

LAUREL ADVOCACY AND REFERRAL
SERVICES, INC.

FINANCIAL REPORT

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Laurel Advocacy and Referral Services, Inc.
Laurel, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Laurel Advocacy and Referral Services, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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 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 audits. We conducted our audits 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 Laurel Advocacy and Referral Services, Inc. as of June 30, 2015 and 2014, 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.

PBMares, LLP

Baltimore, Maryland
February 1, 2016

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
<i>CURRENT ASSETS</i>		
Cash and cash equivalents	\$ 497,374	\$ 474,054
Restricted cash	7,401	6,400
Pledges receivable	27,009	31,278
Grants receivable	57,160	44,465
Other receivables	1,113	2,837
Inventories	16,308	18,831
Prepaid expenses	30,351	33,077
Total current assets	<u>636,716</u>	<u>610,942</u>
<i>PROPERTY AND EQUIPMENT</i>		
Land	89,842	89,842
Building and improvements	533,336	532,096
Furniture and equipment	116,878	104,264
	<u>740,056</u>	<u>726,202</u>
Less accumulated depreciation	<u>(154,158)</u>	<u>(118,544)</u>
	<u>585,898</u>	<u>607,658</u>
 Total assets	 <u>\$ 1,222,614</u>	 <u>\$ 1,218,600</u>

The Notes to Financial Statements are an integral part of these statements.

	2015	2014
LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES</i>		
Accounts payable	\$ 1,565	\$ 264
Accrued payroll and payroll taxes	17,746	19,584
Current portion of mortgage payable	9,781	8,705
Client funds held in trust	<u>7,401</u>	<u>6,400</u>
Total current liabilities	<u>36,493</u>	<u>34,953</u>
<i>LONG-TERM LIABILITIES</i>		
Mortgage payable, net of current portion	<u>71,347</u>	<u>84,372</u>
Total liabilities	<u>107,840</u>	<u>119,325</u>
<i>NET ASSETS</i>		
Unrestricted	919,062	901,598
Temporarily restricted	<u>195,712</u>	<u>197,677</u>
Total net assets	<u>1,114,774</u>	<u>1,099,275</u>
Total liabilities and net assets	<u>\$ 1,222,614</u>	<u>\$ 1,218,600</u>

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
<i>REVENUE, GAINS, AND OTHER SUPPORT</i>			
Special events			
Revenues	\$ 54,799	\$ -	\$ 54,799
Less: donor benefit costs	<u>(11,185)</u>	<u>-</u>	<u>(11,185)</u>
Net support from special events	43,614	-	43,614
Grants	697,221	20,000	717,221
Contributions	151,568	13,504	165,072
Client co-payments	35,242	-	35,242
In-kind contributions	171,337	-	171,337
Other income	147	-	147
Interest income	1,055	-	1,055
Net assets released from restrictions by satisfaction of program requirements	<u>35,469</u>	<u>(35,469)</u>	<u>-</u>
Total revenue, gains, and other support	<u>1,135,653</u>	<u>(1,965)</u>	<u>1,133,688</u>
<i>EXPENSES</i>			
Program services:			
Emergency services	469,697	-	469,697
Housing	<u>525,877</u>	<u>-</u>	<u>525,877</u>
Total program services	995,574	-	995,574
Supporting services:			
Management and general	68,569	-	68,569
Fundraising	<u>54,046</u>	<u>-</u>	<u>54,046</u>
Total supporting services	122,615	-	122,615
Total expenses	<u>1,118,189</u>	<u>-</u>	<u>1,118,189</u>
<i>CHANGE IN NET ASSETS</i>	17,464	(1,965)	15,499
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>901,598</u>	<u>197,677</u>	<u>1,099,275</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 919,062</u>	<u>\$ 195,712</u>	<u>\$ 1,114,774</u>

The Notes to Financial Statements are an integral part of these statements.

2014

Unrestricted	Temporarily Restricted	Total
\$ 63,096	\$ -	\$ 63,096
<u>(12,827)</u>	<u>-</u>	<u>(12,827)</u>
50,269	-	50,269
610,724	-	610,724
184,040	15,014	199,054
37,818	-	37,818
135,466	-	135,466
479	-	479
1,006	-	1,006
<u>50,493</u>	<u>(50,493)</u>	<u>-</u>
<u>1,070,295</u>	<u>(35,479)</u>	<u>1,034,816</u>
480,733	-	480,733
<u>474,074</u>	<u>-</u>	<u>474,074</u>
954,807	-	954,807
57,419	-	57,419
<u>41,824</u>	<u>-</u>	<u>41,824</u>
99,243	-	99,243
<u>1,054,050</u>	<u>-</u>	<u>1,054,050</u>
16,245	(35,479)	(19,234)
<u>885,353</u>	<u>233,156</u>	<u>1,118,509</u>
<u>\$ 901,598</u>	<u>\$ 197,677</u>	<u>\$ 1,099,275</u>

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Emergency Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 169,617	\$ 126,311	\$ 295,928	\$ 28,871	\$ 36,089	\$ 64,960	\$ 360,888
Payroll taxes	16,636	12,388	29,024	2,832	3,540	6,372	35,396
Employee benefits	7,243	5,394	12,637	1,233	1,541	2,774	15,411
Total salaries and related benefits	193,496	144,093	337,589	32,936	41,170	74,106	411,695
Bank fees	-	-	-	633	-	633	633
Children's program	2,013	-	2,013	-	-	-	2,013
Depreciation	16,739	9,616	26,355	5,698	3,561	9,259	35,614
Dues and subscriptions	-	-	-	1,195	-	1,195	1,195
Education assistance	6,708	-	6,708	-	-	-	6,708
Events	-	-	-	-	3,025	3,025	3,025
Food	202,323	-	202,323	-	-	-	202,323
Housing/utilities assistance	-	344,959	344,959	-	-	-	344,959
Insurance	8,590	4,934	13,524	2,924	1,828	4,752	18,276
Interest	1,896	1,089	2,985	646	404	1,050	4,035
Medical assistance	1,468	-	1,468	-	-	-	1,468
Miscellaneous	-	-	-	1,334	-	1,334	1,334
Office expense	5,609	3,222	8,831	1,909	1,193	3,102	11,933
Payroll expenses	1,619	1,206	2,825	275	345	620	3,445
Postage	559	321	880	190	118	308	1,188
Professional fees	8,402	9,952	18,354	16,987	-	16,987	35,341
Repair and maintenance	4,073	2,340	6,413	1,386	867	2,253	8,666
Support services	2,150	-	2,150	-	-	-	2,150
Telephone	2,502	1,437	3,939	852	532	1,384	5,323
Training	4,774	-	4,774	-	-	-	4,774
Transportation	2,063	-	2,063	-	-	-	2,063
Utilities	4,713	2,708	7,421	1,604	1,003	2,607	10,028
Total expenses	\$ 469,697	\$ 525,877	\$ 995,574	\$ 68,569	\$ 54,046	\$ 122,615	\$ 1,118,189

The Notes to Financial Statements are an integral part of these statements.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Emergency Services	Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 198,632	\$ 97,574	\$ 296,206	\$ 24,394	\$ 27,878	\$ 52,272	\$ 348,478
Payroll taxes	19,343	9,502	28,845	2,375	2,715	5,090	33,935
Employee benefits	9,174	4,506	13,680	1,127	1,287	2,414	16,094
Total salaries and related benefits	227,149	111,582	338,731	27,896	31,880	59,776	398,507
Bank fees	-	-	-	1,164	-	1,164	1,164
Children's program	3,340	-	3,340	-	-	-	3,340
Depreciation	20,683	8,915	29,598	3,923	2,140	6,063	35,661
Dues and subscriptions	-	-	-	300	-	300	300
Education assistance	5,334	-	5,334	-	-	-	5,334
Events	-	-	-	-	3,624	3,624	3,624
Food	169,861	-	169,861	-	-	-	169,861
Housing/utilities assistance	-	331,919	331,919	-	-	-	331,919
Insurance	13,789	5,944	19,733	2,615	1,426	4,041	23,774
Interest	2,708	1,167	3,875	514	280	794	4,669
Medical assistance	3,634	-	3,634	-	-	-	3,634
Miscellaneous	-	-	-	598	-	598	598
Office expense	6,642	2,863	9,505	1,260	687	1,947	11,452
Payroll expenses	1,666	818	2,484	205	234	439	2,923
Postage	802	346	1,148	152	83	235	1,383
Professional fees	4,398	4,397	8,795	16,098	-	16,098	24,893
Repair and maintenance	3,345	1,442	4,787	634	346	980	5,767
Support services	1,960	-	1,960	-	-	-	1,960
Telephone	5,614	2,420	8,034	1,065	581	1,646	9,680
Training	1,807	-	1,807	-	-	-	1,807
Transportation	2,755	-	2,755	-	-	-	2,755
Utilities	5,246	2,261	7,507	995	543	1,538	9,045
Total expenses	\$ 480,733	\$ 474,074	\$ 954,807	\$ 57,419	\$ 41,824	\$ 99,243	\$ 1,054,050

The Notes to Financial Statements are an integral part of these statements.

LAUREL ADVOCACY AND REFERRAL SERVICES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,499	\$ (19,234)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	35,614	35,661
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	4,269	(1,145)
Grants receivable	(12,695)	(7,179)
Other receivables	1,724	(2,837)
Prepaid expenses	2,726	(5,059)
Inventories	2,523	(7,665)
Increase (decrease) in liabilities:		
Accounts payable	1,301	(2,347)
Accrued payroll and payroll taxes	(1,838)	2,658
Client funds held in trust	1,001	(3,886)
Net cash provided (used) by operating activities	<u>50,124</u>	<u>(11,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,854)	(1,196)
(Increase) decrease in client funds held in trust	(1,001)	3,886
Net cash provided (used) by investing activities	<u>(14,855)</u>	<u>2,690</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage loan	<u>(11,949)</u>	<u>(7,897)</u>
Net increase (decrease) in cash and cash equivalents	23,320	(16,240)
Cash and cash equivalents, beginning of year	<u>474,054</u>	<u>490,294</u>
Cash and cash equivalents, end of year	<u>\$ 497,374</u>	<u>\$ 474,054</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 4,035</u>	<u>\$ 4,669</u>

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities

Laurel Advocacy and Referral Services, Inc.'s (the "Organization") mission is to enable homeless and low-income people in Laurel who are in crisis to achieve stability and long-term self-sufficiency. Its vision is a community that treats all people with dignity and helps everyone meet their basic needs. The Organization's program areas are:

Emergency Services

The organization provides short-term financial assistance, support services, and referrals to low-income and homeless individuals and families in crisis. Funding comes from a variety of public and private grants, as well as other general contributions. Services include short-term case management, eviction prevention and rental assistance, utility assistance, referrals to long-term services, assistance in obtaining identification cards and birth certificates, clothing and furniture vouchers, employment assistance, holiday and back-to-school programs, and additional homeless supportive services. In addition, the organization also operates a food pantry.

Housing

Through a HUD grant, the Organization provides transitional housing for ten (10) families, at any point in time, for up to twenty-four (24) months. This program provides budgeting and life-skills workshops, employment assistance, transportation, daycare, and referral services for mental health, health, and substance abuse treatment. The Organization has another HUD grant to provide permanent housing for nine (9) disabled individuals who have met the HUD definition for chronic homelessness.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Basis of presentation (continued)

Unrestricted net assets – net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – net assets that result from contributions and grants whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets – net assets that result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The Organization did not have any permanently restricted net assets at June 30, 2015 and 2014, respectively.

Financial risk

The Organization maintains its cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk as to cash.

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Restricted cash

The Organization collects payments from clients each month in an effort to assist in helping them build up savings while they are enrolled in the program. These funds are required to be held in separate accounts and are restricted for clients only. Once the clients have completed the program, they may withdraw their savings.

Pledges receivable

Pledges receivable represent unconditional promises to give which are recognized as contributions when the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are deemed fully collectible by management. As of June 30, 2015 and 2014, pledges receivable are all due within one year.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Grants receivable

Grants receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Grants receivable are written off when deemed uncollectible. Recoveries of grants receivable previously written off are recorded when received. As of June 30, 2015 and 2014, management has determined that no allowance for doubtful accounts is necessary based upon the status and collectibility of grants receivable.

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out method (FIFO) or market.

Fair value of financial instruments

The estimated fair values of financial instruments, consisting principally of cash and cash equivalents, pledges receivable, grants receivable, other receivables, inventories, prepaid expenses, mortgage payable (current portion), accounts payable and accrued expenses, are stated at cost, which approximates fair value because of their short-term nature.

Valuation of long-lived assets

The Organization accounts for the valuation of long-lived assets under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management has determined there is no impairment to be recorded as of June 30, 2015 or 2014.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method, ranging from 3 to 30 years. Depreciation expense was \$35,614 and \$35,661 for the years ended June 30, 2015 and 2014, respectively.

Property and equipment with a cost of \$500 or more, if purchased, or a fair value of \$500 or more at date of donation, if contributed, is generally capitalized. Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred.

Income taxes

The Organization is generally exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions under Section 170(b) (1) (A) (vi) and has been classified as an organization that is not a private foundation under Section 509(a) (1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income for the years ended June 30, 2015 and 2014.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management evaluated the Organization's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

With few exceptions, the Organization is no longer subject to income tax examinations from the U.S. federal, state, or local tax authorities for years before June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Contributions

Contributions received or promised, which includes unconditional promises to give (pledges), are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. In-kind contributions primarily consist of donated food.

All donor-restricted contributions whose restrictions are satisfied in the same restriction period are shown as unrestricted contributions. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Grant revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or when a unit of service is provided for performance grants. Expenditures under federal awards are subject to review by the grantor, which may result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

In-kind contributions

Donated goods and services are reported at fair value in the financial statements when those items are received if they (1) create or enhance non-financial assets or (2) require any specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Organization received donated food and other goods valued at approximately \$171,337 and \$135,466 for the years ended June 30, 2015 and 2014, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Organization's programs and its fundraising campaigns. The value of these donated services does not meet the criteria for recognition and, accordingly, are not recognized in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Functional allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Expenses are charged to program and supporting services on the basis of direct charges, square footage, and periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may vary from those estimates.

Subsequent events

The Organization has evaluated subsequent events through February 1, 2016, the date on which the financial statements were available to be issued.

Note 2. Commitments

Retirement plan

The Organization established a Safe-Harbor contributory plan qualified under Section 401(k) of the Internal Revenue Code in January 2010. The Plan covers all full time employees of the Organization who are at least 18 years of age and have completed three (3) months of service. A participant can contribute a percentage of his/her compensation, which is immediately vested. The Organization makes a Safe Harbor matching contribution of 100% of the participant's elective deferral contributions up to 4% of compensation plus 50% of their elective deferral contributions over 4% up to 6% of compensation. The participant's share of the Organization's contributions is immediately vested. The Organization's contributions were \$10,005 and \$9,875 for the years ended June 30, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 2. Commitments (continued)

Operating leases

The Organization leases apartments for housing clients under various non-cancelable operating leases which expire at various dates through February 2016. Total rental and utilities expense for the years ended June 30, 2015 and 2014 were \$344,959 and \$331,919, respectively. The Organization also has a lease for office equipment. Future minimum lease payments for apartments and equipment are due as follows for the years ending June 30:

2016	\$	27,636
2017		3,800
2018		3,800
2019		633
		<u>35,869</u>

Note 3. Mortgage

The Organization has a mortgage note payable with a bank bearing interest at 4.5% and secured by the land and building. The terms of the loan provide for monthly payments of \$1,040, which include principal and interest, through February 2023. During the years ended June 30, 2015 and 2014, interest expense on the mortgage was \$4,035 and \$4,669, respectively. Future minimum principal payments are as follows for the years ending June 30:

2016	\$	9,781
2017		9,424
2018		9,863
2019		10,322
2020		10,799
Thereafter		<u>30,939</u>
		<u>\$ 81,128</u>

Note 4. Line of Credit

The Organization has a \$100,000 revolving line of credit with a bank. The line of credit bears interest at the bank's prime rate plus 1% and is secured by the Organization's land and building. Monthly payments of interest only are required until March 3, 2018 when the outstanding principal is due. There is no balance outstanding on the line of credit as of June 30, 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2015 and 2014:

	2015	2014
Grant restriction -		
building renovations	\$ 162,208	\$ 182,663
Grant restriction - housing	15,000	-
Grant restriction - food	5,000	-
Time restriction	<u>13,504</u>	<u>15,014</u>
	<u>\$ 195,712</u>	<u>\$ 197,677</u>

Net assets temporarily restricted by grants represent grants which have donor-imposed limitations on their use.

The grant agreement primarily used for the renovation of the building has certain provisions and restrictions, whereby the building and related equipment purchased with proceeds from the grant are to be held for a minimum of five years by the Organization and used for purposes as referenced in the grant agreement. Therefore, these grants are considered temporarily restricted for five years. Depreciation of the building and related equipment will be considered a release from restriction and reclassified to unrestricted net assets each year.

After five years, the remaining amount of the grant will be considered to have satisfied the time restriction. The gross amount of the restricted grants was \$243,865 with \$81,657 and \$61,202 of accumulated depreciation expense as of June 30, 2015 and 2014, respectively.

Other grants are restricted for use for housing and food during the year ending June 30, 2016.

The time restriction on temporarily restricted net assets will expire during the year ending June 30, 2016.