



Accounting Strategies Group, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Caroline Economic Development Corporation
Denton, Maryland 21629

We have reviewed the accompanying financial statements of Caroline Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Accounting Strategies Group, LLC

Preston, Maryland
November 6, 2020

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CAROLINE ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 16,869	\$ 14,409
Grants Receivable	7,909	21,468
Prepaid Expenses	-	713
TOTAL CURRENT ASSETS	<u>24,778</u>	<u>36,590</u>
<u>PROPERTY AND EQUIPMENT, AT COST</u>		
Computers	2,701	2,701
Less: Accumulated Depreciation	<u>(2,701)</u>	<u>(2,674)</u>
TOTAL PROPERTY AND EQUIPMENT, AT COST		
LESS ACCUMULATED DEPRECIATION	<u>-</u>	<u>27</u>
TOTAL ASSETS	<u><u>\$ 24,778</u></u>	<u><u>\$ 36,617</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 1,496	\$ 13,416
Accrued Payroll	-	2,214
TOTAL CURRENT LIABILITIES	<u>1,496</u>	<u>15,630</u>
<u>NET ASSETS</u>		
Without Donor Restrictions	<u>23,282</u>	<u>20,987</u>
TOTAL NET ASSETS	<u>23,282</u>	<u>20,987</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,778</u></u>	<u><u>\$ 36,617</u></u>

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>REVENUES</u>		
Caroline County Appropriation	\$ 87,842	\$ 87,842
Town Appropriations	12,500	14,500
Room Tax	2,174	2,600
Grants	19,809	33,194
Other Income	<u>-</u>	<u>187</u>
 TOTAL REVENUES	 122,325	 138,323
<u>EXPENSES</u>		
Program	108,195	120,945
General & Administrative	<u>11,835</u>	<u>10,567</u>
 TOTAL EXPENSES	 <u>120,030</u>	 <u>131,512</u>
 CHANGE IN NET ASSETS WITHOUR DONOR RESTRICTIONS	 2,295	 6,811
 NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	 <u>20,987</u>	 <u>14,176</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	 <u><u>\$ 23,282</u></u>	 <u><u>\$ 20,987</u></u>

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Bank Service Charges	\$ -	\$ 58	\$ 58	\$ -	\$ -	\$ -
Depreciation	27	-	27	53	-	53
Dues and Subscriptions	970	423	1,393	804	212	1,016
Grant Expenses	400	-	400	7	-	7
Insurance	1,553	610	2,163	1,560	-	1,560
Marketing	48,868	-	48,868	52,586	-	52,586
Meetings	36	-	36	933	-	933
Miscellaneous	-	174	174	-	676	676
Office Supplies	-	1,060	1,060	-	585	585
Payroll Taxes	2,731	-	2,731	3,802	-	3,802
Postage and Delivery	-	77	77	-	100	100
Professional Services	9,738	6,378	16,116	3,050	8,418	11,468
Regional Partnerships	3,560	-	3,560	1,270	-	1,270
Rent	-	2,856	2,856	-	-	-
Repairs and Maintenance	-	-	-	-	67	67
Security	-	-	-	264	29	293
Travel, Conferences, and Meals	2,593	-	2,593	2,497	-	2,497
Utilities	1,787	199	1,986	4,322	480	4,802
Wages and Salaries	35,375	-	35,375	49,360	-	49,360
Website	557	-	557	437	-	437
TOTAL EXPENSES	\$ 108,195	\$ 11,835	\$ 120,030	\$ 120,945	\$ 10,567	\$ 131,512

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 2,295	\$ 6,811
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	27	53
(Increase) Decrease in Assets:		
Grants Receivable	13,559	(16,124)
Prepaid Expenses	713	1,309
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	<u>(14,134)</u>	<u>11,647</u>
 NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	 <u>2,460</u>	 <u>3,696</u>
Net Increase in Cash and Cash Equivalents	2,460	3,696
Cash and Cash Equivalents, Beginning of Year	<u>14,409</u>	<u>10,713</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 16,869</u></u>	<u><u>\$ 14,409</u></u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
 Cash Paid for Interest	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
Cash Paid for Income Taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Caroline Economic Development Corporation (CEDC) is a non-profit organization located in Denton, Maryland. Caroline Economic Development Corporation exists to foster a diversified local economy that leads to business retention and attraction, job creation and workforce development, and a strong quality of life for the citizens of Caroline County, Maryland.

METHOD OF ACCOUNTING

The financial statements of CEDC have been prepared on the accrual basis of accounting, which is U.S. Generally Accepted Accounting Principles. Under this method of accounting, revenue is recognized when amounts are earned and expenses are recognized when they occur.

BASIS OF PRESENTATION

The Organization follows Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 958-210, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based on existence or absence of donor-imposed restrictions:

A description of the two categories of net assets is as follows:

Net Assets without Donor Restrictions – are free from donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets are presently available for use by the Organization at the discretion of the Board of Directors.

Net Assets with Donor Restrictions – are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization has no net assets with donor restrictions.

REVENUE RECOGNITION

The Organization adopted two Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) that will affect the Organization's revenue recognition.

The first, FASB ASU 2014-09, *Revenue from Contracts with Customers* requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On January 1, 2019, the Organization adopted ASU 2014-09 using the modified retrospective method. In addition, this standard requires enhanced qualitative and quantitative disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The second, FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED

REVENUE RECOGNITION, CONTINUED

Grant Income – Grants are awarded to support the Organization's activities that are conditioned on performing certain services or incurring certain reimbursable expenditures. Cost reimbursement grants are recognized as revenue in the period the qualifying expenditures are incurred. Grants receivable consist of outstanding amounts due for grants in which the allowable expenditures have been incurred but the funding has not been reimbursed to the Organization. Grant amounts collected in advance but unearned are reflected as unearned revenue. Unearned revenue applies to services to be rendered in future periods and revenue is recognized in the year when the services are earned. Certain unexpended grants could be required under the grant terms to be returned to the funding entity.

Contribution Revenue – The Organization records contributions when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the asset or at the time an unconditional pledge is made.

CASH AND CASH EQUIVALENTS

For reporting purposes, the Organization considers all money market funds with a maturity of three months or less to be cash equivalents.

OFF BALANCE SHEET RISK

The Organization maintains cash and cash equivalents at one financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Organization had no uninsured bank balances at June 30, 2020 or 2019.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments consist primarily of cash in banks, and receivables. The carrying amounts for cash and cash equivalents and receivables approximate their fair value due to the short-term nature of these instruments.

GRANTS RECEIVABLE

The Organization is the recipient of several grants that are reimbursable by the grantor after the Organization substantiates expenditures for the specified purpose. As expenses are incurred toward these grants, grant income and a corresponding receivable are recorded. Grants receivable as of June 30, 2020 and 2019 totaled \$7,909 and \$21,468, respectively. The amounts are deemed fully collectible and no allowance is considered necessary.

INCOME TAXES

Caroline Economic Development Corporation is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(4). In accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Organization has assessed the likelihood that all tax positions are more likely than not to be sustained upon examination. The Organization's federal and state filings for 2016, 2017, and 2018 are subject to examination by the IRS and/or state authorities, generally, for the three years after have been filed. The 2019 returns will be filed in 2020.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAROLINE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ALLOCATION OF FUNCTIONAL EXPENSES

Accounting principles generally accepted in the United States of America require all not-for-profit organizations to present their expenses on a functional basis, separating program services from management and general expenses and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries. The Organization has no fundraising expenses.

SUBSEQUENT EVALUATION

Subsequent events were evaluated through November 6, 2020, which is the date the financial statements were available to be issued. No events were identified for disclosure.

NOTE B. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. The Organization capitalizes assets that cost over \$2,500 and have a useful life extending beyond one year. Depreciation is provided on the MACRS double declining balance method over the estimated useful lives of 5-7 years. Depreciation expense for the years ended June 30, 2020 and 2019 was \$27 and \$53, respectively.

NOTE C. COMPLIANCE WITH GRANT REQUIREMENTS

Grants to the Organization require the fulfillment of certain conditions as described in the grant agreements. Failure to meet these conditions could result in the return of funds to the grantors. Management considers this contingency remote.

NOTE D. OPERATING LEASE

Effective October 1, 2019, the Organization entered into a sublease agreement for office space. The lease term extends through June 30, 2022 and calls for initial quarterly lease payments of \$750, with an increase to \$765 per quarter beginning July 1, 2020 and \$780 per quarter beginning July 1, 2021. Rent expense under this lease totaled \$2,250 for the year ended June 30, 2020.

Future minimum sublease obligations are as follows:

Year Ending June 30,	
2021	\$ 3,060
2022	3,121

NOTE E. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 16,869	\$ 14,409
Accounts Receivable	7,909	21,468
Total financial assets available within one year	<u>\$ 24,778</u>	<u>\$ 35,877</u>

As part of the Organization's liquidity management, it has a policy to structure its financial resources to be available as its general expenditures, liabilities, and other obligations come due.

NOTE F. SUBSEQUENT EVENTS

In response to the COVID-19 pandemic, many non-essential businesses have closed and social distancing has been implemented. The potential exposure and the long-term impacts of the COVID-19 pandemic on the Organization are unknown at this time.