

**ANNE ARUNDEL COUNTY ECONOMIC  
OPPORTUNITY COMMITTEE, INC.  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**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.

We have audited the accompanying Statement of Financial Position of Anne Arundel County Economic Opportunity Committee, Inc. as of June 30, 2007 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of Anne Arundel County Economic Opportunity Committee, Inc.'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. 2006 Financial Statements, and in our report dated November 21, 2006, 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 audit 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 the 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 opinion.

The key to  
success includes  
proper financial  
planning

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anne Arundel County Economic Opportunity Committee, Inc. as of June 30, 2007, 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 November 30, 2007, on our consideration of Anne Arundel County Economic Opportunity Committee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Anne Arundel County Economic Opportunity Committee, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profits Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Key & Associates, PC*

Silver Spring, Maryland  
November 30, 2007

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 75,896	\$ 49,283
Grant funds receivable	317,567	293,866
Due from employees	6,492	605
Prepaid expenses	<u>18,350</u>	<u>17,051</u>
<b>Total current assets</b>	<b><u>418,305</u></b>	<b><u>360,805</u></b>
<b>FIXED ASSETS</b>		
Land	166,628	166,628
Building	230,080	230,080
Building improvements	<u>733,668</u>	<u>733,668</u>
<b>Total fixed assets</b>	<b><u>1,130,376</u></b>	<b><u>1,130,376</u></b>
Less: Accumulated depreciation	<u>(164,962)</u>	<u>(132,837)</u>
<b>Net fixed assets</b>	<b><u>965,414</u></b>	<b><u>997,539</u></b>
<b>OTHER ASSETS</b>		
Financing costs, net of accumulated amortization \$1,636 and \$678		
<b>Net other assets</b>	<b><u>27,087</u></b>	<b><u>28,044</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$1,410,806</u></b>	<b><u>\$1,386,388</u></b>

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

## LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 50,000	\$ -
Accounts payable	41,899	52,655
Current portion of long-term debt	27,736	26,630
Accrued expenses	110,149	125,591
Refundable advances	<u>142,347</u>	<u>116,686</u>
<b>Total current liabilities</b>	<b><u>372,131</u></b>	<b><u>321,562</u></b>
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	<b>1,416,496</b>	<b>1,442,772</b>
<b>NET ASSETS</b>		
Unrestricted	<u>(377,821)</u>	<u>(377,946)</u>
<b>Total net assets</b>	<b><u>(377,821)</u></b>	<b><u>(377,946)</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,410,806</u></b>	<b><u>\$1,386,388</u></b>

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>PUBLIC SUPPORT AND REVENUE</b>		
<b>PUBLIC SUPPORT</b>		
Federal government grants	\$4,355,042	\$4,195,322
State government grants	298,971	299,983
County government grants	784,878	720,962
City government grants	78,535	121,541
U.S.D.A reimbursement	166,489	175,543
Private grants	<u>25,156</u>	<u>46,874</u>
<b>Total unrestricted public support</b>	<b><u>5,709,071</u></b>	<b><u>5,560,225</u></b>
<b>OTHER REVENUE</b>		
Rental income	98,014	95,664
Interest income	1,425	241
Miscellaneous	314,442	315,571
In-kind revenue	<u>979,474</u>	<u>697,160</u>
<b>Total unrestricted other revenue</b>	<b><u>1,393,355</u></b>	<b><u>1,108,636</u></b>
<b>Total unrestricted public support and revenue</b>	<b><u>7,102,426</u></b>	<b><u>6,668,861</u></b>
<b>FUNCTIONAL EXPENSES</b>		
<b>PROGRAM SERVICES</b>		
Head Start	3,907,293	3,677,293
Daycare	327,552	276,792
Early Head Start	599,061	552,301
Maryland Energy Assistance	749,960	580,850
Community Services Block Grant	290,839	377,875
Senior nutrition	255,778	236,959
Housing	178,097	176,434
Youth services	197,317	200,099
Fuel fund	<u>154,434</u>	<u>94,329</u>
<b>Total program services</b>	<b><u>6,660,331</u></b>	<b><u>6,172,932</u></b>

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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>SUPPORTING SERVICES</b>		
Administrative	439,260	462,955
Fundraising	<u>2,710</u>	<u>16,486</u>
<b>Total supporting services</b>	<u><b>441,970</b></u>	<u><b>479,441</b></u>
<b>Total expenses</b>	<u><b>7,102,301</b></u>	<u><b>6,652,373</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>125</b>	<b>16,488</b>
<b>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<u><b>(377,946)</b></u>	<u><b>(394,434)</b></u>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<u><b>\$ (377,821)</b></u>	<u><b>\$ (377,946)</b></u>

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 125	\$ 16,488
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	33,082	26,769
(Increase)decrease in grant funds receivable	(23,701)	63,887
(Increase) decrease in due from employees	(5,887)	(4,396)
(Increase) decrease in prepaid expenses	(1,299)	(6,717)
Increase(decrease) in accounts payable	(10,756)	(211,076)
Increase (decrease) in payroll taxes withheld	-	(463,919)
Increase (decrease) in accrued liabilities	(15,442)	(7,709)
Increase (decrease) in refundable advances	<u>25,660</u>	<u>(78,491)</u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>1,782</b></u>	<u><b>(656,372)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Curtailement of notes payable	(25,169)	(413,902)
Proceeds from notes payable	-	1,027,000
Proceeds from line of credit	50,000	-
Financing fees	<u>-</u>	<u>(28,725)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u><b>24,831</b></u>	<u><b>584,373</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>26,613</b>	<b>(71,999)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u><b>49,283</b></u>	<u><b>121,282</b></u>
<b>CASH AT END OF YEAR</b>	<u><b>\$ 75,896</b></u>	<u><b>\$ 49,283</b></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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Actual cash payments for interest	\$ <u>74,593</u>	\$ <u>71,173</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, 2007**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)**

	Program Services										Supporting Services		2007		2006	
	HeadStart	Daycare	Early Headstart	Maryland Energy Assistance	Community Services Block Grant	Senior Nutrition	Housing	Youth Services	Fuel Fund	Total	Administrative	Fundraising	Total	Total Functional Expenses	Total Functional Expenses	
Advertising	\$ 1,362	\$ 96	\$ 653	\$ 69	\$ -	\$ -	\$ 219	\$ 175	\$ 1	\$ 2,576	\$ 1,068	\$ -	\$ 1,068	\$ 3,644	\$ 3,842	
Client Assistance	23,270	891	3,928	552,433	83	141	77,589	1,409	120,308	750,332	9,910	-	9,910	750,332	575,134	
Communications	1,984	612	4,433	2,468	555	2,057	-	784	-	32,200	3,414	-	3,414	42,111	52,235	
Conferences, Meeting & Travel	-	-	-	515	-	-	-	-	-	10,840	-	-	-	14,365	294,633	
Depreciation & Amortization	-	-	-	-	-	-	-	-	-	-	33,082	-	33,082	33,082	28,767	
Equipment	32,477	1,105	14,409	3,023	1,295	382	-	132	18	52,841	11,706	-	11,706	64,549	55,762	
Food	166,469	-	6	-	-	-	-	-	-	166,469	-	-	-	166,469	166,324	
Fringe Benefits	361,412	51,395	55,442	27,469	47,838	40,471	6,877	17,685	512	608,600	21,766	-	21,766	630,357	674,187	
Insurance	15,279	348	3,676	636	-	2,918	-	560	8	23,425	2,955	-	2,955	26,380	35,782	
Maintenance	52,518	40	5,791	484	-	-	-	-	-	-	74,593	-	74,593	74,593	71,713	
Miscellaneous	2,008	177	413	109	110	13,172	182	144	29,825	58,832	2,412	-	2,412	61,245	59,219	
Occupancy	126,972	2,318	44,561	5,211	12,281	2,517	2,350	-	3	46,140	10,689	342	11,031	57,171	26,776	
Office Supplies	380,712	3,683	3,901	1,432	4,245	977	840	11,048	634	195,233	72,888	1,000	73,888	273,221	271,004	
Personnel	1,801,118	223,354	322,096	144,614	204,038	189,484	74,028	130,099	2,747	417,481	8,482	-	8,482	425,963	143,681	
Postage & Shipping	1,544	20	159	2,747	424	204	38	117	-	3,091,586	128,017	-	128,017	3,219,603	3,507,940	
Printing	-	-	1,111	-	-	-	-	-	-	5,250	683	-	683	5,943	7,128	
Professional Fees & Contract Services	332,459	6,082	130,115	8,044	17,628	1,000	2,135	-	-	3,246	88	-	88	3,334	2,245	
Program Supplies	31,581	13,051	1,607	611	582	632	9,360	31,724	154	536,586	27,411	-	27,411	564,008	618,874	
Subscriptions & Dues	507	20	32	16	-	-	1,265	1,783	0	51,113	184	-	184	51,297	28,121	
Training	54,053	23,874	3,395	80	-	-	50	83	0	707	2,017	-	2,017	2,724	8,151	
Transportation	508,549	488	3,322	-	2,250	1,812	628	1,574	222	87,879	27,719	1,368	29,087	115,965	68,126	
<b>Total</b>	<b>\$ 3,907,293</b>	<b>\$ 327,552</b>	<b>\$ 599,051</b>	<b>\$ 749,960</b>	<b>\$ 290,839</b>	<b>\$ 255,778</b>	<b>\$ 178,097</b>	<b>\$ 197,317</b>	<b>\$ 154,434</b>	<b>\$ 6,660,332</b>	<b>\$ 439,260</b>	<b>\$ 2,710</b>	<b>\$ 441,969</b>	<b>\$ 7,102,301</b>	<b>\$ 6,652,374</b>	

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**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

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

establishes 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, 2007 AND 2006**

**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, 2007 and 2006 in this separate account is \$51,361 and \$9,335, 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, 2007 and 2006 was \$32,125 and \$26,769, respectively.

**Financing Costs**

Costs associated with refinancing of the mortgage loan are being amortized using the straight-line method over a 30-year period.

**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, 2007 AND 2006**

**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, 2007 and 2006, 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, 2007 and 2006 was \$195,312 and \$181,979, 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>	
2008	\$115,054
2009	99,600
2010	57,966
2011	<u>86,944</u>
Total	<u>\$359,564</u>

Total rent expense for the years ended June 30, 2007 and 2006 was \$214,168 and 222,491, respectively, while equipment lease expense was \$33,969 and \$37,629, respectively.

**ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**NOTE 6 - CONCENTRATIONS**

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