

**CHANGE, INC.**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2015 AND 2014**

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RAGER, LEHMAN & HOUCK, P.C.  
*Opportunity Innovation Excellence*

**INDEPENDENT AUDITORS' REPORT**

December 16, 2015

To the Board of Directors  
CHANGE, Inc.  
Westminster, Maryland

We have audited the accompanying financial statements of CHANGE, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

**Auditors' 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. 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 auditors' 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 CHANGE, Inc. as of June 30, 2015 and 2014, 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 Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 17 and 18 are presented for purposes of additional analysis and are 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 audits 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.

*Rager, Lehman & Houck, P.C.*

Westminster, Maryland

## **FINANCIAL STATEMENTS**

**CHANGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

**ASSETS**

	2015	2014
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 67,182	\$ 119,569
Investments	875,796	869,851
Accounts Receivable, State of Maryland	52,965	-
Accounts Receivable, Other	28,809	19,893
Security Deposits	500	500
Inventory	2,369	1,541
Prepaid Expenses	34,245	59,712
<b>TOTAL CURRENT ASSETS</b>	<b>1,061,866</b>	<b>1,071,066</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	260,000	260,000
Building and Improvements	1,874,709	1,828,983
Vehicles	462,711	528,138
Furniture and Equipment	128,314	128,314
	2,725,734	2,745,435
Less: Accumulated Depreciation	1,698,477	1,689,438
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>1,027,257</b>	<b>1,055,997</b>
<b>OTHER ASSETS</b>		
Investments, Endowment Fund	147,426	99,017
<b>TOTAL OTHER ASSETS</b>	<b>147,426</b>	<b>99,017</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,236,549</b>	<b>\$ 2,226,080</b>

See Accompanying Notes

**CHANGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

**LIABILITIES AND NET ASSETS**

	2015	2014
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 80,468	\$ 56,272
Accrued Wages	141,898	118,191
Accrued Compensated Absences	110,856	100,771
Due to State of Maryland	34,707	107,968
Deferred Revenue	9,692	13,465
Line of Credit	160,289	60,000
Current Portion of Long-Term Liabilities	7,056	7,993
<b>TOTAL CURRENT LIABILITIES</b>	<b>544,966</b>	<b>464,660</b>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	59,322	78,899
Less: Current Portion	7,056	7,993
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>52,266</b>	<b>70,906</b>
<b>TOTAL LIABILITIES</b>	<b>597,232</b>	<b>535,566</b>
<b>NET ASSETS</b>		
Unrestricted - Undesignated	400,614	505,035
Unrestricted - Board Designated	1,232,477	1,177,532
Total Unrestricted	1,633,091	1,682,567
Temporarily Restricted	6,226	7,947
<b>TOTAL NET ASSETS</b>	<b>1,639,317</b>	<b>1,690,514</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,236,549</b>	<b>\$ 2,226,080</b>

See Accompanying Notes

**CHANGE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>						
State of Maryland - Fees for Service	\$ 3,894,098	\$ -	\$ 3,894,098	\$ 3,675,691	\$ -	\$ 3,675,691
County Grants	237,860	-	237,860	234,340	-	234,340
Contributions	142,369	-	142,369	60,656	4,696	65,352
Client Fees	118,848	-	118,848	101,472	-	101,472
Special Events	84,851	-	84,851	128,815	-	128,815
Contract Income	65,382	-	65,382	69,623	-	69,623
Donated Facilities	126,800	-	126,800	126,800	-	126,800
Donated Services	-	-	-	4,000	-	4,000
Investment Income	48,962	-	48,962	176,789	-	176,789
Miscellaneous	9,558	-	9,558	7,551	-	7,551
Gain on Disposal of Equipment	20,321	-	20,321	353	-	353
Net Assets Released from Restrictions	1,721	(1,721)	-	2,829	(2,829)	-
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>4,750,770</b>	<b>(1,721)</b>	<b>4,749,049</b>	<b>4,588,919</b>	<b>1,867</b>	<b>4,590,786</b>
<b>EXPENSES</b>						
Program Services	4,097,102	-	4,097,102	3,917,580	-	3,917,580
Management and General	581,679	-	581,679	515,145	-	515,145
Fundraising	121,465	-	121,465	115,357	-	115,357
<b>TOTAL EXPENSES</b>	<b>4,800,246</b>	<b>-</b>	<b>4,800,246</b>	<b>4,548,082</b>	<b>-</b>	<b>4,548,082</b>
<b>CHANGE IN NET ASSETS</b>	<b>(49,476)</b>	<b>(1,721)</b>	<b>(51,197)</b>	<b>40,837</b>	<b>1,867</b>	<b>42,704</b>
Net Assets - Beginning of Year	1,682,567	7,947	1,690,514	1,641,730	6,080	1,647,810
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,633,091</b>	<b>\$ 6,226</b>	<b>\$ 1,639,317</b>	<b>\$ 1,682,567</b>	<b>\$ 7,947</b>	<b>\$ 1,690,514</b>

See Accompanying Notes



**CHANGE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Cash Received from Grants and Contributions	\$ 369,552	\$ 297,158
Cash Received from Services Provided	3,939,356	3,853,668
Cash Received from Special Events	84,851	130,824
Miscellaneous Cash Receipts	9,558	5,542
Interest and Dividends Received	1,531	2,613
	4,404,848	4,289,805
Outflows:		
Cash Paid to Employees	2,909,282	2,765,925
Operating Expenses Paid	1,577,958	1,559,441
Interest Paid	3,091	3,795
	4,490,331	4,329,161
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(85,483)</b>	<b>(39,356)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Inflows:		
Proceeds from Sale of Investments	60,309	44,555
Proceeds from Sale of Property and Equipment	20,321	365
	80,630	44,920
Outflows:		
Purchase of Investments	67,232	44,514
Purchases of Property and Equipment	60,725	66,391
	127,957	110,905
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(47,327)</b>	<b>(65,985)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Inflows:		
Proceeds from Line of Credit	160,000	60,000
	160,000	60,000
Outflows:		
Principal Payments on Line of Credit	60,000	-
Principal Payments on Mortgage Payable	19,577	18,766
	79,577	18,766
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>80,423</b>	<b>41,234</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(52,387)</b>	<b>(64,107)</b>
Cash and Cash Equivalents - Beginning of Year	119,569	183,676
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 67,182</b>	<b>\$ 119,569</b>

See Accompanying Notes

**CHANGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

Organizational Purpose

CHANGE, Inc. (the “Organization”) was incorporated in the State of Maryland on May 12, 1969 as a nonprofit corporation to provide services to persons in Carroll County, Maryland with severe handicaps and to provide opportunities for the maximum development of the capabilities of those served.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid instruments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are valued at their market values, which is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers, with gains and losses included in the statements of activities. Donated securities are recognized at fair value upon receipt. Investment income is recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor-imposed restrictions. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Accounts Receivable

Accounts receivable consist of amounts due from the State of Maryland, under the Fee Payment system and grant programs. Other accounts receivable are from clients for goods or services provided by the Organization’s program activities. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Inventory

Inventories are stated at the lower of cost, using the first in, first out (FIFO) method, or market (fair value).

**CHANGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes property and equipment purchases over \$5,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2015 and 2014 was \$99,465 and \$106,581, respectively. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The estimated useful lives for significant property and equipment categories are as follows:

Building and Improvements	1 - 31.5 years
Vehicles	3 - 10 years
Furniture and Equipment	3 - 20 years

Accrued Compensated Absences

Permanent employees are granted paid time off based on the number of continuous service years. The employees are allowed to carry a maximum of 15 days of paid time off on a calendar year basis.

Deferred Revenue

When funds from special events, fees for service, and grants are received before all costs have been incurred, the appropriate amount is recorded as deferred revenue until the related service has been performed or the related costs have been recognized. Amounts will typically be recognized or liquidated within one year.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets (which include board designated net assets) and temporarily restricted net assets. There are no net assets of the Organization that are permanently restricted by the donor or grantor.

Revenue Recognition

The Organization generates revenue through various programs. Revenue for each type of service is recognized when the service is provided.

**CHANGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

Donated Facilities

The Organization uses property leased at below market value to provide its services. Management estimates the fair market value of these leases and records the difference between the market lease payment and the actual lease payment as support and expense. As detailed in Note 8, these donated facilities are recorded at \$126,800 for the years ended June 30, 2015 and 2014.

Donated Services

The Organization generally pays for services requiring specific expertise. However, some individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. The Organization receives substantial volunteer hours each year. Donated services reflected in the accompanying financial statements that meet the criteria for recognition total \$-0- and \$4,000 for the year ended June 30, 2015 and 2014, respectively.

Functional Expenses

The costs of providing the various program, supporting services, and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization follows the policy of charging all costs of advertising to expense as incurred. Advertising expense was recorded at \$1,367 and \$2,129 for the years ended June 30, 2015 and 2014, respectively.

Tax-Exempt Status

The Organization is incorporated under the laws of the State of Maryland as a nonprofit organization. The Organization has elected under provisions of Internal Revenue Code Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

## CHANGE, INC.

### NOTES TO FINANCIAL STATEMENTS

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ended June 30, 2015, 2014, 2013, and 2012 remain subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

#### Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

#### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year statements.

#### Subsequent Events

Management has evaluated subsequent events through December 16, 2015, the date which the financial statements were available to be issued.

### **Note 2. Investments**

Investments are stated at fair market value and consist of the following at June 30:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market - Undesignated	\$ 29,682	\$ 29,682	\$ 28,992	\$ 28,992
Mutual Funds - Endowment	137,136	147,426	76,800	99,017
Mutual Funds - Undesignated	<u>560,386</u>	<u>846,114</u>	<u>553,862</u>	<u>840,859</u>
	<u>\$ 727,204</u>	<u>\$ 1,023,222</u>	<u>\$ 659,654</u>	<u>\$ 968,868</u>

Investment income for the years ended June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and Dividends	\$ 16,163	\$ 17,249
Net Realized Gains	25,355	19,607
Net Unrealized Gains	<u>7,444</u>	<u>139,933</u>
	<u>\$ 48,962</u>	<u>\$ 176,789</u>

**CHANGE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Quasi-Endowment Funds**

The Organization's endowment consists of quasi-endowment funds established through unrestricted net assets designated by the Board of Directors. There are two separate quasi-endowment funds maintained by the Organization: 1) a general endowment fund for the purpose of providing support for the programs, client services, and the overall operations of the Organization, and 2) an endowment for use to cover expenditures for Respite Inn. Since the funds are not donor-restricted, they are classified and reported as unrestricted net assets. The fund's policies allow for partial or total withdrawal at any time for use by the Organization in accordance with the spirit of the fund. Composition of and changes in endowment net assets for the years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Board-Designated Quasi-Endowment Net Assets - Beginning of Year	\$ 100,926	\$ 82,613
Investment Income		
Interest and Dividends	4,372	2,597
Net Appreciation (Depreciation) (Realized and Unrealized)	<u>(7,872)</u>	<u>13,807</u>
	.....(3,500)	.....16,404
Net Transfers into Endowment	.....50,000	.....-
Mutual Funds - Endowment (Note 2)	...147,426	...99,017
Endowment Donations Received	.....1,924	.....1,909
Board-Designated Quasi-Endowment Net Assets - End of Year	<u>\$ 149,350</u>	<u>\$ 100,926</u>

*Return Objectives and Risk Parameters*

The Organization's policy defines the return objectives and risk parameters for long-term investment funds of the Organization. It is the objective of the funds to provide growth of principal and income from dividends paid on funds invested in accordance with this statement. The intent is to preserve capital value of the fund and to insure and protect from wide variations in market value by active management of the fund.

To manage risk in the fund, the investment policy is to be reviewed quarterly by the Finance Committee for any necessary revisions. The Board of Directors reviews quarterly performance ratings published by a third party.

## CHANGE, INC.

### NOTES TO FINANCIAL STATEMENTS

#### *Strategies for Achieving Return Objectives and Spending Policy*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified, balanced asset allocation through various equity securities which are considered within the scope of those that a similar not-for-profit 501(c)(3) organization would customarily invest in. Quasi-Endowment funds are available for operational use.

#### **Note 4. Fair Value Measurements**

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology for assets and liabilities that have no active market in the same assets, but do have parallel markets or alternative means to estimate fair value using observable information inputs, such as the value placed on similar assets or liabilities that were recently traded or transferred between external entities (i.e. market participants).

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization has no investments categorized as Level 2 or Level 3 and has the following investments categorized as Level 1 as of June 30:

	<u>2015</u>		<u>2014</u>	
	<u>Level 1</u>	<u>Total</u>	<u>Level 1</u>	<u>Total</u>
Money Market	\$ 29,682	\$ 29,682	\$ 28,992	\$ 28,992
Mutual Funds	<u>993,540</u>	<u>993,540</u>	<u>939,876</u>	<u>939,876</u>
	<u>\$ 1,023,222</u>	<u>\$ 1,023,222</u>	<u>\$ 968,868</u>	<u>\$ 968,868</u>

#### **Note 5. Line of Credit**

## CHANGE, INC.

### NOTES TO FINANCIAL STATEMENTS

The Organization has an unsecured line of credit for \$350,000 with a local financial institution. The line carries a fluctuating interest rate which is based on the prime rate plus 1.5%. At June 30, 2015, \$190,000 was available and the rate was 5.0%. Interest expense for the years ended June 30, 2015 and 2014 was \$397 and \$-0-, respectively. The line of credit was renewed in December 2015 for \$450,000 and expires in December 2016.

#### Note 6. Mortgage Payable

In September 2010, the Organization refinanced its mortgage for Respite Inn, resulting in a \$150,000 20-year mortgage loan. The terms included a fixed interest rate of 4.2% per annum for ten years, and an annual interest rate thereafter subject to successful participation in the Linked Deposit Program with the State of Maryland. Monthly payment of principal and interest is \$930, subject to change after the first ten years based on future interest rates. Interest expense for the years ended June 30, 2015 and 2014 was \$2,983 and \$3,795, respectively. The Organization has elected to make accelerated payments on this debt, and no prepayment penalty exists per the mortgage agreement.

Maturities of the mortgage payable are as follows for the years ended June 30:

2016	\$ 7,056
2017	7,358
2018	7,674
2019	8,002
2020	8,345
Thereafter	<u>20,887</u>
	<u>\$ 59,322</u>

#### Note 7. Net Assets - Restrictions and Designations

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2015</u>	<u>2014</u>
Camps	\$ -	\$ 12
Herbert Bearman Foundation-Technology	52	65
Nursing	6,174	6,174
Respite Inn	<u>-</u>	<u>1,696</u>
	<u>\$ 6,226</u>	<u>\$ 7,947</u>



## CHANGE, INC.

### NOTES TO FINANCIAL STATEMENTS

The Organization's governing board has designated net assets to be used for the following purposes as of June 30:

	<u>2015</u>	<u>2014</u>
Purchase of Facilities and Equipment	\$ 588,764	\$ 592,271
Quasi-Endowment Funds (Note 3)	149,350	100,926
General Reserve Fund	<u>494,363</u>	<u>484,335</u>
	<u>\$ 1,232,477</u>	<u>\$ 1,177,532</u>

#### Note 8. Operating Leases

The Organization entered into a ten-year lease beginning June 1, 2008 for additional space. The lease will automatically renew for two additional ten-year terms unless terminated by lessee or lessor. The lease provides that the lessee pay monthly utilities of \$1,222 and annual rent of \$1. Rent expense for each of the years ended June 30, 2015 and 2014 was \$1. The value of facility use has been estimated by management using the fair market value per square foot, which was \$126,800 for 2015 and 2014.

On June 3, 2013, the Organization entered into a lease agreement for facilities to be used. For the years ending June 30, 2015 and 2014, monthly rent ranged from \$500 to \$550. On May 29, 2015, the lease was renewed through August 31, 2016. Rent expense for the years ended June 30, 2015 and 2014 was \$6,500 and \$4,500, respectively.

On August 22, 2014, the Organization entered into a lease agreement for facilities to be used from September 1, 2014 through August 31, 2015. The lease provides that the lessee pay monthly rent ranging from \$200 to \$300 starting October 1, 2014. Rent expense for the year ended June 30, 2015 was \$2,250.

The total minimum rental commitments are as follows for the years ended June 30:

2016	\$ 7,200
2017	<u>1,100</u>
	<u>\$ 8,300</u>

## CHANGE, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **Note 9. Retirement Plan**

The Organization established a 401(k) retirement plan for those employees who have provided at least one month of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Beginning on July 1, 2013, the Organization will match 100% of employee contributions up to 4% for those employees employed for ten years or longer and 5% for those employees employed for 20 years or longer. For all other eligible employees, the Organization matches half of the employee's contributions up to 3%. For the years ended June 30, 2015 and 2014, the expense recognized for employer contributions totaled \$59,141 and \$54,925, respectively.

#### **Note 10. Concentrations of Credit Risk**

The Organization's services are primarily provided to clients within Carroll County, Maryland. The Organization receives a substantial amount of its revenues through the State of Maryland's Department of Health and Mental Hygiene (DHMH). The Organization is highly dependent upon the DHMH's funding to continue its operations.

The Organization maintains its cash deposits in two financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ended June 30, 2015. At June 30, 2015, the Organization had no amounts in excess of insured limits.

The Organization maintains mutual fund and money market investments with three financial institutions which are members of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker, however only up to \$250,000 for cash. At June 30, 2015, the Organization had over \$500,000 in investments at one institution, thus would be insured \$500,000 by the SIPC in the event such failure or misappropriation occurs.

#### **Note 11. Compliance Audits**

The Organization receives a substantial portion of its revenue from government grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Organization's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

**CHANGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 12. Reconciliations of Change in Net Assets to Net Cash Used by Operating Activities**

	<u>2015</u>	<u>2014</u>
Change in Net Assets	\$ (51,197)	\$ 42,704
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	99,465	106,581
Gain on Disposal of Equipment	(20,321)	(353)
Gains on Investments	(47,431)	(174,176)
Donated Vehicles	(10,000)	-
Donated Securities	-	(2,009)
(Increase) Decrease in Assets:		
Accounts Receivable, State of Maryland	(52,965)	29,742
Accounts Receivable, Other	(8,916)	23,384
Inventory	(828)	1,295
Prepaid Expenses	25,467	(32,225)
Increase (Decrease) in Liabilities:		
Accounts Payable	24,196	1,802
Accrued Wages	23,707	10,393
Accrued Compensated Absences	10,085	(985)
Due to State of Maryland	(73,261)	(22,316)
Deferred Revenue	(3,773)	(23,193)
Accrued Interest on Line of Credit	<u>289</u>	<u>-</u>
Total Adjustments	<u>(34,286)</u>	<u>(82,060)</u>
Net Cash Used by Operating Activities	<u>\$ (85,483)</u>	<u>\$ (39,356)</u>

Non-cash transactions included the following during the years ended June 30:

	<u>2015</u>	<u>2014</u>
Donated Facilities	\$ 126,800	\$ 126,800
Donated Items	677	525
Donated Prizes	12,859	15,053
Donated Securities	-	2,009
Donated Services	-	4,000
Donated Vehicles	<u>10,000</u>	<u>-</u>
	<u>\$ 150,336</u>	<u>\$ 148,387</u>

## **SUPPLEMENTARY INFORMATION**

## CHANGE, INC.

Schedule "1"

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			
	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
<b>FUNCTIONAL EXPENSES</b>				
Salaries	\$ 2,300,465	\$ 347,391	\$ 61,586	\$ 2,709,442
Payroll Taxes	160,396	31,944	4,334	196,674
Fringe Benefits	578,327	61,822	12,802	652,951
Accounting and Legal	-	46,759	-	46,759
Bad Debt Expense	57	-	-	57
Client Wages and Taxes	36,958	-	-	36,958
Community-Supported Living Arrangements	48,314	-	-	48,314
Consultants	3,299	22,756	-	26,055
Depreciation	97,494	1,971	-	99,465
Dues and Subscriptions	7,603	340	1,455	9,398
Food	-	-	13,089	13,089
Individual and Family Support Services	184,632	-	-	184,632
Insurance	-	15,993	-	15,993
Interest	3,380	-	-	3,380
Miscellaneous	4,251	28,132	2,760	35,143
Operating Supplies	34,268	10,260	-	44,528
Postage	-	3,478	20	3,498
Rent	135,551	360	6,810	142,721
Repairs and Maintenance	68,218	2,888	-	71,106
Respite Inn	15,512	-	-	15,512
Staff Recruitment	12,271	-	-	12,271
Supplies and Prizes	-	-	18,352	18,352
Telephone	12,915	1,435	-	14,350
Training	9,337	1,750	135	11,222
Transportation	289,051	-	-	289,051
Travel	41,492	1,093	122	42,707
Utilities	53,311	3,307	-	56,618
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 4,097,102</b>	<b>\$ 581,679</b>	<b>\$ 121,465</b>	<b>\$ 4,800,246</b>

## CHANGE, INC.

Schedule "1"

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2014			
	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
<b>FUNCTIONAL EXPENSES</b>				
Salaries	\$ 2,196,638	\$ 302,461	\$ 43,538	\$ 2,542,637
Payroll Taxes	153,824	29,611	3,160	186,595
Fringe Benefits	483,072	50,440	11,550	545,062
Accounting and Legal	-	43,623	-	43,623
Bad Debt Expense	735	-	-	735
Client Wages and Taxes	46,101	-	-	46,101
Community-Supported Living Arrangements	42,436	-	-	42,436
Consultants	20,231	13,222	-	33,453
Depreciation	104,557	2,024	-	106,581
Dues and Subscriptions	6,119	842	1,386	8,347
Food	-	-	16,656	16,656
Individual and Family Support Services	210,404	-	-	210,404
Insurance	-	15,789	-	15,789
Interest	3,795	-	-	3,795
Miscellaneous	14,040	34,956	4,470	53,466
Operating Supplies	34,498	9,246	-	43,744
Postage	-	3,529	-	3,529
Rent	131,301	330	10,716	142,347
Repairs and Maintenance	59,920	2,489	-	62,409
Respite Inn	20,455	-	-	20,455
Staff Recruitment	8,951	-	-	8,951
Supplies and Prizes	-	-	23,730	23,730
Telephone	14,700	1,633	-	16,333
Training	8,573	885	50	9,508
Transportation	267,519	-	-	267,519
Travel	36,738	746	101	37,585
Utilities	52,973	3,319	-	56,292
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,917,580</b>	<b>\$ 515,145</b>	<b>\$ 115,357</b>	<b>\$ 4,548,082</b>