

**MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2019

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Independent Auditor's Report

To the Board of Directors
Maryland Citizens' Health Initiative Education Fund, Inc.
Baltimore, MD

We have audited the accompanying financial statements of Maryland Citizens' Health Initiative Education Fund, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maryland Citizens' Health Initiative Education Fund, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019 Maryland Citizens' Health Initiative Education Fund, Inc. adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to this matter.

Jane Maruca & McQuade PA

Columbia, MD
September 1, 2020

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$	267,179
Investments		100,051
Grants receivable		112,500
Prepaid expenses		13,999
Total Current Assets		493,729

PROPERTY AND EQUIPMENT

Land		28,000
Building		329,135
Building improvements		12,989
Office equipment		42,729
		412,853
Less: accumulated depreciation		(171,285)
Property and Equipment, Net		241,568

TOTAL ASSETS	\$	735,297
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	25,870
Note payable		23,882
Total Current Liabilities		49,752

NET ASSETS

Without donor restrictions		563,045
With donor restrictions		122,500
Total Net Assets		685,545

TOTAL LIABILITIES AND NET ASSETS	\$	735,297
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The accompanying notes are an integral part of these financial statements.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 148,596	\$ 320,000	\$ 468,596
Contract revenue	77,800	-	77,800
Other revenue	135	-	135
Interest income	251	-	251
Other income	3,915	-	3,915
Net assets released from restrictions	925,809	(925,809)	-
Total Revenue and Support	1,156,506	(605,809)	550,697
EXPENSES			
Program services	555,174	-	555,174
Support services:			
Fundraising	73,066	-	73,066
Management and general	75,527	-	75,527
Total Support Services	148,593	-	148,593
Total Expenses	703,767	-	703,767
CHANGE IN NET ASSETS	452,739	(605,809)	(153,070)
NET ASSETS , beginning of year	110,306	728,309	838,615
NET ASSETS , end of year	\$ 563,045	\$ 122,500	\$ 685,545

The accompanying notes are an integral part of these financial statements.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Support Services			Total Expenses
	Program Services	Fundraising	Management and General	
Personnel Expenses				
Salaries	\$ 260,315	\$ 55,299	\$ 45,584	\$ 361,198
Payroll taxes	19,612	4,166	3,434	27,212
Employee benefits	12,439	2,642	2,178	17,259
Total Personnel Expenses	<u>292,366</u>	<u>62,107</u>	<u>51,196</u>	<u>405,669</u>
Automobile	6,961	1,479	1,219	9,659
Bank fees	-	-	2,037	2,037
Depreciation	5,930	1,260	1,038	8,228
Dues and publications	2,240	476	392	3,108
Insurance	2,626	558	460	3,644
Interest	1,873	398	328	2,599
Media	7,949	-	-	7,949
Miscellaneous	-	-	3,241	3,241
Occupancy	15,246	3,239	2,670	21,155
Office supplies	1,802	383	316	2,501
Organization support/contributions	8,345	-	-	8,345
Outreach	42,692	-	-	42,692
Printing and reference materials	2,445	519	428	3,392
Professional fees	152,240	-	10,020	162,260
Telephone and internet	5,464	1,161	957	7,582
Travel	6,995	1,486	1,225	9,706
Total Expenses	<u>\$ 555,174</u>	<u>\$ 73,066</u>	<u>\$ 75,527</u>	<u>\$ 703,767</u>

The accompanying notes are an integral part of these financial statements.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (153,070)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	8,228
Net depreciation on investments	52
Changes in operating assets and liabilities:	
Decrease in due from affiliate	10,000
Decrease in grants receivable	288,659
Increase in prepaid expenses	(10,705)
Increase in accounts payable and accrued expenses	4,579
Net Cash Provided by Operating Activities	147,743

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(105,267)
Proceeds from sale of investments	5,164
Net Cash Used For Investing Activities	(100,103)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable	(22,295)
Net Cash Used for Financing Activities	(22,295)

NET INCREASE IN CASH 25,345

CASH, beginning of year 241,834

CASH, end of year \$ 267,179

SUPPLEMENTAL INFORMATION:

Cash paid for interest	\$ 2,599
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The accompanying notes are an integral part of these financial statements.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - NATURE OF THE ORGANIZATION

Maryland Citizens' Health Initiative Education Fund, Inc. (the "Organization") is a not-for-profit organization located in Baltimore, Maryland. The Organization was established in 1999 and is dedicated to educating the public about the need for quality, affordable healthcare for all Marylanders.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Maryland Citizens' Health Initiative Education Fund, Inc. has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued *ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Maryland Citizens' Health Initiative Education Fund, Inc. has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is was no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Basis of Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic Not-for-Profit Entities. In accordance with the topic, net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Financial Statement Presentation - continued

Accordingly, the net assets of the Organization and changes therein, are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of the Organization and/or the passage of time, or that must be maintained permanently by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash

The Organization maintains its cash in bank deposit accounts which may at times exceed the federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash or cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of December 31, 2019, management has determined that all significant receivables are collectible and due within one year; therefore, an allowance for doubtful accounts has not been established.

Property and Equipment

Property and equipment are carried at cost and depreciated over the estimated useful lives of five to forty years using the straight line method. Expenditures greater than \$1,000 increasing useful lives of assets are capitalized while repairs and maintenance are expensed.

Grants and Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contract Revenue

Revenues are recognized when control of these products or services is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services. Sales and other taxes the Organization collects concurrent with revenue-producing activities are excluded from revenue.

Method Used for Allocation of Expenses for Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, insurance, utilities, depreciation and other operating expenses, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE C - INCOME TAXES

The Organization is a 501(c)(3) exempt not-for-profit organization, defined under Section 501(a) of the Internal Revenue Code (the "Code"). Under the provisions of the Code, the Organization is, however, subject to tax on business income unrelated to their respective exempt purposes. Since the Organization had no taxable income from unrelated business activities, no income tax provision is reflected in the financial statements. The Organization files information returns as required.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
 (continued)

NOTE C - INCOME TAXES - continued

The Organization's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Organization's information returns for the years 2016 through 2018 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The Organization's management regularly monitors liquidity requirements to ensure that on-going operating needs and other contractual commitments are met. The Organization strives to maintain liquid financial assets sufficient to cover six months of general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Timing of revenue receipts also ensures the availability of necessary operational funds. The Organization also expects to spend net assets with donor restrictions over the next 12 months.

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash	\$ 267,179
Investments	100,051
Grants receivable	112,500
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 479,730

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value, as defined in the fair value measurement accounting guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or exit price.

The guidance on fair value measurement accounting requires that the Organization make assumptions market participants would use in pricing an asset or liability based on the best information available.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

The Organization considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments' fair value. The principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity.

To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. The three levels are defined as follows:

Level 1 - Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The fair value of certificates of deposit has been provided by the Organization's investment managers and custodian banks, who use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

The following table summarizes the Organization assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 23	\$ -	\$ -	\$ 23
Certificate of deposits	-	100,028	-	100,028
Total Assets	<u>\$ 23</u>	<u>\$ 100,028</u>	<u>\$ -</u>	<u>\$ 100,051</u>

NOTE F - NOTE PAYABLE

To finance the acquisition of the building in 2005, the Organization obtained a \$225,000 mortgage note from M&T Bank. The note is collateralized by the property. Monthly payments under this note total \$2,083 and include interest and principal. The interest rate for this loan is 7.37% per annum. The note matures and is due in full on December 15, 2020. Interest expense for the note totaled \$2,599 for the year ended December 31, 2019. Future minimum principal payments for the year ending December 31, 2020 is \$23,882.

NOTE G - LEASE COMMITMENT

The Organization entered into a five years operating lease agreement for a photocopier effective September 1, 2010. The lease agreement calls for monthly payments of \$426. The agreement was later replaced by a new five years operating lease agreement for a new copier effective June 1, 2015 with monthly payments of \$595. Future minimum payments for the year ending December 31, 2020 is \$2,807.

NOTE H - NET ASSTS WITH DONOR RESTRICTIONS

As of December 31, 2019, net assets with donor restrictions were restricted for the following purposes.

Time restricted	\$ 85,000
Improve the affordability of health care and increase coverage for low-income	<u>37,500</u>
Total with donor restrictions	<u>\$ 122,500</u>

MARYLAND CITIZENS' HEALTH INITIATIVE EDUCATION FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

NOTE I - RELATED PARTY TRANSACTIONS

The Organization is related to Maryland Citizens' Health Initiative, Inc. ("MCHI"), a 501(c)(4) nonprofit organization, by reason of common board members. During the year ended December 31, 2019, the Organization received \$94,009 in expense reimbursements for the salaries of Organization employees and reimbursement of other office expenses.

NOTE J - RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA plan (the "Plan") for the benefit of its employees. All employees are eligible to participate in the Plan. The Organization matches employee contributions up to 3% of each employee's gross compensation. For the year ended December 31, 2019, the Organization made contributions to the Plan totaling \$11,714.

NOTE K - SUBSEQUENT EVENTS

During April 2020, the Organization received loan proceeds from the United States Small Business Administration ("U.S. SBA") in the amount of approximately \$93,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, provided the organization maintains its payroll levels. The Organization was granted the loan by M&T bank pursuant to the PPP, under the CARES Act.

In preparing these financial statements, The Organization has evaluated events and transactions for potential recognition or disclosure through September 1, 2020, the date the financial statements were available to be issued. Except as noted above, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.