

**PRINCE GEORGE'S CHILD
RESOURCE CENTER, INC.
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 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 March 15, 2021 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.



March 15, 2021

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

| | JUNE 30, | |
|--|----------------------------|----------------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash (Notes 1 and 14) | \$ 1,097,395 | \$ 599,198 |
| Grants and contributions receivable (Notes 1 and 4) | 337,238 | 423,715 |
| Prepaid expenses | <u>49,520</u> | <u>23,930</u> |
| TOTAL CURRENT ASSETS | \$ 1,484,153 | \$ 1,046,843 |
| PROPERTY AND EQUIPMENT, NET (Notes 1 and 5) | <u>52,246</u> | <u>24,413</u> |
| TOTAL ASSETS | <u>\$ 1,536,399</u> | <u>\$ 1,071,256</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 30,676 | \$ 38,914 |
| Capital lease obligations - current portion (Note 7) | 6,188 | 5,584 |
| Accrued expenses | 166,962 | 126,702 |
| Deferred revenue (Note 1) | 9,280 | 1,320 |
| Loan payable - current portion (Note 8) | <u>65,722</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | <u>\$ 278,828</u> | <u>\$ 172,520</u> |
| OTHER LIABILITIES: | | |
| Capital lease obligations - long-term portion (Note 7) | \$ 8,685 | \$ 14,873 |
| Loan payable - long-term portion (Note 8) | <u>243,508</u> | <u>-</u> |
| TOTAL OTHER LIABILITIES | <u>\$ 252,193</u> | <u>\$ 14,873</u> |
| TOTAL LIABILITIES | <u>\$ 531,021</u> | <u>\$ 187,393</u> |
| COMMITMENT (Note 9) | | |
| NET ASSETS (Notes 1 and 8): | | |
| Without donor restrictions | \$ 585,714 | \$ 704,885 |
| With donor restrictions | <u>419,664</u> | <u>178,978</u> |
| TOTAL NET ASSETS | <u>\$ 1,005,378</u> | <u>\$ 883,863</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,536,399</u> | <u>\$ 1,071,256</u> |

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,

| | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE (Notes 1, 9 and 10): | | | | | | |
| Grants and contributions, including in-kind contributions of \$234,418 in 2020 and \$230,532 in 2019 | \$ 2,174,231 | \$ 564,000 | \$ 2,738,231 | \$ 2,105,123 | \$ 245,013 | \$ 2,350,136 |
| Training workshop fees | 85,990 | - | 85,990 | 147,396 | - | 147,396 |
| Fundraising events | 1,000 | - | 1,000 | 13,395 | - | 13,395 |
| Membership dues | 8,925 | - | 8,925 | 10,971 | - | 10,971 |
| Other | 5,437 | - | 5,437 | 9,274 | - | 9,274 |
| Loss on disposal of property and equipment | (1,579) | - | (1,579) | (2,432) | - | (2,432) |
| Net assets released from restrictions | 323,314 | (323,314) | - | 273,462 | (273,462) | - |
| TOTAL SUPPORT AND REVENUE | <u>\$ 2,597,318</u> | <u>\$ 240,686</u> | <u>\$ 2,838,004</u> | <u>\$ 2,557,189</u> | <u>\$ (28,449)</u> | <u>\$ 2,528,740</u> |
| EXPENSES: | | | | | | |
| Program services | \$ 2,302,487 | \$ - | \$ 2,302,487 | \$ 2,079,343 | \$ - | \$ 2,079,343 |
| Management and general | 307,096 | - | 307,096 | 298,949 | - | 298,949 |
| Fundraising | 106,906 | - | 106,906 | 93,064 | - | 93,064 |
| TOTAL EXPENSES | <u>\$ 2,716,489</u> | <u>\$ -</u> | <u>\$ 2,716,489</u> | <u>\$ 2,471,356</u> | <u>\$ -</u> | <u>\$ 2,471,356</u> |
| CHANGES IN NET ASSETS | \$ (119,171) | \$ 240,686 | \$ 121,515 | \$ 85,833 | \$ (28,449) | \$ 57,384 |
| NET ASSETS, BEGINNING OF YEAR | <u>704,885</u> | <u>178,978</u> | <u>883,863</u> | <u>619,052</u> | <u>207,427</u> | <u>826,479</u> |
| NET ASSETS, END OF YEAR | <u>\$ 585,714</u> | <u>\$ 419,664</u> | <u>\$ 1,005,378</u> | <u>\$ 704,885</u> | <u>\$ 178,978</u> | <u>\$ 883,863</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, 2020

| | Program Services | | | | | | | |
|--|---------------------|--------------------|-----------------------------|-----------------------|---------------------|------------------------------|-------------------|---------------------|
| | Healthy Families | Family Connects | Family Support Center | Community Programs | Subtotal | Management and General | Fundraising | Total |
| Salaries and benefits | \$ 687,446 | \$ 44,764 | \$ 438,215 | \$ 514,332 | \$ 1,684,757 | \$ 142,491 | \$ 44,530 | \$ 1,871,778 |
| Consulting and professional fees | 57,281 | 14,404 | 13,630 | 63,848 | 149,163 | 116,466 | 53,213 | 318,842 |
| Rent (in-kind) | 86,316 | 5,582 | 54,942 | 64,007 | 210,847 | 17,757 | 5,814 | 234,418 |
| Communications | 9,638 | 2,240 | 2,463 | 10,406 | 24,747 | 47,144 | 300 | 72,191 |
| Office expenses | 9,505 | 2,398 | 2,369 | 6,918 | 21,190 | 41,465 | 252 | 62,907 |
| Client support and special program costs | 26,360 | - | 5,502 | 28,062 | 59,924 | 511 | 12 | 60,447 |
| Travel and meetings | 21,559 | 490 | 11,426 | 20,516 | 53,991 | 5,272 | 152 | 59,415 |
| Insurance and fees | - | - | - | 466 | 466 | 29,968 | - | 30,434 |
| Printing and production | 5,307 | - | 14 | 723 | 6,044 | 13 | - | 6,057 |
| Subtotal | \$ 903,412 | \$ 69,878 | \$ 528,561 | \$ 709,278 | \$ 2,211,129 | \$ 401,087 | \$ 104,273 | \$ 2,716,489 |
| Allocation of indirect costs | 37,221 | 2,441 | 24,117 | 27,579 | 91,358 | (93,991) | 2,633 | - |
| Total Expenses | <u>\$ 940,633</u> | <u>\$ 72,319</u> | <u>\$ 552,678</u> | <u>\$ 736,857</u> | <u>\$ 2,302,487</u> | <u>\$ 307,096</u> | <u>\$ 106,906</u> | <u>\$ 2,716,489</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.

STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED | |
|---|---------------------|---------------------|
| | JUNE 30, | |
| | <u>2020</u> | <u>2019</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from grantors, donors and other | \$ 2,699,602 | \$ 2,086,917 |
| Cash paid to employees, vendors and other | (2,459,023) | (2,210,308) |
| Interest paid | <u>(1,851)</u> | <u>(2,411)</u> |
| NET CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | <u>\$ 238,728</u> | <u>\$ (125,802)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | <u>\$ (44,177)</u> | <u>\$ -</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from loan payable | \$ 309,230 | \$ - |
| Payments on capital lease obligations | <u>(5,584)</u> | <u>(5,753)</u> |
| NET CASH PROVIDED BY (USED IN) | | |
| FINANCING ACTIVITIES | <u>\$ 303,646</u> | <u>\$ (5,753)</u> |
| NET INCREASE IN CASH | \$ 498,197 | \$ (131,555) |
| CASH, BEGINNING OF YEAR | <u>599,198</u> | <u>730,753</u> |
| CASH, END OF YEAR | <u>\$ 1,097,395</u> | <u>\$ 599,198</u> |
| RECONCILIATION OF CHANGES IN NET ASSETS | | |
| TO NET CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 121,515 | \$ 57,384 |
| Adjustments to reconcile changes in net assets | | |
| to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 14,765 | 10,888 |
| Loss on disposal of property and equipment | 1,579 | 2,432 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in: | | |
| Grants and contributions receivable | 86,477 | (160,781) |
| Prepaid expenses | (25,590) | (787) |
| Increase (decrease) in: | | |
| Accounts payable | (8,238) | 23,698 |
| Accrued expenses | 40,260 | (5,694) |
| Deferred revenue | <u>7,960</u> | <u>(52,942)</u> |
| NET CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | <u>\$ 238,728</u> | <u>\$ (125,802)</u> |
| NON-CASH ACTIVITY: | | |
| Equipment acquired under capital lease | <u>\$ -</u> | <u>\$ 24,285</u> |

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, 2020 AND 2019

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, 2020 and 2019.

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 of net assets: (a) net assets without donor restrictions and (b) net assets 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 service contracts, primarily with government agencies, is recognized as the related costs are incurred.

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 with conditions are recognized as revenue when the conditions have been substantially met. Contributions received with donor restrictions are recognized as net assets without donor restrictions if restrictions are satisfied in the same year.

Payments received in advance on certain grants are classified as deferred revenue until earned or when conditions are satisfied.

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, 2020 AND 2019

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, 2020 and 2019, 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, 2020 AND 2019

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 time spent on each program and administrative area. Other expenses directly benefitting a program or administrative area are charged to the program or administrative areas benefitted. 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, depreciation 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) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. A transaction that is considered an exchange transaction is accounted for under the applicable revenue recognition standards. The Center adopted this ASU prospectively for agreements that were not completed as of June 30, 2019 and for those entered into after June 30, 2019. Accordingly, only the portion of revenue that had not been recognized as of June 30, 2019 was subject to the guidance in ASU 2018-08.

Note 3. **Availability and Liquidity of Financial Assets** - The Center's cash flows has 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 maintain 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 years ended June 30, 2020 and 2019.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

The following represents the Center's financial assets available for general expenditures within one year of the Statements of Financial Position date of June 30:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Financial assets at year end: | | |
| Cash | \$ 1,097,395 | \$ 599,198 |
| Grants and contributions receivable | <u>337,238</u> | <u>423,715</u> |
| Total financial assets | \$ 1,434,633 | \$ 1,022,913 |
| Less amounts unavailable for general expenditures: | | |
| Restricted by donor | <u>(419,664)</u> | <u>(178,978)</u> |
| Financial assets available for general expenditures | <u>\$ 1,014,969</u> | <u>\$ 843,935</u> |

Note 4. Grants and Contributions Receivable - Grants receivable represents costs incurred and billed at year-end but not yet collected. Contributions receivable are amounts pledged but not yet received at year-end. Grants and contributions 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. All receivables from grants and contributions are expected to be collected within one year.

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

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Leasehold improvements | \$ 637,326 | \$ 668,911 |
| Transportation equipment | 64,792 | 67,614 |
| Furniture and fixtures | 55,301 | 55,301 |
| Equipment | <u>44,743</u> | <u>44,743</u> |
| Subtotal | \$ 802,162 | \$ 836,569 |
| Less, Accumulated depreciation and amortization | <u>749,916</u> | <u>812,156</u> |
| Property and Equipment, net | <u>\$ 52,246</u> | <u>\$ 24,413</u> |

Total depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$14,765 and \$10,888, respectively.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 6. **Line of Credit** - The Center maintains a \$250,000 line of credit. The line of credit bears interest at the prime rate plus two 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, 2020 and 2019, the Center did not have any outstanding borrowings on this line of credit.

Note 7. **Capital Leases** - 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. The net book value of equipment under capital leases as of June 30, 2020 and 2019 was \$13,660 and \$19,731, respectively.

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

| | | |
|---|----|---------------------|
| 2021 | \$ | 7,435 |
| 2022 | | 7,435 |
| 2023 | | <u>1,859</u> |
| Total minimum lease payments | \$ | 16,729 |
| Less, amount representing interest | | <u>(1,856)</u> |
| Present value of minimum lease payments | \$ | 14,873 |
| Less, current portion | | <u>(6,188)</u> |
| Long-term portion | \$ | <u><u>8,685</u></u> |

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

Note 8. **Paycheck Protection Program Loan** - On April 16, 2020, the Center (the "Borrower"), was granted a loan (the "Loan") from M&T Bank in the aggregate amount of \$309,230, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 8. Paycheck Protection Program Loan - (Continued)

The Loan, which was in the form of a Note dated April 16, 2020 issued by the Borrower, matures in two years from the date of the note and bears an interest rate of 1% per annum. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, and utilities. The Center intends to use the entire Loan amount for qualifying expenses. The Small Business Administration (SBA) granted Borrowers a deferral of loan payments until ten months after the end of the loan forgiveness covered period or until the SBA approved a partial loan forgiveness and notified the lender. Monthly loan repayments of \$17,316 include principal and interest. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

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

| | |
|-------|-------------------|
| 2021 | \$ 65,722 |
| 2022 | <u>243,508</u> |
| Total | <u>\$ 309,230</u> |

Note 9. 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.

Note 10. Net Assets - Donor restricted net assets were for the following purposes at June 30:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| Family Connects | \$ 244,069 | \$ - |
| Promote Healthy Families | 51,621 | 36,824 |
| Joining Voices Advocacy Project | 42,602 | 11,033 |
| Family Support Center | 28,098 | 6,057 |
| Domestic Violence Program | 19,871 | - |
| General Operational Support | 10,000 | 47,500 |
| Community Programs | 8,656 | - |
| Project WIN | 8,140 | 38,656 |
| Move-Eat-Learn Program | 6,607 | 25,123 |
| Training | - | <u>13,785</u> |
| Total | <u>\$ 419,664</u> | <u>\$ 178,978</u> |

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 11. **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.

Note 12. **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 \$234,418 and \$230,532 for the years ended June 30, 2020 and 2019, respectively. The Center also receives other in-kind contributions that are offset by an equal amount of expense.

Note 13. **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 \$75,308 and \$73,643 for the years ended June 30, 2020 and 2019, respectively.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 14. **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, 2020, the total cash balance in excess of the limit was \$847,610.

Note 15. **Conditional Contributions** - The Center had conditional contributions to support various programs. During the year ended June 30, 2020, \$1,514,184 of these conditional contributions were recognized as revenue upon completion of certain task-related milestones. At June 30, 2020, \$218,006 of the total conditional contributions recognized as revenue is included in grants and contracts receivable in the Statements of Financial Position.

Note 16. **Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 17. **Subsequent Events** - In preparation of these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 15, 2021, which is the date the financial statements were available to be issued.

The effect of the COVID-19 pandemic may have an effect on the Organization's activities during fiscal year 2021, though the length of the pandemic and extent of the impact is not yet known.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

| <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> |
|--|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Health and Human Services:</u> | | | |
| <i>Pass-through programs from:</i> | | | |
| Prince George's County Department of Social Services: | | | |
| Healthy Families | 93.558 | N/A | \$ 135,000 |
| Prince George's County Department of Family Services: | | | |
| Healthy Families | 93.505 | N/A | 309,403 |
| Maryland Family Network: | | | |
| Professional Development and Building Capacity | 93.575 | G1801MDCCDF | 185,664 |
| Infants and Toddlers | 93.575 | G1801MDCCDF | 64,225 |
| Family Support Center | 93.590 | 18001MDBCAP | 30,000 |
| Preschool Professional Development Strategy | 93.434 | 191622 | 22,250 |
| Maryland State Department of Education: | | | |
| Preschool Development Grant Birth-Five (PDG B-5) | | | |
| for Local Early Childhood Advisory Councils | 93.434 | 200587 | <u>18,176</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$ 764,718</u> |
| <u>U.S. Department of Housing and Urban Development:</u> | | | |
| <i>Pass-through program from:</i> | | | |
| Prince George's County Department of Housing and Community Development: | | | |
| Family Literacy | 14.218 | 93-2339-2019 | <u>\$ 30,000</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 794,718</u> |

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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, 2020.

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.

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, 2020, 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 March 15, 2021.

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.

Sarfino and Rhoades LLP

March 15, 2021

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, 2020. 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, 2020.

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.



March 15, 2021

**PRINCE GEORGE’S CHILD RESOURCE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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:

| CFDA Number | Name of Federal Programs or Contract |
|-------------|---|
| 93.505 | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program |

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.