

The Association collects consumer program fees for room and board and contribution to care from individuals in the Association's residential services program. Consumer program fee revenue is recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a monthly basis. The monthly reimbursement rate is determined for each individual based on rates established and approved by DDA.

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

	<u>2021</u>	<u>2020</u>
Room and board fees	\$ 182,250	\$ 196,927
Residential consumer fees	71,038	74,147
Private pay fees	65,304	184,132
	<u>\$ 318,592</u>	<u>\$ 455,206</u>

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

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

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.

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.

Donated Services, Materials, and Equipment

Contributed services are recognized as at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skill, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. There were no amounts recorded for contributed services for the years ending June 30, 2021 and 2020. Amounts recorded for contributions of tangible assets for the years ending June 30, 2021 and 2020 totaled \$89,458 and \$89,196, respectively.

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.

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.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

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

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.

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 others was \$-0- at June 30, 2021 and 2020.

Advertising

The Association expenses advertising costs as incurred. Advertising expenses were \$3,430 and \$6,438 for the years ended June 30, 2021 and 2020, 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 Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

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

Income Tax Position (Cont.)

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, 2018 remain subject to examination by federal and state authorities.

Debt Issuance Costs

Debt issuance costs subject to amortization include loan refinancing costs. These costs are being amortized over the length of the term of the mortgage and are included in mortgages payable.

Reclassifications

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

New Accounting Pronouncement

On July 1, 2020, the Association adopted *ASU 2014-09, Revenue Recognition (Topic 606) – "Revenue from Contracts with Customers"*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. *ASU 2014-09* outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. The Association adopted *ASU 2014-09* and related amendments using the retrospective method. Accordingly, the comparative financial statements for the year ending June 30, 2020 have been adjusted to fully conform with *ASU 2014-09*. The adoption of *ASU 2014-09* did not have any impact on the Association's financial position, results of operations or cash flows, and therefore did not result in a prior period adjustment. The adjustments to the year ending June 30, 2020 consisted of enhanced disclosures regarding revenue recognition and timing of cash flows and reclassifications of certain revenue accounts only.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 2 - Concentration of Cash Balances

At June 30, 2021 and 2020, 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, 2021 and 2020 was approximately \$8,658,000 and \$3,422,000, respectively.

Note 3 - Availability and Liquidity

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

Financial assets at year end:	2021	2020
Cash and cash equivalents	\$ 9,106,049	\$ 3,835,343
Investments	752,634	622,250
Accounts receivable, funding agencies	3,261,856	682,323
Accounts receivable, other	11,275	15,358
Total financial assets	13,131,814	5,155,274
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	53,743	65,032
Board-designated funds	317,945	317,945
Total amounts not available to be used within one year	371,688	382,977
Financial assets available to meet general expenditures over next twelve months	\$ 12,760,126	\$ 4,772,297

The Association's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$4,180,000). 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 Association also has a \$1,000,000 line of credit available (see Note 8) and a Board-designated reserve fund available (upon Board committee approval, see Note 18) to meet cash flow needs (if needed).

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 4 - Fair Value Measurement

*ASC 820, "Fair Value Measurements and Disclosures,"* 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 ASC 820* are as described as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association 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 Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 4 - Fair Value Measurement (Cont.)

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.

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, 2021			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	\$ 2,208	\$ -	\$ -	\$ 2,208
Mutual funds:				
Fixed income funds	321,310	-	-	321,310
Growth funds	162,056	-	-	162,056
International funds	132,681	-	-	132,681
Other funds	78,377	-	-	78,377
Value funds	56,002	-	-	56,002
Total mutual funds	750,426	-	-	750,426
Total investments	\$ 752,634	\$ -	\$ -	\$ 752,634

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 4 - 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, 2020			Total
	Level 1	Level 2	Level 3	
Investments				
Cash and money market funds	\$ 1,602	\$ -	\$ -	\$ 1,602
Mutual funds:				
Fixed income funds	269,527	-	-	269,527
Growth funds	133,503	-	-	133,503
International funds	110,668	-	-	110,668
Other funds	61,819	-	-	61,819
Value funds	45,131	-	-	45,131
Total mutual funds	620,648	-	-	620,648
Total investments	\$ 622,250	\$ -	\$ -	\$ 622,250

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Life	2021	2020
Land	--	\$ 1,058,522	\$ 1,058,522
Buildings	25 years	2,617,833	2,617,833
Building and leasehold improvements	5 - 37 years	3,153,030	3,139,761
Building improvements in progress	--	9,203	9,603
Vehicles	5 years	943,523	900,746
Furniture and equipment	3 - 15 years	784,212	738,154
		8,566,323	8,464,619
Less: accumulated depreciation		(5,200,949)	(4,905,476)
		\$ 3,365,374	\$ 3,559,143

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$295,470 and \$339,581, respectively.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 6 - Mortgages Payable

Mortgages payable consisted of the following at June 30:

Property Mortgaged	Lender	Date	Term	Face Amount	Monthly Payment	Interest Rate	2021	2020	
Montgomery Avenue	BB&T	Nov-12	10 yrs	\$ 442,123	\$ 4,478	3.95%	\$ 60,012	\$ 110,547	
Scott Drive/Greenspan/Horton	BB&T	Nov-12	10 yrs	219,068	2,219	3.95%	35,594	60,411	
Snowdrop	AmeriNat*	Jun-99	30 yrs	192,600	892	3.75%	73,401	81,193	
Landgreen	AmeriNat*	Aug-99	30 yrs	176,874	1,027	4.50%	73,375	80,230	
Camellia	AmeriNat*	Jun-98	30 yrs	174,000	970	4.00%	59,515	66,616	
Cannon	AmeriNat*	Feb-93	30 yrs	148,651	1,022	7.00%	16,744	27,205	
Eaglewood	AmeriNat*	Jan-91	30 yrs	144,000	730	4.50%	1,456	9,793	
Cannon	AmeriNat*	Feb-93	30 yrs	37,733	139	2.00%	3,038	4,616	
							Total	323,135	440,611
							Less: debt issuance costs	(2,839)	(4,840)
							Less: current maturities	(114,501)	(116,967)
							Less: loan discount	(23,829)	(28,624)
							Total mortgages payable long term	<u>\$ 181,966</u>	<u>\$ 290,180</u>

\* Properties have equity participation assessments with MCPA rates.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 6 - 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, 2021 and 2020 amounted to \$2,000, and is included in interest expense.

Interest expense for the years ended June 30, 2021 and 2020 was \$31,623 and \$15,270, respectively.

Future maturities of mortgages payable are as follows:

<u>Years Ended June 30</u>	
2022	\$ 114,501
2023	50,402
2024	25,380
2025	26,435
2026	27,534
Thereafter	78,883
	<u>\$ 323,135</u>

Note 7 - 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 \$227,529 and \$269,653, as of June 30, 2021 and 2020, 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, 2021 and 2020, the Association has recorded a participation liability of \$104,805 and \$97,060, respectively, and a related mortgage loan discount of \$23,829 and \$28,624, 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.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 8 - Line of Credit

In November 2018, the Association obtained a \$1,000,000 line of credit, secured by general assets of the Association. The line of credit bears interest at the bank's prime rate plus 0.25%. Accrued interest is payable monthly and outstanding principle is due in full at maturity on February 28, 2022. There were no amounts outstanding on the line of credit at June 30, 2021 and 2020.

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 1.25 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 9 - Accrued Leave

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. Due to the global COVID-19 pandemic, the maximum carryover was suspended for the fiscal years ended June 30, 2021 and 2020. The liability for compensated absences at June 30, 2021 and 2020 was \$569,021 and \$236,881, respectively.

The Association grants 12 weeks of sabbatical (extended) leave to full time staff who have been employed with the Association for ten consecutive years. The liability for extended leave at June 30, 2021 and 2020 was \$103,676 and \$46,873, respectively.

Note 10 - Significant Funding Source

The Association recognized approximately 85% of its revenue, from the State of Maryland Department of Health during the years ended June 30, 2021 and 2020, respectively. The Association is highly dependent on the State of Maryland Department of Health to continue its operations.

Note 11 - 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 12 - Donated Materials

During the years ended June 30, 2021 and 2020, the Association received \$89,458 and \$89,196, 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.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 13 - 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.

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, 2021 and 2020, the Association's contributions to the plans were \$201,461 and \$189,067, 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, 2021 and 2020, the present value of the remaining payments due the Director is \$104,078 and \$106,841, respectively.

Note 14 - Paycheck Protection Program

In April 2020, the Association received \$2,132,500 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Association reviewed their calculation and submitted an amended application in the amount of \$1,960,770. This revised amount reflected a more precise calculation of payroll costs. M&T Bank approved the original application of \$2,132,500. Upon receiving the funds, the Association immediately repaid the difference of \$171,730 to bring down the remaining balance to \$1,960,770. The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Association must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Association has flexibility in determining the forgiveness period (may elect 8 weeks or 24 weeks), the specific start date for the determination of qualifying expenditures, and the specific expenses to be utilized in qualifying for forgiveness under the PPP.

The Association has accounted for the PPP funding as a loan in the financial statements. The Association has selected the 24 week forgiveness period, and applied for forgiveness in FY22. Therefore as of June 30, 2021 and 2020 the Association has recorded \$1,980,378 and \$1,960,770, respectively, as a liability including accrued interest. Subsequent to year end, on August 25, 2021, the Association's PPP loan was forgiven, and the SBA remitted \$2,132,500 in principal and \$27,927 in interest to M&T Bank for forgiveness of the loan. Due to subsequent forgiveness of the loan, the Association has excluded the loan from current liabilities for the year ended June 30, 2021.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 15 - 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, 2021 and 2020 were \$227,760 and \$221,287, respectively. The medical claims expensed by the Association for the years ended June 30, 2021 and 2020 were \$338,892 and \$316,265, respectively.

Note 16 - 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:

2022	\$	<u>45,700</u>
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Rental expense of the Association and client subsidy rent for the years ended June 30, 2021 and 2020 was \$110,464 and \$121,335, respectively.

Note 17 - Related Party Transactions

Jubilee Foundation, Inc. was formed to support The 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, 2021 and 2020 amounted to \$397,436 and \$52,700, 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, 2021 and 2020 amounted to \$24,480 and \$24,000 respectively. Management expenses have not been offset against management income in the statement of activities.

As of June 30, 2021 and 2020 amounts due to the Foundation which are included in accounts payable totaled \$650 and \$5,606, respectively.

The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 18 - Board-Designated Net Assets Without Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Health insurance reserve	\$ 173,000	\$ 173,000
Working capital fund	90,000	90,000
Long-term capital reserves	<u>54,945</u>	<u>54,945</u>
	<u>\$ 317,945</u>	<u>\$ 317,945</u>

Note 19 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
State of Maryland capital grants	\$ 350,000	\$ 350,000
Montgomery County renovations grants	91,151	122,556
Spiritual grant	25,000	25,000
Model housing program	17,495	24,895
Bethlehem House activities	11,250	11,250
Longevity incentives program	-	3,887
	<u>\$ 494,896</u>	<u>\$ 537,588</u>

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.



The Jubilee Association of Maryland, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2021

Note 20 - Change in Accounting Estimate

Subsequent to the issuance of the prior year financial statements, the Association received additional guidance regarding the funding made available by the State of Maryland Department of Health, in response to the coronavirus pandemic (Appendix K funding). These changes necessitated by additional guidance had a material effect on the estimate recorded by the Association for program service fees for the year ending June 30, 2020. The impact of these changes was accounted for as a change in accounting estimate during the year ending June 30, 2021. Accordingly, the Association recorded a decrease in program service fees of approximately \$108,000 during the year ending June 30, 2021. In addition, the amount due to the State of Maryland was increased by \$108,000 during the year ending June 30, 2021 related to these changes.

Note 21 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. Except as noted below, there have been no subsequent events through December 8, 2021, the date the financial statements were available to be issued, that require recognition or disclosure.

Subsequent to year end, on August 25, 2021, the Association's PPP loan was forgiven, and the SBA remitted \$2,132,500 in principal and \$27,927 in interest to M&T Bank for forgiveness of the loan (see Note 14).