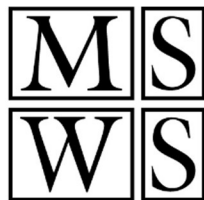


**THE ARC OF THE CENTRAL
CHESAPEAKE REGION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

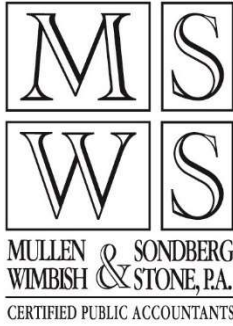


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.
Severn, Maryland

We have audited the accompanying consolidated financial statements of The Arc of the Central Chesapeake Region, Inc. (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of the Central Chesapeake Region, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Arc of the Central Chesapeake Region, Inc.'s 2020 consolidated financial statements, and we express an unmodified audit opinion on those audited consolidated financial statements in our report dated November 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
December 9, 2021

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,101,308	\$ 4,137,867
Investments	1,942,558	1,904,214
Due from State of Maryland	4,275,227	2,073,995
Accounts receivable, other	435,987	201,817
Accounts receivable, clients, net of allowance for doubtful accounts	23,850	50,329
Unconditional promises to give	38,100	38,100
Prepaid expenses	272,494	126,052
Total current assets	11,089,524	8,532,374
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	20,240,621	18,284,107
OTHER ASSETS		
Unconditional promises to give, net of discount	417,354	448,518
Security deposits and escrows	297,400	276,106
Other assets	132,533	-
Total other assets	847,287	724,624
Total assets	\$ 32,177,432	\$ 27,541,105
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 2,268,662	\$ 1,345,295
Due to State of Maryland	2,882,142	2,188,236
Accrued vacation	312,717	294,386
Accrued salaries and related taxes	4,068,061	2,739,432
Rep Payee Funds	108,069	189,175
Deferred revenue	-	21,000
Capital lease obligations	254,994	243,576
Mortgages and notes payable	298,195	291,825
Total current liabilities	10,192,840	7,312,925
LONG-TERM LIABILITIES		
Capital lease obligations	678,195	469,262
Mortgages and notes payable, net of debt issuance costs	11,157,027	11,171,615
Participation liability	47,006	64,844
Total long-term liabilities	11,882,228	11,705,721
Total liabilities	22,075,068	19,018,646
NET ASSETS		
Without donor restrictions	9,532,752	7,965,360
With donor restrictions	569,612	557,099
Total net assets	10,102,364	8,522,459
Total liabilities and net assets	\$ 32,177,432	\$ 27,541,105

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

With Summarized Financial Information for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
REVENUES, GAINS AND OTHER SUPPORT				
Self Direction Waiver revenue	\$ 65,110,883	\$ -	\$ 65,110,883	\$ 48,763,680
Less: Self Direction Waiver expenses	(58,840,384)	-	(58,840,384)	(44,236,611)
Net Self Direction Waiver	6,270,499	-	6,270,499	4,527,069
Program service fees	15,965,906	-	15,965,906	13,891,545
Government and private grants	1,217,863	-	1,217,863	1,224,521
Contributions	371,466	114,158	485,624	163,632
Rental subsidy	469,103	-	469,103	282,631
Contribution to care fees	399,085	-	399,085	385,756
Investment income, net	308,279	-	308,279	196,703
Special events	21,331	-	21,331	50,067
Donated goods, services and rent	6,936	-	6,936	504,568
Gain/(loss) on disposal of equipment	2,589	-	2,589	(8,314)
Paycheck Protection Program grant	-	-	-	2,469,300
Miscellaneous income	-	-	-	8,578
	25,033,057	114,158	25,147,215	23,696,056
Net assets released from restrictions	101,645	(101,645)	-	-
Total revenues, gains and other support	25,134,702	12,513	25,147,215	23,696,056
EXPENSES				
Program services				
Community Living	11,304,025	-	11,304,025	9,722,220
FMS	4,115,980	-	4,115,980	3,135,678
Community Supports	2,574,388	-	2,574,388	2,565,777
Day Services & Workforce Development	1,113,094	-	1,113,094	1,709,734
Individual & Family Support Services	769,012	-	769,012	1,090,288
Total program services	19,876,499	-	19,876,499	18,223,697
Supporting services				
Management and general	3,366,939	-	3,366,939	3,455,221
Fundraising	323,872	-	323,872	170,731
Total supporting services	3,690,811	-	3,690,811	3,625,952
Total expenses	23,567,310	-	23,567,310	21,849,649
Change in net assets	1,567,392	12,513	1,579,905	1,846,407
NET ASSETS AT BEGINNING OF YEAR	7,965,360	557,099	8,522,459	6,676,052
NET ASSETS AT END OF YEAR	\$ 9,532,752	\$ 569,612	\$ 10,102,364	\$ 8,522,459

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021
With Summarized Financial Information for the Year Ended June 30, 2020

	Program Services					Supporting Services			Total	
	Community Living	FMS	Community Supports	Day Services & Workforce Development	Individual & Family Support Services	Total Program Services	Management and General	Fundraising	2021	2020
Salaries	\$ 7,162,643	\$ 1,192,266	\$ 1,621,177	\$ 707,635	\$ 307,054	\$ 10,990,775	\$ 1,468,347	\$ 70,020	\$ 12,529,142	\$ 11,708,760
Fringe benefits	862,550	499,987	174,547	64,692	64,589	1,666,365	460,171	11,078	2,137,614	1,984,013
Payroll taxes	523,784	89,383	116,127	50,918	34,211	814,423	91,478	5,303	911,204	848,630
Total salaries and related expenses	8,548,977	1,781,636	1,911,851	823,245	405,854	13,471,563	2,019,996	86,401	15,577,960	14,541,403
Contract services	258,470	1,195,223	59,340	21,277	24,023	1,558,333	42,314	143,837	1,744,484	1,761,131
Depreciation & amortization	746,196	119,224	161,744	65,790	28,511	1,121,465	35	-	1,121,500	1,172,939
Repairs and maintenance	80,379	263,526	17,300	5,085	3,050	369,340	497,219	-	866,559	470,681
Program expenses	369,287	-	89,505	-	146,822	605,614	74,730	57,395	737,739	829,666
Interest	364,388	58,220	78,984	32,127	40,281	574,000	6,712	-	580,712	542,814
Legal and accounting	59,048	491,099	12,799	5,206	2,256	570,408	-	-	570,408	57,446
Advertising	271,972	43,635	58,888	24,253	11,330	410,078	-	10,140	420,218	269,504
Insurance	224,536	35,882	48,670	19,797	9,024	337,909	24,939	-	362,848	317,666
Utilities	10,305	-	-	-	31	10,336	216,463	-	226,799	199,324
Supplies	11,855	51,829	341	601	157	64,783	140,478	18,972	224,233	242,379
Small equipment and furniture	74,120	806	-	-	7,777	82,703	111,526	-	194,229	60,218
Miscellaneous	56,466	34,275	11,559	4,420	26,577	133,297	54,151	1,338	188,786	186,672
Travel and lodging	14,364	1,401	31,905	97,633	471	145,774	34,768	2	180,544	266,990
Dues and subscriptions	95,532	26,678	20,604	8,381	3,632	154,827	41	5,764	160,632	336,233
Rent	-	-	32,940	-	49,568	82,508	40,815	-	123,323	147,596
Staff development	14,376	500	-	399	3,477	18,752	82,409	-	101,161	47,216
Food and housekeeping	62,400	-	29,983	-	788	93,171	7,042	-	100,213	299,477
Telephone	38,445	11,701	7,975	4,880	1,543	64,544	-	23	64,567	76,250
Taxes and assessments	-	295	-	-	-	295	6,041	-	6,336	6,105
Condo fees	1,968	-	-	-	3,840	5,808	-	-	5,808	5,793
Reimbursements	941	-	-	-	-	941	4,154	-	5,095	2,871
Conventions	-	50	-	-	-	50	3,106	-	3,156	9,275
Total expenses	\$ 11,304,025	\$ 4,115,980	\$ 2,574,388	\$ 1,113,094	\$ 769,012	\$ 19,876,499	\$ 3,366,939	\$ 323,872	\$ 23,567,310	\$ 21,849,649

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

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,579,905	\$ 1,846,407
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,121,500	1,172,939
Amortization of debt issuance costs	6,711	11,294
Amortization of loan discount	(12,020)	1,958
Unrealized gain on investments	(34,441)	(319)
(Gain)/loss on disposal of equipment	(2,589)	8,314
(Increase) decrease in operating assets:		
Accounts receivable and Due from State of Maryland	(2,408,923)	(119,222)
Unconditional promises to give	31,164	(471,543)
Prepaid expenses	(146,442)	13,728
Security deposits and escrows	(21,294)	10,121
Other assets	(132,533)	-
Increase (decrease) in operating liabilities:		
Accounts payable, trade and due to State of Maryland	1,617,273	(5,998,271)
Accrued salaries, vacation, and related taxes	1,346,960	994,687
Rep Payee Funds	(81,106)	(134,434)
Deferred revenue	(21,000)	21,000
Net cash provided by (used in) operating activities	2,843,165	(2,643,341)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested earnings	(3,903)	(949,290)
Proceeds from sale of investments	-	1,210,177
Purchase of property and equipment	(2,680,665)	(649,218)
Proceeds from sale of property and equipment	79,617	427,087
Net cash provided by (used in) investing activities	(2,604,951)	38,756
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(254,026)	(251,455)
Proceeds from mortgages and notes payable	263,572	967,840
Principal payments on mortgages and notes payable	(284,319)	(523,253)
Net cash provided (used) by financing activities	(274,773)	193,132
Net change in cash and cash equivalents	(36,559)	(2,411,453)
Cash and cash equivalents at beginning of year	4,137,867	6,549,320
Cash and cash equivalents at end of year	\$ 4,101,308	\$ 4,137,867
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 574,001	\$ 531,520
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 3,155,042	\$ 1,915,693
Less amount financed	(474,377)	(1,266,475)
Cash paid for property and equipment	\$ 2,680,665	\$ 649,218

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

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Nature and Association

The Arc of the Central Chesapeake Region, Inc. (the Association) is a non-profit association formed in 1961 whose mission is to promote respect, create opportunity, facilitate services and advocate for the rights of all people with intellectual and developmental disabilities. The Association identifies critical needs and gaps in services and initiates programs to fill these needs. It stimulates other agencies to develop needed services and programs, and provides information and community education regarding developmental disabilities. On July 1, 1998 The Arc of the Central Chesapeake Region, Inc., a Maryland non-stock corporation, merged with Alternative Living, Inc. The Arc of the Central Chesapeake Region, Inc. is the surviving corporation. The Association serves Anne Arundel County and Maryland's Eastern Shore.

The association is also one of the State of Maryland Fiscal Management Service (FMS) providers tasked with administrating the self directed funding for individuals with developmental disabilities and their families under the New Directions Waiver. Under the FMS program the Association administered a total annual budget of approximately \$85 million for 1265 individuals during the year ended June 30, 2021.

Consolidation of Related Entities

The Arc of the Central Chesapeake Region, Inc. has adopted the provisions of the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, Consolidations*. The Arc of the Central Chesapeake Region, Inc. has included its related entity, Chesapeake Neighbors, LLC, in its financial statements for the years ended June 30, 2021 and 2020. *FASB ASC 958-810* states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

Chesapeake Neighbors, LLC was formed in 2008 and obtained tax-exempt status during fiscal year 2010 to provide housing to people who are housing insecure and lack access to quality, affordable housing, including people with disabilities. Chesapeake Community Development, LLC was formed in 2021 whose primary purpose is to support community development efforts towards The Arc of the Central Chesapeake Region, Inc. and Chesapeake Neighbors, LLC. Chesapeake Neighbors, LLC and Chesapeake Community Development, LLC are wholly owned, limited liability company subsidiaries and qualify as related entities of The Arc of the Central Chesapeake Region, Inc. under *FASB ASC 958-810* and, accordingly, the accompanying financial statements present the financial information of all entities.

The Association is also required to comply with *FASB ASC 850 Related Party Disclosures*. Under this standard, all material intercompany transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Accounting

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Association reports information regarding its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Revenue Recognition – Contributions and Grants

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Contributions and Grants (Cont.)

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on the expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Association has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as deferred revenue in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a grantor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without donor restrictions. Unexpended grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered conditional promises to give. If funds are received prior to satisfying the condition, they are recorded as deferred revenue.

Revenue Recognition – Program Service Fees and Client Fees

The Association offers a robust portfolio of services to people with intellectual and developmental disabilities. These services are funded primarily by the Maryland Department of Health, Developmental Disabilities Administration (DDA). Program service revenue for DDA is reported at the amount that reflects the consideration to which the Association expects to which the Association expects to be entitled in exchange for providing services. DDA revenue is recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a daily or hourly basis, as prescribed by DDA program regulations. Revenue is recorded based on daily or hourly reimbursement rates established and approved by DDA.

The Association receives advance payments from DDA on a quarterly basis, which are subsequently reconciled to actual amounts earned. Any amounts due to or from DDA upon reconciliation are adjusted by an increase or decrease in future quarterly advances. During the year ending June 30, 2021, DDA converted the personal supports and supported living programs from the advance payment method to a reimbursement method. As such, revenue under these programs is now reimbursed by DDA approximately 2 to 4 weeks after billing.

Behavioral support services are billed to DDA on a monthly basis based on the number of hours served at reimbursement rates established and approved by DDA. There is generally a lag in reimbursement from DDA, as it can take approximately two months to receive payment.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Program Service Fees and Client Fees (Cont.)

The Association act as the fiscal agent for individuals receiving self directed funding under the Self Directions waiver. The Association is paid an administrative fee to handle the accounting, payroll and accounts payable processing, Medicaid billing, and other related services on behalf of participants. The total Self Directions Waiver revenue is netted with these expenses on the Statement of Activities.

The Association also receives monthly payments of section 8 revenue through the Housing Commission of Anne Arundel County and the Housing Authority of the City of Annapolis. Revenue is recognized on a monthly basis based on the number of eligible consumers at rates established and approved by the U.S. Department of Housing and Urban Development (HUD).

The Association collects fees for room and board and contribution to care from people served in a licensed group home in the Association’s Living Options & Services. Fee revenue is recognized at the point in time at which performance obligations are satisfied. The point in time at which performance obligations are satisfied is based on the provision of services on a monthly basis. The monthly reimbursement rate is determined for each person based on rates set by the State of Maryland.

Fee for service revenue recognized for DDA related programs for the years ending June 30, 2021 and 2020 is as follow:

<u>Service Type</u>	<u>Mesurement Period for Performance Obligations</u>	<u>Revenue Recognized 6/30/2021</u>	<u>Revenue Recognized 6/30/2020</u>
Self Directions Waiver (net)	Annually	\$ 6,270,499	\$ 4,527,069
DDA Services:			
Residential services	Daily	10,314,345	8,373,035
Day services	Daily	701,290	1,219,589
Community Learning services	Daily	29,592	43,985
Personal Support services	Quarter-Hour	2,835,275	3,644,640
Supported Employment services	Daily	507,604	578,089
Supported Living services	Hourly	1,481,780	-
Behavioral Support services	Quarter-Hour	96,020	32,207
Total DDA services		15,965,906	13,891,545
Client fees	Monthly	399,085	385,756
Rental subsidy	Monthly	469,103	282,631

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of ninety days or less, except those that are part of an investment portfolio.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position.

Accounts Receivable

Accounts receivable consist of amounts due from the State of Maryland, amounts due from clients for rent and medical supplies, and amounts due from customers for goods and services mainly provided by program activities. The allowance for doubtful accounts is determined by management based on their periodic review of individual account balances. Accounts receivable balances are charged against the reserve in the period management determines them to be uncollectible. As of June 30, 2021 and 2020, the balance in the allowance for doubtful accounts was \$3,118.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

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 and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on square footage for items such as occupancy and depreciation and estimates of time and effort for administrative salaries.

Income Tax Status

The Arc of the Central Chesapeake Region, Inc. and its wholly owned one member subsidiaries, Chesapeake Neighbors, LLC and Chesapeake Community Development, LLC are exempt under Section 501(c)(3) of the Internal Revenue Code and are classified as other than a private foundation. The Associations are exempt from both federal and state income taxes but would be subject to taxes on any "unrelated business income". There is no provision for income taxes at June 30, 2021 and 2020 as the Associations have not incurred any unrelated business income during these periods.

Income Tax Position

The Association follows the guidance of *ASC 740-10, "Accounting for Uncertainty in Income Taxes"* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Association's consolidated financial statements

The Association analyzes tax positions taken, including those related to the requirements set forth in IRS Sec. 501(c) to qualify as a tax-exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Association does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Association's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2019 remain subject to examination by federal and state authorities.

Advertising

The Association's policy is to expense advertising costs when incurred. The Association's advertising costs directly support the recruitment of Direct Support Professionals, who provide services and supports to people with intellectual and developmental disabilities. Total advertising costs incurred for employee recruitment for the years ended June 30, 2021 and 2020 were \$420,218 and \$269,504, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Donated Services, Materials and Rent

Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by period with those skills, and would otherwise be purchased by the Association. There were no donated services that qualified for recognition during the years ended June 30, 2021 and 2020.

Donated materials and rent are included in the accompanying consolidated statements at their estimated fair market values at the date of receipt. Donated rent for the years ended June 30, 2021 and 2020 were \$6,936 and \$504,568, respectively.

Reclassifications

Certain reclassifications of prior year balances have been made to conform to current year presentation.

New Accounting Pronouncements

On July 1, 2020, the Association adopted ASU 2014-09, Revenue Recognition (Topic 606) – “Revenue from Contracts with Customers”, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. The Association adopted ASU 2014-09 and related amendments using the retrospective method. Accordingly, the comparative financial statements for the year ending June 30, 2020 have been adjusted to fully conform with ASU 2014-09. The adoption of ASU 2014-09 did not have any impact on the Association’s financial position, results of operations or cash flows, and therefore did not result in a prior period adjustment. The adjustments to the year ending June 30, 2020 consisted of enhanced disclosures regarding revenue recognition and timing of cash flows only.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 2 - Availability & Liquidity

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 4,101,308	\$ 4,137,867
Investments	1,942,558	1,904,214
Due from State of Maryland	4,275,227	2,073,995
Accounts receivable, other	435,987	201,817
Accounts receivable, clients, net	23,850	50,329
Unconditional promises to give, net of discount	455,454	486,618
Total financial assets	11,234,384	8,854,840
Less amounts not available to be used within one year:		
Net assets with donor restrictions	569,612	557,099
Rep Payee Funds	108,069	189,175
Financial assets available to meet general expenditures over the next twelve months	\$ 10,556,703	\$ 8,108,566

The Association's goal is to establish at least 3 months of average recurring operating costs in available liquidity (approximately \$5.9 million at June 30, 2021). Monthly average recurring operating costs are calculated by dividing total operating expenses for the year by 12 months. In addition to calculating the actual operating reserve at year end, the target minimum reserve will be calculated each year after approval of the annual budget.

The Association invests excess cash in an investment account to be used for operations. The Association follows an investment policy to manage its risk allocations within the investment account.

The Association has two lines of credit totaling \$3.6 million, which are available to draw upon in the event of an unanticipated liquidity need. The Association may also choose to use the available equity in real estate after all other options have been exhausted.

Note 3 - Concentration of Cash Balances

At June 30, 2021 and 2020, and at various times during the year, the Association maintained cash-in-bank balances in excess of the federally insured limit of \$250,000 per financial institution. Amounts in excess of insured limits at June 30, 2021 and 2020 were approximately \$3,166,000 and \$2,900,000, respectively. The Association has assessed and believes this risk to be low.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 4 - Investments

Investments are stated at fair market value. A summary of the investments are as follows for years ending June 30:

	2021		
	Cost Basis	Fair Market Value	Unrealized Gain
Investments - brokerage account			
Money market funds	\$ 1,348,040	\$ 1,348,040	\$ -
Certificates of deposit	467,459	467,459	-
Equities	27,047	127,059	100,012
	<u>\$ 1,842,546</u>	<u>\$ 1,942,558</u>	<u>\$ 100,012</u>
	2020		
	Cost Basis	Fair Market Value	Unrealized Gain
Investments - brokerage account			
Money market funds	\$ 1,346,055	\$ 1,346,055	\$ -
Certificates of deposit	465,542	465,542	-
Equities	27,047	92,617	65,570
	<u>\$ 1,838,644</u>	<u>\$ 1,904,214</u>	<u>\$ 65,570</u>

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 5 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *ASC 820-10* are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, includes cash and money market funds held in brokerage accounts, equities, and certificates of deposit held in a brokerage account.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 5 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,348,040	\$ -	\$ -	\$ 1,348,040
Certificates of deposit	467,459	-	-	467,459
Equity securities	127,059	-	-	127,059
Total	\$ 1,942,558	\$ -	\$ -	\$ 1,942,558

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,346,055	\$ -	\$ -	\$ 1,346,055
Certificates of deposit	465,542	-	-	465,542
Equity securities	92,617	-	-	92,617
Total	\$ 1,904,214	\$ -	\$ -	\$ 1,904,214

Note 6 - Unconditional Promises to Give

The Association has a lease agreement with the State of Maryland Department of Health for a residential home. The lease commenced on December 25, 2007 and has a term of five years with annual rent of \$1. This lease was renewed in March 2017 for three years with a discount rate of .95%. On November 20, 2019, the lease was renewed for an additional three years, with two renewal terms of three years each with annual rent of \$1 and a discount rate of 1.59%.

The Association also has a lease with the Anne Arundel County for their regional office building in Annapolis. This lease was renewed beginning March 1, 2020 with a 20 year term at annual rent of \$1 and a discount rate of 1.53%.

These leases provide the Association with the free use of facilities, with the Association assuming responsibility for all capital improvements and ongoing maintenance, and are recognized as unconditional promises to give. Unconditional promises to give are reflected at present value of estimated future cash flows, based on the date of the original promise to give.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 6 - Unconditional Promises to Give (Cont.)

Unconditional promises to give are as follows for years ending June 30:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 38,100	\$ 38,100
Receivable in one to five years	152,400	152,400
Receivable in more than five years	<u>317,450</u>	<u>355,550</u>
 Total unconditional promises to give	 507,950	 546,050
 Less discount to net present value	 (52,496)	 (59,432)
Less current portion	<u>(38,100)</u>	<u>(38,100)</u>
 Unconditional promises to give, long-term	 <u>\$ 417,354</u>	 <u>\$ 448,518</u>

Note 7 - Property and Equipment

A summary of property and equipment by major classification is as follows at June 30:

	Estimated Useful Lives	<u>2021</u>	<u>2020</u>
Land	-	\$ 5,155,429	\$ 4,433,886
Building and improvements	5-31 years	18,556,952	16,613,799
Leasehold improvements	1-10 years	725,549	725,549
Furniture, fixtures and equipment	5-20 years	1,472,898	1,472,898
Vehicles	2-5 years	<u>1,977,114</u>	<u>1,692,280</u>
		27,887,942	24,938,412
Less accumulated depreciation		<u>(7,647,321)</u>	<u>(6,654,305)</u>
		<u>\$ 20,240,621</u>	<u>\$ 18,284,107</u>

Depreciation was \$1,121,500 and \$1,172,939 for the years ended June 30, 2021 and 2020, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 8 - Mortgages and Notes Payable

The Maryland Department of Housing and Community Development (DHCD) has provided financing under the Maryland Group Home Acquisition Program (GHAP) enabling the Association to purchase residences, which it utilizes as group homes or alternative living units for its clients. All GHAP mortgages contain provisions which specify that if a GHAP mortgage is prepaid, defaulted on, refinanced, or if the property is sold, the State of Maryland is entitled to receive 50% of the net appreciation on the property securing that particular GHAP mortgage. At June 30, 2021 and 2020, the Association has recorded a participation liability of \$47,006 and \$64,844, respectively and a related mortgage loan discount of \$31,757 and \$37,573, respectively, in connection with these agreements.

DHCD has also provided financing with proceeds of tax-exempt revenue bonds for residences under the Special Housing Opportunities Program (SHOP). SHOP loans may be prepaid or assumed with prior permission from DHCD. SHOP loans are required to be used to fund a group home and residents who occupy the homes must meet the certain income restrictions, if the residents no longer meet the income restrictions, then DHCD may increase the agreed upon interest rate. Any increase in the interest rate may not exceed the prevailing conventional interest rate determined in the sole discretion of DHCD. Loans are subject to a prepayment penalty equal to the unamortized cost of issuing the bonds.

The Association entered into a thirty year loan with Arundel Community Development Services, Inc. (ACDS). The loan was used to purchase a residential home. If during the term of the loan, the property is sold, transferred, exchanged or otherwise disposed, the ACDS is entitled to receive 50% of the net proceeds in accordance with the Equity Participation Agreement. The associated participation liability is included above.

During fiscal year 2014, two properties were purchased from The Arc of the Central Chesapeake Region, Inc. by its related entity Chesapeake Neighbors, LLC. The related loans with banks were paid off by The Arc of the Central Chesapeake Region, Inc. and Chesapeake Neighbors, LLC obtained a SHOP and GHAP loan for each property. Additional details on these loans are on the following page.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 8 - Mortgages and Notes Payable (Cont.)

Mortgages and notes payable consisted of the following at June 30:

	2021	2020
<u>The Arc of the Central Chesapeake Region, Inc.</u>		
Mortgages and notes payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$3,557 include principal and interest ranging between 4.00% - 5.00%. The mortgages are for 30 years and mature between February 2022 and July 2047. The mortgages are secured by residential properties.	\$ 291,648	\$ 325,664
Mortgages and notes payable to various financial institutions. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$15,803 include principal and interest ranging between 0.00% - 5.00%. The mortgages are for 30 years and mature between September 2029 and August 2049. The mortgages are secured by residential properties.	2,813,339	2,892,318
<u>Chesapeake Neighbors, LLC</u>		
Mortgages and notes payable for all Chesapeake Neighbors, LLC properties. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$46,699 include principal and interest ranging between 0.00% - 6.96%. The mortgages are for 30 years and mature between March 2038 and December 2050. The mortgages are secured by residential properties.	8,466,245	8,373,995
Total mortgages and notes payable	11,571,232	11,591,977
Less debt issuance cost, net of amortization	(84,253)	(90,964)
Less discount	(31,757)	(37,573)
Less current maturities	(298,195)	(291,825)
Long-term portion of mortgages and notes payables	\$ 11,157,027	\$ 11,171,615

Mortgage and notes payable at June 30, 2021 and 2020 is shown net of unamortized debt issuance cost of \$84,253 and \$90,964, respectively. Amortization expense on debt issuance costs was \$6,711 and \$11,294, for years ended June 30, 2021 and 2020, respectively, and is included in interest expense.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 8 - Mortgages and Notes Payable (Cont.)

Scheduled maturities of the above mortgages and notes payable are as follows:

<u>Year Ending June 30</u>	
2022	\$ 298,195
2023	295,916
2024	302,383
2025	315,064
2026	327,719
Thereafter	<u>10,031,955</u>
	<u>\$ 11,571,232</u>

Interest expense, including amortization of debt issuance costs, for the years ended June 30, 2021 and 2020 was \$580,712 and \$542,814, respectively.

Note 9 - Line of Credit

In May 2018, the Association obtained a line of credit with a bank, secured by the Association's accounts receivables, with a maximum borrowing potential of \$2,000,000. Subsequent to year end, in September 2021, the Association increased this line of credit to a maximum borrowing potential of \$8,500,000. The line bears interest at the bank's prime lending rate. In September 2019, the Association obtained a line of credit with a bank with a maximum borrowing potential of \$1,600,000. The line bears interest at the bank's prime lending rate. There were no amounts outstanding as of June 30, 2021 and 2020 on the Association's lines of credit.

Note 10 - Compensated Absences

Employees of the Association are entitled to paid vacation depending on their length of service and job classification. As of June 30, 2021 and 2020, there were \$312,717 and \$294,386, respectively, of vacation benefits due to employees.

Note 11 - Capital Lease Obligations

The Association entered into capital lease agreements for three copiers and 70 vehicles. The term of the copier and vehicle lease agreements are for 60 months. At June 30, 2021 and 2020 the aggregate monthly payments for the copiers were \$2,014. At June 30, 2021 and 2020 the aggregate monthly payments for the vehicles were \$30,243 and \$24,375, respectively. Depreciation attributable to capital leases for the years ended June 30, 2021 and 2020 amounted to \$216,865 and \$179,930, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 11 - Capital Lease Obligations (Cont.)

Future minimum lease payments are as follows:

Year Ending June 30	
2022	\$ 348,101
2023	309,673
2024	245,982
2025	172,882
2026	117,820
	1,194,458
Less amounts representing interest	(261,269)
Present value of future minimum lease payments (including current portion of \$254,994)	\$ 933,189

Note 12 - Operating Leases

The Association leases residential homes that are utilized as alternative living units and group homes for its clients. Some of the homes are leased on a month-to-month basis, and some homes have leases with annual rent of \$1. The leases mature in fiscal years 2025 through 2039.

The following is a schedule of future minimum lease payments due on operating leases:

Year Ending June 30	
2022	\$ 32,369
2023	34,002
2024	34,003
2025	5,669
2026	2
Thereafter	13
Future minimum lease payment	\$ 106,058

Rent expense for the years ended June 30, 2021 and 2020 was \$123,323 and \$147,596, respectively.

The Arc of the Central Chesapeake Region, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
 June 30, 2021

Note 13 - Retirement Plan

The Association maintains a tax deferred 403(b) retirement plan. Employees are eligible to participate in the plan starting on the day they are hired. In July 2018 the Association increased the maximum employer contribution from 1% to 4% of an eligible employee’s compensation. The Association contributed \$300,347 and \$249,061 for the years ended June 30, 2021 and 2020, respectively, and is included in fringe benefits in the statement of functional expenses.

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes for years ending June 30:

	2021	2020
Donated long-term leases (Note 6)	\$ 455,454	\$ 486,618
Professional development	105,000	-
Family fund	5,681	-
Holiday giving	3,477	-
Capital campaign	-	70,481
	\$ 569,612	\$ 557,099

Note 15 - Contingent Liabilities

The Association was awarded multiple capital project grants from the State of Maryland totaling \$975,000, which were recognized in fiscal year 2019 and used to build the administrative building on Donald Avenue. As long as the Association owns the property, it may not sell, lease, exchange, give away, or otherwise transfer or dispose of any interest in the real or personal property acquired with grant funds unless the Board of Public Works gives prior written consent. The Association may be required to repay the State the percentage of the proceeds allocable to the grant that was used to acquire the property as determined by the Board of Public Works in its sole discretion. The terms of the grant agreement are set to expire with the maturity of the State’s general obligation bonds that were issued to provide funding for these grants in 2034.

The Association received grants from Anne Arundel County for leasehold improvements to seven properties in the form of loans with Anne Arundel Community Development Services, Inc. The grant agreements total \$332,422 and specify that the Association must repay the grants without interest or penalty if the properties are sold, transferred or conveyed prior to their maturity which ranges from March 9, 2030 to November 1, 2031. Upon maturity of the loans, the Association is released from their principal obligation.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 15 - Contingent Liabilities (Cont.)

Additionally, during 1993, the Association received a grant totaling \$19,355 for improvements at a Linthicum Home. These grant agreements specify that the Association must repay a portion of the grants without interest or penalty if the Linthicum Home is sold or transferred within thirty years of the grant.

The Association receives a substantial portion of its revenue from government fees and grants, which are subject to audits by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Association is of the opinion that no significant liability will result from audit adjustments, if any.

Note 16 - Significant Funding Source

The Association receives a majority of its total revenue from the State of Maryland. The Association is highly dependent upon government funding to continue its operations.

Note 17 - Paycheck Protection Program Grant

In April 2020, the Association received \$2,469,300 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Association must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Association has accounted for the PPP funding as a conditional grant in the financial statements. As of June 30, 2020, management believes the Association has met the substantial conditions required for the forgiveness of the loan. As such, the Association has recorded other grant revenue totaling \$2,469,300 for the year ending June 30, 2020. The Association's PPP funding is subject to a formal forgiveness application as well as a required audit by the SBA. Until forgiveness has been legally achieved and required audits have been completed, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Association is of the opinion that no significant liability will result from audit adjustments, if any. In June 2021, the Association was notified by the SBA that the loan has been fully forgiven.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2021

Note 18 - Change in Accounting Estimate

Subsequent to the issuance of the prior year financial statements, the Association received additional guidance regarding the funding made available by the State of Maryland Department of Health, in response to the coronavirus pandemic (Appendix K funding). These changes necessitated by additional guidance had a material effect on the estimate recorded by the Association for program service fees for the year ending June 30, 2020. The impact of these changes was accounted for as a change in accounting estimate during the year ending June 30, 2021. Accordingly, the Association recorded a decrease in program service fees of approximately \$509,000 during the year ending June 30, 2021. In addition, the amount due to the State of Maryland was increased by \$509,000 during the year ending June 30, 2021 related to these changes.

The total amount due to the State of Maryland at June 30, 2021 is based on management's estimate of the amounts that will ultimately be repaid to the State of Maryland under fee payment system and grant programs. As a result of a recent audit by the State of Maryland, the amount due to the State of Maryland was increased by approximately \$253,000 and reduced the net amount of revenue recognized during the year ending June 30, 2021. Management believes that the reduction of revenue and increase in the amount due to the State of Maryland reflects the best estimate of the amount that will ultimately be repaid to the State of Maryland. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional loss or gain that is at least reasonably possible.

Note 19 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. Except as described below, there have been no subsequent events through December 9, 2021, the date the financial statements were available to be issued, that required recognition or disclosure.

As discussed in Note 9, in September 2021 the Association increased its line of credit borrowing potential from \$2,000,000 to \$8,500,000.