

**ANNE ARUNDEL COUNTY ECONOMIC
OPPORTUNITY COMMITTEE, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

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Key&Associates P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Anne Arundel County Economic Opportunity
Committee, Inc.

The key to
success includes
proper financial
planning

We have audited the accompanying Statement of Financial Position of the Anne Arundel County Economic Opportunity Committee, Inc. as of June 30, 2006, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from Anne Arundel County Economic Opportunity Committee, Inc. 2005 financial statements, and in our report dated November 21, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Anne Arundel County Economic Opportunity Committee, Inc. as of June 30, 2006 and 2005 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006, on our consideration of the Committee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Key & Associates, PC.
Silver Spring, Maryland
December 20, 2006

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005**

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash	\$ 49,283	\$ 121,282
Grant funds receivable	293,866	357,753
Due from employees	605	5,001
Prepaid expenses	<u>17,051</u>	<u>10,334</u>
Total current assets	<u>360,805</u>	<u>494,370</u>
FIXED ASSETS		
Land	166,628	166,628
Building	230,080	230,080
Building improvements	<u>733,668</u>	<u>733,668</u>
Total fixed assets	<u>1,130,376</u>	<u>1,130,376</u>
Less: Accumulated depreciation	<u>(132,837)</u>	<u>(108,744)</u>
Net fixed assets	<u>997,539</u>	<u>1,021,632</u>
OTHER ASSETS		
Financing costs, net of accumulated amortization \$678 and \$1,422		
Net other assets	<u>28,044</u>	<u>1,995</u>
 TOTAL ASSETS	 <u>\$ 1,386,388</u>	 <u>\$1,517,997</u>

The Accompanying Notes to Financial Statements are an Integral Part of these Financial Statements.

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Accounts payable	\$ 52,655	\$ 263,731
Current portion of long-term debt	26,630	80,666
Payroll taxes payable	-	463,919
Accrued expenses	125,591	133,300
Refundable advances	<u>116,686</u>	<u>195,177</u>
Total current liabilities	<u>321,562</u>	<u>1,136,793</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	1,442,772	775,638
NET ASSETS		
Unrestricted	<u>(377,946)</u>	<u>(394,434)</u>
Total net assets	<u>(377,946)</u>	<u>(394,434)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,386,388</u>	 <u>\$1,517,997</u>

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CHANGES IN UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUE		
PUBLIC SUPPORT		
Federal government grants	\$ 4,195,322	\$4,051,396
State government grants	299,983	273,490
County government grants	720,962	681,037
City government grants	121,541	130,787
U.S.D.A reimbursement	175,543	151,799
Private grants	<u>46,874</u>	<u>45,000</u>
Total unrestricted public support	<u>5,560,225</u>	<u>5,333,509</u>
OTHER REVENUE		
Rental income	95,664	50,990
Interest income	241	167
Miscellaneous	315,571	368,162
In-kind revenue	<u>697,160</u>	<u>933,932</u>
Total unrestricted other revenue	<u>1,108,636</u>	<u>1,353,251</u>
Total unrestricted public support and revenue	<u>6,668,861</u>	<u>6,686,760</u>
FUNCTIONAL EXPENSES		
PROGRAM SERVICES		
Head Start	3,677,293	3,890,726
Daycare	276,792	275,812
Early Head Start	552,301	458,037
Maryland Energy Assistance	580,850	441,303
Community Services Block Grant	377,875	389,804
Senior nutrition	236,959	245,235
Housing	176,434	223,919
Youth services	200,099	200,099
Fuel fund	<u>94,329</u>	<u>65,906</u>
Total program services	<u>6,172,932</u>	<u>6,190,841</u>

The Accompanying Notes to Financial Statements are an Integral Part of these Financial Statements.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPORTING SERVICES		
Administrative	462,955	439,008
Fundraising	<u>16,486</u>	<u>15,439</u>
Total supporting services	<u>479,441</u>	<u>454,447</u>
Total expenses	<u>6,652,373</u>	<u>6,645,288</u>
CHANGE IN NET ASSETS	16,488	41,472
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(394,434)</u>	<u>(435,906)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (377,946)</u>	<u>\$ (394,434)</u>

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 16,488	\$ 41,472
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	26,769	24,322
(Increase)decrease in grant funds receivable	63,887	12,496
(Increase) decrease in due from employees	4,396	(3,828)
Increase in other receivable	-	-
(Increase) decrease in prepaid expenses	(6,717)	1,977
Increase(decrease) in accounts payable	(211,076)	36,944
Increase (decrease) in payroll taxes withheld	(463,919)	(128,456)
Increase (decrease) in accrued liabilities	(7,709)	10,849
Increase (decrease) in refundable advances	<u>(78,491)</u>	<u>84,028</u>
Net cash provided by (used in) operating activities	<u>(656,372)</u>	<u>79,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt		(41,793)
Curtailement of notes payable	(413,902)	-
Proceeds term notes payable	1,027,000	-
Financing fees	<u>(28,725)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>584,373</u>	<u>(41,793)</u>
NET INCREASE (DECREASE) IN CASH	(71,999)	38,011
CASH AT BEGINNING OF YEAR	<u>121,282</u>	<u>83,271</u>
CASH AT END OF YEAR	<u>\$ 49,283</u>	<u>\$ 121,282</u>

The Accompanying Notes to Financial Statements are an Integral Part of these Financial Statements.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	\$ <u>71,713</u>	\$ <u>39,006</u>
Actual cash payments for income taxes	\$ <u>-</u>	\$ <u>-</u>

The Accompanying Notes to Financial Statements are an Integral Part of these Financial Statements.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	HeadStart	Daycare	Early Headstart	Maryland Energy Assistance	Program Services				Youth Services	Fuel Fund	Total	Supporting Services		Total Functional Expenses	2005 Total Functional Expenses
					Community Block Grant	Senior Nutrition	Housing	Senior Nutrition				Administrative	Fundraising		
Advertising	\$ 523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Client Assistance	-	-	-	411,550	-	-	86,419	-	77,164	-	2,208	1,301	332	1,633	4,154
Communications	26,489	903	4,014	3,011	-	-	-	5,998	-	575,134	575,134	-	-	-	435,867
Conferences, Meeting & Travel	217,090	702	4,992	529	-	-	-	463	83	40,424	40,424	11,811	-	11,811	60,999
Depreciation & Amortization	-	-	-	-	-	2,057	-	-	-	225,780	225,780	8,872	-	8,872	234,633
Equipment	-	-	-	-	-	-	-	-	-	-	-	26,767	-	26,767	24,044
Food	39,720	715	3,403	1,875	-	37	-	344	10	48,098	48,098	7,664	-	7,664	24,322
Fringe Benefits	166,324	-	-	-	-	-	-	-	-	166,324	166,324	-	-	-	60,224
Insurance	333,263	47,049	55,955	26,061	-	-	11,730	26,599	1,525	588,907	588,907	85,281	-	85,281	155,508
Interest	21,070	1,617	4,820	1,109	-	-	-	502	23	29,295	29,295	6,487	-	6,487	853,773
Maintenance	55,190	-	-	-	-	-	-	-	-	-	-	71,713	-	71,713	56,612
Miscellaneous	13,413	63	1,534	432	-	-	-	-	0	57,325	57,325	1,894	-	1,894	39,006
Occupancy	131,030	897	1,627	101	-	888	-	794	221	16,004	16,004	6,996	-	6,996	80,090
Office Supplies	116,024	4,959	39,525	4,866	-	100	-	1,649	3	194,326	194,326	72,738	3,941	76,679	19,486
Personnel	2,057,225	147	13,405	1,473	-	76	-	724	356	134,616	134,616	5,088	3,976	9,075	159,631
Postage & Shipping	856	205,535	316,362	120,543	-	63,549	-	115,945	14,692	3,385,580	3,385,580	122,359	-	122,359	3,518,421
Printing	7	83	83	2,812	-	140	-	-	0	4,920	4,920	2,194	15	2,209	6,167
Professional Fees & Contract Services	91	75	91	61	-	489	-	17	144	1,871	1,871	374	-	374	4,893
Program Supplies	433,171	6,660	95,147	4,703	-	11,300	-	39,149	97	604,788	604,788	14,086	-	14,086	1,009,522
Subscriptions & Dues	6,767	1,272	8,141	976	-	368	-	2,405	-	21,358	21,358	163	4,600	4,763	39,167
Training	728	13	20	59	-	30	-	3,379	0	3,373	3,373	5,158	-	5,158	5,665
Transportation	43,767	6,139	435	569	-	23	-	3,147	-	54,283	54,283	11,998	1,847	13,845	60,993
	13,678	40	2,619	-	-	-	-	-	-	16,337	16,337	-	-	-	33,556
Total	\$ 3,677,293	\$ 276,792	\$ 552,301	\$ 580,850	\$ 377,875	\$ 236,959	\$ 176,434	\$ 200,099	\$ 94,329	\$ 6,172,932	\$ 462,955	\$ 16,486	\$ 479,441	\$ 6,652,373	\$ 6,645,288

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Anne Arundel County Economic Opportunity Committee, Inc. ("the Committee") is a non-profit corporation organized as a sponsor and administrator of various programs for the financially underprivileged residents of Anne Arundel County, Maryland. These programs are funded with monies from the Federal, State of Maryland, Anne Arundel County and City of Annapolis governments and other contributors.

Basis of Accounting

The financial statements of Anne Arundel County Economic Opportunity Committee, Inc. have been prepared on the accrual basis of accounting whereby revenue is recognized as earned and expenses are recognized when incurred.

Grants and Contracts

Support received under contracts with the United States Government, the State of Maryland and others is recorded as public support as the Committee fulfills its obligations under the contracts. Grants and contracts receivable represent amounts due for drawn-down requisitions on approved contracts.

Grant funds spent but not yet received are recorded as a grant fund receivable. Amounts received but not yet spent are reported as grant funds unapplied. Any unspent funds at the end of a grant period are returned to the granting agency.

Financial Statement Presentation

The Committee's financial reporting is in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 establishes

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires that organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

A description of the three net asset categories follows:

- Permanently Restricted - The portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Committee pursuant to those stipulations.
- Temporarily Restricted - The portion of the net assets resulting from contributions or other inflows of assets whose use by the Committee is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Committee pursuant to those stipulations.
- Unrestricted - The portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

It is the policy of the Committee to treat the temporarily restricted contributions for which the restrictions were satisfied in the year received as unrestricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the statement of cash flows, cash is considered to be amounts available for immediate withdrawal from bank accounts.

Cash Restrictions

The Maryland Energy Assistance Program requires that a separate bank account be maintained for the program. The cash balance at June 30, 2006 and 2005 in this separate account is \$9,335 and \$5,835, respectively.

Fixed Assets

Fixed assets are capitalized only if title rests with the Committee. Fixed assets are expensed as a cost of the grant if title rests with the grantor agency.

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method. The estimated lives of the equipment range from 5 to 15 years. Buildings are being depreciated over 40 years. Depreciation expense for the years ended June 30, 2006 and 2005 was \$ 26,769 and \$ 24,322, respectively.

NOTE 2 - INCOME TAXES

The Committee has been ruled a tax-exempt organization under Section 501(c)(3) by the Internal Revenue Service and, accordingly, no provision for federal income taxes has been made.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 3 - CASH CONCENTRATION

The Committee maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Committee has not experienced any losses in such accounts. The Committee believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2006 and 2005, the Committee has no uninsured cash.

NOTE 4 - PENSION PLAN

The Committee participates in the State Retirement and Pension System of Maryland (the System) which is multiple-employer public retirement system established to provide pension benefits for State and other entities within the State. The System is a defined benefit plan that covers all permanent full-time employees. Contributions to the plan are based on 2.81% of the total payroll. Total pension expense for the years ended June 30, 2006 and 2005 was \$181,979 and \$172,745, respectively.

NOTE 5 - LEASE COMMITMENTS

The Committee leases various office, classroom and warehouse space and office equipments under operating leases expiring through 2011. The related future minimum lease payments are as follows:

Years Ending <u>June 30,</u>	
2007	\$112,871
2008	110,134
2009	96,319
2010	<u>57,966</u>
Total	<u>\$377,290</u>

Total rent expense for the years ended June 30, 2006 and 2005 was \$222,491 and \$158,002, respectively, while equipment lease expense was \$37,629 and \$38,021, respectively.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE,

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 6 - CONCENTRATIONS

The Committee receives a substantial amount of its support from the local government and the State of Maryland. A significant reduction in the level of support if it were to occur, may have a significant effect on the Committee's operations.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE,

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 7 - CONTRACT AND GRANT RECEIVABLE/REFUNDABLE ADVANCES

The following schedule summarizes the contract and grant refundable advances at June 30:

	<u>2006</u>	
	<u>Contracts & Grants</u>	<u>Refundable Advances</u>
<u>Sources/Project</u>	<u>Receivable</u>	<u>Advance</u>
<u>Federal:</u>		
<u>U.S. Department of Health and Human Services</u>		
Head Start	\$ -	\$(27,468)
Early Head Start	47,695	-
Pass through Maryland State Department of Human Services:		
- Maryland Energy Assistance Program - Administration	46,806	-
- Maryland Energy Assistance Program - Benefit	-	(8,450)
Pass through Maryland State Department of Housing and Community Development:		
- Community Services Block Grant	33,697	-
<u>U.S. Department of Agriculture/Farmers Home Administration:</u>		
Child Care Food Program	-	-
<u>Federal Emergency Management Agency</u>		
Pass through Anne Arundel County Maryland Development of Social Services:		
- Emergency Food and Shelter	-	(13,353)
 Total federal	 128,198	 (49,271)
Other sources	<u>165,668</u>	<u>(67,411)</u>
Total	<u>\$ 293,866</u>	<u>\$(116,682)</u>