

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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Independent Auditor's Report

To the Board of Directors
Laurel Advocacy and Referral Services, Inc.

We have audited the accompanying financial statements of Laurel Advocacy and Referral Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurel Advocacy and Referral Services, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
September 13, 2021

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 835,174	\$ 664,020
Cash and cash equivalents, restricted	3,748	2,291
Certificates of deposit	160,750	104,306
Pledges receivable	57,222	15,611
Grants receivable	120,858	38,741
Inventory	64,615	43,161
Prepaid expenses	15,390	21,743
Total Current Assets	<u>1,257,757</u>	<u>889,873</u>
Property , net of accumulated depreciation	446,900	466,180
Other Assets		
Certificates of deposit, long-term portion	-0-	53,552
Total Assets	<u>\$ 1,704,657</u>	<u>\$ 1,409,605</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 12,903	\$ 150
Accrued payroll and payroll taxes	28,516	13,357
Refundable advances	25,100	420
Client funds held in trust	3,748	2,291
Total Current Liabilities	<u>70,267</u>	<u>16,218</u>
Non-current Liabilities		
Long-term debt	-0-	89,686
Total Liabilities	<u>70,267</u>	<u>105,904</u>
Commitments (Notes 7 and 8)		
Net Assets		
Without donor restrictions	1,593,017	1,282,545
With donor restrictions	41,373	21,156
Total Net Assets	<u>1,634,390</u>	<u>1,303,701</u>
Total Liabilities and Net Assets	<u>\$ 1,704,657</u>	<u>\$ 1,409,605</u>

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

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants	\$ 719,183	\$ -0-	\$ 719,183
Contributions	933,976	41,373	975,349
In-kind contributions	207,554	-0-	207,554
Client co-payments	27,126	-0-	27,126
Events, net	114,411	-0-	114,411
Interest income	3,412	-0-	3,412
Other revenue	17,035	-0-	17,035
Net assets released from restrictions:			
Satisfaction of program restrictions	21,156	(21,156)	-0-
Total Support and Revenue	<u>2,043,853</u>	<u>20,217</u>	<u>2,064,070</u>
Expenses			
Program services	<u>1,446,281</u>	-0-	<u>1,446,281</u>
Support services			
General and administrative	161,611	-0-	161,611
Fundraising	125,489	-0-	125,489
Total Support Services	<u>287,100</u>	-0-	<u>287,100</u>
Total Expenses	<u>1,733,381</u>	-0-	<u>1,733,381</u>
Change in Net Assets	310,472	20,217	330,689
Net Assets at Beginning of Year	<u>1,282,545</u>	<u>21,156</u>	<u>1,303,701</u>
Net Assets at End of Year	<u>\$ 1,593,017</u>	<u>\$ 41,373</u>	<u>\$ 1,634,390</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 582,730	\$ -0-	\$ 582,730
510,009	21,156	531,165
152,458	-0-	152,458
29,861	-0-	29,861
106,912	-0-	106,912
7,695	-0-	7,695
1,618	-0-	1,618
6,500	(6,500)	-0-
<u>1,397,783</u>	<u>14,656</u>	<u>1,412,439</u>
<u>1,038,948</u>	<u>-0-</u>	<u>1,038,948</u>
116,751	-0-	116,751
87,876	-0-	87,876
<u>204,627</u>	<u>-0-</u>	<u>204,627</u>
<u>1,243,575</u>	<u>-0-</u>	<u>1,243,575</u>
154,208	14,656	168,864
<u>1,128,337</u>	<u>6,500</u>	<u>1,134,837</u>
<u>\$ 1,282,545</u>	<u>\$ 21,156</u>	<u>\$ 1,303,701</u>

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

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Total Program Services
	Emergency Services	Permanent Supportive Housing	Self- Sufficiency Services	
Personnel expenses				
Salaries	\$ 226,849	\$ 101,361	\$ 33,253	\$ 361,463
Employee benefits	46,931	20,970	6,880	74,781
Total personnel expenses	273,780	122,331	40,133	436,244
Assistance, direct	522,355	412,979	9,500	944,834
Professional fees	-0-	-0-	-0-	-0-
Depreciation	12,812	5,725	1,878	20,415
Office expenses	5,488	2,452	804	8,744
Occupancy	9,134	4,081	1,339	14,554
Insurance	6,936	3,099	1,017	11,052
Assistance, non-direct	6,657	1,092	1,096	8,845
Donor database	-0-	-0-	-0-	-0-
Bad debt expense	-0-	-0-	-0-	-0-
Travel	10	1,583	-0-	1,593
Events	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-
Total Expenses	837,172	553,342	55,767	1,446,281
Less: Cost of direct benefit to donors	-0-	-0-	-0-	-0-
Total expenses reported in the statements of activities	<u>\$ 837,172</u>	<u>\$ 553,342</u>	<u>\$ 55,767</u>	<u>\$ 1,446,281</u>

Support Services					
General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total Supporting Services	Total Expenses	
\$ 64,948	\$ 76,467	\$ -0-	\$ 141,415	\$ 502,878	
13,436	15,819	-0-	29,255	104,036	
78,384	92,286	-0-	170,670	606,914	
-0-	-0-	-0-	-0-	944,834	
59,169	15,710	-0-	74,879	74,879	
3,668	4,319	-0-	7,987	28,402	
10,440	1,850	-0-	12,290	21,034	
2,616	3,079	-0-	5,695	20,249	
1,986	2,338	-0-	4,324	15,376	
-0-	-0-	-0-	-0-	8,845	
-0-	2,708	-0-	2,708	2,708	
1,984	-0-	-0-	1,984	1,984	
88	10	-0-	98	1,691	
-0-	-0-	475	475	475	
3,276	3,189	-0-	6,465	6,465	
161,611	125,489	475	287,575	1,733,856	
-0-	-0-	(475)	(475)	(475)	
\$ 161,611	\$ 125,489	\$ -0-	\$ 287,100	\$ 1,733,381	

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

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Total Program Services
	Emergency Services	Permanent Supportive Housing	Self- Sufficiency Services	
Personnel expenses				
Salaries	\$ 134,305	\$ 98,616	\$ 34,992	\$ 267,913
Employee benefits	23,860	17,520	6,216	47,596
Total personnel expenses	158,165	116,136	41,208	315,509
Assistance, direct	245,611	404,191	5,119	654,921
Professional fees	-0-	-0-	-0-	-0-
Occupancy	9,649	7,086	2,514	19,249
Depreciation	9,433	6,926	2,458	18,817
Insurance	6,062	4,451	1,580	12,093
Events	-0-	-0-	-0-	-0-
Office expenses	2,344	1,720	1,610	5,674
Assistance, non-direct	6,378	1,092	1,086	8,556
Travel	-0-	3,820	127	3,947
Bad debt expense	-0-	-0-	-0-	-0-
Donor database	-0-	-0-	-0-	-0-
Interest	91	67	24	182
Miscellaneous	-0-	-0-	-0-	-0-
Total Expenses	437,733	545,489	55,726	1,038,948
Less: Cost of direct benefit to donors	-0-	-0-	-0-	-0-
Total expenses reported in the statements of activities	<u>\$ 437,733</u>	<u>\$ 545,489</u>	<u>\$ 55,726</u>	<u>\$ 1,038,948</u>

Support Services				
General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total Supporting Services	Total Expenses
\$ 44,617	\$ 60,622	\$ -0-	\$ 105,239	\$ 373,152
7,926	10,770	-0-	18,696	66,292
<u>52,543</u>	<u>71,392</u>	<u>-0-</u>	<u>123,935</u>	<u>439,444</u>
-0-	-0-	-0-	-0-	654,921
44,969	-0-	-0-	44,969	44,969
3,207	4,356	-0-	7,563	26,812
3,134	4,258	-0-	7,392	26,209
2,014	2,736	-0-	4,750	16,843
-0-	-0-	11,985	11,985	11,985
4,764	1,057	-0-	5,821	11,495
-0-	-0-	-0-	-0-	8,556
727	81	-0-	808	4,755
2,871	-0-	-0-	2,871	2,871
-0-	2,210	-0-	2,210	2,210
30	40	-0-	70	252
2,492	1,746	-0-	4,238	4,238
<u>116,751</u>	<u>87,876</u>	<u>11,985</u>	<u>216,612</u>	<u>1,255,560</u>
-0-	-0-	(11,985)	(11,985)	(11,985)
<u>\$ 116,751</u>	<u>\$ 87,876</u>	<u>\$ -0-</u>	<u>\$ 204,627</u>	<u>\$ 1,243,575</u>

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

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 330,689	\$ 168,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,402	26,209
Bad debt expense	1,984	2,871
Non-cash government grant (PPP loan)	(89,686)	-0-
Changes in operating assets and liabilities:		
Pledges receivable	(41,611)	19,396
Grants receivable	(82,117)	40,469
Accounts receivable	(1,984)	(2,871)
Inventory	(21,454)	(13,144)
Prepaid expenses	6,353	(4,996)
Accounts payable	12,753	(2,259)
Accrued payroll and payroll taxes	15,159	(22,430)
Refundable advances	24,680	420
Net Cash Provided by Operating Activities	<u>183,168</u>	<u>212,529</u>
Cash Flows from Investing Activities		
Purchases of property	(9,122)	(10,154)
Decrease (increase) in certificates of deposit	(2,892)	135,230
Increase (decrease) in clients funds held in trust	1,457	236
Net Cash Provided by (Used in) Investing Activities	<u>(10,557)</u>	<u>125,312</u>
Cash Flows from Financing Activities		
Principal payments on mortgage payable	-0-	(16,408)
Proceeds from long-term debt	-0-	89,686
Net Cash Provided by Financing Activities	<u>-0-</u>	<u>73,278</u>
Net Increase in Cash and Cash Equivalents	172,611	411,119
Cash and Cash Equivalents at Beginning of Year	<u>666,311</u>	<u>255,192</u>
Cash and Cash Equivalents at End of Year	<u>\$ 838,922</u>	<u>\$ 666,311</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ -0-</u>	<u>\$ 252</u>
Reconciliation to Cash and Cash Equivalents and Restricted Cash on the Statements of Financial Position		
Cash and cash equivalents	\$ 835,174	\$ 664,020
Cash and cash equivalents, restricted	<u>3,748</u>	<u>2,291</u>
Cash and Cash Equivalents on the Statements of Cash Flows	<u>\$ 838,922</u>	<u>\$ 666,311</u>

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

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.

Notes to Financial Statements

June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Laurel Advocacy and Referral Services, Inc. (LARS) is a non-profit organization, incorporated under the laws of the state of Maryland in May 1988.

LARS' mission is to enable homeless and low-income people in Laurel, Maryland who are in crisis, to achieve stability and long-term self-sufficiency. LARS' vision is a community that treats all people with dignity and helps everyone meet their basic needs. LARS' program areas are as follows:

Emergency Services: LARS provides short-term financial assistance, support services and referrals to low-income and homeless individuals and families in crisis. Funding comes from a variety of public and private grants, as well as other general contributions. Services include short-term case management, eviction prevention and rental assistance, utility assistance, referrals to long-term services, assistance in obtaining identification cards and birth certificates, clothing and furniture vouchers, employment assistance, holiday and back-to-school programs, and additional homeless supportive services. In addition, LARS also operates a food pantry.

Permanent Supportive Housing: LARS receives a Continuum of Care (COC) grant through the U.S. Department of Housing and Urban Development (HUD) to operate a Permanent Supportive Housing Program that provides subsidized housing and supportive services to 22 chronically homeless, disable individuals and families. This program is not time limited. Two LARS case managers conduct weekly home visits with all participants who reside in apartments leased by LARS throughout the Laurel community. Participants live independently with support as needed from LARS, including life skills classes, individual savings accounts, and assistance with obtaining treatment for substance abuse, health or mental health problems. LARS works closely with the Prince George's County Department of Social Services to prioritize placement of homeless individuals/families into this program according to their level of vulnerability.

Self-Sufficiency Services: Through a HUD grant, LARS helps to stabilize and motivate participants to work closely with a LARS case manager on a long-term basis (3 to 5 years) to maintain permanent housing, improve financial habits, gain employment and remove other barriers to self-sufficiency. The evidence-based program uses a highly successful "Mobility Mentoring" framework designed by EMPATH of Boston, MA. Mobility Mentoring-inspired programs are described by EMPATH as "metric-based, mentor-led, incentivized programs that lead families across the economic divide." The primary focus of Mobility Mentoring is coaching the participant in personal problem-solving, skill-building and persistence to attain the long-term goals that support economic independence. The mentor's role is to help participants carve enough time out of their days to begin to take the steps necessary to change their lives.

The accounting and reporting policies of LARS conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: LARS classifies investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

Cash and Cash Equivalents, Restricted: LARS collects payments from clients each month in an effort to assist in helping them build up savings while they are enrolled in the program. These funds are required to be held in separate accounts and are restricted for clients only. Once the clients have completed the program, they may withdraw their savings.

Pledges Receivable: Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the period received. A provision is made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding pledges receivable. Pledges receivable are written off by management when, in its determination, all appropriate collection efforts have been taken. Management has determined that all pledges receivable at June 30, 2021 and 2020 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

Grants Receivable: Grants receivable reflect grant award amounts earned but not yet received. A provision is made for uncollectible grants based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding grants receivable. Grants receivable are written off by management when, in its determination, all appropriate collection efforts have been taken. Management has determined that all grants receivable at June 30, 2021 and 2020 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

Accounts Receivable: As part of its permanent supportive housing program under HUD, LARS is required to assess a co-payment amount due from its eligible tenants based on each tenant's adjusted gross income. As of June 30, 2021 and 2020, there is an outstanding balance due of \$1,406 and \$2,871, respectively. Based on management's experience with the collectability of client co-payments, these full amounts have been established as an allowance for doubtful accounts at the end of each fiscal year.

Inventory: Inventory of food that have been purchased for the food distribution program but which have not been distributed, are valued at lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Inventory of food contributed by donors are valued at the approximate wholesale value which is determined annually by Feeding America.

For purposes of valuing food donated to and distributed by LARS during each year, LARS uses the average wholesale value determined annually by Feeding America in effect at the beginning of the year. For the years ended June 30, 2021 and 2020, inventory received and distributed was valued at \$1.74 and \$1.62 per pound, respectively. Commencing on July 1, 2021 and 2020, the receipt of inventory of food donated is valued at \$1.79 and \$1.74 per pound, respectively, based on the most current average wholesale value determined by Feeding America.

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of contribution, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized under LARS capitalization policy. LARS capitalizes all property acquisitions in excess of \$500 having an estimated useful life greater than one year.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets as follows:

Building and Improvements	10-30 years
Furniture, fixtures and equipment	5-10 years

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: LARS derives revenue primarily from grants, contributions, client-copayments, special events and net investment return. Special events and investment income are recognized as revenue when earned. Unconditional contributions are recognized in the year the contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as pledges or grants receivable. Grant proceeds received in advance and not yet earned are recorded as refundable advances.

Contributions: Contributions received are recorded without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support whose restrictions are satisfied in the same restriction period are shown as net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified as net assets without donor restrictions in the statements of activities.

Donated Commodities: Donated commodities are recorded at their estimated fair value on the date of receipt. LARS received commodity donations of \$205,424 and \$150,239 for the years ended June 30, 2021 and 2020, respectively. These amounts have been included in total support and revenue as well as in expenses in the statements of activities.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donated Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by LARS. During the years ended June 30, 2021 and 2020 there were donated professional fees of \$2,130 and \$2,219, respectively, which have been included in in-kind contributions and in general and administrative expenses on the statements of activities.

A substantial number of unpaid volunteers have made significant contributions of their time and services to LARS. The value of this contributed time is not recorded as a contribution in these financial statement since the recognition criteria was not met.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimated time and effort.

Income Taxes: LARS is exempt from federal and state income taxes under Internal Revenue Code (IRC) §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. LARS had no unrelated business income for the years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes is reflected in these financial statements.

LARS' federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of leases on the financial statements.

Subsequent Events: In preparing these financial statements, LARS has evaluated events and transactions for potential recognition or disclosure through September 13, 2021, the date the financial statements were available to be issued. During the period from July 1, 2021 through September 13, 2021, LARS did not have any material recognizable subsequent events.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	2021	2020
Cash and cash equivalents	\$ 835,174	\$ 664,020
Certificates of deposit, current	160,750	104,306
Pledges receivable	57,222	15,611
Grants receivable	120,858	38,741
Less: Net assets with donor restrictions - specific purpose	<u>(41,373)</u>	<u>(21,156)</u>
Financial Assets Available for General Expenditure	<u>\$ 1,132,631</u>	<u>\$ 801,522</u>

As part of LARS' liquidity management plan, LARS invests cash in excess of daily requirements in short-term investments and certificates of deposit. LARS has a policy to structure its financial assets to be available and liquid as its obligations become due.

Note 3: Property

Property consisted of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 89,842	\$ 89,842
Building and improvements	533,877	533,336
Furniture, fixtures and equipment	<u>158,703</u>	<u>150,122</u>
	782,422	773,300
Less: Accumulated depreciation	<u>335,522</u>	<u>307,120</u>
	<u>\$ 446,900</u>	<u>\$ 466,180</u>

Note 4: Mortgage Payable

LARS had a mortgage payable with a bank that was repaid in full during the year ended June 30, 2020. Interest expense on this mortgage was \$252 for the year ended June 30, 2020.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
Notes to Financial Statements
June 30, 2021 and 2020

Note 5: Long-Term Debt

LARS applied for and received funds in the amount of \$89,686 under the Paycheck Protection Program (PPP) which was created as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during either the eight-week or 24-week periods, commencing on the date of the loan agreement (May 4, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on December 4, 2020 with a maturity date of May 4, 2022. However, the repayment of principal period had been extended until 10 months after the end of the eight-week or 24-week period. LARS applied for and received 100% forgiveness of the PPP loan on May 12, 2021, and therefore, this loan forgiveness has been recognized as grant revenue during the year ended June 30, 2021.

Note 6: Net Assets with Donor Restrictions

LARS has several restricted funds, which may be fully expended but only for the purpose established by the respective donors.

Net assets with donor restrictions were available for the following purposes as of June 30, 2021:

	<u>2020</u>	<u>Current Year Activity</u>		<u>2021</u>
		<u>Contributions</u>	<u>Released from Restrictions</u>	
Subject to expenditure for a specified purpose				
Emergency services program	\$ 21,156	\$ 41,373	\$ (21,156)	\$ 41,373

Net assets with donor restrictions were available for the following purposes as of June 30, 2020:

	<u>2019</u>	<u>Prior Year Activity</u>		<u>2020</u>
		<u>Contributions</u>	<u>Released from Restrictions</u>	
Subject to expenditure for a specified purpose				
Self-sufficiency services	\$ 2,500	\$ -0-	\$ (2,500)	\$ -0-
Emergency services program	4,000	21,156	(4,000)	21,156
	<u>\$ 6,500</u>	<u>\$ 21,156</u>	<u>\$ (6,500)</u>	<u>\$ 21,156</u>

Note 7: Lease Commitments

LARS leases apartments for housing clients under various non-cancelable operating leases which expire at various dates through July 2022. LARS also leases additional apartments which are leased on a month-to-month basis. In addition, LARS has a lease for office equipment which expires in July 2023.

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Notes to Financial Statements
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Note 7: Lease Commitments (Continued)

Future minimum lease payments under lease agreements are as follows:

Year ending June 30:	
2022	\$ 165,686
2023	1,557
2024	<u>130</u>
	<u>\$ 167,373</u>

Total rent expense under all leases for the years ended June 30, 2021 and 2020 was \$419,538 and \$392,043, respectively.

Note 8: Pension Plan

LARS established a safe-harbor contributory plan (the Plan) that qualifies under Section 401(k) of the IRC. The Plan covers all employees of LARS who are at least 18 years of age and have completed three months of service. A participant may elect to defer a portion of their compensation as permitted under the IRC, which is immediately vested. Under this plan, LARS is required to make a safe harbor matching contribution equal to 100% of each participant's elective deferral contributions up to 4% of compensation plus an additional 50% of each participant's elective deferral contributions over 4%, for a maximum of 6% of compensation. The participant's share of LARS matching contributions is immediately vested. Matching contributions made to the Plan were \$16,004 and \$9,328 for the years ended June 30, 2021 and 2020, respectively.

Note 9: Conditional Grants

LARS has received a conditional grant from HUD in the amount of \$491,660, which can only be earned by incurring certain qualifying expenses under the grant program. As of June 30, 2021, LARS has earned \$90,008 of this grant which has been recognized as revenue during the year ended June 30, 2021. The outstanding balance of this conditional grant was \$401,652 as of June 30, 2021, which will be recognized as revenue when the conditions of the grant have been met.

Note 10: Other Matters

Cash and Cash Equivalents: LARS maintains its cash balances in various financial institutions. Periodically during the year, LARS' cash balances may have exceeded federally insured limits. LARS has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic and financial impacts on the country going forward. The pandemic continues and at this time, the impact on the operations and the financial status of LARS cannot be determined.

