

**MARYLAND RURAL
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
And Supplemental Information**

DECEMBER 31, 2018 AND 2017

MARYLAND RURAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS

	Page Number
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	4
Statements of Activities	6
Statement of Functional Expenses.....	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Reports Required by Government Auditing Standards	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	24
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings.....	29

Independent Auditor's Report

The Board of Directors of
Maryland Rural Development Corporation
Annapolis, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Maryland Rural Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 present fairly, in all material respects, the financial position of Maryland Rural Development Corporation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of Maryland Rural Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Maryland Rural Development Corporation's internal control over financial reporting and compliance.

Clark and Anderson, P.A.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

Glen Burnie, Maryland

September 25, 2019

MARYLAND RURAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 237,808	\$ 127,557
Grant fund receivable	675,884	779,505
Due from others	10,375	6,396
Prepaid expenses and other assets	<u>67,763</u>	<u>34,747</u>
Total Current Assets	991,830	948,205
Fixed Assets		
Land	100,500	100,500
Building	686,062	686,062
Automobiles	40,048	40,048
Grant-funded fixed assets	<u>2,105,158</u>	<u>1,919,037</u>
Total Property and Equipment	2,931,768	2,745,647
Less: Accumulated Depreciation	<u>(2,084,310)</u>	<u>(1,989,129)</u>
Net Property and Equipment	<u>847,458</u>	<u>756,518</u>
Total Assets	<u>\$ 1,839,288</u>	<u>\$ 1,704,723</u>

-See independent auditor's report and accompanying notes to financial statements-

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 128,379	\$ 185,480
Accrued salaries and wages	234,172	197,265
Accrued expenses	164,532	158,469
Grant funds received in advance	122,991	76,930
Note payable - current portion	<u>42,059</u>	<u>38,883</u>
Total Current Liabilities	<u>692,133</u>	<u>657,027</u>
Note payable - non-current portion		
Non-Current Liabilities	<u>503,331</u>	<u>544,758</u>
Total Liabilities	<u>1,195,464</u>	<u>1,201,785</u>
Net Assets		
Without donor restrictions	<u>643,824</u>	<u>502,938</u>
Total Liabilities and Net Assets	<u><u>\$ 1,839,288</u></u>	<u><u>\$ 1,704,723</u></u>

MARYLAND RURAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets		
Public support and other revenue		
Public support		
Federal government grants	\$ 5,324,628	\$ 4,828,441
State and local government grants	668,923	515,105
In-kind contributions	<u>690,875</u>	<u>682,194</u>
Total Public Support	6,684,426	6,025,740
Other revenue		
Fee for service	12,838	30,793
Rental income	13,704	13,704
Interest income	20	13
Other income	<u>4,799</u>	<u>150</u>
Total Other Revenue	<u>31,361</u>	<u>44,660</u>
Total Public Support and Other Revenue	6,715,787	6,070,400
Functional Expenses		
Program services		
Child education	5,295,259	5,015,309
Community services block grant	641,459	468,385
Food programs	163,180	175,810
Other	<u>359,985</u>	<u>279,990</u>
Total Program Services	6,459,883	5,939,494
Supporting services		
Management and general	110,579	93,966
Fundraising	<u>4,439</u>	<u>150</u>
Total Supporting Services	<u>115,018</u>	<u>94,116</u>
Total Functional Expenses	<u>6,574,901</u>	<u>6,033,610</u>
Change in Unrestricted Net Assets	140,886	36,790
Net Assets without Donor Restrictions, Beginning of Year	<u>502,938</u>	<u>466,148</u>
Net Assets without Donor Restrictions, End of Year	<u>\$ 643,824</u>	<u>\$ 502,938</u>

-See independent auditor's report and accompanying notes to financial statements-

MARYLAND RURAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			2018 Total Functional Expenses	
	Child Education	Community Service	Food	Other	Total	Administrative	Fundraising		Total
Accounting fees	\$ 286,566	\$ 33,085	\$ -	\$ 8,897	\$ 328,548	\$ 38,920	\$ -	\$ 38,920	\$ 367,468
Advertising	1,806	259	-	1	2,066	-	-	-	2,066
Client assistance	26,626	22,287	154,744	-	203,657	-	-	-	203,657
Conferences, conventions and meetings	11,490	18,430	-	-	29,920	-	-	-	29,920
Contractual consultants	134,254	36,813	1,346	14,804	187,217	-	-	-	187,217
Depreciation	30,521	4,084	-	-	34,605	60,576	-	60,576	95,181
Dues and subscriptions	25,558	2,805	-	83	28,446	-	-	-	28,446
Employee benefits	342,219	46,953	-	34,710	423,882	-	451	451	424,333
Equipment rental and maintenance	133,741	12,608	-	736	147,085	-	-	-	147,085
Insurance	51,124	4,514	-	813	56,451	-	-	-	56,451
Interest	17,945	2,753	-	-	20,698	11,083	-	11,083	31,781
Legal fees	4,311	802	-	162	5,275	-	-	-	5,275
Miscellaneous	3,888	1,434	-	70	5,392	-	237	237	5,629
Occupancy	955,300	27,579	622	1,516	985,017	-	144	144	985,161
Other administrative costs	9,107	60	-	-	9,167	-	-	-	9,167
Payroll taxes	262,360	30,586	-	24,450	317,396	-	157	157	317,553
Postage and shipping	4,788	589	-	106	5,483	-	-	-	5,483
Printing and publications	2,282	357	-	-	2,639	-	-	-	2,639
Salaries and wages	2,561,247	332,363	-	266,664	3,160,274	-	2,052	2,052	3,162,326
Supplies	263,939	33,637	6,468	1,134	305,178	-	1,398	1,398	306,576
Telephone	64,102	13,783	-	2,027	79,912	-	-	-	79,912
Training and technical assistance	57,983	9,963	-	886	68,832	-	-	-	68,832
Travel	44,102	5,715	-	2,926	52,743	-	-	-	52,743
Total	\$ 5,295,259	\$ 641,459	\$ 163,180	\$ 359,985	\$ 6,459,883	\$ 110,579	\$ 4,439	\$ 115,018	\$ 6,574,901

-See independent auditor's report and accompanying notes to financial statements-

MARYLAND RURAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			2017 Total Functional Expenses	
	Child Education	Community Service	Food	Other	Total	Administrative	Fundraising		Total
Accounting fees	\$ 328,294	\$ 62,029	\$ -	\$ 8,622	\$ 398,945	\$ 36,529	\$ -	\$ 36,529	\$ 435,474
Advertising	10,600	5,116	-	2,133	17,849	-	-	-	17,849
Client assistance	(14,498)	9,011	165,795	(8,923)	151,385	-	-	-	151,385
Conferences, conventions and meetings	12,798	6,867	-	-	19,665	-	-	-	19,665
Contractual consultants	32,210	7,707	1,382	908	42,207	-	-	-	42,207
Depreciation	28,673	4,041	-	-	32,714	45,977	-	45,977	78,691
Dues and subscriptions	18,702	3,162	-	18,120	39,984	-	-	-	39,984
Employee benefits	387,683	25,455	-	24,858	437,996	-	-	-	437,996
Equipment rental and maintenance	114,013	(4,078)	550	1,223	111,708	-	-	-	111,708
Insurance	52,046	1,764	-	882	54,692	-	-	-	54,692
Interest	18,624	2,857	-	-	21,481	11,460	-	11,460	32,941
Legal fees	924	213	-	37	1,174	-	-	-	1,174
Miscellaneous	3,223	1,777	-	109	5,109	-	150	150	5,259
Occupancy	963,352	(17,988)	1,061	1,651	948,076	-	-	-	948,076
Other administrative costs	5,730	69	-	204	6,003	-	-	-	6,003
Payroll taxes	241,087	29,573	-	19,872	290,532	-	-	-	290,532
Postage and shipping	8,938	1,482	-	149	10,569	-	-	-	10,569
Printing and publications	630	358	-	-	988	-	-	-	988
Salaries and wages	2,317,354	298,506	-	200,171	2,816,031	-	-	-	2,816,031
Supplies	319,888	1,791	7,022	2,395	331,096	-	-	-	331,096
Telephone	50,703	10,895	-	2,728	64,326	-	-	-	64,326
Training and technical assistance	71,612	13,867	-	1,103	86,582	-	-	-	86,582
Travel	42,723	3,911	-	3,748	50,382	-	-	-	50,382
Total	\$ 5,015,309	\$ 468,385	\$ 175,810	\$ 279,990	\$ 5,939,494	\$ 93,966	\$ 150	\$ 94,116	\$ 6,033,610

-See independent auditor's report and accompanying notes to financial statements-

MARYLAND RURAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 140,886	\$ 36,790
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	96,267	79,777
Increase(decrease) in operating assets		
Grants and accounts receivable	103,621	(195,695)
Due from others	(3,979)	(4,569)
Prepaid expenses and other assets	(33,016)	3,999
(Increase)decrease in operating liabilities		
Accounts payable	(57,101)	54,073
Accrued payroll and related expenses	36,907	27,460
Accrued expenses	6,063	56,902
Grant funds received in advance	46,061	32,199
Net Cash Provided By Operating Activities	<u>335,709</u>	<u>90,936</u>
Cash Flows from Investing Activities		
Net Cash Used By Investing Activities-		
Purchase of property and equipment	<u>(186,121)</u>	<u>(74,263)</u>
Cash Flows from Financing Activities		
Net Cash Used By Financing Activities-		
Principal payments on debt	<u>(39,337)</u>	<u>(36,568)</u>
Net Increase(Decrease) in Cash	110,251	(19,895)
Cash at Beginning of Year	<u>127,557</u>	<u>147,452</u>
Cash at End of Year	<u>\$ 237,808</u>	<u>\$ 127,557</u>
Supplemental Cash Flow Information		
Interest expense paid during the year	<u>\$ 30,695</u>	<u>\$ 31,855</u>

-See independent auditor's report and accompanying notes to financial statements-

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1 – Description of the Organization

Maryland Rural Development Corporation (the “Organization”) was organized as a nonprofit corporation in 1979. The Organization was formed to act as an innovative catalyst for empowering lower income Maryland residents to achieve their aspirations and dreams. The Organization is primarily supported through federal and state government grants. Approximately eighty percent (80%) and seventy-nine percent (79%) of the Organization’s revenue was provided under Head Start and Early Head Start grants by federal and state governments during the years ended December 31, 2018 and 2017, respectively. Significant program activities of the Organization include:

- Child Education – Head Start and Early Head Start services that provide comprehensive development services designed for income-eligible children from birth to age five, and their families.
- Community Services – provides housing and economic development assistance and empowers families to move out of poverty towards self-sufficiency.

Note 2 – Summary of Significant Accounting Policies

- (a) Basis of Accounting – The financial statements have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly reflect all significant receivables, payables and other assets and liabilities.
- (b) Grants and Contracts – Support received under contracts with the United States Government, the State of Maryland and others is recorded as public support as the Organization fulfills its obligations under the contracts. Grant funds spent but not yet received are recorded as grants receivable. All grant funds receivable are considered fully collectible at December 31, 2018 and 2017. Amounts received but not yet spent are reported as grant funds unspent. Any unspent funds at the end of the grant period are returned to the granting agency, unless a contract extension is obtained.
- (c) Financial Statement Presentation – The Organization follows the Not-For-Profit Entities Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification which requires it to report information regarding its financial positions and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset categories are as follows:

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

- Without Donor Restrictions – Net Assets that are not restricted by donor imposed restrictions.
 - With Donor Restrictions – Net assets which carry donor imposed stipulations that they be maintained permanently by the Organization or stipulations met either by actions of the organization and/or by the passage of time.
- (d) 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 contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (e) Revenue Recognition – Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- (f) Cash and Cash Equivalents – For purposes of the statement of cash flows the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (g) Fixed Assets – Property and equipment are capitalized at cost if purchased or fair market value at the time of donation (if donated) and depreciated over their estimated useful lives using the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment amounted to \$575,656 and \$460,659 for the years ended December 31, 2018 and 2017, respectively.

- (h) Debt Issuance Costs – Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the Statements of Financial Position.
- (i) Advertising – The organization has only nondirect advertising costs, which are expensed as incurred. Advertising expenses amounted to \$2,066 and \$17,849 for the years ended December 31, 2018 and 2017, respectively.

Note 3 – Income Taxes

The Organization is recognized by the Internal Revenue Service as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Therefore, contributions to the Organization are tax deductible under Section 170 of the Internal Revenue Code.

The Organization follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification 740-10, *Accounting for Uncertainty of Income Taxes* which clarifies the accounting for the recognition and measurement of the benefits of individual tax position in the financial statements, including those 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 financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as 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 statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Organization's financial position or changes in net assets as a result of analyzing its tax positions.

Prior year income tax returns may be subject to audit in various tax jurisdictions; most of which define open tax years as three years from the later of the due date or the date the return is filed. The Organization recorded no liability for uncertain income tax positions for any open tax years.

Note 4 – Concentration

The Organization receives a substantial amount of its support from the Federal government and the State of Maryland. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's operations.

Note 5 – Grants Receivable

Grants receivable as of December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Federal Programs	\$521,315	\$643,120
State and Local	<u>154,569</u>	<u>136,385</u>
Total Grants Receivable	<u>\$675,884</u>	<u>\$779,505</u>

Note 6 – Cash Concentration

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (ASC) 825, "Financial Instruments," formerly known as Statement of Financial Accounting Standards (SFAS) No. 107, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Note 7 – Cost Allocation of Functional Expenses

The Organization allocated its expenses on functional basis among its various programs and support services. Expenses that can be identified with specific programs or support services are allocated directly according to their natural expenditure classification. Joint costs are allocated based on various identifiable bases (e.g. allowable occupancy costs are allocated based on the percentage of space occupied).

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8 - Pension Plan

The Organization has a deferred 401(k) savings plan, which covers all employees employed on the last day of the plan year that have completed 1,000 hours of work. Under this plan, the Organization makes a discretionary qualified non-elective contribution equal to a uniform percentage of the employees' compensation. This percentage varies by year. The Organization recorded contributions to the plan in the amounts of \$145,000 and \$137,380 during the years ended December 31, 2018 and 2017, respectively.

Note 9 – Line of Credit

The Organization has a \$200,000 Line of Credit with BB&T Bank in Annapolis. Interest is payable at prime plus one percent (1%). There have been no recent draws from the Line of Credit.

Note 10 – Long Term Debt

As of December 31, 2018 and 2017, long-term debt consists of the following:

	<u>2018</u>	<u>2017</u>
Loan secured by real property, with monthly installments of \$805, including interest at 4.53%, due February 2027. (Less amortized debt issuance costs of \$1,035 and \$1,779 for 2018 and 2017 respectively)	\$ 64,794	\$ 70,469
Loan secured by real property, with monthly installments of \$292, including interest at 4.875%, due March 2026.	21,263	23,666
Loan secured by real property, with monthly installments of \$2,120, including interest at 4.875%, due May 2026.	156,428	173,782
Loan secured by real property, with monthly installments of \$2,619, including interest at 5.78%, due March 2020. (less amortized debt issuance costs of \$1,579 and \$1,922 for 2018 and 2017 respectively)	<u>302,905</u>	<u>315,724</u>
Total Long Term Debt	545,390	583,641
Current Portion	<u>(42,059)</u>	<u>(38,883)</u>
Net Long Term Debt	<u>\$503,331</u>	<u>\$544,758</u>

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Principal payments on long term debt are as follows:

2019	\$ 42,059
2020	319,083
2021	30,413
2022	31,893
2023	33,445
Thereafter	<u>88,497</u>
Total	<u>\$545,390</u>

Note 11 – Lease Commitments

The Organization leases various office and classroom space and equipment under multiple operating leases. These leases contain multi-year agreements, have varying expiration dates, and generally include renewal options. The related minimum lease payments are as follows:

2019	\$225,198
2020	162,583
2021	135,778
2022	102,851
2023	11,863
Thereafter	<u>9</u>
Total	<u>\$638,282</u>

Rent expense amounted to \$236,167 and \$220,079, for the years ended December 31, 2018 and 2017, respectively, while equipment lease expense amounted to \$56,678 and \$40,888, respectively.

Note 12 – Rental Income

The Organization owns real property located in Greensboro, Maryland and receives rental income from the lease of a portion of the building to the Town of Greensboro. Minimum future rentals received on the non-cancellable lease as of December 31, 2018 for each of the next five (5) years and in the aggregate are:

2019	\$ 13,704
2020	13,704
2021	13,704
2022	13,704
2023	13,704
Thereafter	<u>17,130</u>
Total	<u>\$ 85,650</u>

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 13 – In-Kind Contribution

The Organization has recorded \$690,875 and \$682,194 as of December 31, 2018 and 2017, respectively, of in-kind contributions for professional services and donated goods received. These goods and services would otherwise have been purchased by the Organization.

During the years ended December 31, 2018 and 2017, the Organization received donated use of facility, services and equipment as follows:

	<u>2018</u>	<u>2017</u>
Program Service Expenses		
Use of Facility	\$492,298	\$528,060
Supplier/Service	<u>198,577</u>	<u>154,134</u>
Total	<u>\$690,875</u>	<u>\$682,194</u>

Contribution of services shall only be recognized if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization's volunteer services do not meet these requirements and, thus, are not reflected on the financial statements. The value of unrecognized services are \$107,398 and \$78,238 for the years ended December 31, 2018 and 2017, respectively.

Note 14 – Compliance with Grantor Restrictions

Financial assistance from Federal, State, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 15 – Liquidity and Availability of Resources

The following reflects the Organization's financial assets available for general expenditure as of the statement of financial position date, reduced by amounts that pertain to the net book value of grant-funded property and equipment as disclosed in Note 2.

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Financial Assets Available Within One Year		
Cash and cash equivalents	\$ 237,808	\$ 127,557
Grants receivable	675,884	779,505
Due from others	<u>10,375</u>	<u>6,396</u>
Total Financial Assets Available Within One Year	924,067	913,458
Less Amounts Unavailable Within One Year Due To:		
Net Book Value of Grant-Funded Property and Equipment	<u>(575,656)</u>	<u>(460,659)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures With One Year	<u>\$ 348,411</u>	<u>\$ 452,799</u>

As part of its liquidity management plan, the Organization maintains a Line of Credit as Disclosed in Note 9 to assist with the timing of grants receivable when needed. In addition, the Organization maintains a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 16 – Accounting Pronouncement Adopted

In August 2016, the FASB issues ASU 2016-14, *Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, and applied the changes retrospectively to the comparative period statements. The new standards changed the following aspects of the Organization’s financial statements:

- The unrestricted net assets class has been renamed *net assets without donor restrictions*.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The financial statements include a new disclosure about the liquidity and availability of resources (Note 15).

Note 17 – Reclassifications

Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to be in conformity with the 2019 presentation. There was no effect on the change in net assets as a result of these reclassifications.

MARYLAND RURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 18 – Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, and prior to September 25, 2019, that would have a material impact on the financial statements.

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

MARYLAND RURAL DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Pass-Through Identification <u>Number</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>US Department of Health and Human Services</u>			
<u>Head Start Cluster</u>			
Head Start	03CH3461/03	93.600	\$ 3,887,712
Head Start	03CH3461/04	93.600	357,334
Head Start Program Noncash Assistance		93.600	<u>604,082</u>
Subtotal Direct Programs			4,849,128
<i>Pass-Through</i> Maryland Family Network -			
Early Head Start Child Care Partnership	03HP0018-02-00	93.600	197,153
Early Head Start 95	03CH3456-03-01	93.600	210,260
Early Head Start Program Noncash Assistance		93.600	<u>47,872</u>
			455,285
Total CFDA 93.600			<u>5,304,413</u>
Total Head Start Cluster			<u>5,304,413</u>
<u>Community Service Block Grant Cluster</u>			
<i>Pass-Through</i> Maryland State Department of Housing and Community Development -			
Community Services Block Grant	Comm. Svc. Block Grant	93.569	324,243
Green Summer Jobs	Comm. Svc. Block Grant	93.569	<u>39,970</u>
Total CFDA 93.569			<u>364,213</u>
Total Community Service Block Grant Cluster			364,213
<u>Non-Clustered Programs</u>			
<i>Pass-Through</i> Maryland Family Network -			
Early Head Start Quality Improvement	G1501MDFRPG	93.590	1,800
Early Head Start CBCAP	G1501MDFRPG	93.590	<u>7,000</u>
Total CFDA 93.590			<u>8,800</u>
Total Non-Clustered Programs			<u>8,800</u>
Total U.S. Department of Health and Human Services			<u>5,677,426</u>

-See accompanying notes to schedule of expenditures of federal awards-

MARYLAND RURAL DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Pass-Through Identification <u>Number</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>US Department of Agriculture</u>			
<u>Non-Clustered Programs</u>			
<i>Direct Program</i>			
Housing Prevention	Housing Prevention Grant	10.433	20,399
<i>Pass-Through Maryland State Department of Education:</i>			
Child and Adult Care Food Program	Head Start Feeding	10.558	163,179
<i>Pass-Through Southeast Rural Community Assistance Project, Inc.</i>			
Technitrain	SERCAP Technitrain	10.761	<u>76,538</u>
Total CFDA 10.433			20,399
Total CFDA 10.558			163,179
Total CFDA 10.761			<u>76,538</u>
Total Non-Clustered Programs			<u>260,116</u>
Total US Department of Agriculture			<u>260,116</u>
<u>US Environmental Protection Agency</u>			
<u>Non-Clustered Programs</u>			
<i>Pass-Through Southeast Rural Community Assistance Project, Inc.</i>			
EPA Safe Drinking Water Compliance	EPA Safe Drinking Water	66.424	<u>39,040</u>
Total CFDA 66.424			<u>39,040</u>
Total Non-Clustered Programs			<u>39,040</u>
Total US Environmental Protection Agency			<u>39,040</u>
Total Expenditures of Federal Awards			<u>\$ 5,976,582</u>

-See accompanying notes to schedule of expenditures of federal awards-