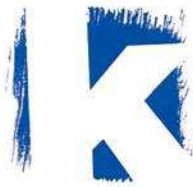


**ANNE ARUNDEL COUNTY ECONOMIC
OPPORTUNITY COMMITTEE, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007**

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, 2008 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. 2007 Financial Statements, and in our report dated November 20, 2007, 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.

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, 2008, 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 February 17, 2009, 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
February 17, 2009

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 112,310	\$ 75,896
Grant funds receivable	234,317	317,567
Due from employees	—	6,492
Prepaid expenses	64	18,350
Total current assets	<u>346,691</u>	<u>418,305</u>
FIXED ASSETS		
Land	166,628	166,628
Building	230,080	230,080
Building improvements	733,668	733,668
Total fixed assets	<u>1,130,376</u>	<u>1,130,376</u>
Less: Accumulated depreciation	<u>(196,366)</u>	<u>(164,962)</u>
Net fixed assets	<u>934,010</u>	<u>965,414</u>
OTHER ASSETS		
Financing costs, net of accumulated amortization \$958 and \$678		
Net other assets	<u>26,129</u>	<u>27,087</u>
TOTAL ASSETS	<u><u>\$ 1,306,830</u></u>	<u><u>\$ 1,410,806</u></u>

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

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Line of Credit	\$ 50,000	\$ 50,000
Accounts payable	86,564	41,899
Current portion of long-term debt	29,200	27,736
Accrued expenses	121,619	110,149
Refundable advances	8,634	142,347
Total current liabilities	<u>296,017</u>	<u>372,131</u>
 LONG-TERM DEBT NET OF CURRENT PORTION	 1,387,374	 1,416,496
 COMMITMENTS AND CONTINGENCIES	 —	 —
 NET ASSETS		
Unrestricted	<u>(376,561)</u>	<u>(377,821)</u>
Total net assets	<u>(376,561)</u>	<u>(377,821)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,306,830</u>	 <u>\$ 1,410,806</u>

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUE		
PUBLIC SUPPORT		
Federal government grants	\$4,629,726	\$4,355,042
State government grants	230,752	298,971
County government grants	691,691	784,878
City government grants	103,874	78,535
U.S.D.A. reimbursement	198,610	166,489
Private grants	38,436	25,156
	5,893,089	5,709,071
OTHER REVENUE		
Rental income	112,765	98,014
Interest income	377	1,425
Miscellaneous	219,952	314,442
In-kind revenue	946,158	979,474
	1,279,252	1,393,355
	7,172,341	7,102,426
FUNCTIONAL EXPENSES		
Program services		
Head Start	3,914,214	3,907,293
Daycare	340,493	327,552
Early Head Start	565,742	599,061
Maryland Energy Assistance	875,945	749,960
Community Services Block Grant	386,078	290,839
Senior nutrition	270,659	255,778
Housing	120,953	178,097
Youth Services	202,834	197,317
Fuel fund	162,240	154,434
	\$6,839,158	\$6,660,332

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
SUPPORTING SERVICES		
Administrative	330,246	439,260
Fundraising	1,677	2,710
Total supporting services	331,923	441,969
Total expenses	<u>7,171,081</u>	<u>7,102,301</u>
CHANGE IN NET ASSETS	1,260	125
NET ASSETS, BEGINNING OF YEAR	<u>(377,821)</u>	<u>(377,946)</u>
NET ASSETS, END OF YEAR	<u>\$ (376,561)</u>	<u>\$ (377,821)</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

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,260	\$ 125
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Amortization and depreciation	32,363	33,082
(Increase) Decrease in grant funds receivable	83,250	(23,701)
Security deposits	-	-
Prepaid expenses		
Other assets		
(Increase) Decrease in due from employees	6,492	(5,887)
(Increase) Decrease in prepaid expense	18,286	(1,299)
Increase (Decrease) in accounts payable	44,665	(10,756)
Increase (Decrease) in accrued Security deposits liabilities	<u>11,470</u>	<u>(15,442)</u>
Increase (Decrease) in refundable advances	<u>(133,713)</u>	<u>25,660</u>
Net cash provided (used) by operating activities	<u>64,073</u>	<u>1,782</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Curtailement of notes payable	(27,660)	(25,169)
Proceeds from line of credit	<u>-</u>	<u>50,000</u>
Net cash used by financing activities	<u>(27,660)</u>	<u>24,831</u>
NET INCREASE (DECREASE) IN CASH	<u>36,414</u>	<u>26,613</u>
CASH, BEGINNING OF YEAR	<u>75,896</u>	<u>49,283</u>
CASH, END OF YEAR	<u><u>\$ 112,310</u></u>	<u><u>\$ 75,896</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for:		
Federal and state income taxes	<u>-</u>	<u>-</u>
Interest	<u><u>\$ 79,194</u></u>	<u><u>\$ 74,593</u></u>

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

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

	Program Services									Supporting Services			2008	2007	
	HeadStart	Daycare	Early Headstart	Maryland Energy Assistance	Community Services Block Grant	Senior Nutrition	Housing	Youth Services	Fuel Fund	Total	Administrative	Fund-raising	Total	Total Functional Expenses	Total Functional Expenses
Advertising	\$ 1,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,608	\$ 320	\$ -	\$ 320	\$ 1,928	\$ 3,644
Client Assistance	-	-	-	715,391	-	-	67,055	-	125,678	908,124	-	-	-	908,124	750,332
Communication	29,774	900	3,012	1,154	-	-	-	1,416	290	36,546	6,396	-	6,396	42,942	42,111
Conferences, Meeting and Travel	3,079	1,992	3,761	-	1,407	3,712	-	443	337	14,731	1,626	-	1,626	16,357	14,355
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	-	32,363	-	32,363	32,363	33,082
Equipment	25,430	967	15,538	1,812	1,273	21	464	963	377	46,845	4,456	-	4,456	51,301	64,549
Food	198,670	-	6	-	-	-	-	-	-	198,676	-	487	487	199,163	166,495
Fringe Benefits	380,626	44,420	51,425	25,858	52,058	42,639	3,618	24,657	1,995	627,296	13,126	-	13,126	640,422	630,356
Insurance	8,671	1,426	4,231	1,032	-	-	-	1,195	292	16,847	5,629	-	5,629	22,476	26,380
Interest	-	-	-	-	-	-	-	-	-	-	79,194	-	79,194	79,194	74,593
Maintenance	56,245	51	3,041	618	-	-	-	-	-	59,955	2,533	-	2,533	62,488	61,245
Miscellaneous	20,569	648	219	360	89	9,460	249	2,260	11	33,865	1,826	105	1,931	35,796	57,170
Occupancy	123,261	4,659	42,789	4,851	16,611	2,400	1,510	-	8,687	204,768	75,186	-	75,186	279,954	273,221
Office Supplies	125,536	1,785	7,739	1,534	1,128	354	1,108	2,549	3,493	145,226	4,029	-	4,029	149,255	425,963
Personnel	1,748,381	230,145	334,044	113,931	273,850	208,973	46,024	139,500	12,085	3,106,933	61,847	-	61,847	3,168,780	3,219,603
Postage & Shipping	2,252	10	136	2,643	1,360	239	-	205	2,126	8,971	697	-	697	9,668	5,943
Printing	166	31	37	167	2,565	-	-	22	-	2,988	8,421	186	8,607	11,595	3,334
Professional Fees and Contract Services	592,352	8,716	91,077	6,300	29,927	-	710	28,059	5,935	763,076	19,477	-	19,477	782,553	564,008
Program Supplies	18,667	9,118	2,203	280	137	29	-	80	536	31,050	-	-	-	31,050	51,297
Subscriptions & Dues	1,110	17	22	14	800	-	-	7	20	1,990	4,160	-	4,160	6,150	2,724
Training	36,120	16,853	1,114	-	4,873	2,832	215	1,478	378	63,863	8,960	899	9,859	73,722	116,965
Transportation	541,697	18,755	5,348	-	-	-	-	-	-	565,800	-	-	-	565,800	514,931
Total	\$ 3,914,214	\$ 340,493	\$ 565,742	\$ 875,945	\$ 386,078	\$ 270,659	\$ 120,953	\$ 202,834	\$ 162,240	\$ 6,839,158	\$ 330,246	\$ 1,677	\$ 331,923	\$ 7,171,081	\$ 7,102,301

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

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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 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.

Descriptions of the three net asset categories are as follow:

- 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.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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, 2008 and 2007 in this separate account is \$1,344 and \$51,361, 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, 2008 and 2007 was \$31,405 and \$32,125, respectively.

Financing Costs

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

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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.

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, 2008 and 2007, 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, 2008 and 2007 was \$168,865 and \$195,312, respectively.

NOTE 5 – LEASE COMMITMENTS

The Committee leases various office, classroom and warehouse space and office equipments under operating leases expiring through 2012. The related future minimum lease payments are as follows:

Years ending June 30,	Amount
2009	\$ 101,312
2010	65,136
2011	34,844
2012	2,756
Total	\$ 204,048

Total rent expense for the years ended June 30, 2008 and 2007 was \$221,865 and 214,168, respectively, while equipment lease expense was \$24,890 and \$33,969, respectively.

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.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 7 – CONTRACT AND GRANT RECEIVABLE/REFUNDABLE ADVANCES

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

<u>Sources/Project</u>	2008		2007	
	Contracts & Grants Receivable	Refundable Advances	Contracts & Grants Receivable	Refundable Advances
Federal:				
<u>U.S. Department of Health and Human</u>				
Head Start	\$ –	\$ (5,308)	\$ –	\$ (91,871)
Early Head Start	66,122	–	70,820	–
<u>Pass through Maryland State Department of Human Services</u>				
- Maryland Energy Assistance Program - Administration	–	–	6,806	–
- Maryland Energy Assistance Program - Benefit	–	(101)	–	(50,476)
<u>Pass through Maryland State Department of Housing and Community Development:</u>				
- Community Services Block Grant	26,848	–	2,826	–
<u>U.S. Department of Agriculture/Farmers</u>				
<u>Home Administration:</u>				
Child Care Food Program	25,157	–	34,745	–
<u>Federal Emergency Management Agency:</u>				
<u>Pass through Anne Arundel County Maryland Development of Social Services:</u>				
- Emergency Food and Shelter	–	(19,211)	12,567	–
Total federal	118,127	(24,620)	127,764	(142,347)
Other sources	116,190	15,986	189,803	–
Total	\$234,317	\$ (8,634)	\$ 317,567	\$ (142,347)

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 8 – LINE OF CREDIT

	<u>2008</u>	<u>2007</u>
<p>During the year ended June 30, 2007, the Committee had entered into a revolving line of credit agreement with Harvest Bank. The line of credit is secured by real estate at 251 West Street. Interest is payable monthly at 1% over the Bank's prime rate.</p>	\$ 50,000	\$ 50,000

NOTE 9 – NOTES PAYABLE

The Committee's long-term debt is summarized as follows:

	<u>2008</u>	<u>2007</u>
<p>Mortgage loan, collateralized by real estate at 251 West Street due in monthly installments of \$7,312 including interest at 6.98% through March, 2029.</p>	\$ 983,065	\$ 1,000,336
<p>Renovation loan to Arundel Community Development Services, Inc., collateralized by real estate at 251 West Street, due in monthly installments of \$1,226 beginning June 1, 2003 through June 1, 2043. The interest rate is one percent.</p>	433,509	443,896
<p>Long-Term Debt</p>	<u>1,416,574</u>	<u>1,444,232</u>
<p>Less: Current Portion</p>	<u>(29,200)</u>	<u>(27,736)</u>
<p>Net Long-Term Debt</p>	<u><u>\$ 1,387,374</u></u>	<u><u>\$ 1,416,496</u></u>

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 9 – NOTES PAYABLE (CONTINUED)

Future principal payments on the debt are as follows:

Years ending June 30,	Amount
2009	\$ 29,200
2010	30,676
2011	32,255
2012	33,763
2013	35,732
Thereafter	1,254,948
	\$1,416,574

NOTE 10 – COST ALLOCATION

The Committee allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs or support services are allocated directly according to their natural expenditure classification. Joint costs are allocated based on various identifiable bases (e.g. allowable occupancy costs are allocated based on the percentage of space occupied).

NOTE 11 – COMPLIANCE WITH GRANTOR RESTRICTIONS

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Committee for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 12 – IN-KIND DONATIONS

In-Kind donations are based on the Committee's estimation of cost of the services and equipment provided to the committee.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 12 – IN-KIND DONATIONS (Continued)

During the year ended June 30, 2008 and 2007, the Committee received donated use of facility, services and equipment as follows:

Program Service Expenses

	<u>2008</u>	<u>2007</u>
Use of Facility	\$ 329,804	\$ 264,381
Consultants	183,025	66,343
Volunteers	323,530	336,582
Supplies	109,793	312,168
Total	<u>\$ 946,152</u>	<u>\$ 979,474</u>

NOTE 13 – COMMITMENT AND CONTINGENCIES

During the year ending June 30, 2008, a former employee of the Committee filed a wrongful termination lawsuit against the Committee for \$100,000. The Committee is contesting the lawsuit.

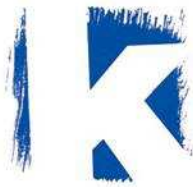
NOTE 14 – SUBSEQUENT EVENT

On October 21, 2008, the Committee restructured the \$50,000 line of credit with Harvest Bank. The maturity date on the line of credit was extended to October 31, 2013. The Committee is required to make monthly payment of \$ 833.33 plus interest of prime plus 1 percent.

SINGLE AUDIT REPORTING

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Key & Associates, P.C.

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

We have audited the financial statements of Anne Arundel County Economic Opportunity Committee, Inc., as of and for the year ended June 30, 2008 and have issued our report thereon, dated February 17, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anne Arundel County Economic Opportunity Committee, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial report

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

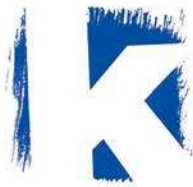
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anne Arundel County Economic Opportunity Committee, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Key & Associates, PC

Silver Spring, Maryland
February 17, 2009



Key & Associates, P.C.

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

Compliance

We have audited the compliance of Anne Arundel County Economic Opportunity Committee, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Anne Arundel County Economic Opportunity Committee, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of Anne Arundel County Economic Opportunity Committee, Inc.'s management. Our responsibility is to express an opinion on Anne Arundel County Economic Opportunity Committee, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States' and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anne Arundel County Economic Opportunity Committee, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anne Arundel County Economic Opportunity Committee, Inc.'s compliance with those requirements.

In our opinion, Anne Arundel County Economic Opportunity Committee, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Anne Arundel County Economic Opportunity Committee, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Anne Arundel County

Economic Opportunity Committee, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Anne Arundel County Economic Opportunity Committee, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Anne Arundel County Economic Opportunity Committee, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated February 17, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information and use of management, audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Key & Associates, PC

Silver Spring, Maryland
February 17, 2009

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Head Start 03 CH2160/41	93.600		\$1,332,666
Head Start 03 CH2160/42	93.600		1,573,593
Early Head Start	93.600		<u>428,131</u>
Total direct programs			<u>3,334,390</u>
Passed-Through Maryland State			
Department of Education:			
Early Head Start	93.575		689
Head Start Supplemental	93.575		40,385
Passed-Through Maryland State			
Department of Housing and Community Development:			
Community Services Block Grant	93.569		381,749
Passed-Through Maryland State			
Department of Human Resources:			
Maryland Energy Assistance	93.568		<u>875,717</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,632,930</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through Maryland State			
Department of Education:			
Child Care Program	10.558		198,670
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing Counseling Program	14.000		20,000
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed-Through Anne Arundel County of Maryland Development of Social Services:			
Emergency Food and Shelter	83.523		<u>17,133</u>
Total expenditures of federal awards			<u>\$ 4,868,733</u>

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – ORGANIZATION

The Schedule of Expenditures of Federal Awards comprises a listing of the Federal revenues expended by the Organization during the fiscal year ended June 30, 2008. The schedule is organized by program or grant as defined by the appropriate Federal or State agency responsible for distributing the funds. All programs started and/or terminated during the year and those programs that remained open during the year are included in the schedule. For the year ended June 30, 2008, 79% of the total revenue recognized by the Organization is attributed to federal monetary sources.

NOTE 2 – METHOD OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Anne Arundel County Economic Opportunity Committee, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - MATCHING

The Head Start grant requires matching for the program funds. The Committee uses without charge certain premises located in government owned buildings for its Head Start program. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to program. The value of the premises is recorded at estimated fair value. The value of contributed services is recorded based on Head Start regulations. Matching amounts recorded for the year ended June 30, 2008 was \$946,152.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

None found.

ANNE ARUNDEL COUNTY ECONOMIC OPPORTUNITY COMMITTEE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: UNQUALIFIED

Internal control over financial reporting:

Material weakness(es) identified? YES NO

Significant deficiency(ies) identified that are not considered to be material weaknesses? YES NO

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? YES NO

Significant deficiency(ies) identified that are not considered to be material weakness(es)? YES NO

Type of auditor's report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? YES NO

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	U.S. Department of Health and Human Services - Headstart

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

Auditee qualifies as low-risk auditee? YES NO

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None Found