

KARINA ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT ON
CLIENT ATTENDANCE DAYS AND FEES

Year Ended June 30, 2021

KARINA ASSOCIATION, INC.

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To the Board of Directors
Karina Association, Inc.
Timonium, Maryland

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Karina Association, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.
Timonium, Maryland
January 20, 2023

KARINA ASSOCIATION, INC.

Statement of Financial Position
June 30, 2021

ASSETS

Current Assets

Cash	\$ 172,254
Accounts receivable	<u>1,122</u>
Total Current Assets	<u>173,376</u>

Total Assets \$ 173,376

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 77
Payroll liabilities	6,009
Paycheck Protection Program loan	13,770
Small Business Administration loan - current portion	<u>600</u>
Total Current Liabilities	<u>20,456</u>

Long-Term Liabilities

Small Business Administration loan	<u>10,650</u>
Total Long-Term Liabilities	<u>10,650</u>

Total Liabilities 31,106

Net Assets Without Donor Restrictions 142,270

Total Net Assets 142,270

Total Liabilities and Net Assets \$ 173,376

KARINA ASSOCIATION, INC.

Statement of Activities
Year Ended June 30, 2021

Revenue Without Donor Restrictions

FPS payments - community learning services	\$ 199,452
Contributions and grants	43,777
Contributed rent	35,000
Gain on forgiveness of Paycheck Protection Program loan	10,415
Job coaching	<u>4,378</u>

Total Revenue Without Donor Restrictions 293,022

Expenses

Program	145,608
Management and general	<u>56,755</u>

Total Expenses 202,363

Change in Net Assets Without Donor Restrictions 90,659

Net Assets Without Donor Restrictions - Beginning of Year 51,611

Net Assets Without Donor Restrictions - End of Year \$ 142,270

KARINA ASSOCIATION, INC.

Statement of Functional Expenses Year Ended June 30, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Advertising	\$ -	\$ 1,643	\$ 1,643
Bank charges	-	1	1
Benefits	811	-	811
Contracted services	27,797	-	27,797
Dues and subscriptions	-	480	480
Food	247	-	247
Insurance	-	9,160	9,160
Miscellaneous	1,314	-	1,314
Payroll taxes	5,300	2,710	8,010
Rent	35,000	-	35,000
Repairs and maintenance	3,027	-	3,027
Salaries	59,236	32,617	91,853
Supplies	573	9,554	10,127
Taxes and licenses	-	590	590
Travel	1,590	-	1,590
Utilities	5,128	-	5,128
Vehicle	5,585	-	5,585
	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 145,608</u>	<u>\$ 56,755</u>	<u>\$ 202,363</u>

KARINA ASSOCIATION, INC.

Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities

Change in net assets	\$ 90,659
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Gain on forgiveness of Paycheck Protection Program loan	(10,415)
Decrease in operating assets	
Accounts receivable	43,374
Payroll advances	3,629
Increase in operating liabilities	
Accounts payable	77
Payroll liabilities	<u>5,286</u>

Net Cash Provided by Operating Activities 132,610

Cash Flows from Financing Activities

Proceeds from Paycheck Protection Program loan	13,770
Repayment on Small Business Administration loan	<u>(250)</u>

Net Cash Provided by Financing Activities 13,520

Net Increase in Cash 146,130

Cash - Beginning of Year 26,124

Cash - End of Year \$ 172,254

Supplemental Schedule of Non-Cash Financing Activities

Forgiveness of Paycheck Protection Program loan	<u>\$ 10,415</u>
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KARINA ASSOCIATION, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Karina Association, Inc. (the "Organization") was incorporated in March 2009 and is headquartered in Timonium, Maryland. The Organization serves families in Baltimore City and surrounding counties. A vital role of the Organization is building acceptance and inclusion for those who are disabled in a society where most people take inclusion for granted.

Revenues are derived mainly from contributions and grants, as well as payments from the Developmental Disabilities Administration ("DDA") for community learning services.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Organization recognizes revenue for services in the accounting period it is earned, regardless of when cash is received. Contributions are recognized when cash is received.

Accounts Receivable

The Organization provides for estimated losses on accounts receivable based on prior bad-debt experience and a review of existing receivables. Based on these factors, management has determined that there is no allowance for doubtful accounts necessary at June 30, 2021.

Recognition of Donor Restrictions

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 purpose restriction is accomplished), 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.

KARINA ASSOCIATION, INC.

Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the Statement of Cash Flows, cash includes amounts on deposit at financial institutions.

Property and Equipment

The Organization generally capitalizes all property and equipment acquisitions with useful lives greater than one year and \$5,000. Property and equipment are recorded at cost, if purchased, or fair value, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Certain categories of expenses are attributable to both program and management and general services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The primary expense that is allocated are salaries, which are allocated based on estimates of time and effort.

Advertising Costs

The Organization's policy is to expense advertising costs as incurred. Advertising costs charged to expenses were \$1,643 for the year ended June 30, 2021.

Income Taxes

The Organization is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose, if any, is subject to taxation as unrelated business income. The Organization's tax filings are subject to examination by various taxing authorities. The Organization's tax years of 2019 through 2022 remain subject to examination. There are currently no examinations for any tax periods in progress.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through January 20, 2023, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash	\$ 172,254
Accounts receivable	<u>1,122</u>
Total	<u>\$ 173,376</u>

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

KARINA ASSOCIATION, INC.

Notes to Financial Statements

NOTE C - PAYCHECK PROTECTION PROGRAM LOAN

The Organization received loan proceeds in the amount of \$10,415 under the Paycheck Protection Program (“PPP”) on April 16, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES ACT”), provides for loans to primarily cover payroll, mortgage interest, rent, and utilities costs incurred during the COVID-19 pandemic. The PPP loan was forgiven in full on June 24, 2021.

The Organization received a second PPP loan in the amount of \$13,770 on March 11, 2021. The second PPP loan was forgiven in full on January 20, 2022.

NOTE D - SMALL BUSINESS ADMINISTRATION LOAN

The Organization received an Economic Injury Disaster loan in the amount of \$11,500 at an annual rate of 2.75 percent through the Small Business Administration (“SBA”) on June 9, 2020. Under the loan agreement, no principal or interest was due for the first 12 months. As of June 30, 2021, the balance of the loan was \$11,250.

Maturities of this SBA loan are as follows:

<u>Year Ending June 30,</u>		
2022	\$	600
2023		600
2024		600
2025		600
2026		600
Thereafter		<u>8,250</u>
	<u>\$</u>	<u>11,250</u>

NOTE E - CONTRIBUTED RENT

The Organization utilizes approximately 1,400 square feet of space at the Mays Chapel United Methodist Church at no charge. The fair market value of the rent for the year ended June 30, 2021, was \$35,000, and is reported accordingly on the Statement of Activities as contributed rent. A corresponding rent expense of \$35,000 is reported in the Statement of Functional Expenses.

NOTE F - CONCENTRATIONS

During the year ended June 30, 2021, approximately 68 percent of total revenues were from DDA. Additionally, 100 percent of the accounts receivable as of June 30, 2021, is from DDA. Under the terms of the funding agreement, DDA may disallow the use of funds as a result of an audit and require reimbursement for disallowed costs.

To the Board of Directors
Karina Association, Inc.
Timonium, Maryland

**INDEPENDENT AUDITOR’S REPORT ON
CLIENT ATTENDANCE DAYS AND FEES**

We have examined the Statement of Client Attendance Days and Fees of Karina Association, Inc. (the “Organization”), for the year ended June 30, 2021. These statements are the responsibility of the Organization to manage. Our responsibility is to express a reasonable opinion based on the results of our examination.

Our examination was conducted in accordance with attestation standards by the American Institute of Certified Public Accountants and the regulations of the Maryland Department of Health. It included examining, on a test basis, evidence supporting the Client Attendance Days and Fees, and performing procedures considered necessary based on individual circumstances.

We found, in all material respects, the Client Attendance Days and Fees of the Organization for the year ended June 30, 2021, is in conformity with the regulations of the Maryland Department of Health.

Based on our examination, the Organization provided the following Attendance Days for Community Learning Services.

<u>Provider Payable Days</u>	<u>1st Q</u>	<u>2nd Q</u>	<u>3rd Q</u>	<u>4th Q</u>	<u>Total</u>
Community Learning Services	335	309	321	392	1,357

Based on our examination, the Organization collected \$0 in client fees for cost of care, and \$0 in client fees for room and board costs from residential participants.

This report is intended solely for the information and use of the Maryland Department of Health, which specified the criteria. It should not be used by other persons for any other purpose.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.

Handwerger, Cardegna, Funkhouser & Lurman, P.A.
Timonium, Maryland
January 20, 2023