

**EDUCARE RESOURCE CENTER, INC.**

---

**GRANT AUDIT  
JANUARY 2023**

OFFICE OF AUDITS AND INVESTIGATIONS  
Prince George's County  
Largo, Maryland

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Letter of Transmittal	
Executive Summary.....	2
Grant Audit Report.....	3
Audit Recommendations.....	12
Statement of Activities.....	14



## THE PRINCE GEORGE'S COUNTY GOVERNMENT

### Office of Audits and Investigations

January 2023

The County Council and County Executive  
of Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations (A&I) to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

We have examined the books and records of

#### **EDUCARE RESOURCE CENTER, INC.,**

for the period January 1, 2019, through June 30, 2021. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted several matters involving the Prince George's County grants to Educare Resource Center Inc., that led us to question whether County grant funds were used for their intended purpose. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to Educare Resource Center, Inc. at this time.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2020 and 2021 Approved Operating Budget.

A handwritten signature in black ink, appearing to read "Turkessa Green".

Turkessa Green, CPA, CIA, CISA  
County Auditor

A handwritten signature in black ink, appearing to read "Larry V Whitehurst Jr."  
Larry Whitehurst Jr., CPA, MBA, CIA  
Audit ManagerA handwritten signature in black ink, appearing to read "Deneen D. Mackall".  
Deneen D. Mackall, MBA, CFE, CIA  
Senior Auditor

## Executive Summary

Educare Resource Center, Inc. (“Educare”) received a total of \$70,000 of grant funds from the Prince George’s County Government (the “County”) between July 2019 and June 2021. During our audit we noted several matters involving the grant funding provided to Educare that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to Educare at this time. A summary of these issues is provided below, and further details can be found in the following report.

- Educare’s Board of Directors did not provide adequate board oversight with respect to having an adequate number of board members, conducting an adequate number of board meetings, and determining the CEO’s compensation.
- Educare lacks sound accounting and internal controls to include segregating key financial duties, establishing/adherence to written policies, maintaining appropriate documentation, and preparing/maintaining complete and accurate financial reports.
- Educare was not in compliance with Federal and State government regulations. The specifics of this non-compliance are as follows:
  - Did not maintain registration in accordance with the Maryland Solicitations Act;
  - Did not issue and file 1099 forms, in accordance with Internal Revenue Service (IRS) guidelines, for payments made to contractors totaling \$600 or more; and
  - Did not file 990 forms in accordance with IRS guidelines for tax-exempt organizations.

Overall Audit Rating	Total County Grant Funding
	\$ 70,000

● No Significant Findings Noted – Opportunities for Improvement Identified
● Some Deficiencies Noted – Eligible for Funding
● Significant Deficiencies Noted – Ineligible for Funding

### **Educare Resource Center, Inc.**

Educare Resource Center, Inc., (“Educare”) is a 501 (c)(3) non-profit organization incorporated and registered with the State of Maryland in 2006. Educare was initially created to offer information and assistance to underserved populations by way of awareness and other forums. However once established, and due to the numerous inquiries from individuals/families the mission of the organization changed to focus on providing community support for all in need of assistance with transitional housing, job search assistance, resume preparation, life skills training, and other supportive services to help individuals lead more productive lives. The organization’s office is located at 7700 Old Branch Avenue D-106 in Clinton, Maryland. Educare reported that it provides the following services to achieve its mission:

➤ **Housing Programs:**

- Supportive Living Program – an affordable housing option for active seniors, veterans and their families that may require assistance with cooking, laundry services, and medication reminders.
- Home Share Program – a short-term housing option for those in need of housing due to life challenges (e.g., recent divorce, foreclosures, employment difficulties etc.).

These housing programs are offered at two (2) locations in Fort Washington and National Harbor Maryland. Applicants are offered private furnished or unfurnished rooms, with lease options of 3, 6, and 12 months. Prices start at \$900/month with utilities such as internet and cable television included. All applicants must be 18 years of age or older and must pass a criminal background check. As of September 2021, the organization reports that it has four (4) tenants in Fort Washington and two (2) tenants in the National Harbor locations.

➤ **Various Support Programs:**

- Life Skills-Workshops and individual/group training sessions to address conflict resolution, healthy eating, and nutrition, cooking, and financial literacy.
- Employment Assistance-Workshops and ongoing support for job search assistance, resume preparation assistance, and interviewing skills development.
- Tutoring/Educational-Tutoring for students, educational training for student teachers, and parent support.
- Read-a-Book- Books from every genre are offered free of charge Monday through Friday to the community to take home, read, and return.

In 2016, Educare established a resource center to further support its program offerings. The center is furnished with conference rooms, a computer lab, training room, library, handicap accessible restroom and kitchenette.

Educare is governed by a volunteer Board of Directors who serve without compensation. The Board is comprised of five (5) members, which is inclusive of Educare’s Chief Executive

Officer (CEO) and Chief Financial Officer (CFO). The Board is responsible for overall policy and direction, and delegates responsibility for daily operations to the CEO.

The Prince George's County Government (the "County") awarded Educare Resource Center, Inc. three (3) grants totaling \$70,000 during FY 2020 and FY 2021. A summary of the grants awarded is as follows:

<b>Disbursement Date</b>	<b>Grant Type<sup>1</sup></b>	<b>Grant Award Amount</b>
06/30/20	FY 20 Local Development	\$ 50,000
06/30/20	FY 20 Non-Departmental	10,000
11/06/20	FY 21 Non-Departmental	10,000
<b>Total Awarded</b>		<b>\$ 70,000</b>

The FY 2020 Local Development grant funding was initially awarded to expand the Home Share program providing veterans and other individuals with an affordable housing option. However, on July 2020, Educare submitted a request to the Local Development Council (LDC) to re-purpose this funding to create a virtual/distance learning program for students. Non-Departmental grant funding was to be utilized for repairs to the organization's Fort Washington and National Harbor Home Share properties and operating costs as it relates to staff salaries, marketing, and liability insurance costs during the pandemic.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objectives of our audit were to: (a) assess the adequacy of the system of internal and management controls over grant funds received and expensed; (b) assess whether grant-related transactions occurred in a manner consistent with the organization's grant request application and other generally accepted business practices; and (c) identify factors inhibiting satisfactory performance in these areas and make recommendations to protect the County's interest concerning grant funds.

The scope included all transactions related to the receipt and disbursement of the total grant funds received from July 1, 2019, through June 30, 2021.

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Educare Resource Center, Inc.;
- Educare Resource Center, Inc. Bylaws and Conflict of Interest Policy;
- Internal Revenue Code/Internal Revenue Service (IRS) Guidelines;

---

<sup>1</sup> Non-departmental grants are designated and allocated by the County Council and included in the non-departmental section of the County budget. Under Maryland Code, Section 9-1A-31 ("Maryland Code"), the Local Development Council awards local impact grants, funds that are a portion of gaming revenue dedicated by law for use primarily in communities within a 3-mile radius of MGM National Harbor (MGM). Effective March 2021, the radius was expanded to within 6-miles of MGM.

- The United States Government Accountability Office Standards for Internal Control publication (GAO-14-704G) (09/14); and
- Maryland Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector.

The audit included interviews with key personnel of Educare Resource Center, Inc. and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of available cash receipts and disbursements documentation;
- Review of the organization's Federal Form 990 returns for 2019; and
- Review of available minutes for meetings held by the Board of Directors.

We examined the books and records maintained by Educare Resource Center, Inc. and included tests of the accounting records and other auditing procedures, as we determined necessary. Our examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to relevant invoices/receipts. The results of our findings are outlined below.

Educare Resource Center, Inc. operates and reports on a calendar year (CY), however our examination was conducted on a fiscal year (FY) basis. The attached Statement of Activities, **Schedule 1**, prepared by A&I shows the financial activities of the organization for the periods ending December 31, 2019, December 31, 2020, and June 30, 2021.

## **FINDINGS, COMMENTS AND RECOMMENDATIONS**

### **INTERNAL CONTROLS AND THE CONTROL ENVIRONMENT**

An organization's control environment should establish the overall tone, awareness, and actions of the board of directors, management, and staff, concerning the importance of internal controls and its role in the organization. In an organization with a good internal control environment, responsibilities are clearly defined, and authority is assigned to specific individuals to permit identification of whether persons are acting within the scope of their authority.

Auditing standards define internal controls as a process designed to provide reasonable assurance that entity objectives will be achieved, including the objectives of reliable financial reporting, compliance with applicable laws, and the effectiveness and efficiency of the organization's service delivery processes. The primary function of internal controls is to provide assurance that errors and irregularities may be discovered with reasonable promptness.

According to the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* ("Standards for Excellence"), nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reports, and safeguards to protect the integrity of the reporting systems.

#### FINDING 1: Lack of Board Oversight

Educare is a small organization with its daily operational and financial decisions made by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). With this structure, it is imperative that the organization has an active, impartial, and full complement of Board Members in place to ensure that organizational and financial decisions are made with adequate oversight and approval. Review of the board meeting minutes, bylaws, and discussions with the CEO revealed the following areas of concern:

- **The organization had an insufficient number of board members to fulfill its responsibilities.** The board currently consists of five (5) members which includes a related director, the CEO. *The Standards of Excellence* ("The Standards") recommends that the board should have no fewer than five (5) independent and unrelated directors. Seven (7) or more directors are preferable.
- **The board conducted an insufficient number of board meetings.** During review of the board meeting minutes we noted that the board conducted a total of two (2) meetings during fiscal year 2019 and 2020. As such, the organization did not meet a minimum of four (4) times a year, as recommended by *The Standards*. Furthermore, the minutes did not address the organization's operations and financial related topics (i.e., review and approval of transactions, or program objectives) which are typically discussed during formal board meetings.
- **The Board does not review and approve the CEO's annual compensation.** We noted that the CEO's approval for compensation and performance evaluation for future salary increases is solely determined by the CEO and CFO with no other board member approval. *The Standards* recommend that the board "*appoint the chief executive, set the executive's compensation, and annually evaluate the executive's performance.*" It should also be noted that the CEO and CFO are related. (See Finding 2 below.)

The Board of Directors have the fundamental responsibility to provide oversight and accountability for the organization. Non-profits that fail to adhere to good governance principles may be at risk of poor management, wastefulness of resources, and public mistrust.

#### FINDING 2: Lack of Segregation, Independence & Potential Conflict of Interest

During review of Educare's organizational structure, written board meeting minutes, and discussions with key personnel regarding their duties and responsibilities, we have determined that a lack of segregation of duties, independence, and potential conflict of interest exists in the following instances:

- The CEO serves as part of senior management in addition to serving on the board. Based on review of the board minutes, it appeared that the CEO was soliciting potential business ventures and subsequently overseeing all decision-making activities. This dual responsibility creates a lack of independence and provides the officer with undue influence as it pertains to determining Educare's goals, objectives, and the overall direction of the organization.

- Board meeting minutes revealed a potential affiliation between the CEO and CFO. In discussions with the two, A & I was informed of the husband/wife relationship. It should be noted that related parties serving on the board is not illegal. However, it is of best practice to avoid or minimize these instances to avoid a conflict of interest and/or the appearance of impropriety.
- Inquiries with the CEO and CFO revealed that the CFO's duties included, maintaining custody of funds, recording all expenditure transactions in the organization's accounting system, and preparing Educare's IRS return (990 Form). Such practice presents a segregation of duties concern. It is important to note that when a lack of segregation exists (i.e., an individual with the sole responsibility of two conflicting tasks) the risk of fraud increases.

As a recommendation, *The Standards* state, “*When an employee of the organization is a voting member of the board, the board is responsible for ensuring that the employee will not be in a position to exercise undue influence.*”

Educare's bylaws state that “*... It is the policy of Educare Resource Center, Inc. as well as a responsibility of the board, that ethical, legal, financial, or other conflicts of interest be avoided and that any such conflicts (where they do arise) do not conflict with the obligations to Educare Resource Center, Inc.*”

Educare's Conflict of Interest Policy states, “*Educare Resource Center, Inc. will manage conflicts of interest by requiring the board members to: avoid conflicts of interest where possible; identify and disclose any conflicts of interest; carefully manage any conflicts of interests; and follow this policy and respond to any breaches.*”

*The United States General Accountability Office Standards for Internal Control* publication also provides guidance to organizations as it relates to segregation of duties concerns. It states that Management should consider “*segregation of duties in designing control activity responsibilities so that incompatible duties are segregated*” and, where such segregation is not practical, Management should design “*alternative control activities to address the risk.*”

It is important to note that if segregation of duties is not practical within an operational process due to limited personnel, management controls should be put in place to address the risk of fraud, waste, or abuse.

#### FINDING 3: Lack of Written Policies and Procedures

A & I requested all written policies and procedures pertaining to the accounting and operational practices within the organization. As a result, we found that the organization did not have any written policies and procedures to address these fundamental areas.

The Maryland Nonprofit Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector states the following:

*“An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization’s allocation of resources to effectively and efficiently fulfill its mission.”*

Furthermore, the Standards for Excellence states that *“Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization’s human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.”*

#### FINDING 4: Inadequate Accounting of Grant Activities

During audit fieldwork, we requested all financial reports utilized by the organization (e.g., statement of activities, statement of financial position, bank reconciliations) that would illustrate an accurate accounting of the grant-related financial transactions that occurred during the audit period. In response, the organization provided a profit and loss statement, bank statements, and a summary of transactions report for the period under audit. A review of the provided documents along with conversations with the CFO revealed the following:

- **Misclassification of Expense Transactions**- The organization utilizes QuickBooks for recordkeeping purposes. In discussions with the CFO, we noted that the organization does not review expense entries in QuickBooks for accuracy and completeness as it pertains to categorizing each expense type. Instead, the organization relies solely on the QuickBooks default settings which may apply an expense category that is not applicable to the organization. We noted 51 transactions that were misclassified by the accounting system and were not reviewed/adjusted by the organization.
- **Missing Expense Transactions**- A comparison of the organization’s supplemental financial report (i.e., summary of transactions report) and provided bank statements revealed 13 missing/unrecorded transactions.
- **Lack of Bank Reconciliations**- The organization did not complete bank reconciliations for any months in the audit period.

Any one of the above observed occurrences can result in the potential to produce financial statements that are unreliable. Sound accounting practices would suggest that there be a system and processes in place that would support basic accounting functions such as bank reconciliations, the input of all financial transactions, and the production of detailed and summary financial reports.

*The Standards state that “... Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization’s financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems. A nonprofit should*

*create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.”*

According to Educare’s bylaws, some of the duties of the Board Treasurer are to “*Have charge of and be responsible for the maintenance of adequate books of account for the Corporation*”.

The lack of an adequate accounting system could create an environment where recordkeeping and financial reporting is vulnerable to gross inaccuracies. As a result of a lack of an adequate accounting system, we had to implement alternative audit procedures that consisted of an analysis of the organization’s bank statements, submitted supporting documentation, and inquiries of the organization’s representatives, to provide a representation of the organization’s financial activities to facilitate our audit procedures.

#### FINDING 5: Lack of Documentation to Support Grant Expenditures

To determine whether Educare’s grant expenses were adequately supported with appropriate documentation (e.g., invoice, receipt, contract/agreement etc.) and aligned with its mission, we utilized the organization’s bank statements, for the period of July 1, 2019, through June 30, 2021. A sample of 61 transactions totaling, \$16,833 or 24% of the total grant funds awarded were selected. The organization was unable to provide supporting documentation (i.e., invoices/receipts) for any of the selected transactions. A summary of these unsupported transactions is illustrated in the table below.

<b>Summary of Unsupported Transactions</b>		
<b>Expense Category</b>	<b>Amount</b>	<b># of Transactions</b>
Food	\$ 3,174.27	14
Loan Payments	1,600.00	3
Payments to Individuals	464.00	8
Vendor/Store Payments	11,595.18	36
<b>Total</b>	<b>\$ 16,833.45</b>	<b>61</b>

Additional information pertaining to each of the above unsupported expense categories is as follows:<sup>2</sup>

- Food Purchases – The only documentation that was provided for these purchases was a copy of a check that was written in the amount of \$1,300 with the description of catering services documented in the memo section.
- Loan Payments – Bank statements indicated several loan payments totaling \$1,600 were made by the organization. The CEO stated that these payments were for a revolving credit

<sup>2</sup> Due to limited documentation, A & I categorized each transaction based on the nature of the expenditure, bank statement description, and input/ conversations with Educare representatives.

account to cover miscellaneous business operating expenses and bank overdrafts, however no documentation was presented to substantiate the business purpose for this account.

- Payments to Individuals – Bank statements detailed eight (8) Cash App payments, totaling \$464 made to various individuals. In discussions with the CEO, she stated that these were payments made to independent contractors for various organizational services conducted on an ad-hoc basis. The CEO also stated that some of these transactions included payments made to family members who served as independent contractors.
- Vendor/Store Payments - There were 36 payments totaling, \$11,595 made to several vendors/retail establishments with no documentation provided to support the expenditure. The amount and bank statement description for some of these payments are as follows:
  - \$3,408 purchase from Metropolitan Craftsman;
  - \$1,254 payment made to PEPCO;
  - \$1,252 purchase from Long Fence;
  - \$1,050 payment made to MPC, LLC;
  - \$ 891 payment made to CCSI;
  - \$ 780 purchase from Bed Bath & Beyond;
  - \$ 366 purchase from Walmart;
  - \$ 282 payment made to Patient First;
  - \$ 270 payment made to The Pad.

Due to the lack of supporting/appropriate documentation and unreliable accounting records, we were unable to determine if each expense was consistent with the organization's mission/purpose.

In the publication on standards for internal controls (GAO-14-704G) (09/14) the Government Accountability Office (GAO) states the following regarding the appropriate documentation of transactions and internal control activities:

*“Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”*

Additionally, Educare's grant award letters required the organization to maintain documentation to support all grant expenditures as a condition of the grant award.

The failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management at the time the transaction was initiated, or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization's mission/purpose. Additionally, without corresponding expense receipts, purchases made by Educare's representatives could be considered personal use and thereby subject to income tax by the IRS.

**FINDING 6: Noncompliance with Federal/State Regulations**

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. The results of our review revealed the following deficiencies:

**Non-compliance with the Maryland Solicitations Act**

The *Maryland Solicitations Act* requires that a charitable organization soliciting in Maryland file documents with the Office of the Secretary of State. Registration is required prior to the commencement of solicitations. To remain in compliance a charitable organization must renew its registration annually. As of February 2022, we found that Educare is no longer in compliance with the Maryland Solicitations Act because the organization has not submitted the information needed to maintain its annual registration. We noted that the organization has not filed an extension request.

**Non-compliance with the Internal Revenue Code**

According to the *Internal Revenue Service (IRS) Guidelines*, a form 1099-MISC/1099-NEC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee conducting business during the calendar year.

A&I requested a form 1099-MISC and 1099-NEC for all individuals that were paid \$600 or more during calendar year(s) 2019 and 2020 along with confirmation that the forms were submitted to the IRS. We were provided with two (2) completed 1099 forms, one from 2019 for \$1,211, and one from 2020 for \$1,135 for contractors that the organization utilized for the requested period. In each year discrepancies were found when comparing payments from the bank statements to the total payment amounts recorded on the 1099 forms. Educare did not provide documentation to support that these forms were filed with the IRS.

We also reviewed the organization's bank statements for the period January 1, 2019, through June 30, 2021, and found 15 payments that appeared to be made to individuals totaling \$600 or more in exchange for services rendered. A summary of these payments is presented in the table below:

<u>Calendar Year(s)</u>	<u># of individuals receiving \$600 or more</u>	<u>Annual Payment Total</u>
2019	5	\$ 4,915
2020	8	\$ 15,621
2021*	2	\$ 3,620

\*Note: Only include payments made during the period January 2021 – June 2021.

Additionally, the Internal Revenue Service requires that most charitable organizations file an annual information return, Form 990. Annual returns are due on the 15<sup>th</sup> day of the 5<sup>th</sup> month after the end of the organization's fiscal year. The organization provided a 990 for calendar year 2019. However, the organization could not provide a filed calendar year 2020 Form 990 or extension request.

It should be noted that the failure to comply with Federal and/or State regulations may result in the assessment of penalties/fees, withdrawal of tax exemption status, or the discontinuance of County funding.

### RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, **we recommend that the County discontinue awarding Educare Resource Center, Inc. grant funding at this time.** The Prince George's County Government should require a refund of any grant funds when an organization is not in compliance with the terms and conditions of the grant award.

Additionally, based on the critical findings noted in this audit, Educare should immediately address the deficiencies identified in this report and implement the following recommendations:

1. Educare Resource Center, Inc. should evaluate and strengthen its Board of Directors to ensure the Board can provide the appropriate oversight of the organization by:
  - a. Increasing the number of Board members, excluding any related directors as recommended by the Standards of Excellence to ensure equal representation of the organization's interest.
  - b. Conducting board meetings a minimum of four (4) times a year to include discussions about operations and financial related topics.
  - c. Conducting board meetings where both the programmatic and financial needs of the organization are addressed. The discussions conducted should be well documented and kept on file to be made available upon request.
2. Educare Resource Center, Inc. should take the necessary steps to ensure that a sound accounting and internal control system is in place to properly account for future funding that it may receive. A strong internal control system includes:
  - a. Segregating key financial duties including authorization, custody, record keeping and reconciliation. It is ideal to arrange the position responsibilities so that one individual does not have control over all key aspects of a transaction or event.
  - b. Written Policies should be established to address the requesting/authorization of financial transactions or receipts and disbursements procedures. Additionally, Educare should adhere to, its conflict-of-interest policy and ensure that the policy addresses the Board of Director's responsibilities as they relate to business, spousal, or blood relationships with any individual in an upper management position within the organization.

- c. Maintaining appropriate documentation to support revenue and expenditure transactions, including but not limited to bank statements, check copies, check registers, signed memoranda of understanding (MOUs), signed employment agreements, signed contract agreements, receipts for travel and entertainment expenses, detail information regarding individual and corporate donor payments and other funds received. Documentation should be maintained for a period of at least three years after the tax return is filed, in accordance with IRS guidelines.
- d. Financial Reporting – A nonprofit organization should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the Board of Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.

3. Educare Resource Center, Inc. should ensure that it is in **full compliance with all local, state, and federal laws** that apply to the organization.

**Schedule 1**

**EDUCARE RESOURCE CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIODS ENDING**  
**DECEMBER 31, 2019, DECEMBER 31, 2020, and JUNE 30, 2021**  
**(CASH BASIS-UNAUDITED)**

	<u>2019</u>	<u>2020</u>	<u>2021*</u>
<b>REVENUES:</b>			
Prince George's County Grant	\$ -	\$ 70,000	\$ -
Other Grants	- -	3,390	- -
Other Income/Loss	108,440	66,181	37,424
<b>Total Revenues</b>	<b>\$ 108,440</b>	<b>\$ 139,571</b>	<b>\$ 37,424</b>
<b>EXPENDITURES:</b>			
Salaries	\$ 16,602	\$ 16,222	\$ 10,876
Meals & Entertainment	3,691	1,736	1,273
Other Miscellaneous	10,246	8,110	4,480
Materials and Supplies	5,941	3,033	2,627
Dues & Subscriptions	180	571	131
Repairs & Maintenance	952	24,688	4,558
Travel & Lodging	1,324	100	- -
Professional Fees	1,683	1,875	150
Postage & Delivery	418	1	34
Advertising & Marketing	180	808	120
Check Payments	14,071	857	3,737
Payments to Individuals	8,903	15,896	5,093
Rent, Utilities & Telephone	18,395	15,900	6,617
Cash Withdrawals	1,029	2,183	- -
Charitable Contributions	333	74	12
Auto Expense & Insurance	5,873	7,182	1,321
Loan Payments	10,350	2,250	- -
Service Fees	624	286	281
<b>Total Expenditures</b>	<b>\$ 100,795</b>	<b>\$ 101,772</b>	<b>\$ 41,310</b>
<b>Excess Revenue Over/(Under) Expenditures</b>	<b>\$ 7,645</b>	<b>\$ 37,799</b>	<b>\$ (3,886)</b>

\* CY 2021 totals represent the remaining six (6) months of the audit period.