

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022 AND 2021**

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Laurel Advocacy and Referral Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Laurel Advocacy and Referral Services, Inc. as of June 30, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Laurel Advocacy and Referral Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Advocacy and Referral Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Independent Auditor's Report (Continued)**

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Laurel Advocacy and Referral Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Advocacy and Referral Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Independent Auditor's Report (Continued)**

***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of Laurel Advocacy and Referral Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Laurel Advocacy and Referral Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurel Advocacy and Referral Services, Inc.'s internal control over financial reporting and compliance.

*Gross, Mendelsohn & Associates, P. A.*

Baltimore, Maryland  
February 3, 2023

## **Independent Auditor's Report**

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

### **Opinion**

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Laurel Advocacy and Referral Services, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Laurel Advocacy and Referral Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Advocacy and Referral Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Independent Auditor's Report (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Laurel Advocacy and Referral Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Advocacy and Referral Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
September 13, 2021

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 765,937	\$ 835,174
Cash and cash equivalents, restricted	3,574	3,748
Certificates of deposit	-0-	160,750
Pledges receivable	33,008	57,222
Grants receivable	213,998	120,858
Inventory	35,005	64,615
Prepaid expenses	20,189	15,390
Total Current Assets	<u>1,071,711</u>	<u>1,257,757</u>
<b>Property</b> , net of accumulated depreciation	<u>423,933</u>	<u>446,900</u>
<b>Total Assets</b>	<u>\$ 1,495,644</u>	<u>\$ 1,704,657</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,390	\$ 12,903
Accrued payroll and payroll taxes	25,236	28,516
Refundable advances	31,172	25,100
Client funds held in trust	3,574	3,748
Total Current Liabilities	<u>71,372</u>	<u>70,267</u>
<b>Commitments and Contingencies</b> (Notes 7, 8, 9 and 10)		
<b>Net Assets</b>		
Without donor restrictions	1,364,272	1,593,017
With donor restrictions	60,000	41,373
Total Net Assets	<u>1,424,272</u>	<u>1,634,390</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,495,644</u>	<u>\$ 1,704,657</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, 2022 and 2021**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Grants - government agencies	\$ 885,672	\$ -0-	\$ 885,672
Grants - other	75,554	-0-	75,554
Contributions	513,421	60,000	573,421
In-kind contributions	151,729	-0-	151,729
Client co-payments	30,467	-0-	30,467
Events, net	93,211	-0-	93,211
Interest income	1,321	-0-	1,321
Other revenue	2,785	-0-	2,785
Net assets released from restrictions:			
Satisfaction of program restrictions	41,373	(41,373)	-0-
Total Support and Revenue	<u>1,795,533</u>	<u>18,627</u>	<u>1,814,160</u>
<b>Expenses</b>			
Program services	<u>1,710,071</u>	-0-	<u>1,710,071</u>
Support services			
General and administrative	192,652	-0-	192,652
Fundraising	<u>121,555</u>	-0-	<u>121,555</u>
Total Support Services	<u>314,207</u>	-0-	<u>314,207</u>
Total Expenses	<u>2,024,278</u>	-0-	<u>2,024,278</u>
<b>Change in Net Assets</b>	(228,745)	18,627	(210,118)
<b>Net Assets at Beginning of Year</b>	<u>1,593,017</u>	<u>41,373</u>	<u>1,634,390</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,364,272</u>	<u>\$ 60,000</u>	<u>\$ 1,424,272</u>

<b>2021</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 628,389	\$ -0-	\$ 628,389
90,794	-0-	90,794
933,976	41,373	975,349
207,554	-0-	207,554
27,126	-0-	27,126
114,411	-0-	114,411
3,412	-0-	3,412
17,035	-0-	17,035
21,156	(21,156)	-0-
<u>2,043,853</u>	<u>20,217</u>	<u>2,064,070</u>
<u>1,446,281</u>	<u>-0-</u>	<u>1,446,281</u>
161,611	-0-	161,611
125,489	-0-	125,489
<u>287,100</u>	<u>-0-</u>	<u>287,100</u>
<u>1,733,381</u>	<u>-0-</u>	<u>1,733,381</u>
310,472	20,217	330,689
<u>1,282,545</u>	<u>21,156</u>	<u>1,303,701</u>
<u>\$ 1,593,017</u>	<u>\$ 41,373</u>	<u>\$ 1,634,390</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, 2022**

	<b>Program Services</b>			
	<b>Emergency Services</b>	<b>Permanent Supportive Housing</b>	<b>Self-Sufficiency Services</b>	<b>Total Program Services</b>
Personnel expenses				
Salaries	\$ 263,016	\$ 115,771	\$ 57,538	\$ 436,325
Employee benefits	51,667	22,743	11,302	85,712
Total personnel expenses	314,683	138,514	68,840	522,037
Assistance, direct	636,014	444,450	9,067	1,089,531
Professional fees	877	-0-	-0-	877
Office expenses	16,399	7,218	3,587	27,204
Occupancy	14,516	6,389	3,176	24,081
Depreciation	12,804	5,636	2,801	21,241
Insurance	7,831	3,447	1,713	12,991
Events	-0-	-0-	-0-	-0-
Assistance, non-direct	7,311	1,244	1,209	9,764
Bad debt expense	-0-	-0-	-0-	-0-
Donor database	-0-	-0-	-0-	-0-
Travel	227	2,118	-0-	2,345
Miscellaneous	-0-	-0-	-0-	-0-
Total Expenses	1,010,662	609,016	90,393	1,710,071
Less: Cost of direct benefit to donors	-0-	-0-	-0-	-0-
Total expenses reported in the statements of activities	<u>\$ 1,010,662</u>	<u>\$ 609,016</u>	<u>\$ 90,393</u>	<u>\$ 1,710,071</u>

**Support Services**

<b>General and Administrative</b>	<b>Fundraising</b>	<b>Cost of Direct Benefit to Donors</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 63,575	\$ 78,370	\$ -0-	\$ 141,945	\$ 578,270
12,488	15,395	-0-	27,883	113,595
<u>76,063</u>	<u>93,765</u>	<u>-0-</u>	<u>169,828</u>	<u>691,865</u>
-0-	-0-	-0-	-0-	1,089,531
83,509	4,035	-0-	87,544	88,421
15,430	4,886	-0-	20,316	47,520
3,509	4,325	-0-	7,834	31,915
3,095	3,815	-0-	6,910	28,151
1,893	2,333	-0-	4,226	17,217
-0-	-0-	15,353	15,353	15,353
-0-	-0-	-0-	-0-	9,764
7,231	-0-	-0-	7,231	7,231
-0-	3,729	-0-	3,729	3,729
-0-	-0-	-0-	-0-	2,345
1,922	4,667	-0-	6,589	6,589
<u>192,652</u>	<u>121,555</u>	<u>15,353</u>	<u>329,560</u>	<u>2,039,631</u>
-0-	-0-	(15,353)	(15,353)	(15,353)
<u>\$ 192,652</u>	<u>\$ 121,555</u>	<u>\$ -0-</u>	<u>\$ 314,207</u>	<u>\$ 2,024,278</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**

	<b>Program Services</b>			
	<b>Emergency Services</b>	<b>Permanent Supportive Housing</b>	<b>Self- Sufficiency Services</b>	<b>Total Program Services</b>
Personnel expenses				
Salaries	\$ 226,849	\$ 101,361	\$ 33,253	\$ 361,463
Employee benefits	46,931	20,970	6,880	74,781
Total personnel expenses	<u>273,780</u>	<u>122,331</u>	<u>40,133</u>	<u>436,244</u>
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	<u>837,172</u>	<u>553,342</u>	<u>55,767</u>	<u>1,446,281</u>
Less: Cost of direct benefit to donors	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenses reported in the statements of activities	<u><u>\$ 837,172</u></u>	<u><u>\$ 553,342</u></u>	<u><u>\$ 55,767</u></u>	<u><u>\$ 1,446,281</u></u>

<b>Support Services</b>					
<b>General and Administrative</b>	<b>Fundraising</b>	<b>Cost of Direct Benefit to Donors</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	
\$ 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)	
<u>\$ 161,611</u>	<u>\$ 125,489</u>	<u>\$ -0-</u>	<u>\$ 287,100</u>	<u>\$ 1,733,381</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (210,118)	\$ 330,689
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	7,231	1,984
Depreciation	28,151	28,402
Changes in operating assets and liabilities:		
Pledges receivable	24,214	(41,611)
Grants receivable	(93,140)	(82,117)
Accounts receivable	(7,231)	(1,984)
Inventory	29,610	(21,454)
Prepaid expenses	(4,799)	6,353
Accounts payable	(1,513)	12,753
Accrued payroll and payroll taxes	(3,280)	15,159
Refundable advances	6,072	24,680
Deferred revenue, non-current	-0-	(89,686)
Net Cash Provided by (Used in) Operating Activities	<u>(224,803)</u>	<u>183,168</u>
<b>Cash Flows from Investing Activities</b>		
Decrease (increase) in certificates of deposit	160,750	(2,892)
Purchase of property	(5,184)	(9,122)
Increase (decrease) in clients funds held in trust	(174)	1,457
Net Cash Provided by (Used in) Investing Activities	<u>155,392</u>	<u>(10,557)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(69,411)</b>	<b>172,611</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u><b>838,922</b></u>	<u><b>666,311</b></u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u><b>\$ 769,511</b></u></u>	<u><u><b>\$ 838,922</b></u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Reconciliation to Cash and Cash Equivalents and Restricted Cash on the Statements of Financial Position</b>		
Cash and cash equivalents	\$ 765,937	\$ 835,174
Cash and cash equivalents, restricted	<u>3,574</u>	<u>3,748</u>
Cash and Cash Equivalents on the Statements of Cash Flows	<u><u><b>\$ 769,511</b></u></u>	<u><u><b>\$ 838,922</b></u></u>

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

## LAUREL ADVOCACY AND REFERRAL SERVICES, INC.

### Notes to Financial Statements

June 30, 2022 and 2021

#### 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.

Basis of Accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.



**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021, there is an outstanding balance due of \$5,425 and \$1,406, 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, 2022 and 2021, inventory received and distributed was valued at \$1.79 and \$1.74 per pound, respectively. Commencing on July 1, 2022 and 2021, the receipt of inventory of food donated is valued at \$1.92 and \$1.79 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 \$5,000 having an estimated useful life greater than one year.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**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 reflected in the accompanying financial statements at their estimated fair value at the date of receipt.

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.

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.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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

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, 2022 and 2021. 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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statements of activities, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, as if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted this standard and accordingly, all gifts-in-kind and donated services are separated with the required disclosures.

Reclassifications: Certain amounts previously reported in the 2021 financial statements have been reclassified to conform to financial statement presentation for the year ended June 30, 2022.

Subsequent Events: In preparing these financial statements, LARS has evaluated events and transactions for potential recognition or disclosure through February 3, 2023, the date the financial statements were available to be issued. During the period from July 1, 2022 through February 3, 2023, LARS did not have any material recognizable subsequent events.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**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:

	2022	2021
Cash and cash equivalents	\$ 765,937	\$ 835,174
Certificates of deposit	-0-	160,750
Pledges receivable	33,008	57,222
Grants receivable	213,998	120,858
Less: Net assets with donor restrictions - specific purpose	(60,000)	(41,373)
Financial Assets Available for General Expenditure	<u>\$ 952,943</u>	<u>\$ 1,132,631</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, 2022 and 2021:

	2022	2021
Land	\$ 89,842	\$ 89,842
Building and improvements	533,877	533,877
Furniture, fixtures and equipment	131,274	158,703
	754,993	782,422
Less: Accumulated depreciation	331,060	335,522
	<u>\$ 423,933</u>	<u>\$ 446,900</u>

**Note 4: 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, 2022:

	2021	Current Year Activity		2022
		Released from		
		Contributions	Restrictions	
Subject to expenditure for a specified purpose				
Emergency services program	\$ 41,373	\$ 60,000	\$ (41,373)	\$ 60,000

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 4: Net Assets with Donor Restrictions (Continued)**

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

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

**Note 5: Government Grants**

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 was 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 forgiveness was recognized as grant revenue during the year ended June 30, 2021.

**Note 6: In-Kind Contributions**

Contributed non-financial assets recognized within the statements of activities for the years ended June 30, 2022 and 2021 included the following:

	2022	2021
Food and supplies	\$ 149,329	\$ 205,424
Professional fees	2,400	2,130
	<u>\$ 151,729</u>	<u>\$ 207,554</u>

Donated commodities, which include food and supplies, are recorded at their estimated fair value on the date of receipt (Note 1) and are used by LARS' program services to further LARS' mission.

Donated services include accounting services. These costs are recorded at their estimated fair value, typically provided by the service provider, on the date of receipt and are included in professional fees on the statements of functional expenses and are used by LARS' general and administrative services.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 7: Lease Commitments**

LARS leases apartments for housing clients under various non-cancelable operating leases which expire at various dates through September 2023. 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.

Future minimum lease payments under lease agreements are as follows:

Year ending June 30:	
2023	\$ 179,863
2024	<u>10,823</u>
	<u>\$ 190,686</u>

Total rent expense under all leases for the years ended June 30, 2022 and 2021 was \$437,864 and \$419,538, 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 \$14,948 and \$16,004 for the years ended June 30, 2022 and 2021, respectively.

**Note 9: Conditional Grants**

LARS has received numerous grants from grantor agencies aggregating to \$1,245,121, which can only be earned by incurring certain qualifying expenses under the grant programs. As of June 30, 2022, LARS has earned \$434,020 of these grants which has been recognized as revenue during the year ended June 30, 2022. The outstanding balance of these conditional grants was \$811,101 as of June 30, 2022, which will be recognized as revenue when the conditions of the grants 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. The pandemic continues and at this time, the impact on the operations and the financial status of LARS cannot be determined.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022**

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster				
Passed through Prince George's County Department of Housing and Community Development Community Development Block Grants/Entitlement Grants	14.218	CW19285	\$ -0-	\$ 50,000
Passed through Prince George's County Department of Housing and Community Development COVID-19 Community Development Block Grants/Entitlement Grants	14.218	CW19726-CDBG CV	-0-	48,461
Total Community Development Block Grant (CDBG) - Entitlement Grants Cluster			-0-	98,461
Continuum of Care Program	14.267	MD0251L3G002011 MD0251L3G002112	-0-	401,652
			-0-	100,216
Total Continuum of Care Program			-0-	501,868
<b>Total U.S. Department of Housing and Urban Development</b>			-0-	600,329
<b>U.S. Department of the Treasury</b>				
Passed through Mayor and City Council of Laurel, Maryland COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	-0-	224,997
Passed through Prince George's County Department of Housing and Community Development Emergency Rental Assistance Program	21.023	CW20675-ERAP	-0-	50,983
<b>Total U.S. Department of the Treasury</b>			-0-	275,980
<b>U.S. Department of Homeland Security</b>				
Passed through Federal Emergency Management Agency Passed through Prince George's County Emergency & Shelter Program (EFSP) Emergency Food and Shelter National Board Program	97.024	380600-016	-0-	9,363
<b>Total Expenditures of Federal Awards</b>			<b>\$ -0-</b>	<b>\$ 885,672</b>



**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Laurel Advocacy and Referral Services, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Laurel Advocacy and Referral Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Laurel Advocacy and Referral Services, Inc.

Pass through entity identifying numbers are present when available.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

Laurel Advocacy and Referral Services, Inc. has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Laurel Advocacy and Referral Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Laurel Advocacy and Referral Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Laurel Advocacy and Referral Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Laurel Advocacy and Referral Services, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding #2022-001 and Finding #2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding #2022-003 to be a significant deficiency.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Laurel Advocacy and Referral Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding #2022-004.

**Laurel Advocacy and Referral Services Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Laurel Advocacy and Referral Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Laurel Advocacy and Referral Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
February 3, 2023

**Independent Auditor's Report on Compliance for Each Major  
Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Laurel Advocacy and Referral Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Laurel Advocacy and Referral Services, Inc.'s major federal programs for the year ended June 30, 2022. Laurel Advocacy and Referral Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Laurel Advocacy and Referral Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Laurel Advocacy and Referral Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Laurel Advocacy and Referral Services, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Laurel Advocacy and Referral Services, Inc. federal programs.

**Independent Auditor's Report on Compliance for Each Major  
Program and on Internal Control over Compliance  
Required by the Uniform Guidance (Continued)**

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Laurel Advocacy and Referral Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Laurel Advocacy and Referral Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Laurel Advocacy and Referral Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Laurel Advocacy and Referral Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Laurel Advocacy and Referral Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditor's Report on Compliance for Each Major  
Program and on Internal Control over Compliance  
Required by the Uniform Guidance (Continued)**

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Gross, Mendelsohn & Associates, P. A.*

Baltimore, Maryland  
February 3, 2023

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2022**

**Summary of Auditor's Results**

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of Laurel Advocacy and Referral Services, Inc. were prepared in accordance with accounting principles generally accepted in the United States.
- 2) Two material weaknesses and one significant deficiency disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- 3) No instances of noncompliance material to the financial statements of Laurel Advocacy and Referral Services, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies or material weaknesses related to internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
- 5) The auditor's report on compliance for the major federal award programs for Laurel Advocacy and Referral Services, Inc., expresses an unmodified opinion on all major federal programs.
- 6) Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) The program tested as major program was Continuum of Care Program (#14.267).
- 8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- 9) Laurel Advocacy and Referral Services, Inc. did not qualify as a low-risk auditee as defined by Uniform Guidance.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2022**

**Findings - Financial Statement Audit**

**Finding #2022-001 - Internal Control over Payroll (Material Weakness)**

Statement of Condition: During our testing of your internal control policies and procedures over payroll processes, we noted one area where appropriate payroll processes were either missing or not functioning properly in order to mitigate risks related to potential misstatements or fraud.

The issue was related to the review function that occurs during the payroll process. During our payroll internal control testing, we selected a sample of employees to ensure that the payrate approved by management matched the payrate reported on our sample of bi-weekly payroll registers that had been reviewed by management. We found one instance where an employee's payrate documentation that had been approved by management did not agree to the hourly payrate being paid to that employee. The overpayment to the employee occurred for six pay periods in total, three of which occurred during the year ended June 30, 2022, prior to it being discovered by our audit procedures.

Criteria: In order to ensure payroll disbursements are accurate, payrates entered into the payroll system by the outside payroll consultant should be reviewed by management at the time of entry for new hires, when changes to salaries occur, and on occasion, for all other employees. Payroll registers should be reviewed for each pay period, to ensure complete entry of time and accurate calculation of pay per employee and in total.

Cause: Management did not properly review the payrate when entered into the payroll system by the outside payroll consultant. The employee was a rehire during the year and management did not compare the payrate entered into the payroll system by the outside payroll consultant to the payrate approved by management located in the employee's payroll file.

Effect: As a result of the errors noted above, the payrate for the one employee was recorded at \$1 per hour more than the payrate approved by management, resulting in overpayment of \$240 as of June 30, 2022, with additional overpayment occurring in a subsequent period.

Recommendation: We recommend that management fully implement and adopt strict internal control policies and procedures over the review process of payroll. We recommend that whenever a new employee is hired or a payrate change is implemented for an existing employee, that management review the payroll register and/or change report, if applicable and compare the hourly or salaried rates of each employee entered by the outside payroll consultant to the approved rates by management located in each employee's payroll file. This review should be documented in writing.

Views of Responsible Officials and Planned Corrective Actions: Additional protocols and co-signs have been established including the use of the online ADP time management system to help ensure management, human resources and the staff members have an understanding and agreement to salary rates. Further, with the adoption of an online time tracking on June 1, 2022, management now receives payroll reports which are approved every 2 weeks. The payroll repo lists staff salaries and allows for double verification.

**Finding #2022-002 - Internal Control over Revenue Recognition and Net Asset Reconciliation (Material Weakness)**

Statement of Condition: During our audit, we noted that the Bookkeeper prepared a schedule of grant revenue earned and received, a client co-payment schedule for PSH payments, an accounts receivable report, a grants receivable report and a schedule of net assets with donor restrictions. During our testing of these schedules, we noted several instances where information reported on the schedules were inaccurate, resulting in adjustments to the general ledger and/or financial statements.



**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2022**

**Finding #2022-002 - Internal Control over Revenue Recognition and Net Asset Reconciliation (Material Weakness) (Continued)**

The first issue was related to the schedule of grant revenue earned and received and grant receivable schedule. During our testing of these schedules, we noted that the amounts recorded as federal government grant revenue for one specific grant was overstated. Review of the grant agreement indicated that the grant had conditions in place that had to be fulfilled prior to the recognition of the grant revenue, specifically expenditures needing to have occurred.

The second issue was related to the schedule of net assets with donor restrictions. During our testing of this schedule, we noted that several grants were listed as grants with donor restrictions which were conditional grants and should not have been included on the schedule of net assets with donor restrictions.

The final issue related to the client co-payment and accounts receivable schedules prepared by the program director and reviewed by the Bookkeeper to reconcile the outstanding client co-payment receivables and client co-payment revenue included in the general ledger as of June 30, 2022. During our testing of this schedule and in conjunction with our subsequent cash receipt testing, we determined that certain checks received by the organization between the period of June 8<sup>th</sup> through June 10<sup>th</sup> were held and not deposited into the bank account until July 7<sup>th</sup>, subsequent to year-end. The Bookkeeper was not aware that there was an issue with the client co-payment schedule or held checks until the time of the audit fieldwork.

Criteria: In accordance with generally accepted accounting principles, revenue related to conditional grants is only recognized in the financial statements when specific conditions of the grant have been met, in this case, incurring expenses directly related to the grant purpose. Revenue received in advance and not yet spent is recorded as deferred revenue until the conditions of the grant have been met. Revenue related to future payments is not recorded until the conditions of the grant have been met. Only unconditional revenue with donor restrictions is recorded on the schedule of net assets with donor restrictions.

Additionally, and in accordance with generally accepted accounting principles, the general ledger of the organization should be maintained on an accrual basis of accounting. Revenue and receivables relating to client co-payments should be recognized as revenue and reported as a receivable when the service is provided to the client and payment is readily expected.

Cause: The Bookkeeper and management did not have a proper understanding of conditional grants, unconditional grants, and net assets with donor restrictions. Additionally, client co-payments are not recorded and reconciled on a month-to-month basis between the program director and Bookkeeper. Finally, client co-payments are recorded on a cash basis.

Effect: As a result of the errors noted above, the financial statements as of and for the year ended June 30, 2022 were misstated. Grants receivable was overstated by \$40,000, deferred revenue was understated by \$30,637 and grants - government agencies was overstated by \$70,637. Additionally, accounts receivable related to client co-payments was understated by \$835 and client co-payment revenue was understated by \$835.

Recommendation: We recommend that the Bookkeeper and management obtain additional training on how to determine and recognize the difference between conditional grants and contributions versus unconditional grants and contributions. Additionally, we recommend that the Bookkeeper and management review all grant and contribution agreements and/or support as they are received to determine whether the grant or contribution is considered conditional, unconditional with no donor restrictions, or unconditional with donor restrictions and determine the proper accounting treatment in accordance with generally accepted accounting principles.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2022**

**Finding #2022-002 - Internal Control over Revenue Recognition and Net Asset Reconciliation (Material Weakness) (Continued)**

Views of Responsible Officials and Planned Corrective Actions: As of July 1, 2022, two internal processes have been instituted to ensure all revenue is accurately reflected in the general ledger: 1) all revenue from all sources is being tracked in the organization's fundraising Customer Relations Management (CRM) software at the time it is received and 2) the fundraiser and bookkeeper reconcile deposits every six weeks. Further, as the organization has grown exponentially over the last 18 months, the need for professional financial management has become evident. The organization is looking to contract with a CPA firm to provide virtual CFO functions and assist with the establishment of financial best practices.

As of January 2, 2023, the Accountant will begin working with the Program Managers to complete up-to-date spreadsheets for the individual programs monthly. The Permanent Housing (COC-HUD) program's spreadsheet will include the monthly rent amount due (with any updated amounts) and the payments received from each individual Permanent Housing client. The Emergency Services program's spreadsheet will consist of rent and food payments made for each conditional grant received. The federal grant totals can be transferred to the Schedule of Expenditures of Federal Awards (SEFA) report as of June 30, 2023.

**Finding #2022-003 - Filing, Recordkeeping, and Reconciliations (Significant Deficiency)**

Statement of Condition: During our audit, we noted several instances where transactional support was not readily available during the scheduled audit fieldwork, the support received was not complete, or supporting schedules were not accurate and required multiple adjustments or rework by the Bookkeeper. Examples included, but are not limited to, lack of support in employee payroll files to support payrates; lack of support for grant and contribution receipts; lack of support for Finance meetings that occurred (board minutes); and schedules maintained by program managers were not reviewed and reconciled with the Bookkeeper prior to the audit.

Criteria: In order to ensure that the financial records are complete and accurate, appropriate schedules should be prepared by the Bookkeeper and reviewed by management. Additionally, complete and accurate support should be readily available upon request from management which appropriately supports the balances on the general ledger and financial statements.

Cause: The Organization does not have a centralized filing and recordkeeping function. Support is maintained by either multiple individuals or not at all and at times and/or not shared between program managers and the Bookkeeper. Additionally, there was transition in the Executive Director position during the current fiscal year.

Effect: As a result of the above, client personnel was unable to provide certain documentation to support general ledger activity and/or transactions as well as prepare several reconciliation schedules which ultimately resulted in the need for additional adjusting entries to correct the general ledger. Additionally, the overall audit function was delayed several times.

Recommendation: We recommend that management implement a recordkeeping policy by which records are uniformly kept in either printed or digital format which is organized and accessible to all parties involved in the financial reporting process.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2022**

**Finding #2022-003 - Filing, Recordkeeping, and Reconciliations (Significant Deficiency) (Continued)**

Views of Responsible Officials and Planned Corrective Actions: As of October 1, 2022, the organization instituted pay bands to provide transparency, consistency, fairness and flexibility. This will allow the organization to account for pay differences by education and performance. The pay bands were shared at a staff meeting and will be added to the LARS Policies & Procedures Manual.

As of September 1, 2022, the single monthly folders have been separated into four different categories: Permanent Supportive Housing (PSH) Program, Emergency Support (ES) Program, Operating and Cash Receipts. This will allow for a greater ability to locate all information received and needed for monthly review and FY23 Audit. Policy for tracking of In-Kind donations has also been updated.

**Finding #2022-004 - Preparation of Schedule of Expenditures of Federal Awards**

Statement of Condition: During our audit, we noted that the Bookkeeper provided a schedule of federal grant revenue earned and received in order to assist in the preparation of the Schedule of Expenditures of Federal Awards (SEFA) which is included as supplementary information in the fiscal year-end financial statements. While the schedule provided included pertinent information related to the expenditures incurred and the grant revenue recognized, it did not provide all of the necessary information required to properly prepare a complete and accurate SEFA as required under the Code of Federal Regulations (2 CFR 200.508).

Criteria: In accordance with the Code of Federal Regulations (2 CFR 200.510), management is required to either provide a complete and accurate SEFA for the audit or to provide complete and accurate schedules to assist the auditor in preparing the SEFA that is included in the yearly financial statements. The SEFA and/or supporting schedules should include, by individual grant, the federal grantor agency; the pass-through grantor name; the program name; the federal assistance listing number; the grant number or other identifying number of the grant; the grant period; the amount of total federal expenditures and the amounts passed through to subrecipients.

Cause: Management does not have a thorough understanding of the OMB compliance requirements and the Code of Federal Regulations related to the preparation of the SEFA.

Effect: As a result of the above, the auditor was not supplied with a complete and accurate SEFA and/or supporting documentation in order to assist in the preparation of the SEFA on a timely basis.

Recommendation: We recommend that the Bookkeeper and management obtain additional training related to the OMB compliance requirements and the Code of Federal Regulations in order to ensure the completion of an accurate and complete SEFA to include in the supplemental information of the yearly audited financial statements.

Views of Responsible Officials and Planned Corrective Actions: As of January 2, 2023, the organization will start tracking the federal grants that will be included in the SEFA report. The Bookkeeper will obtain further to understand and complete the SEFA report as of June 30, 2023 and submit to the Auditors for the FY23 Single Audit.

**Findings and Questioned Costs - Major Federal Award Program Audit**

None.

