

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Financial Statements and Supplemental Schedules Together with
Reports of Independent Public Accountants**

For the Years Ended June 30, 2019 and 2018



S B & COMPANY, LLC
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JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Family League of Baltimore City, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Family League of Baltimore City, Inc. (the Organization) as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 controls 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 controls 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 controls. 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, 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

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of Federal awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 December 20, 2019, on our consideration of the Organization's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.

Owings Mills, Maryland
December 20, 2019

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statements of Financial Position
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,584,571	\$ 3,856,584
Accounts receivable, net	5,299,204	4,020,381
Unbilled accounts receivable	182,024	134,246
Prepaid expenses	30,193	4,908
Total current assets	<u>7,095,992</u>	<u>8,016,119</u>
Property and equipment, net	570,953	712,305
Total Assets	<u>\$ 7,666,945</u>	<u>\$ 8,728,424</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 4,046,064	\$ 4,502,315
Accrued compensation	272,622	301,063
Accrued expenses	72,668	101,196
Deferred revenue	-	231,402
Deferred rent	-	188,358
Total Liabilities	<u>4,391,354</u>	<u>5,324,334</u>
Net Assets		
Without donor restrictions	2,996,247	3,257,717
With donor restrictions	279,344	146,373
Total Net Assets	<u>3,275,591</u>	<u>3,404,090</u>
Total Liabilities and Net Assets	<u>\$ 7,666,945</u>	<u>\$ 8,728,424</u>

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Federal direct and passed-through grants	\$ 4,694,099	\$ 6,920,539
Other governmental grants	16,384,325	17,400,259
Foundation and other grants	469,915	614,523
Contributions	470,246	164,428
Other income	8,478	7,983
Total Revenue	<u>22,027,063</u>	<u>25,107,732</u>
Net assets released from donor restrictions	126,183	202,249
Total Revenue and Support	<u>22,153,246</u>	<u>25,309,981</u>
Expenses		
Program services		
School age and high school programs	13,930,765	14,633,013
Early childhood programs	4,307,287	5,445,756
Food Access programs	2,920,525	4,099,003
Total program services	<u>21,158,577</u>	<u>24,177,772</u>
General and administrative	1,191,423	740,207
Fundraising	64,716	146,980
Total Expenses	<u>22,414,716</u>	<u>25,064,959</u>
Change in net assets without donor restrictions	<u>(261,470)</u>	<u>245,022</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	259,154	140,462
Satisfaction of restrictions	<u>(126,183)</u>	<u>(202,249)</u>
Change in net assets with donor restrictions	<u>132,971</u>	<u>(61,787)</u>
Changes in net assets	(128,499)	183,235
Net assets, beginning of year, as restated	<u>3,404,090</u>	<u>3,220,855</u>
Net Assets, End of Year	<u>\$ 3,275,591</u>	<u>\$ 3,404,090</u>

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2019, with comparative Totals 2018**

	2019							
	Program Services				General and	Fundraising	Total	2018 Total
	School Age & High School	Early Childhood	Food Access	Total Program Services	Administrative			
Direct service awards	\$ 10,806,327	\$ 3,141,588	\$ 58,967	\$ 14,006,882	\$ -	\$ -	\$ 14,006,882	\$ 12,770,371
Program costs	589,360	165,293	2,356,103	3,110,756	-	-	3,110,756	4,860,876
Salaries and wages	789,542	321,874	245,974	1,357,390	1,566,173	48,201	2,971,764	3,416,020
Fringe benefits	238,829	96,705	77,900	413,434	417,313	14,460	845,207	864,622
Consultants	63	149,990	-	150,053	156,922	-	306,975	1,561,433
Training	54,153	68,861	6,137	129,151	70,712	-	199,863	273,885
Rent	-	-	-	-	324,617	-	324,617	325,982
Meeting expenses	1,132	500	-	1,632	-	-	1,632	275,658
Office supplies and expenses	2,525	725	705	3,955	25,140	-	29,095	39,316
Equipment rental and expense	84,500	-	2,983	87,483	87,372	2,000	176,855	166,041
Legal and accounting	-	-	-	-	64,029	-	64,029	55,414
Depreciation	-	-	-	-	146,037	-	146,037	105,943
Communication	5,760	2,280	3,120	11,160	55,088	-	66,248	53,923
Printing and duplicating	2,113	1,493	1,035	4,641	19,811	-	24,452	13,867
Travel	2,114	3,369	3,081	8,564	23,364	55	31,983	46,637
Dues and subscriptions	-	-	-	-	246	-	246	29,846
Temporary help	-	-	-	-	13,610	-	13,610	120,775
Insurance	-	-	-	-	20,989	-	20,989	17,133
Advertising	50	-	-	50	1,736	-	1,786	2,541
Fees	-	-	-	-	19,225	-	19,225	11,760
Other expenses	-	-	-	-	10,743	-	10,743	22,301
Storage	-	-	-	-	7,858	-	7,858	5,776
Postage	-	-	84	84	4,700	-	4,784	5,657
Interest expense	-	-	-	-	29,080	-	29,080	19,182
Conference center transfer	20,585	4,525	3,840	28,950	(28,950)	-	-	-
Direct Expenses	12,597,053	3,957,203	2,759,929	19,314,185	3,035,815	64,716	22,414,716	25,064,959
Overhead recovery	1,333,712	350,084	160,596	1,844,392	(1,844,392)	-	-	-
Total Expenses	\$ 13,930,765	\$ 4,307,287	\$ 2,920,525	\$ 21,158,577	\$ 1,191,423	\$ 64,716	\$ 22,414,716	\$ 25,064,959

The accompanying notes are an integral part of this financial statement.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2018**

	Program Services			Total Program Services	General and Administrative	Fundraising	Total
	School Age & High School	Early Childhood	Food Access				
Direct service awards	\$ 10,204,715	\$ 2,555,656	\$ 10,000	\$ 12,770,371	\$ -	\$ -	\$ 12,770,371
Program costs	1,254,827	177,460	3,428,543	4,860,830	46	-	4,860,876
Salaries and wages	1,098,249	688,464	267,944	2,054,657	1,252,051	109,312	3,416,020
Fringe benefits	326,536	205,377	79,742	611,655	220,255	32,712	864,622
Consultants	199,612	1,164,795	-	1,364,407	197,027	-	1,561,434
Training	97,658	138,535	7,690	243,883	30,002	-	273,885
Rent	-	-	15,735	15,735	310,247	-	325,982
Meeting expenses	230,663	9,685	3,902	244,250	31,408	-	275,658
Office supplies and expenses	12,370	996	2,077	15,443	23,765	108	39,316
Equipment rental and expense	95,000	-	3,576	98,576	67,465	-	166,041
Legal and accounting	3,060	6,240	240	9,540	45,874	-	55,414
Depreciation	-	-	-	-	105,943	-	105,943
Communication	6,000	5,340	5,460	16,800	36,823	300	53,923
Printing and duplicating	5,575	1,425	2,792	9,792	4,075	-	13,867
Travel	20,986	5,799	4,237	31,022	15,481	134	46,637
Dues and subscriptions	-	-	190	190	29,656	-	29,846
Temporary help	52,766	31,982	-	84,748	31,613	4,414	120,775
Insurance	-	-	600	600	16,533	-	17,133
Advertising	1,671	-	207	1,878	663	-	2,541
Fees	-	-	-	-	11,760	-	11,760
Other expenses	-	-	-	-	22,301	-	22,301
Storage	-	-	-	-	5,776	-	5,776
Postage	1,351	20	1,278	2,649	3,008	-	5,657
Interest expense	14,246	-	-	14,246	4,935	-	19,181
Conference center transfer	39,840	9,565	1,000	50,405	(50,405)	-	-
Direct Expenses	13,665,125	5,001,339	3,835,213	22,501,677	2,416,302	146,980	25,064,959
Overhead recovery	967,888	444,417	263,790	1,676,095	(1,676,095)	-	-
Total Expenses	\$ 14,633,013	\$ 5,445,756	\$ 4,099,003	\$ 24,177,772	\$ 740,207	\$ 146,980	\$ 25,064,959

The accompanying notes are an integral part of this financial statement.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (128,499)	\$ 183,235
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	146,037	105,943
Effects from changes in non-cash operating assets and liabilities:		
Accounts receivable, net	(1,278,823)	2,608,093
Unbilled accounts receivable	(47,778)	446,078
Prepaid expenses	(25,285)	2,165
Accounts payable	(456,251)	(197,725)
Accrued compensation	(28,441)	(8,682)
Accrued expenses	(28,528)	(12,643)
Deferred revenue	(231,402)	(591,049)
Deferred rent	(188,358)	25,982
Net Cash Flows from Operating Activities	<u>(2,267,328)</u>	<u>2,561,397</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(4,685)</u>	<u>(81,703)</u>
Net change in cash and cash equivalents	(2,272,013)	2,479,694
Cash and cash equivalents, beginning of year	<u>3,856,584</u>	<u>1,376,890</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,584,571</u>	<u>\$ 3,856,584</u>
Supplemental disclosure		
Interest paid	<u>\$ 29,080</u>	<u>\$ 19,182</u>

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

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements

June 30, 2019 and 2018

1. DESCRIPTION OF THE ORGANIZATION

Family League of Baltimore City, Inc. (the Organization) was incorporated in the State of Maryland in April 1991. The Organization mobilizes resources and empowers communities to make sure that every child and family in Baltimore reaches their full potential. The Organization is focused in three key areas: strengthening organizations, leading collaboration and influencing systems to improve the health, well-being, education and nutrition of children and families across the city. By employing these strategies, Family League is working toward a future where all of Baltimore's children grow up healthy, succeed in school, graduate high school, and are college and career ready.

The Organization currently has projects operating to serve the needs of children and families including:

School Age and High School – Supports 30 expanded youth programs and 47 out-of-school-time enrichment opportunities, including 3 Pre-K Pilot OST programs, for 45 community schools in FY19.

Early Childhood – This initiative focuses on reducing infant mortality through improving policies, referral systems and services in Baltimore City through collaboration with community-based organizations. Programs include Healthy Families/Home Visiting, which provides comprehensive home visiting and family support services to pregnant women and parents of young children living in Baltimore City and Family Child Care sponsorship, which supports 158 home-based childcare sites.

Food Access – Family League serves as the sponsor for the school year Snack and Supper Program, providing over 800,000 snacks and suppers at 93 program sites in Baltimore City; the Family Child Care Program, which works with 158 family childcare providers ensuring healthy meals are served to children year-round.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2019, consisted of short-term highly liquid investments.

Accounts Receivable and Unbilled Accounts Receivable, net

Accounts receivable and unbilled accounts receivable represent revenue earned but not collected as of year-end. Receivables are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts, if needed, is based on specific identification of uncollectible accounts and the Organization's historical collection experience. As of June 30, 2019 and 2018, management recorded an allowance for doubtful accounts of \$41,195 and \$130,000, respectively.

Property and Equipment, net

Property and equipment purchased in excess of \$1,000, with an estimated useful life of more than 1 year are capitalized at cost and depreciated over the estimated useful lives of the assets using the straight-line method once the assets are placed in service. Gifts of long-lived assets are recorded at their fair values when donated. Expenditures for major repairs and improvements are capitalized, and expenditures for minor repairs and maintenance are expensed as incurred.

Deferred Revenue

Deferred revenue is primarily related to governmental grants that have advanced funds and the revenue will be recognized once services are rendered and costs are incurred under the conditions of the grants.

Deferred Rent

The Organization recognizes rent expense on a straight-line basis over the term of its lease agreements. The difference in the amount of cash paid and recognized rent expense is recorded as deferred rent in the accompanying statements of financial position. The Organization received rent abatement for several months that resulted in deferred rent.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions are those whose use by the Organization has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions. As of June 30, 2019 and 2018, net assets with donor restrictions was \$279,343 and \$146,373, respectively.

Support and Revenue

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Expenses are charged directly to program services, management and general and fundraising based on specific identification, when determinable. Salaries and benefits are charged to programs based on time and effort. Development costs are those which are specific to the related activity. Management and general and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Organization.

Income Tax

The Organization is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions as of June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for fiscal years 2016 through 2019 remain open with the U.S. Federal jurisdiction or the state and local jurisdiction in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. The Organization implemented ASU 2016-14 for the year ended June 30, 2019. Due to the adoption of this ASU, the presentation of these financial statements and footnotes were updated accordingly.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Organization to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2019, the FASB has postponed the implementation of this pronouncement to fiscal years beginning December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The Organization's management evaluated the accompanying financial statements for subsequent events and transactions through December 20, 2019, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions:

	<u>June 30, 2019</u>
Financial assets at year-end	
Cash and cash equivalents	\$ 1,584,571
Accounts receivable, net	5,299,204
Unbilled accounts receivable	182,024
Total financial assets at year-end	<u>\$ 7,065,799</u>

The Organization has a policy to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$4,000,000 which as of June 30, 2019, it had \$4,000,000 available to be drawn upon.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

3. PROPERTY AND EQUIPMENT, NET

As of June 30, 2019 and June 30, 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>Useful Life</u>
Construction in progress	\$ -	\$ 660,469	N/A
Software	663,377	-	5 years
Computer equipment	205,705	203,928	3 years
Telephone equipment	16,658	16,658	5 years
Furniture and fixtures	177,074	177,074	5 years
Leasehold improvements	308,504	308,504	Life of the lease
Total	<u>1,371,318</u>	<u>1,366,633</u>	
Less: accumulated depreciation	<u>800,365</u>	<u>654,328</u>	
Property and Equipment, net	<u>\$ 570,953</u>	<u>\$ 712,305</u>	

Depreciation expense was \$146,037 and \$105,943, for the years ended June 30, 2019 and 2018, respectively.

4. LINE OF CREDIT

The Organization maintains a line of credit with a financial institution under which it can borrow up to \$4,000,000. The line of credit bears interest at the daily London Interbank Offered Rate (LIBOR) plus 200 basis points (2.00%). As of June 30, 2019, the rate was 4.42%. Interest expense on the line of credit was \$29,080 and \$19,182, for the years ended June 30, 2019 and 2018, respectively. The line of credit was used during the year; however, there were no borrowings outstanding as of June 30, 2019.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018, were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Family Literacy	\$ 103,551	\$ 140,451
Baltimore Partnership to End Child Hunger	99,758	-
Doula Program	34,745	-
B'More for Healthy Babies	22,868	-
Community School Engagement	12,500	-
Summer and High School	5,922	5,922
Total	<u>\$ 279,344</u>	<u>\$ 146,373</u>

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

6. COMMITMENTS AND CONTINGENCIES

Leases

The Organization maintains operating leases principally for office space and equipment through 2024. Rental expense during the years ended June 30, 2019 and 2018, totaled \$324,617 and \$285,743, respectively.

Future minimum rental payments under the agreement as of June 30, 2019, were as follows:

<u>Years Ending June,</u>	<u>Amount</u>
2020	\$ 336,000
2021	336,000
2022	336,000
2023	336,000
2024	336,000
Total	<u><u>\$ 1,680,000</u></u>

Grants

The Organization receives financial assistance from Federal, state, and local government entities in the form of grants, which are subject to audits. 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. In the opinion of management, adjustment for unallowable costs, if any, resulting from such audits would not have a material effect on the accompanying financial statements.

Concentrations

The Organization received approximately 95% of its revenue and support from governmental agencies for the years ended June 30, 2019 and 2018, respectively.

7. RETIREMENT PLAN

The Organization provided benefits to all eligible employees under a defined contribution retirement plan. On an annual basis, the Organization determines its level of contribution while employees may contribute up to the maximum statutory amount. The employer's contribution for the years ended June 30, 2019 and 2018, was \$132,978 and \$141,520, respectively.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Financial Statements June 30, 2019 and 2018

8. RELATED PARTY TRANSACTIONS

During the normal course of business, the Organization contracts with a variety of service providers in the Baltimore-Metropolitan area. On occasion, requests for proposals are issued by the Organization and replies are received by companies who have members serving on the Organization's Board of Directors. When this situation arises, the Board member's application is treated as an "arm's length transaction." Board members with funding requests pending are ineligible to vote on matters where they maintain a direct financial interest. Also, the Board Members are not able to vote on the funding of other organizations with whom they are competing. At the beginning of each fiscal year, all Board members must also sign a conflict of interest statement.

9. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2019, the Organization had \$1,648,798 composed of demand deposits, savings and money market accounts, which exceeded the maximum limit insured by the FDIC by \$1,398,798. The Organization monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

**SUPPLEMENTARY INFORMATION
UNIFORM GUIDANCE**



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Family League of Baltimore City, Inc.

We have audited, 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, the financial statements of Family League of Baltimore City, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls.

Deficiency in internal controls exists when the design or operation of a controls does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in 2019-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying Schedule of Corrective Actions. The Organization's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, MD
December 20, 2019



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

To the Board of Directors of
Family League of Baltimore City, Inc.

Report on Compliance for Each Major Federal Program

We have audited Family League of Baltimore City, Inc.'s (the Organization) compliance requirements disclosed in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended June 30, 2019. The Organization's major Federal program is identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.



Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Controls over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal controls over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal controls over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls over compliance.

A deficiency in internal controls over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal controls over compliance* is a deficiency, or combination of deficiencies in internal controls over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Owings Mills, MD
December 20, 2019

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amount paid to Sub- recipients	Federal Expenditures
U.S. Department of Agriculture				
<u>Pass-through Maryland State Department of Education</u>				
Child and Adult Care Food Program	10.558	347224	\$ -	\$ 2,767,645
Total U.S. Department of Agriculture			<u>-</u>	<u>2,767,645</u>
 U.S. Department of Health and Human Services				
<u>Pass-through Baltimore City Health Department</u>				
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	FHD39MIC	894,070	1,172,579
<u>Pass-through Maryland Department of Health</u>				
Affordable Care Act-Maternal, Infant, and Early Childhood Home Visiting Program	93.505	PHPA-G2810	-	224,399
Total Maternal, Infant, and Early Childhood Home Visiting Cluster			<u>894,070</u>	<u>1,396,978</u>
Total U.S. Department of Health and Human Services			<u>894,070</u>	<u>1,396,978</u>
 U.S. Department of Housing and Urban Development (HUD)				
<u>Pass-through Mayor and City Council of Baltimore</u>				
Community Development Block Grant program for Entitlement Communities	14.218	CDBG-43	481,342	529,476
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,375,412</u>	<u>\$ 4,694,099</u>

The accompanying notes are an integral part of this schedule.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

Notes to the Schedule of Expenditures of Federal Awards June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Family League of Baltimore City, Inc. (the Organization) are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit) for the year ended June 30, 2019. The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs for fiscal year 2019 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 59%.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture Federal Program		
Child and Adult Care Food Program	10.558	\$ 2,767,645
		<u>\$ 2,767,645</u>

Expenditures reported on the accompanying schedule of expenditures of Federal awards (the Schedule) are reported on the accrual basis of accounting. Management has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the Organization under programs of the Federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Financial Statements

Type of Independent Public Accountants' Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Noted
Audit finding disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of Major Programs:	

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture Federal Program		
Child and Adult Care Food Program	10.558	\$ 2,767,645
		<u>\$ 2,767,645</u>
Threshold for distinguishing between Type A and B programs		<u>\$ 750,000</u>
Did the Organization qualify as a low risk auditee?		Yes

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section II – Financial Statement Findings

Refer to 2019-001.

Section III – Award Findings

None Noted.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

**Section II – Financial Statement Findings
All Programs**

Finding 2019-001 Significant Deficiency Over Financial Reporting

Repeat Finding: No

Criteria

The Organization must maintain an adequate system of internal control over financial reporting in order to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles.

Condition

During our review of the June 30, 2019, financial statement close process, we identified several key accounts that had not been properly reconciled as of year-end. The financial information for the year ended June 30, 2019, included misstatements in certain balance sheet accounts that were the result of an ineffective closing process at year end. Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in the financial statements. Specific accounts include accounts receivable, unbilled receivables and accounts payable. The lack of year end reconciliations, in certain circumstances, resulted in audit adjustments and delays in completing the audit.

Cause

The Organization did not investigate unreconciled amounts prior to the audit commencing.

Effect

The delay in completing account analysis for financial statement accounts could allow for errors and irregularities, including fraud, to go undetected. Also, accurate financial information may not be available to make management decisions.

Recommendation

In order to provide more accurate and timely accounting information, we strongly recommend that the Organization establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts from the respective subledgers to the general ledger and timely investigation of reconciling items.

Questioned Costs

Unknown

Auditee Response:

Auditee agrees with the finding. See schedule of corrective action.



OF BALTIMORE

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Schedule of Corrective Actions

Finding 2019-001 Significant Deficiency Over Financial Reporting

Responsible Official's Response and Corrective Action Plan

Management proposes the following plan of corrective action to improve internal controls over financial reporting. Effective immediately, the Senior Director of Finance will conduct monthly reviews and reconciliations of all accounts from the subledger to the general ledger; specifically, the receivables and payables, ensuring that reconciling items are timely investigated. Additionally, adequate supporting documentation will be maintained for post-closing adjustments.

Person Responsible for Corrective Action

Senior Director of Finance

Planned Implementation Date

These monthly reviews will commence on December 16, 2019.

FAMILY LEAGUE OF BALTIMORE CITY, INC.

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2019**

There were no findings for the year ended June 30, 2018.