Laurel Advocacy and Referral Services, Inc.

Financial Statements
For the Years Ended June 30, 2017 and 2016

HERTZBACH
certified public accountants · consultants

Laurel Advocacy and Referral Services, Inc.

Table of Contents
For the Years Ended June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors
Laurel Advocacy and Referral Services, Inc.
311 Laurel Avenue
Laurel, MD 20707

We have audited the accompanying financial statements of Laurel Advocacy and Referral Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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 Laurel Advocacy and Referral Services, Inc. as of June 30, 2017, 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.

Prior Period Financial Statements

The financial statements of Laurel Advocacy and Referral Services, Inc. as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016, expressed an unmodified opinion on those statements.

Hertzbach & Company, P.A.

Rockville, Maryland
October 4, 2017

Laurel Advocacy and Referral Services, Inc.

Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 323,371	$ 474,308
Restricted cash	9,073	9,669
Pledges receivable	43,963	29,658
Grants receivable	39,321	65,373
Other receivables	333	723
Inventories	6,359	10,239
Investments	125,328	-
Prepaid expenses	5,357	28,030
Total current assets	553,105	618,000
Property and equipment, net	538,850	549,286
Other assets		
Investments	50,327	-
Total assets	$ 1,142,282	$ 1,167,286
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 13,426	$ 789
Accrued payroll and payroll taxes	30,332	25,775
Current portion of mortgage payable	9,776	9,952
Client funds held in trust	9,073	9,669
Total current liabilities	62,607	46,185
Noncurrent liabilities		
Mortgage payable, less current portion	40,469	56,091
Total liabilities	103,076	102,276
Net Assets		
Unrestricted net assets	1,039,206	1,050,181
Temporarily restricted net assets	-	14,829
Total liabilities and net assets	$ 1,142,282	$ 1,167,286

See independent auditor's report and notes to financial statements

Laurel Advocacy and Referral Services, Inc.

Statements of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support			
Special events:			
Revenues	$ 84,946	$ -	$ 84,946
Less: donor benefit costs	(11,600)	-	(11,600)
Net support from special events	73,346	-	73,346
Grants	674,023	-	674,023
Contributions	210,146	-	210,146
Client co-payments	32,846	-	32,846
In-kind contributions	170,651	-	170,651
Other income	975	-	975
Interest income	1,356	-	1,356
Net assets released from restrictions:			
Satisfaction of program requirements	14,829	(14,829)	-
Total revenues, gains, and other support	1,178,172	(14,829)	1,163,343
Expenses			
Program services	1,050,465	-	1,050,465
General and administrative	70,577	-	70,577
Fundraising	68,105	-	68,105
Total expenses	1,189,147	-	1,189,147
Change in net assets	(10,975)	(14,829)	(25,804)
Net assets, beginning of year	1,050,181	14,829	1,065,010
Net assets, end of year	$ 1,039,206	$ -	$ 1,039,206

See independent auditor's report and notes to financial statements

Laurel Advocacy and Referral Services, Inc.

Statements of Activities (Continued)
For the Year Ended June 30, 2016

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support			
Special events:			
Revenues	$ 63,358	$ -	$ 63,358
Less: donor benefit costs	(13,583)	-	(13,583)
Net support from special events	49,775	-	49,775
Grants	650,841	-	650,841
Contributions	158,346	14,829	173,175
Client co-payments	41,884	-	41,884
In-kind contributions	206,834	-	206,834
Other income	362	-	362
Interest income	1,029	-	1,029
Net assets released from restrictions:			
Satisfaction of program requirements	195,712	(195,712)	-
Total revenues, gains, and other support	1,304,783	(180,883)	1,123,900
Expenses			
Program services	1,057,672	-	1,057,672
General and administrative	61,837	-	61,837
Fundraising	54,155	-	54,155
Total expenses	1,173,664	-	1,173,664
Change in net assets	131,119	(180,883)	(49,764)
Net assets, beginning of year	919,062	195,712	1,114,774
Net assets, end of year	$ 1,050,181	$ 14,829	$ 1,065,010

See independent auditor's report and notes to financial statements

Laurel Advocacy and Referral Services, Inc.

Statements of Functional Expenses
For the Year Ended June 30, 2017

	Program Services				Supporting Services			
	Emergency Services	Housing	Self-Sufficiency Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Program and Supporting Services
Housing/utilities assistance	$ -	$428,454	$ -	$ 428,454	$ -	$ -	$ -	$ 428,454
Salaries, benefits, and taxes	159,163	148,139	25,654	332,956	37,264	56,402	93,666	426,622
Food	195,125	-	-	195,125	-	-	-	195,125
Professional fees	6,688	8,258	-	14,946	19,066	-	19,066	34,012
Depreciation	11,271	11,698	1,569	24,538	3,709	3,139	6,848	31,386
Insurance	5,564	5,775	775	12,114	1,831	1,550	3,381	15,495
Utilities	3,951	4,101	550	8,602	1,300	1,100	2,400	11,002
Office expense	3,688	3,826	513	8,027	1,214	1,027	2,241	10,268
Telephone	2,741	2,845	382	5,968	902	763	1,665	7,633
Repairs and maintenance	2,681	2,783	373	5,837	882	747	1,629	7,466
Payroll expenses	1,230	1,144	198	2,572	288	436	724	3,296
Training	3,265	-	-	3,265	-	-	-	3,265
Interest	965	1,001	134	2,100	317	269	586	2,686
Events	-	-	-	-	-	2,519	2,519	2,519
Education assistance	2,128	-	-	2,128	-	-	-	2,128
Transportation	1,760	-	-	1,760	-	-	-	1,760
Dues and subscriptions	-	-	-	-	1,650	-	1,650	1,650
Postage and delivery	550	571	77	1,198	181	153	334	1,532
Miscellaneous	-	-	-	-	1,168	-	1,168	1,168
Children's programs	875	-	-	875	-	-	-	875
Bank fees	-	-	-	-	805	-	805	805
	$ 401,645	$618,595	$ 30,225	$ 1,050,465	$ 70,577	$ 68,105	$ 138,682	$ 1,189,147

See independent auditor's report and notes to financial statements

Laurel Advocacy and Referral Services, Inc.

Statements of Functional Expenses (Continued)
For the Year Ended June 30, 2016

	Program Services			Supporting Services			
	Emergency Services	Housing	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Program and Supporting Services
Housing/utilities assistance	$ -	$ 402,519	$ 402,519	$ -	$ -	$ -	$ 402,519
Salaries, benefits, and taxes	158,353	136,257	294,610	29,461	44,191	73,652	368,262
Food	243,100	-	243,100	-	-	-	243,100
Depreciation	17,940	11,716	29,656	4,027	2,929	6,956	36,612
Professional fees	5,989	7,584	13,573	17,611	-	17,611	31,184
Insurance	8,543	5,579	14,122	1,918	1,395	3,313	17,435
Office expense	6,522	4,260	10,782	1,464	1,065	2,529	13,311
Utilities	4,097	2,676	6,773	920	669	1,589	8,362
Telephone	3,992	2,607	6,599	896	652	1,548	8,147
Children's programs	6,812	-	6,812	-	-	-	6,812
Repairs and maintenance	3,126	2,041	5,167	702	510	1,212	6,379
Education assistance	5,550	-	5,550	-	-	-	5,550
Training	4,058	-	4,058	-	-	-	4,058
Support services	3,545	-	3,545	-	-	-	3,545
Interest	1,666	1,088	2,754	374	272	646	3,400
Miscellaneous	1,832	-	1,832	1,534	-	1,534	3,366
Payroll expenses	1,328	1,143	2,471	247	371	618	3,089
Events	-	-	-	-	1,962	1,962	1,962
Dues and subscriptions	-	-	-	1,891	-	1,891	1,891
Postage and delivery	851	556	1,407	191	139	330	1,737
Medical assistance	1,436	-	1,436	-	-	-	1,436
Transportation	906	-	906	-	-	-	906
Bank fees	-	-	-	601	-	601	601
	$ 479,646	$ 578,026	$ 1,057,672	$ 61,837	$ 54,155	$ 115,992	$ 1,173,664

See independent auditor's report and notes to financial statements

Laurel Advocacy and Referral Services, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (25,804)	(49,764)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation and amortization	31,386	36,612
(Increase) decrease in operating assets:		
Pledges receivable	(14,305)	(2,649)
Grants receivable	26,052	(8,213)
Other receivables	390	390
Inventories	3,880	6,069
Prepaid expenses	22,673	2,321
Increase (decrease) in liabilities:		
Accounts payable	12,637	(776)
Accrued payroll and payroll taxes	4,557	8,029
Net cash and cash equivalents provided by (used in) operating activities	61,466	(7,981)
Cash flows from investing activities		
Purchases of property and equipment	(20,950)	-
Purchases of investments	(180,795)	-
Proceeds from sale of investments	5,140	-
Net cash and cash equivalents used in investing activities	(196,605)	-
Cash flows from financing activities		
Principal payments on mortgage payable	(15,798)	(15,085)
Net cash and cash equivalents used in financing activities	(15,798)	(15,085)
Net change in cash and cash equivalents	(150,937)	(23,066)
Cash and cash equivalents, beginning of year	474,308	497,374
Cash and cash equivalents, end of year	$323,371	$474,308
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 2,686	$ 3,400

See independent auditor's report and notes to financial statements

1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Laurel Advocacy and Referral Services, Inc.'s (the "Organization" and "LARS") mission is to enable homeless and low-income people in Laurel, Maryland who are in crisis to achieve stability and long-term self-sufficiency. Its vision is a community that treats all people with dignity and helps everyone meet their basic needs.

The Organization's program areas are:

> ***Emergency Services –*** The Organization provides short-term financial assistance, support services, and referrals to low-income and homeless individuals and families in crisis. Funding comes from a variety of public and private grants, as well as other general contributions. Services include short-term case management, eviction prevention and rental assistance, utility assistance, referrals to long-term services, assistance in obtaining identification cards and birth certificates, clothing and furniture vouchers, employment assistance, holiday and back-to-school programs, and additional homeless supportive services. In addition, the Organization also operates a food pantry.
>
> ***Housing –*** LARS receives a Continuum of Care (COC) grant through U.S. Department of Housing and Urban Development (HUD) to operate a Supportive Housing Program that provides subsidized housing and supportive services to 19 chronically homeless, disabled individuals and families. This program is not time-limited. Two LARS case managers conduct weekly home visits with all participants, who reside in apartments leased by LARS throughout the Laurel community. Participants live independently with support as needed from LARS, including life skills classes, individual savings accounts, and assistance with obtaining treatment for substance abuse, health or mental health problems. LARS works closely with the Prince George's County Department of Social Services to prioritize placement of homeless individuals/families into our program according to their level of vulnerability. LARS also receives COC funding through HUD to provide transitional housing for three families. This program is time-limited, with a maximum duration of 24 months.
>
> ***Self-Sufficiency Services –*** Through a HUD grant, the Organization helps to stabilize and motivate participants to work closely with a LARS case manager on a longer-term basis (18 to 24 months) to maintain permanent housing, improve financial habits, gain employment, and remove other barriers to self-sufficiency. The evidence-based program uses a highly successful "Mobility Mentoring" framework designed by EMPath of Boston, MA. Mobility Mentoring-inspired programs are described by EMPath as "metric-based, mentor-led, incentivized programs that lead families across the economic divide." The primary focus of Mobility Mentoring is coaching the participant in personal problem-solving, skill-building, and persistence to attain the long-term goals that support economic independence. The mentor's role is to help participants carve enough time out of their days to begin to take the steps necessary to change their lives.

Basis of Accounting

The Organization's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation
Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Net assets that result from contributions and grants whose use is limited by donor-imposed stipulations that either expire by passage of time or the occurrence of a specific event. When conditions of the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Permanently Restricted Net Assets
Net assets that are subject to donor-imposed restrictions that require the principal balance to be kept in perpetuity while permitting the Organization to use or expend part or all of the income derived from the assets. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization did not have any permanently restricted net assets as of June 30, 2017 and 2016.

Use of Estimates
Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from the estimates that were used.

Cash and Cash Equivalents
Cash and cash equivalents include money market funds available for operating purpose with an original maturity of three months or less.

Restricted Cash
The Organization collects payments from clients each month in an effort to assist in helping them build up savings while they are enrolled in the program. These funds are required to be held in separate accounts and are restricted for clients only. Once the clients have completed the program, they may withdraw their savings.

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable
Pledges receivable represent unconditional promises to give which are recognized as revenue or gains in the period acknowledged. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Pledges receivable are deemed fully collectible by management. As of June 30, 2017 and 2016, pledges receivable are all due within one year.

Grants Receivable
Grants receivable arc carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Grants receivable are written off when deemed uncollectible. Recoveries of grants receivable previously written off are recorded when received. As of June 30, 2017 and 2016, management has determined that no allowance for doubtful accounts is necessary based upon the status and collectability of grants receivable.

Inventories
Inventories are stated at the lower of cost or market.

Property and Equipment
Property and equipment are recorded at cost, or if donated, the assets are capitalized at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 30 years, with no salvage value. Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the lesser of the remaining life of the lease or estimated useful lives of the assets.

The Organization capitalizes all expenditures for property and equipment over $500. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Expenditures for major repairs and improvements are capitalized, expenditures for minor repairs and maintenance costs are expensed when incurred.

Impairment of Long-lived Assets
The Organization accounts for the valuation of long-lived assets by reviewing for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management has determined there to be no impairment as of June 30, 2017 and 2016.

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

Investments

The Orgranization's investments are comprised of certificates of deposit. Certificates of deposit with original maturities of three months and remaining maturities of less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as noncurrent assets. Interest income is measured as earned on the accrual basis.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted contributions whose restrictions are satisfied in the same restriction period are shown as unrestricted contributions. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or when a unit of service is provided for performance grants. Expenditures under federal awards are subject to review by the grantor, which may result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

In-Kind Contributions

Donated goods and services are reported at fair value in the financial statements when those items are received if they (1) create or enhance non-financial assets or (2) require any specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. During the years ended June 30, 2017 and 2016, the Organization received donated food and other goods worth $170,651 and $206,834, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Organization's programs and its fundraising campaigns. The value of these donated services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and supplementary information. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Expenses are charged to program and supporting services on the basis of direct charges, square footage, and periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Reclassification

Certain amounts in 2016 have been reclassified to conform to the 2017 presentation. There was no effect on 2016 net assets as a result of these reclassifications.

See independent auditor's report

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization, which is not a private foundation. The Organization is generally exempt from federal and state income taxes. Unrelated business income may be subject to federal and state income taxes. Management believes that it has no material uncertain tax positions that would require recognition under the accounting codification guidance.

2) Property and Equipment

The Organization held the following property and equipment as of June 30, 2017 and 2016:

	2017	2016
Land and building	$ 589,714	$ 589,714
Furnitures, fixtures, and equipment	137,828	116,878
Leasehold improvements	33,465	33,465
	761,007	740,057
Less: accumulated depreciation	222,157	190,771
Property and equipment, net	$ 538,850	$ 549,286

During the years ended June 30, 2017 and 2016, depreciation and amortization expense was $31,386 and $36,612, respectively.

3) Defined Contribution Plan

The Organization established a Safe-Harbor contributory plan qualified under Section 401(k) of the Internal Revenue Code in January 2010. The Plan covers all employees of the Organization who are at least 18 years of age and have completed three (3) months of service. A participant can contribute a percentage of his/her compensation, which is immediately vested. The Organization makes a Safe Harbor matching contribution of 100% of the participant's elective deferral contributions up to 4% of compensation plus 50% of their elective deferral contributions over 4% up to 6% of compensation. The participant's share of the Organization's contributions is immediately vested. Matching contributions made to this 401(k) plan were $9,310 and $8,787 for the years ended June 30, 2017 and 2016, respectively.

4) Concentration of Credit Risk

The Organization maintains its cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses on cash accounts and believes it is not exposed to any significant credit risk on cash.

See independent auditor's report

5) Commitments and Contingencies

Operating Leases
The Organization leases apartments for housing clients under various non-cancelable operating leases which expire at various dates through March 2018. Total rental and utilities expense for the year ended June 30, 2017 and 2016 was $390,653 and $402,519, respectively. The Organization also had a lease for office equipment.

Future minimum lease payments under lease agreements are as follows:

Years ending June 30,	Amount
2018	$ 49,632
2019	752
	$ 50,384

6) Mortgage Payable

The Organization has a mortgage note payable with a bank bearing fixed interest at 4.5% and secured by the land and building. The terms of the loan provide for monthly payments of $1,040, which include principal and interest, through February 2023. During the years ended June 30, 2017 and 2016, interest expense on the mortgage was $2,686 and $3,400, respectively.

Future minimum principal payments are as follows:

Years ending June 30,	Amount
2018	$ 9,776
2019	10,225
2020	10,695
2021	11,186
2022	8,363
	$ 50,245

7) Line of Credit

The Organization has a $100,000 revolving line of credit with a bank. The line of credit bears interest at the bank's prime rate plus 1% and is secured by the Organization's land and building. Monthly payments of interest only are required until March 3, 2018 when the outstanding principal is due. There is no balance outstanding on the line of credit as of June 30, 2017 and 2016.

See independent auditor's report

8) Related Party Transaction

During the year ended June 30, 2017, the Organization entered into a contract with a consulting firm at which a board member is an employee. Total expense incurred under this contract was $1,000 and there was no outstanding balance as of June 30, 2017.

9) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through October 4, 2017, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.