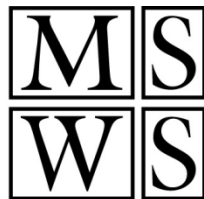


JUBILEE ASSOCIATION OF MARYLAND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017

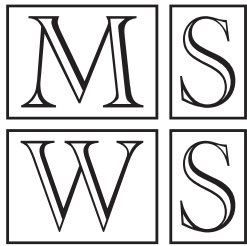


MULLEN SONDBERG WIMBISH & STONE, PA

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 - 20



MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Jubilee Association of Maryland, Inc. (a non-profit Organization), which comprise the statement of financial position as of June 30, 2017, 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
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 Jubilee Association of Maryland, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jubilee Association of Maryland, Inc.'s 2016 financial statements, and our report dated October 3, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 2, 2017

Jubilee Association of Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2017
ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 633,237	\$ 645,703
Investments	428,555	397,788
Accounts receivable, funding agencies	584,920	254,936
Accounts receivable, other, net of allowance for doubtful accounts	92,697	28,508
Prepaid expenses	<u>48,789</u>	<u>45,550</u>
Total current assets	<u>1,788,198</u>	<u>1,372,485</u>
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	<u>3,615,292</u>	<u>3,518,577</u>
OTHER ASSETS		
Restricted deposits - reserve for replacements	27,032	23,751
Deposits and escrows	<u>59,979</u>	<u>94,014</u>
Total other assets	<u>87,011</u>	<u>117,765</u>
Total assets	<u>\$ 5,490,501</u>	<u>\$ 5,008,827</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 100,583	\$ 110,096
Deferred compensation	10,000	-
Accrued salaries and related liabilities	268,108	252,786
Accrued vacation	286,283	224,835
Client escrow	137,132	33,243
Due to State of Maryland	501,736	362,991
Funds held for others	325	-
Mortgages payable	<u>103,013</u>	<u>106,113</u>
Total current liabilities	<u>1,407,180</u>	<u>1,090,064</u>
LONG-TERM LIABILITIES		
Deferred compensation	110,384	-
Mortgages payable, net of loan origination fees	634,375	720,886
Participation liability	<u>90,832</u>	<u>101,475</u>
Total long-term liabilities	<u>835,591</u>	<u>822,361</u>
Total liabilities	<u>2,242,771</u>	<u>1,912,425</u>
NET ASSETS		
Unrestricted	2,581,683	2,314,973
Unrestricted - Board designated	194,945	194,945
Temporarily restricted	<u>471,102</u>	<u>586,484</u>
Total net assets	<u>3,247,730</u>	<u>3,096,402</u>
Total liabilities and net assets	<u>\$ 5,490,501</u>	<u>\$ 5,008,827</u>

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

Jubilee Association of Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
REVENUES, GAINS AND OTHER SUPPORT				
State of Maryland - program fees and grants	\$ 8,649,066	\$ -	\$ 8,649,066	\$ 7,984,483
Montgomery County - program fees and grants	1,131,306	-	1,131,306	639,280
Consumer program fees	390,121	-	390,121	346,630
Contributions and grants	234,191	-	234,191	416,329
Management fees	105,600	-	105,600	96,000
Investment income	40,273	-	40,273	11,488
Rental income	8,750	-	8,750	15,000
Gain on sale of equipment	1,500	-	1,500	9,789
Other income	886	-	886	4,883
	<u>10,561,693</u>	<u>-</u>	<u>10,561,693</u>	<u>9,523,882</u>
Net assets released from restrictions	<u>115,382</u>	<u>(115,382)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>10,677,075</u>	<u>(115,382)</u>	<u>10,561,693</u>	<u>9,523,882</u>
EXPENSES				
Program services				
Residential	4,112,885	-	4,112,885	3,778,203
CSLA / personal supports	4,620,897	-	4,620,897	4,334,668
Other services	222,806	-	222,806	232,560
State support services	20,116	-	20,116	13,865
Total program services	<u>8,976,704</u>	<u>-</u>	<u>8,976,704</u>	<u>8,359,296</u>
Supporting services				
Management and general	1,383,226	-	1,383,226	1,180,109
Building rental	50,435	-	50,435	51,076
Total supporting services	<u>1,433,661</u>	<u>-</u>	<u>1,433,661</u>	<u>1,231,185</u>
Total expenses	<u>10,410,365</u>	<u>-</u>	<u>10,410,365</u>	<u>9,590,481</u>
Change in net assets	266,710	(115,382)	151,328	(66,599)
NET ASSETS AT BEGINNING OF YEAR	<u>2,509,918</u>	<u>586,484</u>	<u>3,096,402</u>	<u>3,163,001</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,776,628</u>	<u>\$ 471,102</u>	<u>\$ 3,247,730</u>	<u>\$ 3,096,402</u>

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

Jubilee Association of Maryland, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
With Summarized Financial Information for the Year Ended June 30, 2016

	Program Services				Supporting		Total		
	Residential	Personal Supports	Other Services	State Support Services	Total Program Services	Management and General	Building Rental	2017	2016
Salaries	\$ 2,663,313	\$ 3,437,951	\$ 119,599	\$ 2,627	\$ 6,223,490	\$ 828,035	\$ -	\$ 7,051,525	\$ 6,426,413
Employee benefits	358,553	414,202	13,825		786,580	260,433	-	1,047,013	876,365
Payroll taxes	198,692	269,573	8,819	201	477,285	62,112	-	539,397	497,091
Total salaries and related expenses	3,220,558	4,121,726	142,243	2,828	7,487,355	1,150,580	-	8,637,935	7,799,869
Depreciation/amortization	159,629	37,729	-	-	197,358	60,600	43,505	301,463	284,473
Travel	54,497	95,948	169	-	150,614	11,714	-	162,328	163,741
Food and household supplies	132,703	25,533	993	-	159,229	566	-	159,795	159,693
Insurance	73,016	71,430	3,248	-	147,694	6,509	-	154,203	148,062
Repairs and maintenance	90,932	35,572	-	-	126,504	838	4,192	131,534	136,377
Professional fees	12,928	10,184	58,438	-	81,550	31,618	-	113,168	151,385
Utilities	97,040	23,223	-	-	120,263	-	-	120,263	109,564
Computer services	37,858	41,012	2,000	-	80,870	19,674	-	100,544	77,077
Rent	85,555	-	2,250	-	87,805	1,247	-	89,052	88,397
Telephone	37,863	35,109	750	-	73,722	3,761	-	77,483	75,861
Postage and printing	8,172	8,853	1,500	-	18,525	37,677	-	56,202	57,484
Client rent subsidy	-	50,611	-	-	50,611	-	-	50,611	57,444
Staff training	29,972	16,207	-	-	46,179	3,545	-	49,724	50,537
Program activities and supplies	9,549	23,877	9,119	-	42,545	64	-	42,609	49,681
Interest	31,888	4,011	-	-	35,899	2,638	2,738	41,275	45,271
Office supplies	2,404	2,609	750	-	5,763	16,854	-	22,617	17,961
Purchase of services	4,159	-	-	17,288	21,447	-	-	21,447	20,313
Dues and subscriptions	392	275	-	-	667	15,407	-	16,074	15,579
Miscellaneous expenses	5,167	5,981	596	-	11,744	2,245	-	13,989	37,373
Bad debts	5,088	5,511	-	-	10,599	-	-	10,599	-
Small furniture and equipment	5,557	699	-	-	6,256	1,988	-	8,244	7,885
Real estate taxes	3,583	3,730	-	-	7,313	-	-	7,313	6,952
Bank charges	-	-	-	-	-	7,033	-	7,033	5,887
Recruiting	1,396	173	-	-	1,569	4,970	-	6,539	5,097
Licensing expense	2,979	894	-	-	3,873	795	-	4,668	4,340
Board expenses	-	-	750	-	750	2,403	-	3,153	13,678
Contributions	-	-	-	-	-	500	-	500	500
Total expenses	\$ 4,112,885	\$ 4,620,897	\$ 222,806	\$ 20,116	\$ 8,976,704	\$ 1,383,226	\$ 50,435	\$ 10,410,365	\$ 9,590,481

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

Jubilee Association of Maryland, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 151,328	\$ (66,599)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	301,463	284,473
Gain on sale/disposal of equipment	(1,500)	(9,789)
Amortization of premium for debt issuance costs	2,001	2,007
Amortization of loan discount	7,462	3,882
Unrealized/realized (gain) loss on investments	(21,540)	3,640
(Increase) decrease in operating assets:		
Accounts receivable, funding agencies	(329,984)	217,947
Accounts receivable, other	(64,189)	31,863
Prepaid expenses	(3,239)	(14,251)
Deposits and escrows	30,754	(31,499)
Increase (decrease) in operating liabilities:		
Accounts payable	(9,513)	23,927
Deferred compensation	120,384	-
Accrued salaries and related liabilities	15,322	5,124
Accrued vacation	61,448	37,181
Deferred revenue	-	(6,123)
Client escrow	103,889	(38,949)
Due to State of Maryland	138,745	314,591
	<u>502,831</u>	<u>757,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(399,854)	(289,269)
Proceeds from sale of property and equipment	1,500	9,789
Purchase of investments	(99,596)	(181,391)
Proceeds from sale of investments	90,369	24,105
	<u>(407,581)</u>	<u>(436,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	(107,716)	(103,918)
	<u>(107,716)</u>	<u>(103,918)</u>
Net change in cash and cash equivalents	(12,466)	216,741
	<u>(12,466)</u>	<u>216,741</u>
Cash and cash equivalents at beginning of year	645,703	428,962
	<u>645,703</u>	<u>428,962</u>
Cash and cash equivalents at end of year	<u>\$ 633,237</u>	<u>\$ 645,703</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 39,274</u>	<u>\$ 43,264</u>

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

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

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 Mental Hygiene 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.

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, 2016, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

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 provided 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 unrestricted support, 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 voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

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, amounts due from tenants, 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 other was \$-0- at June 30, 2017 and 2016.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

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

Advertising

The Association expenses advertising costs as incurred. Advertising expenses were \$306 and \$199 for the years ended June 30, 2017 and 2016, respectively and 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, 2014 remain subject to examination by federal and State authorities.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-3 *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-3 provides additional guidance to simplify presentation of debt issuance costs. ASU 2015-3 is effective fiscal years beginning after December 15, 2015.

Reclassifications

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

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 2 - Concentration of Cash Balances

At June 30, 2017 and 2016 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, 2017 and 2016 was approximately \$381,000 and \$431,000 respectively.

Note 3 - Investments

Fair values and unrealized appreciation (depreciation) are summarized as follows for the years ending June 30:

	2017		
	Cost	Fair Market Value	Unrealized Gain
Cash and money market funds	\$ 755	\$ 755	\$ -
Mutual funds	407,100	427,800	20,700
	\$ 407,855	\$ 428,555	\$ 20,700
	2016		
	Cost	Fair Market Value	Unrealized Gain
Cash and money market funds	\$ 494	\$ 494	\$ -
Mutual funds	398,169	397,294	(875)
Total investments	\$ 398,663	\$ 397,788	\$ (875)

Investment income consisted of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 18,733	\$ 15,128
Unrealized/realized gain (loss) on investments	21,540	(3,640)
Total investment income	\$ 40,273	\$ 11,488

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 4 - Fair Value Measurement

FASB ASC 820 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are 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 other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- 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.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include mutual funds, and cash and money market funds held in brokerage accounts that are a part of an investment portfolio.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

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, 2017			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	\$ 755	\$ -	\$ -	\$ 755
Mutual funds:				
Fixed income funds	183,154	-	-	183,154
Growth funds	84,379	-	-	84,379
International funds	78,430	-	-	78,430
Other funds	51,032	-	-	51,032
Value funds	30,805	-	-	30,805
Total mutual funds	427,800	-	-	427,800
Total investments	<u>\$ 428,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,555</u>
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market funds	\$ 494	\$ -	\$ -	\$ 494
Mutual funds:				
Fixed income funds	165,094	-	-	165,094
Growth funds	82,000	-	-	82,000
International funds	73,648	-	-	73,648
Other funds	47,658	-	-	47,658
Value funds	28,894	-	-	28,894
Total mutual funds	397,294	-	-	397,294
Total investments	<u>\$ 397,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,788</u>

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	Estimated Life	2017	2016
		<u> </u>	<u> </u>
Land	--	\$ 1,058,522	\$ 1,058,522
Buildings	25 years	2,617,833	2,617,833
Building and leasehold improvements	5 - 37 years	2,592,640	2,292,285
Vehicles	5 years	802,895	788,316
Furniture and equipment	3 - 15 years	637,426	568,296
Construction in progress	--	6,513	27,283
		<u>7,715,829</u>	<u>7,352,535</u>
Less accumulated depreciation		<u>(4,100,537)</u>	<u>(3,833,958)</u>
		<u>\$ 3,615,292</u>	<u>\$ 3,518,577</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$301,463 and \$284,473, respectively.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 6 - Mortgages Payable

Mortgages payable consisted of the following at June 30:

Property Mortgaged	Lender	Date	Term	Face Amount	Monthly Payment	Interest Rate	2017	2016
Montgomery Avenue	BB & T	Nov-12	10 yrs	\$ 442,123	\$ 4,478	3.95%	\$ 249,816	\$ 292,592
Scott Drive/Greenspan/Horton	BB & T	Nov-12	10 yrs	219,068	2,219	3.95%	128,783	149,783
Snowdrop	Amerinat	Jun-99	30 yrs	192,600	892	3.75%	102,892	109,646
Landgreen	Amerinat	Aug-99	30 yrs	176,874	1,027	4.50%	100,243	106,695
Camellia	Amerinat	Jun-98	30 yrs	174,000	970	4.00%	87,232	93,850
Cannon	Amerinat	Feb-93	30 yrs	148,651	1,051	7.00%	54,394	62,457
Eaglewood	Amerinat	Jan-91	30 yrs	144,000	730	4.50%	33,086	40,299
Cannon	Amerinat	Feb-93	30 yrs	37,733	139	2.00%	9,214	10,699
Montgomery Avenue	Montgomery County	Jun-02	15 yrs	125,000	748	1.00%	-	7,355
Total							765,660	873,376
Less debt issuance costs							(10,848)	(12,848)
Less current maturities							(103,013)	(106,113)
Less loan discount							(17,424)	(33,529)
Total mortgages payable long term							<u>\$ 634,375</u>	<u>\$ 720,886</u>

Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2017

Note 6 - 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, 2017 and 2016 amounted to \$2,001 and \$2,007, respectively, and is included in depreciation expense.

Interest expense for the years ended June 30, 2017 and 2016 was \$41,254 and \$45,271, respectively.

Future maturities of mortgages payable are as follows:

<u>Years Ended June 30</u>	
2018	\$ 103,013
2019	107,460
2020	112,108
2021	116,967
2022	114,624
Thereafter	<u>211,488</u>
	<u>\$ 765,660</u>

Note 7 - 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 \$377,847 and \$412,947, as of June 30, 2017 and 2016, 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, 2017 and 2016, the Association has recorded a participation liability of \$90,832 and \$101,475, respectively, and a related mortgage loan discount of \$17,424 and \$33,529, 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.

Jubilee Association of Maryland, Inc.
 NOTES TO FINANCIAL STATEMENTS (Cont.)
 June 30, 2017

Note 8 - Line of Credit

In November 2012 the Association obtained a secured \$500,000 line of credit with a bank. The line of credit bears interest at the bank's prime rate plus .25%. Accrued interest is payable monthly and outstanding principle is due in full at maturity on November 30, 2017. There were no amounts outstanding on the line of credit at June 30, 2017 and 2016.

Among other restrictions, the loan and line of credit agreement list a financial covenant, which must be maintained by the Organization. This covenant requires the Organization 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 9 - 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, 2017 and 2016 was \$286,283 and \$224,835, respectively.

Note 10 - Program Fees and Grants

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

	2017	2016
CSLA / personal supports	\$ 4,772,732	\$ 4,471,351
Residential	3,857,475	3,499,267
Individual support services	18,859	13,865
	\$ 8,649,066	\$ 7,984,483

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

	2017	2016
Supplement	\$ 861,414	\$ 629,280
Renovation grants	259,892	-
Capital grants	10,000	10,000
	\$ 1,131,306	\$ 639,280

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 10 - Program Fees and Grants (Cont.)

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

	<u>2017</u>	<u>2016</u>
Room and board fees	\$ 207,187	\$ 199,875
Autism private pay fees	96,402	86,598
Residential consumer fees	<u>86,532</u>	<u>60,157</u>
	<u>\$ 390,121</u>	<u>\$ 346,630</u>

Note 11 - Significant Funding Source

The Association receives a majority of its total revenues through the State of Maryland's Department of Health and Mental Hygiene. The Association is highly dependent upon government funding 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 - Donated Materials

During the years ended June 30, 2017 and 2016, the Association received \$119,409 and \$74,162, respectively, of donated materials to be used towards the continued support for the care of the ill, needy or youth. Donated materials are recognized in contribution revenue on the statement of activities.

Note 14 - 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. Employer and employee contributions are fully vested in the event of withdrawal from the Plan.

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, 2017 and 2016, the Association's contributions to the Plans were \$146,891 and \$143,057, respectively.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 14 - Retirement Plans (Cont.)

The Association has entered into an agreement with the Executive Director to establish a non-qualified deferred compensation plan. Effective January 1, 1990 and for each calendar year in which the Director continues to be employed by the Association, the Association contributes \$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. In the current year the Director had remained continuously employed by the Association at the age of 65, and become entitled to receive \$10,000 from the Association annually during the next 15 years. At year end June 30, 2017 the present value of the remaining payments due the Director is \$120,384.

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, 2017 and 2016 were \$299,477 and \$312,459, respectively. The medical claims expensed by the Association for the years ended June 30, 2017 and 2016 were \$280,985 and \$224,438 respectively.

Note 16 - Operating Leases

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

Rental expense of the Association and client subsidy rent for the years ended June 30, 2017 and 2016 was \$139,663 and \$145,841, respectively.

Note 17 - Related Party Transactions

Jubilee Foundation, Inc. was formed to support 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, 2017 and 2016 amounted to \$106,782 and \$165,167, 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, 2017 and 2016 amounted to \$105,600 and \$96,000, respectively. Management expenses have not been offset against management income in the statement of activities.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 17 - Related Party Transactions (Cont.)

As of June 30, 2017 amounts due from the Foundation which are included in accounts receivable totaled \$4,546. As of June 30, 2016 amounts due to the Foundation which are included in accounts payable totaled \$5,563

Note 18 - Unrestricted, Board Designated Net Assets

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

	<u>2017</u>	<u>2016</u>
Working capital fund	\$ 90,000	\$ 90,000
Long-term capital reserves	54,945	54,945
Health insurance reserve	<u>50,000</u>	<u>50,000</u>
	<u>\$ 194,945</u>	<u>\$ 194,945</u>

Note 19 - Temporarily Restricted Net Assets

The following summarizes temporarily restricted net assets as of June 30:

	<u>2017</u>	<u>2016</u>
State of Maryland capital grants	\$ 350,000	\$ 350,000
Model housing program	87,472	178,819
Montgomery County renovations grants	31,405	55,440
Longevity incentives program	<u>2,225</u>	<u>2,225</u>
	<u>\$ 471,102</u>	<u>\$ 586,484</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.

Jubilee Association of Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2017

Note 20 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. There have been no subsequent events through October 2, 2017, the date the financial statements were available to be issued, that require recognition or disclosure.