
**Religious Coalition for Emergency
Human Needs, Inc.**

**Financial Statements and
Report of Independent
Certified Public Accountants**

December 31, 2016 and 2015

LSWG
Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS



Linton Shafer Warfield & Garrett, P.A.
Certified Public Accountants & Business Consultants

Report of Independent Certified Public Accountants

To the Board of Directors of
Religious Coalition for Emergency Human Needs, Inc.

We have audited the accompanying financial statements of Religious Coalition for Emergency Human Needs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 Religious Coalition for Emergency Human Needs, Inc. as of December 31, 2016 and 2015, 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.

Linton Shafer Warfield & Garrett, P.A.

October 4, 2017
Frederick, Maryland

Religious Coalition for Emergency Human Needs, Inc.
Statements of Financial Position
December 31,

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 278,926	\$ 343,196
Grants receivable	140,770	156,129
Prepaid expenses	15,114	12,632
Total Current Assets	434,810	511,957
 Property and Equipment, at cost		
Land	31,200	31,200
Building and improvements	1,512,541	1,462,541
Leasehold improvements	106,658	-
Furniture and equipment	75,491	67,564
Construction in progress	-	64,118
Cemetery plot	3,000	3,000
	1,728,890	1,628,423
Less accumulated depreciation	(568,461)	(507,313)
Total Property and Equipment, net	1,160,429	1,121,110
 Other Assets		
Deposits	12,981	6,633
Investments - Endowment fund	53,435	48,365
Certificates of deposit	168,315	167,315
Total Other Assets	234,731	222,313
 Total Assets	\$ 1,829,970	\$ 1,855,380

Liabilities and Net Assets

	<u>2016</u>	<u>2015</u>
Current Liabilities		
Line of credit	\$ 50,000	\$ -
Accounts payable	46,892	76,973
Accrued liabilities	8,239	7,869
Total Current Liabilities	<u>105,131</u>	<u>84,842</u>
Long-Term Liabilities		
Note payable	<u>90,000</u>	<u>90,000</u>
Total Liabilities	<u>195,131</u>	<u>174,842</u>
Net Assets		
Unrestricted	1,342,818	1,449,040
Unrestricted - board designated	180,527	179,502
Temporarily restricted	111,494	51,996
Total Net Assets	<u>1,634,839</u>	<u>1,680,538</u>
Total Liabilities and Net Assets	<u>\$ 1,829,970</u>	<u>\$ 1,855,380</u>

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

Religious Coalition for Emergency Human Needs, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions and grants	\$ 513,581	\$ 962,219	\$ 1,475,800
In-kind contributions	125,374	-	125,374
Special event income	52,887	-	52,887
Less: direct special event costs	(21,070)	-	(21,070)
Investment income	3,679	-	3,679
Other income	4,618	-	4,618
Unrealized gain (loss) on investments	665	-	665
	679,734	962,219	1,641,953
Net assets released from restriction	902,721	(902,721)	-
Total Support and Revenue	1,582,455	59,498	1,641,953
 Expenses:			
Program Services:			
Housing	295,321	-	295,321
Year round shelter	485,923	-	485,923
Family shelter	229,313	-	229,313
Health care services	235,306	-	235,306
Other client services	186,533	-	186,533
Total Program Services	1,432,396	-	1,432,396
 Support Services:			
Fundraising	88,979	-	88,979
Management and general	166,277	-	166,277
Total Support Services	255,256	-	255,256
Total Expenses	1,687,652	-	1,687,652
 Change in Net Assets	 (105,197)	 59,498	 (45,699)
Net Assets, Beginning of Year	1,628,542	51,996	1,680,538
Net Assets, End of Year	\$ 1,523,345	\$ 111,494	\$ 1,634,839

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

Religious Coalition for Emergency Human Needs, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions and grants	\$ 572,349	\$ 858,634	\$ 1,430,983
In-kind contributions	127,172	-	127,172
Special event income	48,097	-	48,097
Less: direct special event costs	(19,193)	-	(19,193)
Investment income	4,279	-	4,279
Other income	3,473	-	3,473
Unrealized gain (loss) on investments	(2,985)	-	(2,985)
	733,192	858,634	1,591,826
Net assets released from restriction	911,143	(911,143)	-
Total Support and Revenue	1,644,335	(52,509)	1,591,826
Expenses:			
Program Services:			
Housing	265,115	-	265,115
Year round shelter	451,310	-	451,310
Family shelter	204,203	-	204,203
Health care services	245,074	-	245,074
Other client services	212,430	-	212,430
Total Program Services	1,378,132	-	1,378,132
Support Services:			
Fundraising	80,337	-	80,337
Management and general	151,287	-	151,287
Total Support Services	231,624	-	231,624
Total Expenses	1,609,756	-	1,609,756
Change in Net Assets	34,579	(52,509)	(17,930)
Net Assets, Beginning of Year	1,593,963	104,505	1,698,468
Net Assets, End of Year	\$ 1,628,542	\$ 51,996	\$ 1,680,538

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

Religious Coalition for Emergency Human Needs, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services						Support Services			Total Expenses
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total	
Salaries	\$ 50,105	\$ 264,546	\$ 149,722	\$ 58,948	\$ 47,386	\$ 570,707	\$ 22,584	\$ 62,453	\$ 655,744	
Payroll taxes	3,819	20,259	11,422	4,503	3,640	43,643	1,750	4,758	50,151	
Fringe benefits	3,996	25,600	5,528	4,935	7,834	47,893	3,842	4,843	56,578	
Temporary help	-	32,095	-	-	-	32,095	-	-	32,095	
Interest	-	-	-	-	-	-	-	513	513	
Repairs and maintenance	2,060	25,630	15,986	2,280	1,773	47,729	-	14,442	62,171	
Supplies	1,681	25,599	19,501	1,777	1,535	50,093	892	2,690	53,675	
Rent assistance	221,727	-	10	-	-	221,737	-	-	221,737	
Utilities	1,258	16,647	4,593	1,470	1,001	24,969	-	1,695	26,664	
Fuel pass through	-	-	-	-	40,382	40,382	-	-	40,382	
Assistance	-	33,582	-	149,553	22,375	205,510	-	-	205,510	
Other client services	-	5,114	-	-	41,227	46,341	-	-	46,341	
Volunteer expenses	3,717	-	-	4,077	3,113	10,907	2,181	8,723	21,811	
Insurance	-	-	-	-	-	-	-	9,682	9,682	
Advertising	-	-	10	-	-	10	1,148	392	1,550	
Depreciation	3,057	30,574	11,007	3,669	4,892	53,199	1,834	6,115	61,148	
Printing	2,252	495	1,324	2,336	1,835	8,242	2,075	3,695	14,012	
Dues and subscriptions	-	3,106	-	-	-	3,106	-	1,854	4,960	
Telephone	807	2,508	4,945	940	767	9,967	652	833	11,452	
Travel	-	-	3,783	-	-	3,783	439	1,250	5,472	
Professional services	-	-	1,482	-	7,960	9,442	47,907	39,279	96,628	
Office expense	842	168	-	818	813	2,641	3,675	1,237	7,553	
Bad debt expense	-	-	-	-	-	-	-	1,823	1,823	
Total Expenses	\$ 295,321	\$ 485,923	\$ 229,313	\$ 235,306	\$ 186,533	\$ 1,432,396	\$ 88,979	\$ 166,277	\$ 1,687,652	

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

Religious Coalition for Emergency Human Needs, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services						Support Services		
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total Expenses
Salaries	\$ 46,337	\$ 230,635	\$ 141,517	\$ 51,533	\$ 50,308	\$ 520,330	\$ 22,754	\$ 61,028	\$ 604,112
Payroll taxes	3,524	17,635	10,728	3,943	3,854	39,684	1,764	4,676	46,124
Fringe benefits	3,292	21,159	3,581	3,885	6,452	38,369	3,449	4,247	46,065
Temporary help	-	37,060	-	-	-	37,060	-	2,050	39,110
Interest	-	-	-	-	-	-	-	-	-
Repairs and maintenance	1,644	23,392	5,114	1,784	1,652	33,586	-	9,805	43,391
Supplies	1,322	24,511	9,726	1,392	1,274	38,225	822	2,172	41,219
Rent assistance	198,020	-	10	-	-	198,030	-	-	198,030
Utilities	1,431	19,153	14,199	1,550	1,333	37,666	-	1,961	39,627
Fuel pass through	-	-	-	-	62,620	62,620	-	-	62,620
Assistance	-	40,051	-	169,982	27,145	237,178	-	-	237,178
Other client services	-	5,901	-	-	35,092	40,993	-	-	40,993
Volunteer expenses	3,568	-	16	3,835	3,655	11,074	2,212	8,847	22,133
Insurance	-	-	-	-	-	-	-	9,742	9,742
Advertising	-	-	1,424	-	-	1,424	2,020	2,050	5,494
Depreciation	2,061	20,747	7,278	2,473	3,297	35,856	1,236	4,121	41,213
Printing	2,331	85	105	2,843	3,222	8,586	1,956	4,098	14,640
Dues and subscriptions	-	2,090	-	-	-	2,090	-	1,361	3,451
Telephone	1,043	2,037	2,364	1,208	1,207	7,859	859	1,119	9,837
Travel and conferences	-	31	7,184	-	-	7,215	-	581	7,796
Professional services	-	6,648	957	-	10,874	18,479	34,196	26,452	79,127
Office expense	542	175	-	646	445	1,808	9,069	833	11,710
Bad debt expense	-	-	-	-	-	-	-	6,144	6,144
Total Expenses	\$ 265,115	\$ 451,310	\$ 204,203	\$ 245,074	\$ 212,430	\$ 1,378,132	\$ 80,337	\$ 151,287	\$ 1,609,756

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

Religious Coalition for Emergency Human Needs, Inc.
Statements of Cash Flows
For the Years Ended December 31,

	2016	2015
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Change in net assets	\$ (45,699)	\$ (17,930)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	61,148	41,213
Unrealized (gain) loss on investments	(665)	2,985
Net change in operating assets and liabilities		
Grants receivable	15,359	(70,361)
Prepaid expenses	(2,482)	2,665
Deposits	(6,348)	-
Accounts payable	(30,081)	56,083
Accrued liabilities	370	(363)
Net cash provided by (used in) operating activities	(8,398)	14,292
Cash flows from investing activities:		
Purchase of property and equipment	(100,467)	(65,485)
Purchase of certificates of deposit	(168,315)	(2,192)
Proceeds from sale of certificates of deposit	167,315	67,856
Purchase of investments	(7,593)	(10,708)
Proceeds from sale of investments	3,188	3,035
Net cash provided by (used in) investing activities	(105,872)	(7,494)
Cash flows from financing activities:		
Net draws (payments) on line of credit	50,000	-
Net cash provided by (used in) financing activities	50,000	-
Net increase (decrease) in cash and cash equivalents	(64,270)	6,798
Cash and cash equivalents, beginning of year	343,196	336,398
Cash and Cash Equivalents at End of Year	\$ 278,926	\$ 343,196
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 513	\$ -
Cash paid for income taxes	\$ -	\$ -

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

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

1. NATURE OF ORGANIZATION

Religious Coalition for Emergency Human Needs, Inc. (the Coalition) is an ecumenical organization which coordinates donations of time, talent, money, food and other resources to meet the urgent needs of people in Frederick County. The Coalition is funded primarily by contributions. The services provided by the Coalition include, but are not limited to: prescription assistance, eviction prevention and the operation of a year round shelter and family shelter for the homeless.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Coalition maintains its accounting records and prepares its financial statements on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) ASC 958-205, which requires the Coalition to report information regarding its financial position and activities according to three classes of net assets.

Unrestricted Net Assets - net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - net assets subject to donor imposed stipulations that may or will be met, either by actions of the Coalition and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions whose restrictions are satisfied in the same year as contributed are reported as unrestricted contributions.

Permanently Restricted Net Assets - net assets subject to donor imposed stipulations that they be maintained permanently by the Coalition to use all or part of the income earned on any related investments for general or specific purposes. The Coalition has no permanently restricted net assets.

Board Designated Net Assets – As of December 31, 2016 and 2015, the Board of Directors has designated \$144,208 and \$143,290 of unrestricted net assets as a general endowment fund to support the mission of the Coalition.

As of December 31, 2016 and 2015, the Board of Directors has designated \$36,319 and \$36,212 of unrestricted net assets for the Cold Weather Shelter. These funds are maintained in separate certificates of deposit. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising - The Coalition expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2016 and 2015 were \$1,550 and \$5,494, respectively.

Cash and Cash Equivalents - Cash includes checking and money market accounts. For purposes of the statement of cash flows, the Coalition considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Functional Expenses - The costs of the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Grants Receivable - Grants receivable are stated at the amount management expects to collect from outstanding balances. The Coalition considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible they will be charged to operations when that determination is made.

In-kind Donations - Contributions of noncash assets are recorded at their fair value in the period received. Contributions of services that would create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Revenue Recognition - The Coalition's primary sources of revenue are derived from contributions and grants. Income is recognized in the period earned. Under FASB 958-605, contributions are recognized when received if they are related to the Coalition's central activities. Income from grants is recognized when earned during the grant period.

Estimates - The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. INCOME TAXES

The Coalition has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c) (3) and is not a private foundation. Therefore, the Coalition is exempt from income taxes with the exception of taxes on any unrelated business income (UBIT). The Coalition has not received any notice from the Internal Revenue Service that would jeopardize its tax exempt status. There was no UBIT, and thus, no income taxes paid in the years ending December 31, 2016 and 2015.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

3. INCOME TAXES (continued)

The Coalition adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Coalition believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Coalition's financial condition, results of operations, or cash flows. Accordingly, the Coalition has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016 or 2015.

The Coalition is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Coalition believes it is no longer subject to income tax examinations for years prior to 2013.

4. INVESTMENTS

Investments are presented in the financial statements at fair market value. Investments consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Endowment fund	\$ 53,435	\$ 48,365
Certificates of deposit	<u>168,315</u>	<u>167,315</u>
Total investments	<u>\$ 221,750</u>	<u>\$ 215,680</u>

Investment income consisted of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 3,679	\$ 4,768
Investment fees	(523)	(489)
Unrealized gain (loss)	<u>(665)</u>	<u>(2,985)</u>
Total investment income	<u>\$ 2,491</u>	<u>\$ 1,294</u>

The Coalition has several certificates of deposit with local financial institutions. Interest rates range from 0.349% to 0.995% and the certificates of deposit mature between December 2018 and February 2019.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

5. COMMUNITY FOUNDATION FUNDS

The Coalition established the endowment fund at the Community Foundation of Frederick County (Community Foundation). Since this fund resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. The endowment fund was established to provide support for the programs, client services and operations of the Coalition as determined by the Board of Directors. The Community Foundation manages the funds' investments and controls the funds' disbursements. The Coalition requests disbursements as needed from the shelter fund. Disbursements from the endowment fund are made annually in the amount of 5% of the fund's market value. The Coalition may choose to keep the disbursement or send it back to the fund as a contribution.

The funds are recorded at their fair market values. The following is a summary of the funds' activity for the years ended December 31:

	2016
	Endowment
	Fund
Balance, beginning of year	\$ 48,365
Contributions	5,300
Reinvestments and earnings	2,293
Fund disbursements	(2,665)
Management fees	(523)
Unrealized gain (loss)	665
Balance, end of year	<u>\$ 53,435</u>

	2015
	Endowment
	Fund
Balance, beginning of year	\$ 43,677
Contributions	9,100
Reinvestments and earnings	1,608
Fund disbursements	(2,546)
Management fees	(489)
Unrealized gain (loss)	(2,985)
Balance, end of year	<u>\$ 48,365</u>

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

6. FAIR VALUE MEASUREMENTS

FASB ASC 820 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization 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;
- 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.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks, corporate bonds and U.S. government securities – valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds – valued at the net asset value (“NAV”) of shares held by the Coalition at year end.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

6. FAIR VALUE MEASUREMENTS (continued)

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Coalition believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Coalition's assets (investments) at fair value as of December 31:

	2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Community Fdn. Endowment fund	\$ 53,435	\$ -	\$ -	\$ 53,435
Certificates of deposit	-	168,315	-	168,315
	<u>\$ 53,435</u>	<u>\$ 168,315</u>	<u>\$ -</u>	<u>\$ 221,750</u>
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Fdn. Endowment fund	\$ 48,365	\$ -	\$ -	\$ 48,365
Certificates of deposit	-	167,315	-	167,315
	<u>\$ 48,365</u>	<u>\$ 167,315</u>	<u>\$ -</u>	<u>\$ 215,680</u>

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 years
Furniture and equipment	3 - 7 years
Leasehold improvements	4 years

The Coalition capitalizes property and equipment purchases greater than \$1,000. Purchases less than this threshold are expensed in the year of acquisition. Depreciation expense was \$61,148 and \$41,213 for the years ended December 31, 2016 and 2015, respectively.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

8. LONG-TERM LIABILITIES

Long-term liabilities consist of a \$90,000 non-interest bearing note payable to Frederick County, Maryland. The note represents funds received to construct the Alan P. Linton, Jr. Emergency Shelter. Repayment is not required as long as the Coalition owns the property and continues to utilize it for affordable housing. As long as these conditions are satisfied, payments of principal are deferred and the note will remain outstanding in perpetuity. Upon default, the entire principal becomes due and payable, interest free. As of December 31, 2016 and 2015, the Coalition is not in default.

9. OPERATING LEASES

The Coalition has an operating lease for an apartment on Market Street to house volunteers. The Coalition's lease arrangement is for a term of one year ending July 2016. The base rent is \$775 per month. Rent expense for the year ended December 31, 2016 and 2015 was \$6,200 and \$9,300, respectively. The Coalition was responsible for utilities and insurance. This lease was not renewed.

The Coalition has an operating lease for a copier. The lease requires sixty monthly payments of \$235. Lease expense for the years ended December 31, 2016 and 2015 was \$1,175 and \$2,820, respectively. The future minimum lease payments due under the lease obligation for the years ended December 31: 2016 - \$1,175.

The Coalition has an operating lease for the Family Shelter. The lease is for a term of five years beginning November 1, 2014 and ending October 31, 2019. The annual lease payment is \$10. The future minimum lease payments due under the lease obligation for the years ended December 31: 2017 - \$10, 2018 - \$10 and 2019 - \$10.

10. LINE OF CREDIT

On August 18, 2015, the Coalition obtained a \$50,000 line of credit with a local bank. The interest rate is calculated as 1% over the prime rate. The line of credit is collateralized by inventory, chattel paper, accounts, equipment and general intangibles. At December 31, 2016 and 2015, the balance on the line of credit was \$50,000 and \$0, respectively.

11. RETIREMENT PLAN

On January 1, 2014, the Coalition adopted the Religious Coalition for Emergency Human Needs 401(k) Profit Sharing Plan and Trust. All employees are eligible to participate in the plan after completing three consecutive months of service and having reached twenty-one years of age. Employees are eligible for employer profit sharing contributions after completing one year of service and 1,000 hours of service. Under the plan participants are permitted to defer a portion of their salary up to the maximum allowed by law.

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11. RETIREMENT PLAN (continued)

The Coalition may make matching contributions to the plan equal to 100% of the deferral contribution up to a maximum of 3% of salary. Retirement expense for the year ended December 31, 2016 and 2015 was \$7,355 and \$7,546, respectively.

12. CONTRIBUTED MATERIALS AND SERVICES

A substantial number of unpaid volunteers have made significant contributions of their time to the establishment, development and operation of the Coalition. In accordance with FASB ASC 958-065, the value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation and therefore, does not meet the criteria of FASB ASC 958-065. Contributed services meeting the criteria are recorded in the accompanying financial statements at their fair market value.

The Coalition also receives various donations of supplies to be either used by the Coalition or distributed to clients. For the years ended December 31, 2016 and 2015, management estimates the annual value of these items at \$125,374 and \$127,172, respectively. This amount has been recorded as a contribution with an offsetting expense.

In 2009, the Coalition received a donation of a family cemetery plot valued at \$3,000. In accordance with the Coalition's accounting policies, the plot was capitalized until such time that it is used or sold.

13. CONCENTRATION OF CREDIT RISK

Cash held by the Coalition in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the Coalition is not exposed to any significant credit risk related to cash.

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14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Year round shelter	\$ -	\$ -
Designated pass-through	2,803	1,796
Fuel fund	11,973	-
Housing fund	-	-
Food banks	15,469	8,778
Christmas fund	6,496	7,310
School supplies	15,761	12,739
Family shelter fund	56,198	18,579
Transportation fund	-	-
Building fund	2,794	2,794
	<u>\$ 111,494</u>	<u>\$ 51,996</u>

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through October 4, 2017, the date the financial statements were available to be issued. There were no subsequent events to report.

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