

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**Court Appointed Special Advocate,
Montgomery County, Maryland, Inc.
T/A Voices for Children Montgomery
June 30, 2023 and 2022**

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INDEPENDENT AUDITORS' REPORT

September 27, 2023

To the Board of Directors of:
Court Appointed Special Advocate,
Montgomery County, Maryland, Inc
T/A Voices for Children Montgomery
Rockville, MD

Opinion

We have audited the accompanying financial statements of Court Appointed Special Advocate, Montgomery County, Maryland, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Court Appointed Special Advocate, Montgomery County, Maryland, Inc. as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Court Appointed Special Advocate, Montgomery County, Maryland, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Court Appointed Special Advocate, Montgomery County, Maryland, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Court Appointed Special Advocate, Montgomery County, Maryland, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Court Appointed Special Advocate, Montgomery County, Maryland, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Court Appointed Special Advocate,
Montgomery County, Maryland, Inc.
T/A Voices for Children Montgomery
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Court Appointed Special Advocate Program of Montgomery County, Maryland, Inc. (the Organization) is an independent, non-profit organization. The Organization was incorporated on May 17, 1989 to promote the interests of abused and neglected children and their families. The Organization uses the services of volunteers in order to carry out a significant portion of its purpose.

The Organization's volunteers are primarily responsible for fully researching the unique environment and needs of each abused and neglected child and advocating for the best interest of the child in Juvenile Court. As part of the process, a volunteer may:

- Review court records;
- Interview all involved parties, including the child, parents, teachers, relatives, social workers, attorneys, and others;
- Establish a trusting, supportive relationship with the child;
- Attend all juvenile court hearings;
- Present both written and verbal recommendations to the judge regarding permanent placement of the child;
- Continue to monitor the child's situation and lend support when needed.

The vision of the Organization is to make a positive difference in the lives of abused and neglected children who are under the jurisdiction of the Juvenile Court; to provide competent and caring volunteers to pursue the best interests of every child referred by the Court; to seek a safe, loving, permanent home for every child; and to respond continuously to the needs of abused and neglected children by securing a sound financial base for the program.

2. Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**Court Appointed Special Advocate,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

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

3. Basis of Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) released ASU2016-14 Not-for-Profit Entities (Topic 958). Under ASU 2016-14, 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. Net assets with donor restrictions include all assets received with donor designated restrictions whether they are perpetual in nature or time restricted.

4. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donation asset to a specific purpose. The estimated lives used in determining depreciation are:

Computer equipment and office furniture	3 – 5 years
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

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

5. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended June 30, 2023 and 2022.

6. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less to be considered cash.

7. Contributed Services

Various volunteers provided services to the Organization, but these services do not meet the criteria for recognition.

8. Restricted and Unrestricted Revenue

Contributions received are recorded as without donor restriction or with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in with donor restrictions net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without restrictions net assets and reported in the Statement of Activities as net assets released from restrictions.

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NOTES TO FINANCIAL STATEMENTS
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NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Liquidity

The Organization maintains a liquid cash balance through its checking account in an amount necessary to meet its anticipated expenditures for the next 30 days. The Organization reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Any restricted cash is separately identified and monitored as part of the Organization's monthly financial reporting process.

The Organization's financial assets available within one year to meet cash needs for general expenditures through June 30, 2024 are as follows:

Financial Assets:	
Cash	\$ 288,693
Grants receivable	112,519
Investments	<u>94,948</u>
Total Financial Assets	496,160
Less amounts not available within one year	<u>-0-</u>
Financial Assets available to meet cash needs for General expenditures within one year	<u>\$ 496,160</u>

10. Grants and Contract Awards

The Organization receives grants from governmental and private grantors for various purposes. Grants and contract awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant or contract. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

**Court Appointed Special Advocate,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

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

11. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

12. 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 Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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

14. Uncertain Tax Provisions

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that its tax status as a MD non-profit corporation is its only tax position and is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

**Court Appointed Special Advocate,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

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

15. Subsequent Events

Management has evaluated subsequent events through September 29, 2023, the date which the financial statements were available to be issued.

NOTE B – CASH - CONCENTRATION OF RISK

The Organization maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

MARKETABLE SECURITIES - CONCENTRATION OF RISK

The Organization maintains an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on cash and cash equivalents. The Organization has not experienced any losses in such account. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C – PENSION PLAN

Effective January 1, 2002, the Organization adopted a defined contribution employee pension plan covering all eligible employees. An employee is eligible for the plan if the employee has worked one year including 1,000 hours of service. The cost charged to earnings and contributed to the plan by the Organization equals a percentage of the employee's annual compensation. For the years ended June 30, 2023 and 2022, the Organization contributed \$20,645 and \$20,869, respectively to the plan.

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NOTE D – INVESTMENT IN EQUITY SECURITIES

The Organization classifies debt and equity securities in two categories, available-for-sale securities and held-to-maturity securities. All securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

As of June 30, 2023, detail of those unrealized gains and losses was as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Available-for-sale securities				
Equity securities	\$ 103,394	\$ -0-	\$ 8,446	\$ 94,948
Held-to-maturity securities				
Corporate bonds	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Maturities of debt securities held at June 30, 2023 classified as held-to-maturity are as follows:

Due in one year or less	\$ -0-
Due after one year through two years	-0-
Due after two years through three years	-0-
Due after three years through four years	-0-
Due after five years	<u>-0-</u>
Total	<u>\$ -0-</u>

As of June 30, 2022, detail of those unrealized gains and losses was as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Available-for-sale securities				
Equity securities	\$ 101,422	\$ -0-	\$ 6,651	\$ 94,771
Held-to-maturity securities				
Corporate bonds	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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NOTE D – INVESTMENT IN EQUITY SECURITIES (continued)

Maturities of debt securities held at June 30, 2022 classified as held-to-maturity are as follows:

Due in one year or less	\$ -0-
Due after one year through two years	-0-
Due after two years through three years	-0-
Due after three years through four years	-0-
Due after five years	<u>-0-</u>
Total	<u>\$ -0-</u>

NOTE E – COMMITMENTS

The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Property</u>	<u>Term / Exp. Date</u>	<u>Terms</u>
Montgomery County	1010 Grandin Ave Rockville, MD	3 year December 31, 2008	\$1,207/month + CPI increase
Leaf Funding, Inc.	Copier	4 year July 7, 2014	\$247/month

Both leases are currently in a month-to-month basis.

NOTE F – WITH DONOR RESTRICTION NET ASSETS

With donor restriction net assets at the end of the year represent grants that have been received and designated as with donor restriction net assets by the respective grantors. As these funds are expended, the with donor restriction net assets expire and the with donor restriction net assets are reclassified to without donor restriction net assets on the statement of activities.

The breakdown by fund as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Foundation support	<u>\$0</u>	<u>\$0</u>

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NOTE G – GRANTS INCOME – GOVERNMENT

The organization for the years ended June 30, 2023 and 2022 was awarded government grant income that covered periods subsequent to June 30, 2023 and 2022. The unearned portion of these grants amounted to \$15,020 and \$13,240 as of June 30, 2023 and 2022, respectively.

NOTE H– SUBSEQUENT EVENTS

Voices for Children Montgomery (VFCM) is currently serving approximately one-half of the 350 children in foster care in Montgomery County. In 2020, the VFCM Board of Directors and staff set an aggressive goal of serving every child in foster care in Montgomery County by 2026. On July 1, 2020 VFCM began work with the consulting firm of Due East Partners to develop a strategic 6-year fundraising plan to support this expansion of services. Implementation of the fundraising plan will enable VFCM to double the number of volunteer court-appointed advocates available to serve children in foster care over the next six years.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.