

**PRINCE GEORGE'S CHILD  
RESOURCE CENTER, INC.  
JUNE 30, 2019 AND 2018**

***DRAFT***

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Prince George's Child Resource Center, Inc.  
Largo, Maryland

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Prince George's Child Resource Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

### *Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Prince George’s Child Resource Center, Inc. as of June 30, 2019 and 2018, 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.

***Other Matters***

***Other 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 information 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 October 4, 2019 on our consideration of Prince George’s Child Resource Center, 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 Prince George’s Child Resource Center, 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 Prince George’s Child Resource Center, Inc.’s internal control over financial reporting and compliance.

**DRAFT**

October 4, 2019

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	JUNE 30,	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash (Note 1)	\$ 599,198	\$ 730,753
Grants and contracts receivable (Note 1)	423,715	212,934
Pledges receivable (Note 4)	-	50,000
Prepaid expenses	23,930	23,143
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,046,843</b>	<b>\$ 1,016,830</b>
<b>PROPERTY AND EQUIPMENT, NET</b> (Notes 1 and 5)	24,413	21,110
<b>TOTAL ASSETS</b>	<b>\$ 1,071,256</b>	<b>\$ 1,037,940</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 38,914	\$ 15,216
Capital lease obligations - current portion (Note 7)	5,584	4,854
Accrued expenses	126,702	132,396
Deferred revenue (Note 1)	1,320	54,262
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 172,520</b>	<b>\$ 206,728</b>
<b>OTHER LIABILITIES:</b>		
Capital lease obligations - long-term portion (Note 7)	14,873	4,733
<b>TOTAL LIABILITIES</b>	<b>\$ 187,393</b>	<b>\$ 211,461</b>
<b>COMMITMENT AND CONTINGENCIES</b> (Notes 7 and 8)		
<b>NET ASSETS</b> (Notes 1 and 9):		
Without donor restrictions	\$ 704,885	\$ 619,052
With donor restrictions	178,978	207,427
<b>TOTAL NET ASSETS</b>	<b>\$ 883,863</b>	<b>\$ 826,479</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,071,256</b>	<b>\$ 1,037,940</b>

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

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**STATEMENTS OF ACTIVITIES**

FOR THE YEARS ENDED JUNE 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUE AND GAINS</b> (Notes 1 10 11):						
Government grants and contracts	\$ 1,768,613	\$ -	\$ 1,768,613	\$ 1,620,133	\$ -	\$ 1,620,133
Contributions, including in-kind contributions of \$230,532 in 2019 and \$226,740 in 2018	336,510	245,013	581,523	335,581	264,500	600,081
Training workshop fees	147,396	-	147,396	188,249	-	188,249
Fundraising events	13,395	-	13,395	11,895	-	11,895
Membership dues	10,971	-	10,971	11,165	-	11,165
Other	9,274	-	9,274	3,810	-	3,810
Loss from disposal of leased equipment	(2,432)	-	(2,432)	-	-	-
Net assets released from restrictions	273,462	(273,462)	-	211,367	(211,367)	-
<b>TOTAL SUPPORT, REVENUE AND GAINS</b>	<u>\$ 2,557,189</u>	<u>\$ (28,449)</u>	<u>\$ 2,528,740</u>	<u>\$ 2,382,200</u>	<u>\$ 53,133</u>	<u>\$ 2,435,333</u>
<b>EXPENSES:</b>						
Program services	\$ 2,079,343	\$ -	\$ 2,079,343	\$ 1,968,421	\$ -	\$ 1,968,421
Management and general	298,949	-	298,949	311,710	-	311,710
Fundraising	93,064	-	93,064	94,596	-	94,596
<b>TOTAL EXPENSES</b>	<u>\$ 2,471,356</u>	<u>\$ -</u>	<u>\$ 2,471,356</u>	<u>\$ 2,374,727</u>	<u>\$ -</u>	<u>\$ 2,374,727</u>
<b>CHANGES IN NET ASSETS</b>	\$ 85,833	\$ (28,449)	\$ 57,384	\$ 7,473	\$ 53,133	\$ 60,606
<b>NET ASSETS, BEGINNING OF YEAR</b>	619,052	207,427	826,479	611,579	154,294	765,873
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 704,885</u>	<u>\$ 178,978</u>	<u>\$ 883,863</u>	<u>\$ 619,052</u>	<u>\$ 207,427</u>	<u>\$ 826,479</u>

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

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services						
	Healthy Families	Family Support Center	Community Programs	Subtotal	Management and General	Fundraising	Total
Salaries and benefits	\$ 637,977	\$ 366,080	\$ 416,699	\$ 1,420,756	\$ 133,199	\$ 26,546	\$ 1,580,501
Consulting and professional fees	29,188	19,137	122,661	170,986	113,110	55,082	339,178
Rent (in-kind)	93,125	53,777	60,361	207,263	19,107	4,162	230,532
Travel and meetings	23,548	14,261	36,816	74,625	7,717	3,812	86,154
Client support and special program costs	11,842	15,282	41,897	69,021	-	360	69,381
Communications	8,977	1,726	6,901	17,604	46,863	565	65,032
Office expenses	8,650	5,740	10,219	24,609	37,006	8	61,623
Insurance and fees	-	-	-	-	32,320	-	32,320
Printing and production	-	-	5,948	5,948	-	687	6,635
Subtotal	\$ 813,307	\$ 476,003	\$ 701,502	\$ 1,990,812	\$ 389,322	\$ 91,222	\$ 2,471,356
Allocation of indirect costs	39,892	22,829	25,810	88,531	(90,373)	1,842	-
Total Expenses	\$ 853,199	\$ 498,832	\$ 727,312	\$ 2,079,343	\$ 298,949	\$ 93,064	\$ 2,471,356

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

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services						
	Healthy Families	Family Support Center	Community Programs	Subtotal	Management and General	Fundraising	Total
Salaries and benefits	\$ 609,271	\$ 364,514	\$ 405,541	\$ 1,379,326	\$ 154,008	\$ 36,714	\$ 1,570,048
Consulting and professional fees	51,761	8,932	101,475	162,168	94,468	43,195	299,831
Rent (in-kind)	89,664	52,272	57,870	199,806	21,890	5,044	226,740
Travel and meetings	20,765	9,592	30,324	60,681	5,168	5,959	71,808
Communications	8,550	1,696	7,538	17,784	43,761	853	62,398
Office expenses	13,883	2,489	8,387	24,759	31,994	403	57,156
Client support and special program costs	22,064	10,762	11,409	44,235	-	-	44,235
Insurance and fees	-	-	-	-	33,642	-	33,642
Printing and production	3,236	-	5,076	8,312	-	557	8,869
Subtotal	\$ 819,194	\$ 450,257	\$ 627,620	\$ 1,897,071	\$ 384,931	\$ 92,725	\$ 2,374,727
Allocation of indirect costs	31,532	18,365	21,453	71,350	(73,221)	1,871	-
Total Expenses	\$ 850,726	\$ 468,622	\$ 649,073	\$ 1,968,421	\$ 311,710	\$ 94,596	\$ 2,374,727

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



**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED JUNE 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from grantors, donors and other	\$ 2,086,917	\$ 2,173,745
Cash paid to employees, vendors and other	(2,210,308)	(2,124,719)
Interest paid	(2,411)	(2,172)
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>\$ (125,802)</b>	<b>\$ 46,854</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligations	(5,753)	(5,587)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ (131,555)</b>	<b>\$ 41,267</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>730,753</b>	<b>689,486</b>
<b>CASH, END OF YEAR</b>	<b>\$ 599,198</b>	<b>\$ 730,753</b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET</b>		
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 57,384	\$ 60,606
Adjustments to reconcile changes in net assets to net		
cash provided by (used in) operating activities:		
Depreciation and amortization	10,888	10,647
Loss on disposal of capital lease	2,432	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Grant and contract receivable	(210,781)	(59,769)
Pledges receivable	50,000	25,000
Prepaid expenses	(787)	8,940
Increase (decrease) in:		
Accounts payable	23,698	4,008
Accrued expenses	(5,694)	(2,499)
Deferred revenue	(52,942)	(79)
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>\$ (125,802)</b>	<b>\$ 46,854</b>
<b>NON-CASH ACTIVITY:</b>		
Acquisition of property and equipment under capital lease	\$ 24,285	\$ -

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

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 1. **Organization and Summary of Significant Accounting Policies**

**Organization** - Prince George's Child Resource Center, Inc. (the "Center") was incorporated in the State of Maryland on March 17, 1992 and began operations as an independent not-for-profit organization on July 1, 1992. The Center was organized exclusively as a non-stock charitable organization for the purposes of operating a child care resource center for Prince George's County, Maryland under the Maryland Child Care Resources Network in order to strengthen child care delivery; provide technical assistance to employers regarding the provision of child care; and provide educational training for child care providers. The Center operates a Family Support Center whose purpose is to strengthen families by focusing on health, education, work training, employment assistance, child development, and parenting skills services. The Center also operates an in-home visitation program for at-risk families under the program Healthy Families Prince George's.

**Income Tax Status** - The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2019 and 2018.

**Basis of Accounting** - The financial statements of the Center have been prepared on the accrual basis of accounting.

**Basis of Presentation** - The Center reports information regarding its financial position and activities for each of the two classes: (a) without donor restrictions and (b) with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions. All other net assets, including board-designated or appropriated amounts, are reported without donor restrictions.

**Revenue Recognition and Deferred Revenue** - Revenue from grants and contracts, primarily from government agencies, is recognized as the related costs are incurred. Payments received in advance on certain grants are classified as deferred revenue until earned.

Contributions are recognized as revenue at the earlier of when they are received or when the Center receives an unconditional promise from the donor to contribute a specific amount. Contributions received with donor restrictions are recognized as net assets without donor restrictions if restrictions are satisfied in the same year.

Training and workshop fees are recognized when the sessions are held.

**Cash** - For purposes of the statements of cash flows, the Center considers highly liquid investments purchased with an original maturity of three months or less to be cash.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

**Grants and Contracts Receivable** - Accounts receivable primarily represent amounts due from grants and contracts and are reported at their outstanding balances, reduced by an allowance for doubtful accounts, if any. Accounts receivable are uncollateralized.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Center's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect the Center's ability to collect, and current economic conditions. The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2019 and 2018, management determined that an allowance for doubtful accounts was not necessary.

**Property and Equipment** - Property and equipment are stated at cost, if purchased, or at estimated fair market value if contributed. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 10 years. Amortization is computed on the straight-line basis over the estimated useful lives of leasehold improvements ranging from 5 to 10 years. The Center capitalizes assets whose costs or donated value are in excess of \$2,000.

The Center generally expenses the full cost of equipment purchased with grant funding in the year acquired.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the statements of activities. Maintenance and repairs are expensed when incurred.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates are reasonable in the circumstances; however, actual results could differ from these estimates.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

**Functional Allocation of Expenses** - The Center attributes personnel costs to programs and administrative departments based on employee tracking of time spent on each program and administrative area. Other expenses directly benefiting a program or administrative area are charged to these in full. The center accumulates certain costs that are shared among programs and administrative departments in an indirect cost pool. These indirect costs include copier charges, supplies purchased in bulk, telephone and internet charges and general insurance. The indirect costs are allocated to each program and to administrative departments based on the direct labor dollars charged to each program or administrative department.

Special Program Costs: This account aggregates other miscellaneous expenses specific to the Center's programs. An example of this type of cost is reimbursements to child care providers.

Note 2. **Changes in Accounting Principle** - Management adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for its 2019 financial statements. ASU 2016-14 requires the presentation of natural expenses by the various types of programs and supporting services, requires certain information about an organization's liquidity and cost allocation methods, clarifies the definition of management and general costs, and modifies the terminology of net asset categories, amount other changes. The implementation of this ASU had no effect on the changes in net asset classes for either period presented.

Note 3. **Availability and Liquidity of Financial Assets** - The Center's cash flows have seasonal variations during the year attributable to the training fees, foundation contributions and a concentration of government contributions received towards the last quarter of the fiscal year. The Center monitors the availability of the funds to make weekly payments and manages expenditures on a monthly basis via the analysis of deviations in the budget.

To manage liquidity, the Center maintains a line of credit of \$250,000 with M&T Bank, which it may draw upon. No funds were borrowed under this agreement during the fiscal year ended June 30, 2019.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 3. Availability and Liquidity of Financial Assets - (Continued)**

Financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year end:	
Cash	\$ 599,198
Accounts receivable	<u>423,715</u>
Total financial assets	\$ 1,022,913
Less, amount not available to be used within one year:	
Restricted by donor	<u>(178,978)</u>
Financial assets available for general expenditures	<u>\$ 843,935</u>

**Note 4. Pledges Receivable** - Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management considers all outstanding balances to be fully collectible; therefore, no provision for uncollectible pledges has been recorded. A multi-year pledge receivable is not discounted to present value since management determined that such discount is immaterial. There were no pledges receivables at June 30, 2019. Pledges receivable of \$50,000 at June 30, 2018 were collectible in less than one year.

**Note 5. Property and Equipment** - Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 668,911	\$ 668,911
Transportation equipment	67,614	67,614
Furniture and fixtures	55,301	55,301
Equipment	<u>44,743</u>	<u>42,452</u>
Subtotal	\$ 836,569	\$ 834,278
Less, Accumulated depreciation and amortization	<u>812,156</u>	<u>813,168</u>
Property and Equipment, net	<u>\$ 24,413</u>	<u>\$ 21,110</u>

Total depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$10,888 and \$10,647, respectively.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 6. **Line of Credit** - The Center maintains a \$250,000 line of credit. The line of credit bears interest at the one-month LIBOR plus three and one-half percent, is payable upon demand, and is secured by the Center's deposit accounts maintained by, and in the possession of, the financial institution. As of June 30, 2019 and 2018, the Center did not have any outstanding borrowings on this line of credit.

Note 7. **Commitment and Capital Lease** - The Center leases copiers under a capital lease. Capitalized leases are included in property and equipment at the present value of the minimum lease payments, and amortization of assets under capital leases is included in depreciation expense. In October 2018, two old copiers were returned, and replaced by new copiers under a new lease. The related net loss on the terminated copier lease is shown on the statement of activities. The net book value of equipment under capital lease as of June 30, 2019 and 2018 was \$35,419 and \$11,469, respectively.

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

2020	\$	7,435
2021		7,435
2022		7,435
2023		<u>1,859</u>
Total minimum lease payments	\$	24,164
Less, amount representing interest		<u>(3,707)</u>
Present value of minimum lease payments	\$	20,457
Less, current portion		<u>(5,584)</u>
Long-term portion	\$	<u>14,873</u>

The interest rate on the capital lease is 10.32% and is reflective of the rate implicit in the lease.

Note 8. **Contingencies** - Contracts with government agencies are generally subject to audit and, therefore, costs could ultimately be disallowed upon audit. Management does not anticipate any costs to be disallowed, and if so, management believes they would not be material to these financial statements.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 9. **Net Assets** - Net assets with donor restrictions were for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
General operational support	\$ 47,500	\$ 80,000
Project WIN	38,656	66,222
Promote Healthy Families	36,824	2,046
Move-Eat-Learn Program	25,123	6,607
Training	13,785	22,424
Joining Voices Advocacy Project	11,033	20,885
Family Support Center	6,057	9,243
Total	<u>\$ 178,978</u>	<u>\$ 207,427</u>

Note 10. **Grants and Contracts** - Grants and contracts are funded through Maryland Family Network, Maryland State Department of Education, Prince George's County, and several foundations. All funds are used for the purposes of each grant and contract. Most funds are received on a cost-reimbursable basis.

**Maryland Family Network:** The Center entered into a cost-reimbursable contract with the Maryland Family Network, which is renewable on an annual basis through an application process. These funds are used for the purposes of the Center as outlined in Note 1. The contract cannot be used to fund the Family Support Center outlined in Note 1.

The Center also entered into a contract with the Maryland Family Network to fund a family support center, as outlined in Note 1, and to provide support for self-sufficiency, parenting education, and English language instruction.

**Maryland State Department of Education:** The Center contracted with the Maryland State Department of Education to provide early mental health consultation for children under five years of age enrolled in child care programs in Prince George's County.

**Prince George's County:** The Center contracted with four County agencies to perform services to County residents. The Department of Family Services contracted with the Center to provide in-home intervention services through Healthy Families Prince George's. The Department of Social Services also funds early intervention services through Healthy Families Prince George's. The Department of Housing and Community Development funded a portion of the Family Literacy Program at the Family Support Center. The Health Department contracted with the Center to provide mental health consultation in child care centers in targeted neighborhoods.

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

Note 11. **In-Kind Contributions** - Contribution revenue includes in-kind contributions representing the fair value of office space donated to the Center by Prince George's County, Maryland. The value of in-kind office space received totaled \$230,532 and \$226,740 for the years ended June 30, 2019 and 2018, respectively. The Center also receives other in-kind contributions that are offset by an equal amount of expense.

Note 12. **Retirement Plan** - The Center maintains a defined contribution plan (the "Plan") under Internal Revenue Code Subsection 401(k). All employees are eligible, regardless of years of service, to make voluntary contributions to the Plan. Voluntary contributions are subject to IRS limitations. The Center may also make discretionary matching and non-elective contributions to the Plan on an annual basis.

Prior to July 1, 2017 the Center did not make matching contributions, and discretionary non-elective contributions were on an increasing scale based upon years of service without limitation. Effective July 1, 2017, the Board approved a matching contribution and limited the discretionary non-elective contribution to 5%. Employer contributions to the Plan were \$73,643 and \$69,449 for the years ended June 30, 2019 and 2018, respectively.

Note 13. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Center to concentrations of credit risk, include deposits with commercial banks. The Center's cash management policies generally limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts may exceed the FDIC coverage limit at times throughout the year. At June 30, 2019, the total cash balance in excess of the limit was \$346,883.

Note 14. **Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 15. **Subsequent Events** - In preparation of these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 4, 2019, which is the date the financial statements were available to be issued.



**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
<i>Pass-through programs from:</i>			
Prince George's County Department of Family Services:			
Healthy Families	93.505		\$ 440,533
Prince George's County Department of Social Services:			
Healthy Families	93.558		135,000
Maryland Family Network:			
Professional Development and Building Capacity	93.575	G1701MDCCDF	185,664
Infants and Toddlers	93.575	G1801MDCCDF	64,225
Family Support Center	93.590	G-1501MDFRPG	30,000
<b>Total U.S. Department of Health and Human Services</b>			<u>\$ 855,422</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<i>Pass-through program from:</i>			
Prince George's County Department of Housing and Community Development:			
Family Literacy	14.218	112-2142-2018	<u>\$ 30,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 885,422</u>

**PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Prince George's Child Resource Center, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Prince George's Child Resource Center, Inc., it is not intended to, and does not present the financial position, changes in net assets, or cash flows of Prince George's Child Resource Center, Inc.

**NOTE B - 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 C - SUBRECIPIENTS**

Prince George's Child Resource Center, Inc. did not provide federal awards to any subrecipients during the year ended June 30, 2019.

**NOTE D - INDIRECT COST RATE**

Prince George's Child Resource Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

# SARFINO AND RHOADES, LLP

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

To the Board of Directors  
Prince George's Child Resource Center, 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 Prince George's Child Resource Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prince George's Child Resource Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prince George's Child Resource Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Prince George's Child Resource Center, Inc.'s internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prince George’s Child Resource Center, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 Prince George’s Child Resource Center, 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 Prince George’s Child Resource Center, Inc.’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**DRAFT**

October 4, 2019

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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Prince George's Child Resource Center, Inc.

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

We have audited Prince George's Child Resource Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Prince George's Child Resource Center, Inc.'s major federal programs for the year ended June 30, 2019. Prince George's Child Resource Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Prince George's Child Resource Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Prince George's Child Resource Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Prince George's Child Resource Center, Inc.'s compliance.

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

In our opinion, Prince George’s Child Resource Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

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

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

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

**DRAFT**

October 4, 2019

**PRINCE GEORGE’S CHILD RESOURCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Summary of Auditors’ Results**

1. The auditors’ report expresses an unmodified opinion on the financial statements of Prince George’s Child Resource Center, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of Prince George’s Child Resource Center, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program.
5. The auditors’ report on compliance for the major federal program for Prince George’s Child Resource Center, Inc. expresses an unmodified opinion.
6. Audit findings, if applicable, 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 a major program included:

<u>CFDA Number</u>	<u>Name of Federal Programs or Contract</u>
93.575	Child Care and Development Block Grant

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Prince George’s Child Resource Center, Inc. was determined to be a low-risk auditee.

**Findings - Financial Statement Audit**

No matters were reported.

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

No matters were reported.