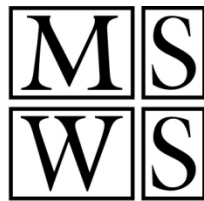


THE JUBILEE ASSOCIATION OF MARYLAND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020

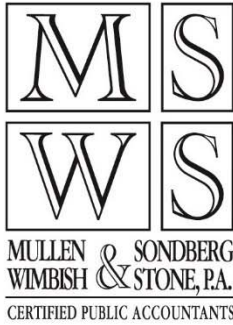


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 21



888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Jubilee Association of Maryland, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jubilee Association of Maryland, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Jubilee Association of Maryland, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 5, 2020

The Jubilee Association of Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS		2020	2019
CURRENT ASSETS			
Cash and cash equivalents		\$ 3,835,343	\$ 1,417,392
Investments		622,250	603,117
Accounts receivable, funding agencies		682,323	396,923
Accounts receivable, other		15,358	133,935
Prepaid expenses		68,006	35,489
Total current assets		5,223,280	2,586,856
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		3,559,143	3,828,578
OTHER ASSETS			
Restricted deposits - reserve for replacements		36,580	33,335
Deposits and escrows		53,533	55,660
Total other assets		90,113	88,995
Total assets		\$ 8,872,536	\$ 6,504,429
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 112,115	\$ 119,057
Deferred compensation		10,000	10,000
Accrued salaries and related liabilities		567,834	383,310
Accrued vacation		283,754	378,777
Deferred revenue		90,867	-
Client escrow		233,663	228,386
Due to State of Maryland		36,806	146,908
Funds held for others		32,037	29,299
Mortgages payable		116,967	112,108
Total current liabilities		1,484,043	1,407,845
LONG-TERM LIABILITIES			
Deferred compensation		96,841	99,698
Mortgages payable, net of loan origination fees		290,180	413,447
Participation liability		97,060	97,876
Paycheck Protection Program loan program		1,960,770	-
Total long-term liabilities		2,444,851	611,021
Total liabilities		3,928,894	2,018,866
NET ASSETS			
Without donor restrictions			
Undesignated		4,088,109	3,658,915
Board-designated		317,945	317,945
Total net assets without donor restrictions		4,406,054	3,976,860
With donor restrictions		537,588	508,703
Total net assets		4,943,642	4,485,563
Total liabilities and net assets		\$ 8,872,536	\$ 6,504,429

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

The Jubilee Association of Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
With Summarized Financial Information for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUES, GAINS AND OTHER SUPPORT				
State of Maryland - program fees and grants	\$ 11,304,641	\$ -	\$ 11,304,641	\$ 9,930,729
Montgomery County - program fees and grants	1,141,451	-	1,141,451	1,232,594
Consumer program fees	455,206	-	455,206	368,032
Contributions and grants	173,044	60,438	233,482	292,111
Other income	81,617	-	81,617	52,034
Investment income, net	46,488	-	46,488	57,716
Management fees	24,000	-	24,000	128,580
Loss on disposal of equipment	-	-	-	(2,819)
	13,226,447	60,438	13,286,885	12,058,977
Net assets released from restrictions	31,553	(31,553)	-	-
Total revenues, gains and other support	13,258,000	28,885	13,286,885	12,058,977
EXPENSES				
Program services				
Residential	4,500,786	-	4,500,786	4,223,829
Personal supports	6,375,967	-	6,375,967	5,314,950
Other services	207,744	-	207,744	220,272
Total program services	11,084,497	-	11,084,497	9,759,051
Supporting services				
Management and general	1,604,079	-	1,604,079	1,602,782
Fundraising	140,230	-	140,230	94,542
Total supporting services	1,744,309	-	1,744,309	1,697,324
Total expenses	12,828,806	-	12,828,806	11,456,375
Change in net assets	429,194	28,885	458,079	602,602
NET ASSETS AT BEGINNING OF YEAR	3,976,860	508,703	4,485,563	3,882,961
NET ASSETS AT END OF YEAR	\$ 4,406,054	\$ 537,588	\$ 4,943,642	\$ 4,485,563

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

The Jubilee Association of Maryland, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
With Summarized Financial Information for the Year Ended June 30, 2019

	Program Services			Supporting Services		Total		
	Residential	Personal Supports	Other Services	Total Program Services	Management and General	Fundraising	2020	2019
Salaries	\$ 3,049,352	\$ 4,917,907	\$ 155,581	\$ 8,122,840	\$ 1,024,529	\$ 80,417	\$ 9,227,786	\$ 7,958,701
Employee benefits	309,618	457,713	12,655	779,986	150,149	7,873	938,008	859,648
Payroll taxes	229,526	374,532	11,356	615,414	80,837	6,122	702,373	608,895
Total salaries and related expenses	3,588,496	5,750,152	179,592	9,518,240	1,255,515	94,412	10,868,167	9,427,244
Depreciation	185,146	86,152	1,075	272,373	67,208	-	339,581	329,481
Computer services	67,511	98,736	2,532	168,779	49,899	10,893	229,571	155,586
Insurance	86,346	83,495	62	169,903	10,879	-	180,782	163,668
Food and household supplies	146,064	25,333	111	171,508	1,739	-	173,247	164,773
Repairs and maintenance	87,261	42,827	903	130,991	11,551	-	142,542	149,899
Travel	46,869	76,081	1,627	124,577	10,908	-	135,485	226,271
Utilities	93,980	16,960	183	111,123	7,581	-	118,704	126,474
Professional fees	-	13,835	14,029	27,864	50,211	30,179	108,254	104,807
Telephone	36,876	35,236	504	72,616	22,782	-	95,398	99,185
Rent	73,368	-	-	73,368	3,963	-	77,331	77,087
Staff training	23,173	13,800	209	37,182	20,874	-	58,056	67,120
Postage and printing	7,887	11,535	296	19,718	30,938	4,746	55,402	54,985
Small furniture and equipment	15,141	27,645	703	43,489	684	-	44,173	53,451
Client rent subsidy	-	44,004	-	44,004	-	-	44,004	39,415
Program activities and supplies	11,826	19,979	5,078	36,883	-	-	36,883	64,701
Office supplies	3,674	5,373	138	9,185	12,776	-	21,961	25,643
Bad debts	8,236	12,046	309	20,591	-	-	20,591	29,009
Dues and subscriptions	-	-	-	-	19,051	-	19,051	17,592
Interest	9,524	2,574	66	12,164	3,106	-	15,270	29,840
Recruiting	-	-	-	-	13,907	-	13,907	4,894
Miscellaneous expenses	3,397	4,692	209	8,298	200	-	8,498	16,747
Real estate taxes	3,041	4,447	114	7,602	-	-	7,602	7,473
Bank charges	-	-	-	-	3,928	-	3,928	3,455
Board expenses	-	-	-	-	3,251	-	3,251	2,425
Contributions	-	-	-	-	3,128	-	3,128	3,939
Purchase of services	1,650	720	-	2,370	-	-	2,370	7,344
Licensing expense	1,320	345	4	1,669	-	-	1,669	3,867
Total expenses	\$ 4,500,786	\$ 6,375,967	\$ 207,744	\$ 11,084,497	\$ 1,604,079	\$ 140,230	\$ 12,828,806	\$ 11,456,375

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

The Jubilee Association of Maryland, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 458,079	\$ 602,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	339,581	329,481
Loss on disposal of equipment	-	2,819
Amortization of premium for debt issuance costs	2,000	2,000
Amortization of loan discount	6,862	1,541
Unrealized/realized (gain) loss on investments	374	(14,366)
(Increase) decrease in operating assets:		
Accounts receivable, funding agencies	(285,400)	59,879
Accounts receivable, other	118,577	233,561
Prepaid expenses	(32,517)	(8,152)
Deposits and escrows	(1,118)	(937)
Increase (decrease) in operating liabilities:		
Accounts payable	(6,942)	(9,480)
Deferred compensation	(2,857)	(10,835)
Deferred revenue	90,867	-
Accrued salaries and related liabilities	184,524	92,063
Accrued vacation	(95,023)	42,391
Client escrow	5,277	97,490
Funds held for others	2,738	(3,180)
Due to State of Maryland	(110,102)	(242,005)
	<u>674,920</u>	<u>1,174,872</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(70,146)	(329,570)
Purchase of investments	(22,934)	(146,554)
Proceeds from sale of investments	3,427	3,143
	<u>(89,653)</u>	<u>(472,981)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(128,086)	(107,898)
Proceeds from Paycheck Protection Program loan	1,960,770	-
	<u>1,832,684</u>	<u>(107,898)</u>
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	<u>2,417,951</u>	<u>593,993</u>
Cash and cash equivalents at beginning of year	<u>1,417,392</u>	<u>823,399</u>
Cash and cash equivalents at end of year	<u>\$ 3,835,343</u>	<u>\$ 1,417,392</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 6,408</u>	<u>\$ 26,299</u>

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

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

The Jubilee Association of Maryland, Inc. (the Association) was formed to provide community-based residential services for individuals with developmental disabilities. The majority of the Association's funding is provided by the State of Maryland Department of Health and Montgomery County.

Basis of Accounting

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

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

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

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

Revenue Recognition – Contributions and Fundraising

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

Promises to give with a measurable performance or other barrier and a right of return are considered conditional promises to give and are not recognized until the conditions on which they depend have been met, except as noted in Note 16. There were no conditional promises to give for the years ended June 30, 2020 and 2019.

Revenue Recognition - Grants

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

Revenue Recognition – Program Service and Client Fees

The Association offers several levels of services for individuals with developmental disabilities. Program service fees and client fees are reported in revenue at the amount that reflects the consideration to which the Association expects to be entitled to in exchange for providing services. Program service fees are earned and paid by the State of Maryland as well as private individuals. Client fees are earned and paid by private individuals.

Cash and Cash Equivalents

For purpose of the statement of cash flows, except for funds held by investment managers, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

Property and Equipment

Property and equipment acquisitions over \$1,000 are capitalized and carried at cost. Depreciation is expensed over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all non-profit organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated based on asset usage, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Other functional expenses are either charged directly to program services as incurred or allocated based on usage.

Investments

Investments consist of money market and mutual funds that are held by an investment broker and are presented in the financial statements at quoted fair values. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities.

Accounts Receivable

Accounts receivable consists of program fees and grants due from funding agencies and consumers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Association provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on management's assessment of the current status of individual accounts. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The balance of the allowance for doubtful accounts related to all accounts receivable both from funding agencies and others was \$-0- at June 30, 2020 and 2019.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

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

Advertising

The Association expenses advertising costs as incurred. Advertising expenses were \$6,438 and \$744 for the years ended June 30, 2020 and 2019, respectively and are included in recruiting on the statement of functional expenses.

Income Tax Status

The Association is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes, as the Association has had no significant unrelated business income.

Income Tax Position

The Association follows the guidance of ASC 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Association's financial statements.

The Association analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c)(3) to qualify as a tax exempt organization, activities performed by volunteers and Board Members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Association does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Association's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2017 remain subject to examination by federal and state authorities.

Debt Issuance Costs

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

Reclassifications

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

The Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

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

New Accounting Pronouncement

On July 1, 2019, the Association adopted ASU 2018-08, “*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*” This standard provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contributions versus an exchange. ASU 2018-08 has been applied retrospectively to all periods presented. The adoption of ASU 2018-08 did not have any impact on the Association’s financial position, result of operations or cash flows.

Note 2 - Availability and Liquidity

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

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 3,835,343	\$ 1,417,392
Investments	622,250	603,117
Accounts receivable, funding agencies	682,323	396,923
Accounts receivable, other	15,358	133,935
Total financial assets	5,155,274	2,551,367
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 65,032	\$ 36,147
Board-designated funds	317,945	317,945
Total amounts not available to be used within one year	382,977	354,092
Financial assets available to meet general expenditures over next twelve months	\$ 4,772,297	\$ 2,197,275

The Association’s goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$3,207,000). Monthly average recurring costs are calculated by dividing total operating expenses for the year by twelve months.

In addition to the financial assets available to meet general expenditures over the next twelve months listed above, the Association also has a \$1,000,000 line of credit available (see Note 9) and a Board-designated reserve fund available (upon Board committee approval, see Note 20) to meet cash flow needs (if needed).

The Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

Note 3 - Concentration of Cash Balances

At June 30, 2020 and 2019, and at various times during the fiscal years then ended, the Association maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts held in excess of FDIC insurance coverage as of June 30, 2020 and 2019 was approximately \$3,422,000 and \$1,194,000, respectively.

Note 4 - Investments

The fair value of investments are as follows for the years ending June 30:

	2020	2019
Cash and money market funds	\$ 1,602	\$ 2,509
Mutual funds and exchange-trade funds	620,648	600,608
	\$ 622,250	\$ 603,117

Note 5 - Fair Value Measurement

ASC 820, “Fair Value Measurements and Disclosures,” establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are as described as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 5 - Fair Value Measurement (Cont.)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money Market Funds

A money market fund is valued at original cost, which equals fair value, it is a mutual fund that invests solely in cash and cash equivalent securities, which are also called money market instruments. These vehicles are very liquid short-term investments with high credit quality.

Mutual Funds

A mutual fund is valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Investments				
Cash and money market funds	\$ 1,602	\$ -	\$ -	\$ 1,602
Mutual funds:				
Fixed income funds	269,527	-	-	269,527
Growth funds	133,503	-	-	133,503
International funds	110,668	-	-	110,668
Other funds	61,819	-	-	61,819
Value funds	45,131	-	-	45,131
Total mutual funds	<u>620,648</u>	<u>-</u>	<u>-</u>	<u>620,648</u>
Total investments	<u>\$ 622,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,250</u>

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 5 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Investments				
Cash and money market funds	\$ 2,509	\$ -	\$ -	\$ 2,509
Mutual funds:				
Fixed income funds	262,108	-	-	262,108
Growth funds	119,869	-	-	119,869
International funds	107,755	-	-	107,755
Other funds	66,635	-	-	66,635
Value funds	44,241	-	-	44,241
Total mutual funds	600,608	-	-	600,608
Total investments	<u>\$ 603,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,117</u>

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Life	2020	2019
Land	--	\$ 1,058,522	\$ 1,058,522
Buildings	25 years	2,617,833	2,617,833
Building and leasehold improvements	5 - 37 years	3,139,761	3,119,144
Building improvements in progress	--	9,603	4,674
Vehicles	5 years	900,746	916,880
Furniture and equipment	3 - 15 years	738,154	730,891
		8,464,619	8,447,944
Less accumulated depreciation		<u>(4,905,476)</u>	<u>(4,619,366)</u>
		<u>\$ 3,559,143</u>	<u>\$ 3,828,578</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$339,581 and \$329,481, respectively.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 7 - Mortgages Payable

Mortgages payable consisted of the following at June 30:

<u>Property Mortgaged</u>	<u>Lender</u>	<u>Date</u>	<u>Term</u>	<u>Face Amount</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>
Montgomery Avenue	BB & T	Nov-12	10 yrs	\$ 442,123	\$ 4,478	3.95%	\$ 110,547	\$ 158,956
Scott Drive/Greenspan/Horton	BB & T	Nov-12	10 yrs	219,068	2,219	3.95%	60,411	84,179
Snowdrop	AmeriNat*	Jun-99	30 yrs	192,600	892	3.75%	81,193	88,739
Landgreen	AmeriNat*	Aug-99	30 yrs	176,874	1,027	4.50%	80,230	87,231
Camellia	AmeriNat*	Jun-98	30 yrs	174,000	970	4.00%	66,616	73,783
Cannon	AmeriNat*	Feb-93	30 yrs	148,651	1,022	7.00%	27,205	37,183
Eaglewood	AmeriNat*	Jan-91	30 yrs	144,000	730	4.50%	9,793	17,914
Cannon	AmeriNat*	Feb-93	30 yrs	37,733	139	2.00%	4,616	6,178
Total							440,611	554,163
Less debt issuance costs							(4,840)	(6,846)
Less current maturities							(116,967)	(112,108)
Less loan discount							(28,624)	(21,762)
Total mortgages payable long term							<u>\$ 290,180</u>	<u>\$ 413,447</u>

* Properties have equity participation assessments with MCPA rates.

The Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

Note 7 - Mortgages Payable (Cont.)

In November 2012, the Association refinanced four mortgages. Total costs associated with the refinancing amounted to \$20,018. The loan origination fees are amortized over the life of the mortgages (10 years) using the straight line method. Amortization expense for the years ended June 30, 2020 and 2019 amounted to \$2,000, and is included in interest expense.

Interest expense for the years ended June 30, 2020 and 2019 was \$15,270 and \$29,840, respectively.

Future maturities of mortgages payable are as follows:

<u>Years Ended June 30</u>	
2021	\$ 116,967
2022	114,368
2023	52,634
2024	25,380
2025	26,435
Thereafter	<u>104,827</u>
	<u>\$ 440,611</u>

Note 8 - Equity Participation Agreement with Maryland Community Development Administration

The Association has entered into certain participation mortgage loans with the Maryland Department of Housing and Community Development (DHCD) under the Group Home Financing Program. These loans totaled \$269,653 and \$311,028, as of June 30, 2020 and 2019, respectively. These arrangements entitle DHCD to 50% of the appreciation, as defined in the agreement, upon sale, refinancing, or transfer of the related property; upon ceasing use of the related property for its stated purpose; or default or maturity of the related note. At June 30, 2020 and 2019, the Association has recorded a participation liability of \$97,060 and \$97,876, respectively, and a related mortgage loan discount of \$28,624 and \$21,762, respectively, in connection with these arrangements.

The Association accounts for the liability in accordance with the ASC 470-30 which requires recording a participation liability and an offsetting loan discount, upon execution of the agreement, equal to the present value of the estimated participation liability at maturity. The loan discount is amortized as interest expense over the term of the loan. The estimated participation is calculated using the appraised values of the properties.

The Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

Note 9 - Line of Credit

In November 2018, the Association obtained a \$1,000,000 line of credit, secured by general assets of the Association. The line of credit bears interest at the bank's prime rate plus 0.25%. Accrued interest is payable monthly and outstanding principle is due in full at maturity on February 28, 2022. There were no amounts outstanding on the line of credit at June 30, 2020 and 2019.

Among other restrictions, the loan and line of credit agreement list a financial covenant, which must be maintained by the Association. This covenant requires the Association to maintain a cash flow coverage ratio of 1.25 times debt service. The cash flow coverage ratio equates to the change in net assets plus depreciation, amortization, and interest, to the sum of the required principal payments based on the prior year's current maturities and interest.

Note 10 - Accrued Vacation

The Association grants vacation leave based on a combination of time worked and years of service. Employees are permitted to carry over a maximum of three weeks from one calendar year to the next. The liability for compensated absences at June 30, 2020 and 2019 was \$283,754 and \$378,777, respectively.

Note 11 - Program Fees and Grants

Program service fees and grant revenue from the State of Maryland Department of Health were as follows for the years ended June 30:

	2020	2019
Personal supports	\$ 6,919,335	\$ 5,819,566
Residential	4,385,306	4,111,163
	\$ 11,304,641	\$ 9,930,729

Program service fees and grant revenue from Montgomery County were as follows for the years ended June 30:

	2020	2019
Supplement	\$ 1,141,451	\$ 1,141,443
Renovation grants	-	91,151
	\$ 1,141,451	\$ 1,232,594

The Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2020

Note 11 - Program Fees and Grants (Cont.)

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

	2020	2019
Room and board fees	\$ 196,927	\$ 202,592
Private pay fees	184,132	92,848
Residential consumer fees	74,147	72,592
	\$ 455,206	\$ 368,032

Note 12 - Significant Funding Source

The Association receives a majority of its total revenues through the State of Maryland's Department of Health. The Association is highly dependent upon government funding to continue its operations.

Note 13 - Contingencies

The Association receives a substantial portion of its revenue from government grants and contracts, all of which are subject to audit by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. The Association is of the opinion that no significant liability will result from audit adjustments, if any.

In March 2020, the Association experienced disruption of its daily operations due to the global COVID-19 (coronavirus) pandemic. While the Association expects this matter could potentially negatively impact its results of operations, cash flows, and financial position, the related impact cannot be reasonably estimated at this time.

Note 14 - Donated Materials

During the years ended June 30, 2020 and 2019, the Association received \$89,196 and \$75,311, respectively, of donated materials to be used towards software for operations and household/personal items for clients. Donated materials are recognized in contribution revenue on the statement of activities.

Note 15 - Retirement Plans

The Association has a 401(a) defined contribution pension plan through Mennonite Retirement Trust, which covers eligible employees after three years of service. The Association contributes 4% of eligible compensation. Participants are fully vested in employer and employee contributions in the event of withdrawal from the Plan.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 15 - Retirement Plans (Cont.)

The Association also has a 403(b) salary reduction pension plan through Mennonite Retirement Trust. The Association matches employee contributions up to 2% of gross wages for full-time direct care staff who have completed one year of service. In addition, the Association contributed 1% of gross wages for all full-time employees who have completed one year of service. For the years ended June 30, 2020 and 2019, the Association's contributions to the plans were \$189,067 and \$171,710, respectively.

The Association has entered into an agreement with the Former Executive Director to establish a non-qualified deferred compensation plan. Effective January 1, 1990 and for each calendar year in which the Director was employed by the Association, the Association contributed \$1,327 toward the purchase of an annuity policy which enables the Association to provide certain benefits to the Director. The Association is the beneficiary of the policy. During the fiscal year ending June 30, 2017 the Director had remained continuously employed by the Association, attained age 65, and became entitled to receive \$10,000 from the Association annually during the next 15 years. At year end June 30, 2020 and 2019 the present value of the remaining payments due the Director is \$106,841 and \$109,698, respectively.

Note 16 - Paycheck Protection Program

In April 2020, the Association received \$2,132,500 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Association reviewed their calculation and submitted an amended application in the amount of \$1,960,770. This revised amount reflected a more precise calculation of payroll costs. M&T Bank approved the original application of \$2,132,500. Upon receiving the funds, the Association immediately repaid the difference of \$171,730 to bring down the remaining balance to \$1,960,770. The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Association must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Association has flexibility in determining the forgiveness period (may elect 8 weeks or 24 weeks), the specific start date for the determination of qualifying expenditures, and the specific expenses to be utilized in qualifying for forgiveness under the PPP. Due to the ongoing COVID-19 pandemic, additional legislation or guidance from SBA is expected to be issued subsequent to June 30, 2020 clarifying various aspects of the PPP, especially regarding loan forgiveness.

The Association has accounted for the PPP funding as a conditional grant in the financial statements. The Association will select the 24 week forgiveness period, and will apply for forgiveness in FY21. Therefore as of June 30, 2020 the Association has recorded \$1,960,770 as a liability.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 17 - Self-Insured Health Plan

The Association entered into a self-insured health plan for their employees on April 1, 2013. The Association contracts with a provider to procure medical care and the provider invoices the Association for claims filed. The self-insured plan has secondary coverage to cover cost over \$25,000 per individual per Plan year, and also an aggregate limit on all costs, which is approximately 125% of expected costs. The self-insured premiums expensed by the Association for the years ended June 30, 2020 and 2019 were \$221,287 and \$229,009, respectively. The medical claims expensed by the Association for the years ended June 30, 2020 and 2019 were \$316,265 and \$244,569, respectively.

Note 18 - Operating Leases

The Association leases various residential homes under operating lease agreements, many of which are month-to-month leases.

Future minimum lease payments required under these leases are as follows for future years ending June 30:

2021	\$	56,400
2022		<u>14,700</u>
	\$	<u><u>71,100</u></u>

Rental expense of the Association and client subsidy rent for the years ended June 30, 2020 and 2019 was \$121,335 and \$116,502, respectively.

Note 19 - Related Party Transactions

Jubilee Foundation, Inc. was formed to support The Jubilee Association of Maryland, Inc. by, but not limited to, soliciting contributions, publicizing the work of the Association, granting funds to the Association, and acquiring and owning property for the benefit of the Association. Contributions provided by the Foundation to the Association for the years ended June 30, 2020 and 2019 amounted to \$52,700 and \$200,000, respectively.

The Association and the Foundation share common facilities, staff and other costs which are paid by the Association. The Association established a management contract with the Foundation for these services, which are billed monthly with any direct costs incurred by the Association. Management fees for the years ended June 30, 2020 and 2019 amounted to \$24,000 and \$128,580 respectively. Management expenses have not been offset against management income in the statement of activities.

As of June 30, 2020 and 2019 amounts due to the Foundation which are included in accounts payable totaled \$5,606 and \$3,284, respectively.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 20 - Board-Designated Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Health insurance reserve	\$ 173,000	\$ 173,000
Working capital fund	90,000	90,000
Long-term capital reserves	<u>54,945</u>	<u>54,945</u>
	<u>\$ 317,945</u>	<u>\$ 317,945</u>

Note 21 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
State of Maryland capital grants	\$ 350,000	\$ 350,000
Montgomery County renovations grants	122,556	122,556
Spiritual grant	25,000	-
Model housing program	24,895	32,260
Bethlehem House activities	11,250	-
Longevity incentives program	<u>3,887</u>	<u>3,887</u>
	<u>\$ 537,588</u>	<u>\$ 508,703</u>

State of Maryland capital grants relate to funding received for the acquisition and renovation of the Montgomery Avenue building. If the property is not used for the purpose disclosed in the grant agreements, or if the property is sold or transferred to an unapproved party, the Association is required to return a portion of the grant proceeds to the State of Maryland.

Montgomery County renovation grants relate to funding received for building improvements from Montgomery County's Group Home Rehabilitation Program. A requirement of this program is for the Association to utilize the improved residences as group homes for varying periods from three to seven years. The possibility of not operating the improved residences as group homes for the specified periods is considered by the Association to be remote, however, in the event that the Association does not adhere to these restrictions they are required to repay these funds in full.

Note 22 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. There have been no subsequent events through October 5, 2020, the date the financial statements were available to be issued, that require recognition or disclosure.