

THE JUBILEE ASSOCIATION OF MARYLAND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023

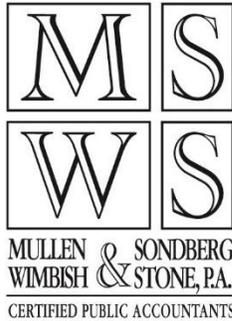


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Jubilee Association of Maryland, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jubilee Association of Maryland, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

To Management and Board of Directors of
The Jubilee Association of Maryland, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Jubilee Association of Maryland, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Jubilee Association of Maryland, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

To Management and Board of Directors of
The Jubilee Association of Maryland, Inc.

Report on Summarized Comparative Information

We have previously audited The Jubilee Association of Maryland, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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
November 13, 2023

The Jubilee Association of Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS		2023	2022
CURRENT ASSETS			
Cash and cash equivalents	\$	7,723,005	\$ 12,083,613
Investments		9,077,711	7,039,784
Accounts receivable, funding agencies		4,342,238	6,385,877
Accounts receivable, other		61,041	8,858
Unconditional promises to give		187,345	164,606
Unconditional promises to give, related party		-	368,800
Prepaid expenses		102,942	43,306
Total current assets		21,494,282	26,094,844
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		3,982,172	3,341,918
OTHER ASSETS			
Restricted deposits - reserve for replacements		46,611	43,074
Unconditional promises to give, net of allowance and discount		333,116	334,196
Deposits and escrows		652,042	384,485
Total other assets		1,031,769	761,755
Total assets		\$ 26,508,223	\$ 30,198,517
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	244,335	\$ 167,112
Deferred compensation		10,000	10,000
Accrued salaries and related liabilities		400,348	321,008
Accrued leave		1,076,464	879,588
Deferred revenue		26,680	49,791
Client escrow		188,070	145,048
Due to State of Maryland		165,671	9,166,378
Funds held for others		25,593	12,419
Mortgages payable		25,380	48,409
Total current liabilities		2,162,541	10,799,753
LONG-TERM LIABILITIES			
Deferred compensation		60,094	80,035
Mortgages payable, net of loan origination fees		133,063	157,759
Participation liability, net of discount		103,478	95,035
Total long-term liabilities		296,635	332,829
Total liabilities		2,459,176	11,132,582
NET ASSETS			
Without donor restrictions			
Undesignated		14,567,588	11,203,639
Board-designated		7,733,997	5,747,776
Total net assets without donor restrictions		22,301,585	16,951,415
With donor restrictions			
		1,747,462	2,114,520
Total net assets		24,049,047	19,065,935
Total liabilities and net assets		\$ 26,508,223	\$ 30,198,517

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

The Jubilee Association of Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
With Summarized Financial Information for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUES, GAINS AND OTHER SUPPORT				
State of Maryland - program service fees	\$ 26,477,756	\$ -	\$ 26,477,756	\$ 25,592,579
Montgomery County - program service fees	2,118,799	-	2,118,799	1,846,511
Contributions and grants	434,507	192,205	626,712	592,806
Investment income, net	403,354	119,801	523,155	238,483
Realized/unrealized gain (loss) on investments	344,562	-	344,562	(1,093,576)
Other income	316,513	-	316,513	224,157
Consumer program fees	247,514	-	247,514	263,763
Contributions - nonfinancial assets	-	-	-	90,973
Management fees	-	-	-	24,970
Gain (loss) on sale of equipment	(9,754)	-	(9,754)	10,572
	<u>30,333,251</u>	<u>312,006</u>	<u>30,645,257</u>	<u>27,791,238</u>
Net assets released from restrictions	740,727	(740,727)	-	-
Total revenues, gains and other support	31,073,978	(428,721)	30,645,257	27,791,238
EXPENSES				
Program services				
Supported Living	13,768,886	-	13,768,886	10,574,281
Residential	6,585,557	-	6,585,557	5,870,434
Personal supports	1,912,132	-	1,912,132	1,926,621
Other services	430,667	-	430,667	311,003
Total program services	<u>22,697,242</u>	<u>-</u>	<u>22,697,242</u>	<u>18,682,339</u>
Supporting services				
Management and general	2,833,596	-	2,833,596	2,626,323
Fundraising	306,561	-	306,561	341,637
Total supporting services	<u>3,140,157</u>	<u>-</u>	<u>3,140,157</u>	<u>2,967,960</u>
Total expenses	<u>25,837,399</u>	<u>-</u>	<u>25,837,399</u>	<u>21,650,299</u>
Change in net assets before other changes	5,236,579	(428,721)	4,807,858	6,140,939
OTHER CHANGES IN NET ASSETS				
Transfer from Jubilee Foundation, Inc.	175,254	-	175,254	2,886,127
Gain on extinguishment of debt - Paycheck Protection Program	-	-	-	2,160,427
Paycheck Protection Program interest expense	-	-	-	(8,319)
Total other changes	<u>175,254</u>	<u>-</u>	<u>175,254</u>	<u>5,038,235</u>
Change in net assets	5,411,833	(428,721)	4,983,112	11,179,174
NET ASSETS AT BEGINNING OF YEAR	<u>16,889,752</u>	<u>2,176,183</u>	<u>19,065,935</u>	<u>7,886,761</u>
NET ASSETS AT END OF YEAR	<u>\$ 22,301,585</u>	<u>\$ 1,747,462</u>	<u>\$ 24,049,047</u>	<u>\$ 19,065,935</u>

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, 2023
With Summarized Financial Information for the Year Ended June 30, 2022

	Program Services				Total Program Services	Supporting Services		Total	
	Residential	Personal Supports	Supported Living	Other Services		Management and General	Fundraising	2023	2022
Salaries	\$ 4,936,264	\$ 1,523,747	\$ 11,199,894	\$ 357,815	\$ 18,017,720	\$ 1,449,613	\$ 182,641	\$ 19,649,974	\$ 16,485,634
Employee benefits	463,568	129,717	996,287	15,302	1,604,874	154,197	14,960	1,774,031	1,229,222
Payroll taxes	372,732	114,736	843,562	27,338	1,358,368	105,397	13,794	1,477,559	1,227,013
Total salaries and related expenses	5,772,564	1,768,200	13,039,743	400,455	20,980,962	1,709,207	211,395	22,901,564	18,941,869
Computer services	3,055	840	6,519	84	10,498	318,799	2,517	331,814	399,780
Professional fees	47,805	13,142	102,016	3,522	166,485	112,729	47,594	326,808	327,482
Depreciation	150,143	360	43,464	37	194,004	125,910	-	319,914	285,374
Staff training	73,616	19,300	150,038	1,930	244,884	20,900	2,613	268,397	224,304
Insurance	102,336	39,836	91,506	77	233,755	26,387	-	260,142	231,106
Travel	58,756	26,904	97,588	752	184,000	73,476	83	257,559	180,126
Repairs and maintenance	83,446	276	23,962	344	108,028	61,742	-	169,770	176,313
Food and household supplies	105,703	808	38,349	5	144,865	1,566	-	146,431	152,531
Utilities	85,028	-	23,940	91	109,059	27,340	-	136,399	128,714
Telephone	28,511	2,183	23,316	1,054	55,064	68,810	960	124,834	115,909
Program activities and supplies	26,175	8,846	56,083	21,889	112,993	494	2,095	115,582	32,700
Miscellaneous expenses	2,226	723	4,701	73	7,723	81,001	33	88,757	17,089
Client rent subsidy	-	27,132	36,301	-	63,433	-	-	63,433	54,886
Advertising and recruiting	3,120	858	6,658	86	10,722	22,683	27,399	60,804	47,012
Bank charges	-	-	-	-	-	44,007	4,465	48,472	5,672
Small furniture and equipment	11,323	185	3,275	18	14,801	32,323	-	47,124	38,530
Postage and printing	5,831	1,629	12,387	160	20,007	16,431	3,783	40,221	59,215
Office supplies	1,891	469	3,644	47	6,051	31,947	184	38,182	34,936
Dues and subscriptions	417	115	891	11	1,434	27,171	-	28,605	20,053
Interest	15,567	-	-	-	15,567	842	-	16,409	50,812
Rent	4,887	-	-	-	4,887	4,766	-	9,653	64,558
Bad debts	-	-	-	-	-	6,205	3,440	9,645	28,145
Real estate taxes	1,187	326	2,532	32	4,077	4,966	-	9,043	8,040
Contributions	-	-	-	-	-	8,974	-	8,974	19,130
Licensing expense	1,970	-	1,468	-	3,438	1,555	-	4,993	4,037
Board expenses	-	-	-	-	-	3,365	-	3,365	1,976
Purchase of service	-	-	505	-	505	-	-	505	-
Total expenses	\$ 6,585,557	\$ 1,912,132	\$ 13,768,886	\$ 430,667	\$ 22,697,242	\$ 2,833,596	\$ 306,561	\$ 25,837,399	\$ 21,650,299

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, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,983,112	\$ 11,179,174
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	9,645	28,145
Depreciation	319,914	285,374
Gain (loss) on disposal of equipment	9,754	(10,572)
Amortization of premium for debt issuance costs	836	2,000
Change in equity participation liability, net of discount	8,443	14,060
Unrealized/realized (gain) loss on investments	(344,562)	1,093,576
Forgiveness of note payable - Paycheck Protection Program	-	(2,152,108)
Noncash asset contributions from the Jubilee Foundation, Inc.	(160,147)	(2,312,299)
(Increase) decrease in operating assets:		
Accounts receivable, funding agencies	2,043,639	(3,124,021)
Accounts receivable, other	(61,828)	(25,728)
Prepaid expenses	(59,636)	25,666
Deposits and escrows	(271,094)	(111,963)
Unconditional promises to give	347,141	(105,409)
Increase (decrease) in operating liabilities:		
Accounts payable	77,223	35,178
Deferred compensation	(19,941)	(14,043)
Deferred revenue	(23,111)	(3,529)
Accrued salaries and related liabilities	79,340	(372,927)
Accrued leave	196,876	206,891
Client escrow	43,022	(86,231)
Funds held for others	13,174	12,419
Due to State of Maryland	(9,000,707)	4,440,276
Net cash provided by (used in) operating activities	(1,808,907)	9,003,929
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(809,775)	(256,846)
Proceeds from sale of property and equipment	-	5,500
Purchase of investments	(1,723,682)	(5,845,882)
Proceeds from sale of investments	30,317	15,262
Net cash used in investing activities	(2,503,140)	(6,081,966)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(48,561)	(116,129)
Proceeds from Paycheck Protection Program loan	-	171,730
Net cash provided by (used in) financing activities	(48,561)	55,601
Net change in cash and cash equivalents	(4,360,608)	2,977,564
Cash and cash equivalents at beginning of year	12,083,613	9,106,049
Cash and cash equivalents at end of year	\$ 7,723,005	\$ 12,083,613
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 16,409	\$ 10,368

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

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

Classification of Net Assets

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 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.

Basis of Presentation

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 Association's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

Revenue Recognition – Contributions and Grants

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. There were no conditional promises to give for the years ended June 30, 2023 and 2022.

Unconditional promises to give are recognized in the period the promise is made. Promises to give are carried at original amount promised less an estimate made for doubtful promises, based on a review of all outstanding promises on a monthly basis. The Association uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises to give. The allowance for uncollectible unconditional promises to give totaled \$61,526 and \$58,086 as of June 30, 2023 and 2022, respectively. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

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.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

Revenue Recognition – Program Service and Consumer Program Fees

The Association offers several levels of services for individuals with developmental disabilities. These services are funded primarily by the Developmental Disabilities Administration of the State of Maryland Department of Health (DDA). Program service fees for DDA programs are reported at the amount that reflects the consideration to which the Association expects to be entitled to in exchange for providing services. Changes in the valuation of the consideration to which the Association expects to be entitled to in exchange for providing services are recognized in the period in which the changes are determined. Program service fees are recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a daily or hourly basis, as prescribed by DDA program regulations. Revenue is recorded based on daily or hourly reimbursement rates established and approved by DDA.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

Program service fees recognized for DDA programs for the years ending June 30, 2023 and 2022 are as follows:

<u>Service Type:</u>	<u>Measurement Period for Performance Obligations</u>	<u>Revenue Recognized June 30, 2023</u>	<u>Revenue Recognized June 30, 2022</u>
Supported living	Daily	\$ 16,788,427	\$ 15,161,435
Residential	Daily	7,494,477	8,173,088
Personal supports	Quarter-Hour	2,100,525	2,242,867
Housing supports	Hourly	89,914	14,706
Nursing supports	Hourly	4,413	483
		<u>\$ 26,477,756</u>	<u>\$ 25,592,579</u>

Revenue Recognition – Program Service and Consumer Program Fees

The Association also receives a supplement from Montgomery County to support all DDA programs which is paid monthly.

The Association collects consumer program fees for room and board and contribution to care from individuals in the Association’s residential services program. Consumer program fee revenue is recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a monthly basis. The monthly reimbursement rate is determined for each individual based on rates established and approved by DDA.

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

	<u>2023</u>	<u>2022</u>
Room and board fees	\$ 154,125	\$ 168,000
Residential consumer fees	59,222	61,796
Private pay fees	34,167	33,967
	<u>\$ 247,514</u>	<u>\$ 263,763</u>

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

Contributions – Nonfinancial Assets

Contributed services are recognized at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skill, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. There were no amounts recorded for contributed services for the years ending June 30, 2021 and 2020. Amounts recorded for contributions of tangible assets for the years ending June 30, 2023 and 2022 totaled \$-0- and \$90,973, respectively.

Contributions of tangible assets that have been recognized in the statement of activities are as follows for the years ended June 30:

	2023	2022
Software	\$ -	\$ 89,784
Supplies	-	1,189
	\$ -	\$ 90,973

The Association’s general practice is to utilize donated items to support the Association’s overall purpose. These contributions of tangible assets were utilized in the Association’s programs in the provision of services for individuals with developmental disabilities and were valued based on the comparable sales. The donated materials were used towards software for operations and household/personal items for clients. Donated items had no donor restrictions for the years ended June 30, 2023 and 2022.

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.

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, 2023

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

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. Interest and dividends income is reflected net of fees as investment income, net on the statement of activities. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities.

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.

Leases

The Association recognizes a right of use (ROU) asset and lease liability on the statement of financial position for all leases with a term of longer than 12 months. Leases are classified as financing or operating. Financing leases are expensed through interest and amortization expense and operating leases are expensed through lease expense on the statement of activities.

During the year ending June 30, 2023, the Association did not have any leases with a term of longer than 12 months that required recognition as a ROU asset or lease liability. Certain leases may include one or more options to renew, with renewal terms that can be extended beyond the original lease term at management's discretion. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised by management. There are no leases that contain any material residual value guarantees, material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. Rates are determined and estimated based on various incremental borrowing risk-free rates when the rate implicit in the lease is not readily determinable.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but expensed on a straight-line basis over the lease term.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

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.

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, 2023 and 2022.

Advertising

The Association expenses advertising costs as incurred. Advertising expenses were \$38,162 and \$2,398 for the years ended June 30, 2023 and 2022.

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.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing program services. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature. Nonoperating activities for the year ending June 30, 2023 consist of transfer of assets from Jubilee Foundation Inc. related to the dissolution of the Foundation (See Note 17). For the year ended June 30, 2022, nonoperating activities consist of a gain on extinguishment of debt from the Paycheck Protection Program (See Note 14).

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

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.

New Accounting Pronouncement

On July 1, 2022, the Association adopted *ASU 2016-02, "Leases" (Topic 842)* along with various practical expedients allowed by the Association under the standard, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to recognize a right of use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as financing or operating. Financing leases are expensed through interest and amortization expense and operating leases are expensed through rent expense in the statement of activities.

The Association adopted *ASU 2016-02* using a modified retrospective approach – Effective Date Method. The Effective Date Method does not reassess at adoption (i) expired or existing contracts as to whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect cost for existing leases. The Association also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying assets and are applying this expedient to all relevant asset classes. *ASU 2016-02* has been applied to the financial statements of the Association as of July 1, 2022, and no changes have been made to the financial statements for the year ending June 30, 2022.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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

Reclassifications

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

Note 2 - Concentration of Cash Balances

On June 30, 2023 and 2022, 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.

Note 3 - Availability and Liquidity

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

Financial assets at year end:	2023	2022
Cash and cash equivalents	\$ 7,723,005	\$ 12,083,613
Investments	9,077,711	7,039,784
Accounts receivable, funding agencies	4,342,238	6,385,877
Accounts receivable, other	61,041	8,858
Unconditional promises to give	520,461	867,602
Total financial assets	21,724,456	26,385,734
Less: amounts not available to be used within one year:		
Unconditional promises to give, net - long term	333,116	334,196
Net assets with donor restrictions	877,001	896,918
Board-designated funds	7,733,997	5,747,776
Total amounts not available to be used within one year	8,944,114	6,978,890
Financial assets available to meet general expenditures over next twelve months	\$ 12,780,342	\$ 19,406,844

The Association's goal is to establish at least three months of average recurring operating costs in available liquidity (approximately \$6,460,000). 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 \$1,500,000 line of credit available (See Note 9) and a Board-designated reserve fund available (upon Board committee approval, see Note 18) to meet cash flow needs (if needed).

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 4 - 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 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 Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 4 - Fair Value Measurement (Cont.)

Unconditional Promises to Give

Unconditional promises to give are valued at the present value of estimated future cash flows using a discount rate of 4.13% and 3.01% based on the five year Daily Treasury Yield Curve Rate as of June 30, 2023, and 2022, respectively.

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, 2023			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Cash and money market funds	\$ 576,637	\$ -	\$ -	\$ 576,637
Mutual funds:				
Fixed income funds	2,393,189	-	-	2,393,189
Growth funds	2,784,064	-	-	2,784,064
International funds	2,079,764	-	-	2,079,764
Other funds	782,677	-	-	782,677
Value funds	461,380	-	-	461,380
Total mutual funds	<u>8,501,074</u>	<u>-</u>	<u>-</u>	<u>8,501,074</u>
Total investments	<u>9,077,711</u>	<u>-</u>	<u>-</u>	<u>9,077,711</u>
Unconditional promises to give, net of allowance and discount	<u>-</u>	<u>-</u>	<u>520,461</u>	<u>520,461</u>
Total assets	<u>\$ 9,077,711</u>	<u>\$ -</u>	<u>\$ 520,461</u>	<u>\$ 9,598,172</u>

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 4 - 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, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and money market funds	\$ 34,837	\$ -	\$ -	\$ 34,837
Mutual funds:				
Fixed income funds	1,549,969	-	-	1,549,969
Growth funds	2,234,730	-	-	2,234,730
International funds	1,576,331	-	-	1,576,331
Other funds	1,288,140	-	-	1,288,140
Value funds	355,777	-	-	355,777
Total mutual funds	<u>7,004,947</u>	<u>-</u>	<u>-</u>	<u>7,004,947</u>
Total investments	<u>7,039,784</u>	<u>-</u>	<u>-</u>	<u>7,039,784</u>
Unconditional promises to give, net of allowance and discount	<u>-</u>	<u>-</u>	<u>867,602</u>	<u>867,602</u>
Total assets	<u>\$ 7,039,784</u>	<u>\$ -</u>	<u>\$ 867,602</u>	<u>\$ 7,907,386</u>

The following table includes a roll forward of the amounts for the year ended June 30, 2023, for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measure. Fair value measurements using Level 3 inputs are as follows at June 30:

<u>Unconditional Promises to Give</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 867,602	\$ -
Transfer from Jubilee Foundation, Inc.	-	762,193
Contributions	192,055	230,200
Write-offs	(4,000)	-
Collections	(522,456)	(42,734)
Change in allowance for uncollectible pledges	(3,440)	(58,086)
Change in present value discount	(9,300)	(23,971)
	<u>\$ 520,461</u>	<u>\$ 867,602</u>

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 5 - Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30:

	2023	2022
Pledges receivable in less than one year	\$ 187,345	\$ 533,406
Pledges receivable due in one to five years	427,918	416,253
Total pledges receivable	615,263	949,659
Less: discounts to net present value	(33,276)	(23,971)
Less: allowance for doubtful accounts	(61,526)	(58,086)
	\$ 520,461	\$ 867,602

The Association elected to follow *FASB ASC 825* to account for changes in fair value for unconditional promises to give. Unconditional promises to give are reflected at present value of estimated future cash flows using a discount rate of 4.13% and 3.01% based on the five year Daily Treasury Yield Curve Rate as of June 30, 2023, and 2022, respectively.

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Life	2023	2022
Land	-	\$ 1,262,222	\$ 1,058,522
Buildings	25 years	2,887,733	2,617,833
Building and leasehold improvements	5 - 37 years	3,173,374	3,219,899
Building improvements in progress	-	112,466	24,225
Vehicles	5 years	1,076,431	958,180
Furniture and equipment	3 - 15 years	459,840	768,562
		8,972,066	8,647,221
Less: accumulated depreciation		(4,989,894)	(5,305,303)
		\$ 3,982,172	\$ 3,341,918

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$319,914 and \$285,374, respectively.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 7 - Mortgages Payable

Mortgages payable consisted of the following at June 30:

Property Mortgaged	Lender	Date	Term	Face Amount	Monthly Payment	Interest Rate	2023	2022
Montgomery Avenue	BB&T	Nov-12	10 yrs	\$ 442,123	\$ 4,478	3.95%	\$ -	\$ 7,408
Scott Drive/Greenspan/Horton	BB&T	Nov-12	10 yrs	\$ 219,068	\$ 2,219	3.95%	-	9,761
Snowdrop	AmeriNat*	Jun-99	30 yrs	\$ 192,600	\$ 892	3.75%	56,885	65,344
Landgreen	AmeriNat*	Aug-99	30 yrs	\$ 176,874	\$ 1,027	4.50%	57,840	65,806
Camellia	AmeriNat*	Jun-98	30 yrs	\$ 174,000	\$ 970	4.00%	43,718	51,813
Cannon	AmeriNat*	Feb-93	30 yrs	\$ 148,651	\$ 1,022	7.00%	-	5,461
Cannon	AmeriNat*	Feb-93	30 yrs	\$ 37,733	\$ 139	2.00%	-	1,411
Total							158,443	207,004
Less: debt issuance costs							-	(836)
Less: current maturities							(25,380)	(48,409)
Total mortgages payable long term							<u>\$ 133,063</u>	<u>\$ 157,759</u>

* Properties have equity participation assessments with MCPA rates.

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, 2023 and 2022 amounted to \$-0- and \$836, respectively, and is included in interest expense.

Interest expense for the years ended June 30, 2023 and 2022 was \$16,409 and \$59,131, respectively.

Future maturities of mortgages payable are as follows:

Years Ended June 30	
2024	\$ 25,380
2025	26,435
2026	27,534
2027	28,679
2028	28,182
Thereafter	22,233
	<u>\$ 158,443</u>

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

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 \$158,443 and \$189,835, as of June 30, 2023 and 2022, 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, 2023 and 2022, the Association has recorded a participation liability of \$206,935 and \$183,948, respectively, and net a related mortgage loan discount of \$103,457 and \$88,913, 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.

Note 9 - Line of Credit

The Association obtained a \$1,500,000 line of credit, secured by general assets of the Association. The line of credit bears interest at 0.25% below U.S. prime rate as published in the Wall Street Journal. The published interest rate as of June 30, 2023 is at 8.0%. Accrued interest is payable monthly and outstanding principle is due in full at maturity on May 30, 2025. There were no amounts outstanding on the line of credit at June 30, 2023 and 2022.

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.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 10 - Accrued Leave

The Association grants four weeks of paid vacation leave per year to each employee. Employees are permitted to carry over a maximum of four weeks from one fiscal year to the next. The liability for compensated absences at June 30, 2023 and 2022 was \$920,000 and \$739,659, respectively.

The Association grants 12 weeks of sabbatical (extended) leave to full time staff who have been employed with the Association for ten consecutive years. The liability for extended leave at June 30, 2023 and 2022 was \$156,464 and \$139,929, respectively.

Note 11 - Significant Funding Source

The Association recognizes the majority of its revenue from the State of Maryland Department of Health during the years ended June 30, 2023 and 2022. The Association is highly dependent on the State of Maryland Department of Health to continue its operations.

Note 12 - 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.

Note 13 - Retirement Plans

The Association has a 403(b) retirement plan through Mennonite Retirement Trust. The Association matches employee contributions up to 5% of gross wages for staff who work at least 20 hours per week and have completed one year of service. Participants vest in employer contributions at a rate of 20% per year of service, becoming fully vested after five years of service. For the years ended June 30, 2023 and 2022, the Association's contributions to the plans were \$289,873 and \$207,224, 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, 2023 and 2022, the present value of the remaining payments due the Director is \$70,094 and \$90,035, respectively.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 14 - 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, as defined by PPP program regulations.

The Association accounted for the PPP funding as a loan in the financial statements totaling \$1,980,378, including accrued interest, as of June 30, 2021. On August 25, 2021, the Association's PPP loan was forgiven, and the SBA remitted \$2,132,500 in principal and \$27,927 in interest to M&T Bank for forgiveness of the loan. The Association recorded a gain on extinguishment of debt totaling \$2,160,427 for the year ending June 30, 2022. Due to the unusual nature of the PPP funding, the gains have been presented separately in the financial statements as other changes in net assets.

Note 15 - 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, 2023 and 2022 were \$303,492 and \$284,636, respectively. The medical claims expensed by the Association for the years ended June 30, 2023 and 2022 were \$731,891 and \$384,270, respectively.

Note 16 - Operating Leases

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

Rental expense of the Association and client subsidy rent for the years ended June 30, 2023 and 2022 was \$73,086 and \$119,444, respectively.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 17 - 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, 2023 and 2022 amounted to \$175,254 and \$2,886,127, 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, 2023 and 2022 amounted to \$-0- and \$24,970 respectively. Management expenses have not been offset against management income in the statement of activities.

As of June 30, 2023 and 2022 amounts due from the Foundation, which included the unconditional promise to give of the Channing Drive property during the year ended June 30, 2022, and are included in accounts receivable and unconditional promises to give, related party totaled \$-0- and \$368,800, respectively. As of June 30, 2023 and 2022 amounts due to the Foundation which are included in accounts payable totaled \$-0-.

On January 18, 2022 the Board of Directors of the Foundation approved a motion to dissolve the Foundation and transfer all of the Foundation's assets to the Association. Foundation's assets in the amount of \$2,886,127 were transferred to the Association during the fiscal year ended June 30, 2022. The remaining assets in the amount of \$175,254 were transferred from the Foundation to the Association at fair market value during the fiscal year ending June 30, 2023.

Below is a summary of contributions received by the Association from the Foundation for the year ended June 30:

	2023	2022
Noncash donations of promises to give - depreciable property	\$ 160,147	\$ 368,800
Cash donations	15,107	564,628
Noncash donations of investments	-	1,550,106
Noncash donations of promises to give	-	402,593
Total contributions from the Foundation	\$ 175,254	\$ 2,886,127

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 18 - Board-Designated Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ 6,654,344	\$ 4,777,788
Funds functioning as endowment	851,708	742,043
Health insurance reserve	173,000	173,000
Long-term capital reserves	<u>54,945</u>	<u>54,945</u>
	<u>\$ 7,733,997</u>	<u>\$ 5,747,776</u>

Note 19 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Employee Recognition fund	\$ 729,353	\$ 729,353
Unconditional promises to give	520,461	867,602
State of Maryland capital grants	350,000	350,000
Kline client social and spiritual fund	102,958	119,785
Spiritual grant	25,000	25,000
Bethlehem House activities	11,250	11,250
Dental fund	4,346	5,436
Model housing program	2,488	4,488
Julian Pendelton memorial	<u>1,606</u>	<u>1,606</u>
	<u>\$ 1,747,462</u>	<u>\$ 2,114,520</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.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 20 - Endowment Funds

The Association has established an endowment fund, which is comprised of both board designated funds functioning as endowment and the donor restricted employee recognition fund. Management follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of Maryland. As a result, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies. Although funds without donor restrictions functioning as endowment are not subject to donor restrictions, decisions to spend their principal require the approval of the Board of Directors.

Investment Return Objectives, Risk Parameters and Strategies: The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. In order to maintain the purchasing power of the endowment and the income flow, the long-term annualized rate of return objective is to equal or exceed inflation plus 3%.

Spending Policy: The Association has a spending policy where all endowment earnings are to be used to underwrite the benefits. The donor restricted portion is only based on the original contributed amount established by the donor. All endowment earnings are not restricted by the donor and are deemed board designated and used as approved by the board of directors.

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 20 - Endowment Funds (Cont.)

Endowment net assets consist of the following for the years ended June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 851,708	\$ 729,353	\$ 1,581,061
Total endowed net assets	\$ 851,708	\$ 729,353	\$ 1,581,061
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 742,043	\$ 729,353	\$ 1,471,396
Total endowed net assets	\$ 742,043	\$ 729,353	\$ 1,471,396

Changes in endowment net assets are as follows for the years ended June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 742,043	\$ 729,353	\$ 1,471,396
Investment income, net of fees	44,653	-	44,653
Net appreciation	75,146	-	75,146
Amounts appropriated for expenditure	(10,134)	-	(10,134)
Endowment net assets, end of year	\$ 851,708	\$ 729,353	\$ 1,581,061
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ -	\$ -
Transfers from Jubilee Foundation	680,379	729,353	1,409,732
Investment income, net of fees	53,874	-	53,874
Net appreciation	7,790	-	7,790
Endowment net assets, end of year	\$ 742,043	\$ 729,353	\$ 1,471,396

The Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2023

Note 21 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. Except as noted below, there have been no subsequent events through November 13, 2023, the date the financial statements were available to be issued, that require recognition or disclosure.

In September 2023, the Association repaid a participation liability totaling approximately \$84,000 for one of its participation mortgage loans with the Maryland Department of Housing and Community Development (DHCD) that had matured during the year ending June 30, 2023.