ASSOCIATED BLACK CHARITIES, INC.

Financial Statements and Supplemental Schedules Together with Reports of Independent Public Accountants

For the Years Ended December 31, 2019 and 2018

SB & COMPANY, LLC
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DECEMBER 31, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Associated Black Charities, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of Associated Black Charities, Inc. (the Organization) as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 controls 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 audits. 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 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 controls 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 controls. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020, on our consideration of the Organization's internal controls 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 solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls over financial reporting and compliance.

Owings Mills, Maryland
August 24, 2020

SB & Company, LLC

ASSOCIATED BLACK CHARITIES, INC.

Statements of Financial Position
As of December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	**$ 2,887,146**	$ 3,144,997
Investments	**216,614**	180,765
Assets whose use is limited	**110,553**	110,553
Grants receivable, net	**1,278,720**	2,647,684
Loans and note receivable, net	**467,370**	477,001
Prepaid and other assets	**57,088**	46,463
Property and equipment, net	**48,823**	61,463
Total Assets	**$ 5,066,314**	$ 6,668,926
LIABILITIES AND NET ASSETS		
Accounts payable	**$ 122,996**	$ 482,339
Grants payable to providers for HIV Emergency Relief Grant Program – Ryan White	**1,186,088**	2,269,232
Accrued expenses and other liabilities	**50,306**	35,752
Deferred revenue	**-**	3,000
Deferred revenue - revolving loan fund	**644,832**	890,383
Managed funds payable	**110,553**	110,553
Total Liabilities	**2,114,775**	3,791,259
Net Assets		
Without donor restrictions	**1,663,608**	1,414,213
With donor restrictions	**1,287,931**	1,463,454
Total Net Assets	**2,951,539**	2,877,667
Total Liabilities and Net Assets	**$ 5,066,314**	$ 6,668,926

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

ASSOCIATED BLACK CHARITIES, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Federal grants	**$ 12,588,316**	$ 14,560,550
State and local grants	**6,025,766**	4,725,704
Contributions	**1,086,042**	1,105,620
Special events, net of direct expenses of $145,507 and $221,546, respectively	**338,198**	387,325
Interest income	**104,522**	78,489
Management fees and other income	**545,921**	375,427
Investment income (loss)	**36,753**	(8,904)
Total Revenue	**20,725,518**	21,224,211
Net assets released from restrictions	**1,450,203**	229,717
Total Revenue and Support	**22,175,721**	21,453,928
Expenses		
Program services		
HIV/AIDS Emergency Relief	**12,609,933**	14,483,400
Community service	**7,477,394**	5,096,641
Other program services	**671,537**	436,513
Total program services	**20,758,864**	20,016,554
General and administrative	**1,055,348**	962,763
Development and fundaraising	**112,114**	224,015
Total general and administrative	**1,167,462**	1,186,778
Total Expenses	**21,926,326**	21,203,332
Change in net assets without donor restrictions	**249,395**	250,596
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	**1,274,680**	1,382,770
Satisfaction of restrictions	**(1,450,203)**	(229,717)
Change in net assets with donor restrictions	**(175,523)**	1,153,053
Changes in net assets	**73,872**	1,403,649
Net assets, beginning of year	**2,877,667**	1,474,018
Net Assets, End of Year	**$ 2,951,539**	$ 2,877,667

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

ASSOCIATED BLACK CHARITIES, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2019 with Comparative Totals for 2018

	2019								
	Program Services			Total	Supporting Services		Total		
	HIV/AIDS Emergency Relief	Community Service	Other Programs	Program Services	General & Administrative	Development & Fundraising	Supporting Services	Totals	2018 Totals
Salaries/wages	$ 369,688	$ 17,908	$ 250,655	$ 638,251	$ 421,047	$ 93,200	$ 514,247	$ 1,152,498	$ 1,236,959
Fringe benefits, except taxes	14,704	-	25,525	40,229	9,722	11,511	21,233	61,462	58,854
Payroll taxes	28,909	-	4,988	33,897	52,541	7,130	59,671	93,568	105,380
Bad debt expense	-	-	-	-	-	-	-	-	59,844
Bank service charges	2,616	88	-	2,704	25,761	-	25,761	28,465	42,803
Contractual services	77,340	810,896	152,024	1,040,260	205,813	-	205,813	1,246,073	1,722,045
Data processing	9,046	-	-	9,046	10,762	-	10,762	19,808	14,778
Depreciation/amortization	-	-	-	-	12,640	-	12,640	12,640	10,365
Dues & subscriptions	-	-	-	-	16,072	-	16,072	16,072	13,210
General insurance	-	-	-	-	9,322	-	9,322	9,322	9,283
Grants: non-programmed	-	9,800	175,000	184,800	2,850	-	2,850	187,650	62,708
Grants: programs	12,022,449	-	-	12,022,449	-	-	-	12,022,449	13,890,569
Legal/accounting	-	16,750	881	17,631	127,244	-	127,244	144,875	43,661
Mailing services	-	-	-	-	316	-	316	316	1,331
Meetings	-	-	19,534	19,534	2,864	-	2,864	22,398	17,727
Miscellaneous expenses	-	-	-	-	9,551	-	9,551	9,551	475
Office supplies/expenses	12,377	4,380	9,247	26,004	27,790	273	28,063	54,067	39,108
Postage/courier	-	156	-	156	371	-	371	527	56
Printing	-	-	7,097	7,097	-	-	-	7,097	7,876
Promotions/publicity	-	2,850	-	2,850	10,133	-	10,133	12,983	13,779
Rent building	59,364	7,259	19,500	86,123	33,314	-	33,314	119,437	80,016
Rent: equipment/furniture	-	-	-	-	9,912	-	9,912	9,912	14,711
Rent: event space & equip	-	-	1,643	1,643	-	-	-	1,643	105
Repairs/maintenance	-	-	925	925	56,130	-	56,130	57,055	67,221
Staff development	8,657	-	450	9,107	2,735	-	2,735	11,842	5,958
Telephone	-	-	-	-	8,427	-	8,427	8,427	8,442
The children and youth fund	-	6,607,307	-	6,607,307	-	-	-	6,607,307	3,635,454
Training materials	-	-	-	-	-	-	-	-	5,080
Transportation	1,985	-	4,068	6,053	-	-	-	6,053	11,674
Travel & lodging	2,798	-	-	2,798	31	-	31	2,829	18,507
Utilities	-	-	-	-	-	-	-	-	5,353
Total	$ 12,609,933	$ 7,477,394	$ 671,537	$ 20,758,864	$ 1,055,348	$ 112,114	$ 1,167,462	$ 21,926,326	$ 21,203,332

ASSOCIATED BLACK CHARITIES, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Total	Supporting Services		Total	
	HIV/AIDS Emergency Relief	Community Service	Other Programs	Program Services	General & Administrative	Development & Fundraising	Supporting Services	Total Expenses
Salaries/wages	$ 388,649	$ 39,314	$ 146,397	$ 574,360	$ 485,586	$ 177,013	$ 662,599	$ 1,236,959
Fringe benefits, except taxes	17,107	-	18,723	35,830	1,164	21,860	23,024	58,854
Payroll taxes	34,253	7	4,693	38,953	52,885	13,542	66,427	105,380
Bad debt expense	-	-	-	-	59,844	-	59,844	59,844
Bank service charges	2,277	95	-	2,372	40,431	-	40,431	42,803
Contractual services	54,732	1,328,884	215,336	1,598,952	116,318	6,775	123,093	1,722,045
Data processing	6,430	2,500	-	8,930	5,848	-	5,848	14,778
Depreciation/amortization	-	-	-	-	10,365	-	10,365	10,365
Dues & subscriptions	-	300	250	550	12,660	-	12,660	13,210
General insurance	-	-	-	-	9,283	-	9,283	9,283
Grants: non-programmed	-	45,174	17,034	62,208	500	-	500	62,708
Grants: programs	13,890,494	-	75	13,890,569	-	-	-	13,890,569
Legal/accounting	20,700	11,722	-	32,422	11,239	-	11,239	43,661
Meetings	-	12,404	4,815	17,219	210	298	508	17,727
Miscellaneous expenses	-	-	-	-	475	-	475	475
Office supplies/expenses	15,893	4,303	8,595	28,791	9,743	574	10,317	39,108
Postage/courier	-	-	-	-	56	-	56	56
Printing	-	5,055	2,821	7,876	-	-	-	7,876
Promotions/publicity	180	440	2,671	3,291	7,700	2,788	10,488	13,779
Rent building	26,018	7,501	10,465	43,984	36,032	-	36,032	80,016
Rent: equipment/furniture	-	-	-	-	14,711	-	14,711	14,711
Rent: event space & equip	-	-	105	105	-	-	-	105
Repairs/maintenance	188	-	-	188	67,033	-	67,033	67,221
Staff development	4,833	-	-	4,833	1,125	-	1,125	5,958
Telephone	-	-	-	-	8,442	-	8,442	8,442
The children and youth fund	-	3,635,454	-	3,635,454	-	-	-	3,635,454
Training materials	2,600	-	2,480	5,080	-	-	-	5,080
Transportation	3,036	991	2,053	6,080	5,594	-	5,594	11,674
Travel & lodging	16,010	2,497	-	18,507	-	-	-	18,507
Utilities	-	-	-	-	5,353	-	5,353	5,353
Total	$ 14,483,400	$ 5,096,641	$ 436,513	$ 20,016,555	$ 962,763	$ 224,015	$ 1,186,778	$ 21,203,332

The accompanying notes are an integral part of this financial statement.

ASSOCIATED BLACK CHARITIES, INC.

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	**$ 73,872**	$ 1,403,649
Adjustments to reconcile changes in net assets		
to net cash from operating activities:		
Depreciation	**12,640**	10,365
Unrealized (gain) loss on investments	**(30,835)**	20,383
Reinvested dividend income	**(9,159)**	(11,479)
Effects from changes in non-cash operating assets		
and liabilities:		
Grants receivable, net	**1,368,964**	177,120
Prepaid and other assets	**(10,625)**	(15,854)
Accounts payable	**(359,343)**	438,733
Grants payable to providers for HIV Emergency		
Relief Grant Program – Ryan White	**(1,083,144)**	(525,924)
Accrued expenses and other liabilities	**14,554**	(40,150)
Deferred revenue	**(3,000)**	(35,000)
Deferred revenue - revolving loan fund	**(245,551)**	(220,030)
Net Cash Flows from Operating Activities	**(271,627)**	1,201,813
Cash Flows from Investing Activities		
Repayment of outstanding loans/notes receivable	**9,631**	33,826
Purchase of investments	**(93,413)**	(38,200)
Sale of investments	**97,558**	36,860
Purchase of property and equipment	**-**	(58,484)
Net Cash Flows from Investing Activities	**13,776**	(25,998)
Net change in cash and cash equivalents	**(257,851)**	1,175,815
Cash and cash equivalents, beginning of year	**3,144,997**	1,969,182
Cash and Cash Equivalents, End of Year	**$ 2,887,146**	$ 3,144,997

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

1. BACKGROUND OF THE ORGANIZATION

Associated Black Charities, Inc. (the Organization) is a nonprofit organization incorporated under the laws of the State of Maryland in August 1985, and subsequently commenced operations on January 1, 1986. It is a catalyst for community development and problem solving. The Organization's mission is to represent and respond to those issues and concerns which are of special significance to the African American community. The Organization accepts a major role for raising and allocating funds, acting as a coordinating body for the delivery of health and human services, and fostering the involvement and leadership of African Americans in various aspects of policy-making and resource development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments consist of cash equivalents, investments, receivables and payables. The carrying value of the Organization's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of December 31, 2019 and 2018. Fair values are estimated based on current market rates, prices or liquidation value.

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in highly liquid investments with original maturities of three months or less. Cash equivalents consisted of money market funds as of December 31, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

The Organization receives grants from various entities and records amounts due as a receivable when earned. As of December 31, 2019 and 2018, the majority of the receivables relate to amounts owed by the Baltimore City Health Department under the HIV Emergency Relief Grant Program – Ryan White (the Grantor) for invoices submitted and not paid.

Estimated losses are based on historical collection experience and the review of the current status of existing grants receivable. Based on this assessment, a reserve for estimated losses in the amount of $64,559 was recorded as of December 31, 2018. There was no reserve recorded as of December 31, 2019.

Loans and Note Receivable, Net

The Organization has a revolving loan program which provides resources focused on enhancing human capital through the development of economic opportunities. The outstanding loans were a part of the transfer of assets from Empower Baltimore Management Corporation (EBMC) that occurred during the fiscal year ended December 31, 2013. The outstanding balances on the loans and notes, net of uncollectable allowance as of December 31, 2019 and 2018, were $467,370 and $477,001, respectively. The Organization has recorded these outstanding loans as an asset and recognized a related liability. The related liability represents deferred revenue for net outstanding loans plus cash on hand from this program. Loans are stated at the amount of unpaid principal adjusted for any write-offs and reserves for estimated uncollectible loans.

Once the funds are collected, the proceeds will be used by the Organization to promote workforce development programs and cover operating expenses. The amounts spent will be recognized as other income and the deferred revenue will be reduced.

The allowance for loan losses is established through a provision for loan losses when management believes that repayment of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans that may be uncollectible as of year-end, based on current factors and prior loan loss experience. As of December 31, 2019 and 2018, there were $869,156, in non-performing loans, with interest rates ranging from 4% to 8.5% with various maturities through June 2020. Management has not accrued interest on these loans in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and Note Receivable, Net (continued)

While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in the factors considered, such as the economic condition of the borrower or certain related industry concentrations. As of December 31, 2019 and 2018, an allowance for loan losses was recorded in the amount of $405,766.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment in excess of $500 and an estimated useful life of more than a year, are capitalized and recorded at cost if purchased, or estimated fair market value as of the date of gift, if donated. The carrying value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line depreciation method. Expenditures for major repairs and maintenance costs are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Managed Funds Payable

Managed funds payable represent a liability for funds received for the purpose of providing scholarships and donations on behalf of the donor. These funds are recorded as a liability as the Organization does not determine how the funds are used. The asset related to this liability is included in assets whose use is limited in the accompanying statements of financial position.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired. It also represents the portion of expendable funds that are available for support of the Organization's operations.

Net assets with donor restrictions are those whose use by the Organization has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, with donor restriction net assets are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as without donor restriction net assets. As of December 31, 2019 and 2018, net assets with donor restrictions were available for community services programs in the amount of $1,287,933 and $1,463,454, respectively.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as without donor restrictions, or with donor restrictions support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in with donor restrictions net assets, depending on the nature of the restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support (continued)

Gifts of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

The Organization has grants from the Grantor to provide pass-through funding to providers for services under the HIV Emergency Relief Grant Program – Ryan White. Revenue is recognized when the Organization receives invoices from the providers for their services plus allowable indirect costs. Revenue recognized on the grants for which funds have not been received from the Grantor are reflected as grants receivable in the accompanying statements of financial position.

The Organization also has a grant from the City of Baltimore to establish the Baltimore City Children and Youth Fund, to be used exclusively for purposes of establishing new and augmenting existing programs for and services to the children and youth of the City of Baltimore. Revenue is recognized and reported as with donor restrictions when the cash is received. When a grant is awarded to a grantee, revenue is reclassified to without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of the Organization. All direct costs are charged to the specific program or event. Salaries and related expenses are charged based on time and effort. Indirect costs are to allocated program and supporting services based upon the direct salary allocation to each category.

Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status (continued)

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions as of December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements, or which may have any effect on its tax-exempt status.

As of December 31, 2019, the statute of limitations for fiscal years 2016 through 2019 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Accounting Pronouncement Implemented

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which provide updated guidance on the reporting model for not-for-profits and the statement of cash flows.

The adoption of this standard did not have a material effect on the accompanying financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Organization to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard will be effective for periods beginning after December 15, 2021.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments —Credit Losses: Measurement of Credit Losses on Financial Instruments,* that provides updated guidance on the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard is effective for fiscal years beginning after December 15, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606)*. The recognition of revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. This standard is effective for fiscal years beginning after December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The Organization evaluated the subsequent events and transactions through August 24, 2020, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure, except as noted below.

3. INVESTMENTS

The following is a description of the valuation methodology used for investments measured at fair value.

Equity funds are investments in mutual funds, which are valued based on the closing price on the primary market. Fixed income funds are investments in mutual funds and commingled funds invested in fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage-backed securities. The mutual funds are valued based on the closing price on the primary market.

3. INVESTMENTS (continued)

The following tables set forth by level, the fair value hierarchy of the Organization's investments at fair value as of December 31, 2019 and 2018:

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Fixed income	**$ 69,316**	**$ -**	**$ -**	**$ 69,316**
Equities	**147,298**	**-**	**-**	**147,298**
Total	**$ 216,614**	**$ -**	**$ -**	**$ 216,614**

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Fixed income	$ 59,652	$ -	$ -	$ 59,652
Equities	121,113	-	-	121,113
Total	$ 180,765	$ -	$ -	$ 180,765

As of December 31, 2019 and 2018, investments consisted of the following fair values:

	As of December 31, 2019		
	Cost	Unrealized Gain	Market Value
Fixed income	$ 63,233	$ 6,083	$ 69,316
Equities	131,351	15,947	147,298
Total	**$ 194,584**	**$ 22,030**	**$ 216,614**

	As of December 31, 2018		
	Cost	Unrealized Loss	Market Value
Fixed income	$ 60,662	$ (1,010)	$ 59,652
Equities	128,908	(7,795)	121,113
Total	**$ 189,570**	**$ (8,805)**	**$ 180,765**

3. INVESTMENTS (continued)

For the years ended December 31, 2019 and 2018, investment income consisted of the following:

	2019	2018
Reinvested dividend income	**$ 9,159**	$ 11,479
Unrealized gain (loss) on investments	**30,835**	(20,383)
Less: investment fees	**(3,241)**	(3,143)
Total investment income (loss), net	**$ 36,753**	$ (12,047)

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018, consisted of the following:

	2019	2018	Useful Life
Property and equipment	**$ 167,091**	$ 167,091	5-40 years
Software	**1,990**	1,990	5 years
Total	**169,081**	169,081	
Less: accumulated depreciation	**120,258**	107,618	
Property and Equipment, Net	**$ 48,823**	$ 61,463	

Depreciation expense for the years ended December 31, 2019 and 2018, was $12,640 and $10,365, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

With donor restrictions net assets as of December 31, 2019 and 2018, consisted of the following:

	2019	2018
City of Baltimore - The Children and Youth Grant	**$ 1,040,220**	$ 926,964
Annie E Casey Grant	**120,765**	217,160
EARN MD Program Grant	**-**	76,196
United Way of Central Maryland	**62,500**	62,500
Goldseker Foundation	**1,000**	61,750
BGE Corporation Grant	**15,000**	50,000
Bank of America	**-**	30,000
Other	**17,946**	23,884
Comcast	**-**	15,000
Capital One	**30,500**	-
Total	**$ 1,287,931**	$ 1,463,454

6. LIQUIDITY AND AVAILABILITY

The Organization receives contributions from donors which may or may not be restricted for specific purposes. Financial assets of the Organization are primarily comprised of cash and grants receivable from donors. The Organization structures its financial assets to be available as general expenditure liabilities and other obligations come due.

To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis. Management and the Board have been monitoring the Organization's cash balances to ensure that there is at least 3 months of working capital available throughout the year.

The following table summarizes the Organization's financial assets available, that is without donor or other restrictions limiting their use, for grant obligations and general expenditure within one year of the balance sheet date as of December 31, 2019:

6. LIQUIDITY AND AVAILABILITY (continued)

Cash and cash equivalents	$	**2,887,146**
Investments		**216,614**
Grants receivable, net		**1,278,720**
Loans and note receivable, net		**467,370**
Available financial assets		**4,849,850**
Less financial assets unavailable for expenditures:		
Loans and note receivable not expected to be received within one year		**467,370**
Restricted by donor with time or purpose restrictions		**247,711**
Financial assets unavailable for expenditure		**715,081**
Net available financial assets	**$**	**4,134,769**

7. CONCENTRATION OF RISK

The Organization's primary revenue source is a Federal grant. For the years ended December 31, 2019 and 2018, the Organization earned $12,588,316 and $14,560,550, respectively, from the Grantor, which was 57% and 68%, respectively, of total revenue and support. A reduction in funding level could have a significant impact on the Organization. The Organization's grant from the government provides pass-through funding to providers for services under the HIV Emergency Relief Grant Program – Ryan White. Most grants and cost-reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used.

The Organization also earned $7,444,319 and $4,794,261, respectively, from the City of Baltimore for the years ended December 31, 2019 and 2018, to administer the Baltimore Children and Youth Fund, of which $6,609,780 and $4,625,807 was distributed to grantees and $198,000 and $169,000 was retained by the Organization as management fee revenue. Revenue from the City of Baltimore was 34% and 22%, respectively, of total revenue and support.

Certain expenses of these funds are subject to audit by the Grantor, and to the extent an audit determines any expenses were disallowed, the amount is subject to refund to the Grantor. Management does not believe any refund, if required as of December 31, 2019 and 2018, would be material to the financial statements as a whole.

8. RETIREMENT SAVINGS PLANS

The Thrift Plan is qualified under section 403(b) of the Internal Revenue Code. Employees are eligible to participate after completing one year of service and they must be at least 21 years of age. Total contributions for the years ended December 31, 2019 and 2018, were $13,124 and $14,480, respectively.

9. OPERATING LEASES

On May 11, 2018, the Organization entered into a 6-year and 6-month operating lease for office space for its corporate offices in Baltimore which expires December 31, 2024. The base rent is $9,210 per month, with a 3% escalation clause each year.

Future minimum payments under the lease, as of December 31, 2019, were as follows:

Years Ending December 31,	Amount
2020	$ 115,542
2021	119,010
2022	122,580
2023	126,258
2024	130,044
Total	**$ 613,434**

Rent expense for the years ended December 31, 2019 and 2018 were $119,437 and $80,106, respectively.

SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Associated Black Charities, Inc.

We have audited, 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, the financial statements of Associated Black Charities, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statement of activities and changes in net assets, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2020.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls.

A *deficiency in internal controls* exists when the design or operation of a controls does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal controls, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, MD
August 24, 2020

SB & Company, LLC

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Associated Black Charities, Inc.

Report on Compliance for Each Major Federal Program

We have audited Associated Black Charities, Inc.'s (the Organization) compliance with the types of compliance requirements disclosed in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended December 31, 2019. The Organization's major Federal program is identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2019.

Report on Internal Controls over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal controls over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls over compliance.

A *deficiency in internal controls over compliance* exists when the design or operation of a controls over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal controls over compliance* is a deficiency, or combination of deficiencies in internal controls over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Owings Mills, MD
August 24, 2020

SB & Company, LLC

ASSOCIATED BLACK CHARITIES, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Department / Grant Program	Federal CFDA Number	Pass-through Entity Identification Number	Amount Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Passed through the Baltimore City Health Department:				
HIV Emergency Relief Project Grants	93.914	H89HA00017	**$ 12,022,449**	**$ 12,653,316**

The accompanying notes are an integral part of this schedule.

ASSOCIATED BLACK CHARITIES, INC.

Notes to the Schedule of Expenditures of Federal Awards
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Associated Black Charities, Inc. (the Organization) are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit) for the year ended December 31, 2019. The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant program noted below. The program on the schedule of expenditures of Federal awards represent all Federal award programs for fiscal year 2019 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 100%.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Management has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Major Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Passed through the Baltimore City Health Department:		
HIV Emergency Relief Project Grants	93.914	**$ 12,653,316**

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of the Organization under programs of the Federal government for the year ended December 31, 2019 and is recorded on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance.

ASSOCIATED BLACK CHARITIES, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section I – Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of Independent Public Accountants' Report issued on compliance for major programs	Unmodified
Audit finding disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes

Identification of Major Program:

Major Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Passed through the Baltimore City Health Department:		
HIV Emergency Relief Project Grants	93.914	**$ 12,653,316**

Threshold for distinguishing between Type A and B programs	$ 750,000
Did the Organization qualify as a low risk auditee?	Yes

ASSOCIATED BLACK CHARITIES, INC.

Schedule of Current Year Findings and Questioned Costs
For the Year Ended December 31, 2019

Section II – Financial Statement Findings

Finding 2019-001.

Section III – Federal Award Findings

None noted.

ASSOCIATED BLACK CHARITIES, INC.

Schedule of Current Year Findings and Questioned Costs
For the Year Ended December 31, 2019

Reference Number: 2019-001

All Programs

Significant Deficiency over Financial Reporting

Repeat Finding: No

Criteria
The Organization must maintain an adequate system of internal controls over financial reporting in order to initiate, authorize, record, process, and report financial data reliably in accordance with accounting principles generally accepted in the United States of America.

Condition
During our audit procedures, one (1) adjusting entry was recorded of $133,825, to reduce contribution revenue and increase beginning net assets to eliminate the duplication of revenue and agree December 31, 2018 ending net assets to January 1, 2019 beginning net asset balance. There was an entry of $40,000 recorded during the 2018 audit for the same reason.

Questioned Costs
None.

Cause
The Organization recorded certain contribution revenue transactions to incorrect general ledger accounts.

Effect
The Organization inappropriately recognized revenue for certain contribution revenue transactions. As a result, beginning net assets was understated and contribution revenue was overstated as of December 31, 2019.

Recommendation
The Organization should implement processes and controls to ensure that restricted contributions are properly accounted for and recorded to the appropriate general ledger accounts. The Organization should also consider alternate ways of tracking the restrictions to reduce the amount of journal entries in the general ledger.

Management's Response and Corrective Action Plan
See schedule of corrective action.

Schedule of Corrective Action
For the Year Ended December 31, 2019

ABC

Schedule of Corrective Action
For the Year Ended December 31, 2019

Finding 2019-001: Significant Deficiency over Financial Reporting

Responsible Official's Response and Corrective Action Plan

Management is implementing new controls to ensure that restricted contributions are properly accounted for and recorded to the appropriate general ledger accounts. Management is also revising the process of tracking restrictions to reduce the volume of journal entries recorded in the net asset general ledger accounts.

Planned Implementation Date of Corrective Action

December 2020

Person Responsible for Corrective Action

Ray Salamanca, Controller

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ASSOCIATED BLACK CHARITIES, INC.

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2019

There were no findings noted in the December 31, 2018 single audit report.