

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

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

December 31, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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.

August 23, 2018
Frederick, Maryland

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

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 315,967	\$ 278,926
Grants receivable	95,118	140,770
Prepaid expenses	5,681	15,114
Total Current Assets	416,766	434,810
Property and Equipment, at cost		
Land	31,200	31,200
Buildings and improvements	1,585,183	1,512,541
Leasehold improvements	108,458	106,658
Furniture and equipment	74,646	75,491
Cemetery plot	3,000	3,000
	1,802,487	1,728,890
Less accumulated depreciation	(638,709)	(568,461)
Total Property and Equipment, net	1,163,778	1,160,429
Other Assets		
Deposits	13,110	12,981
Investments - endowment fund	63,872	53,435
Certificates of deposit	80,097	168,315
Total Other Assets	157,079	234,731
Total Assets	\$ 1,737,623	\$ 1,829,970

Liabilities and Net Assets

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Line of credit	\$ 50,000	\$ 50,000
Accounts payable	41,776	46,892
Accrued liabilities	9,757	8,239
Total Current Liabilities	<u>101,533</u>	<u>105,131</u>
Long-Term Liabilities		
Note payable	<u>90,000</u>	<u>90,000</u>
Total Liabilities	<u>191,533</u>	<u>195,131</u>
Net Assets		
Unrestricted	1,379,390	1,342,818
Unrestricted - board designated	91,273	180,527
Temporarily restricted	75,427	111,494
Total Net Assets	<u>1,546,090</u>	<u>1,634,839</u>
Total Liabilities and Net Assets	<u>\$ 1,737,623</u>	<u>\$ 1,829,970</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 612,217	\$ 930,160	\$ 1,542,377
In-kind contributions	124,453	-	124,453
Special event income	81,863	-	81,863
Less: direct special event costs	(30,087)	-	(30,087)
Investment income	3,684	-	3,684
Other income	9,710	-	9,710
Unrealized gain (loss) on investments	6,530	-	6,530
	<u>808,370</u>	<u>930,160</u>	<u>1,738,530</u>
Net assets released from restriction	<u>966,227</u>	<u>(966,227)</u>	<u>-</u>
Total Support and Revenue	1,774,597	(36,067)	1,738,530
Expenses:			
Program Services:			
Housing	322,596	-	322,596
Year round shelter	566,356	-	566,356
Family shelter	260,334	-	260,334
Health care services	170,525	-	170,525
Other client services	245,047	-	245,047
Total Program Services	<u>1,564,858</u>	<u>-</u>	<u>1,564,858</u>
Support Services:			
Fundraising	90,791	-	90,791
Management and general	171,630	-	171,630
Total Support Services	<u>262,421</u>	<u>-</u>	<u>262,421</u>
Total Expenses	<u>1,827,279</u>	<u>-</u>	<u>1,827,279</u>
Change in Net Assets	(52,682)	(36,067)	(88,749)
Net Assets, Beginning of Year	<u>1,523,345</u>	<u>111,494</u>	<u>1,634,839</u>
Net Assets, End of Year	<u>\$ 1,470,663</u>	<u>\$ 75,427</u>	<u>\$ 1,546,090</u>

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, 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 Functional Expenses
For the Year Ended December 31, 2017

	Program Services						Support Services		
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total Expenses
Salaries	\$ 70,337	\$ 266,626	\$ 188,518	\$ 45,030	\$ 62,780	\$ 633,291	\$ 26,891	\$ 69,738	\$ 729,920
Payroll taxes	5,372	20,495	14,364	3,462	4,782	48,475	2,011	5,263	55,749
Fringe benefits	6,402	26,040	4,307	3,638	8,551	48,938	3,052	4,200	56,190
Temporary help	-	24,045	-	-	-	24,045	-	-	24,045
Interest	-	-	-	-	-	-	-	1,860	1,860
Repairs and maintenance	4,300	56,484	9,618	3,022	3,914	77,338	-	6,607	83,945
Supplies	4,626	31,201	16,407	2,901	60,445	115,580	2,875	5,929	124,384
Rent assistance	216,847	-	10	-	-	216,857	-	-	216,857
Utilities	1,575	18,040	8,087	955	1,249	29,906	-	1,718	31,624
Fuel pass through	-	-	-	-	40,374	40,374	-	-	40,374
Assistance	-	71,773	-	101,615	25,935	199,323	-	-	199,323
Other client services	-	5,443	-	-	-	5,443	-	-	5,443
Volunteer expenses	3,282	-	-	2,172	2,717	8,171	1,634	6,537	16,342
Insurance	-	-	-	-	-	-	-	13,839	13,839
Advertising	-	20	40	-	-	60	-	332	392
Depreciation	4,126	41,264	14,857	4,952	6,601	71,800	2,475	8,253	82,528
Printing	3,597	210	-	1,639	2,397	7,843	3,360	4,191	15,394
Dues and subscriptions	-	1,868	-	-	60	1,928	280	686	2,894
Telephone	755	2,425	2,164	478	678	6,500	387	560	7,447
Travel	-	16	1,164	-	197	1,377	1,009	5,013	7,399
Professional services	-	230	298	-	23,397	23,925	44,382	34,394	102,701
Office expense	1,377	176	500	661	970	3,684	2,435	1,510	7,629
Bad debt expense	-	-	-	-	-	-	-	1,000	1,000
Total Expenses	\$ 322,596	\$ 566,356	\$ 260,334	\$ 170,525	\$ 245,047	\$ 1,564,858	\$ 90,791	\$ 171,630	\$ 1,827,279

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		
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total Expenses	
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 and conferences	-	-	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.
Statements of Cash Flows
For the Years Ended December 31,

	2017	2016
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Change in net assets	\$ (88,749)	\$ (45,699)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	82,528	61,148
Unrealized (gain) on investments	(6,530)	(665)
Net change in operating assets and liabilities		
Grants receivable	45,652	15,359
Prepaid expenses	9,433	(2,482)
Deposits	(129)	(6,348)
Accounts payable	(5,116)	(30,081)
Accrued liabilities	1,518	370
Net cash provided by (used in) operating activities	38,607	(8,398)
Cash flows from investing activities:		
Purchase of property and equipment	(85,876)	(100,467)
Purchase of certificates of deposit	-	(168,315)
Proceeds from sale of certificates of deposit	88,218	167,315
Purchase of investments	(6,020)	(7,593)
Proceeds from sale of investments	2,112	3,188
Net cash (used in) investing activities	(1,566)	(105,872)
Cash flows from financing activities:		
Net draws (payments) on line of credit	-	50,000
Net cash provided by financing activities	-	50,000
Net increase (decrease) in cash and cash equivalents	37,041	(64,270)
Cash and cash equivalents, beginning of year	278,926	343,196
Cash and Cash Equivalents at End of Year	\$ 315,967	\$ 278,926
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 1,860	\$ 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, 2017 and 2016

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 and grants. The services provided by the Coalition include, but are not limited to: homelessness prevention, prescription assistance 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.

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, 2017 and 2016, the Board of Directors has designated \$74,898 and \$144,208 of unrestricted net assets as a general endowment fund to support the mission of the Coalition. As of December 31, 2017 and 2016, the Board of Directors has designated \$16,375 and \$36,319 of unrestricted net assets for the Year Round Shelter.

All board designated funds are maintained in separate money market accounts and 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, 2017 and 2016

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, 2017 and 2016 were \$392 and \$1,550, 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. Under FASB 958-605, contributions are recognized when received. 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, 2017 and 2016.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016.

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 2014.

4. 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 fund's investments and controls the fund's disbursements. A portion of the endowment fund is disbursed annually. The Coalition may choose to keep the disbursement or send it back to the fund as a contribution.

The endowment fund is recorded at fair market value. The following is a summary of the fund's activity for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 53,435	\$ 48,365
Contributions	3,700	5,300
Reinvestments and earnings	2,319	2,293
Fund disbursements	(1,517)	(2,665)
Management fees	(595)	(523)
Unrealized gain (loss)	<u>6,530</u>	<u>665</u>
Balance, end of year	<u>\$ 63,872</u>	<u>\$ 53,435</u>

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

5. INVESTMENTS AND 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:

Community Foundation endowment fund – funds held by the Community Foundation, invested in publicly traded securities.

Certificates of deposit – valued at cost plus accrued interest, which approximates fair value.

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, 2017 and 2016

5. INVESTMENTS AND 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:

	2017			
	Level 1	Level 2	Level 3	Total
Community Foundation				
Endowment fund	\$ -	\$ 63,872	\$ -	\$ 63,872
Certificates of deposit	-	80,097	-	80,097
	\$ -	\$ 143,969	\$ -	\$ 143,969

	2016			
	Level 1	Level 2	Level 3	Total
Community Foundation				
Endowment fund	\$ -	\$ 53,435	\$ -	\$ 53,435
Certificates of deposit	-	168,315	-	168,315
	\$ -	\$ 221,750	\$ -	\$ 221,750

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

	2017	2016
Dividends and interest	\$ 3,684	\$ 3,679
Investment fees	(595)	(523)
Unrealized gain (loss)	6,530	665
Total investment income	\$ 9,619	\$ 3,821

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

6. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at the estimated fair value. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Furnitures and equipment	5 - 7 years
Leasehold improvements	3 - 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 \$82,528 and \$61,148 for the years ended December 31, 2017 and 2016, respectively.

7. 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, 2017 and 2016, the Coalition is not in default.

8. OPERATING LEASES

The Coalition had an operating lease for an apartment to house volunteers which expired in August 2017. Rent expense for the year ended December 31, 2017 and 2016 was \$5,565 and \$9,380, 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 required sixty monthly payments of \$235 and ended in May 2017. Lease expense for the years ended December 31, 2017 and 2016 was \$1,291 and \$3,066, respectively. Subsequent to May 2017, the Coalition is responsible for only a per-copy premium and maintenance of the copier.

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: 2018 - \$10 and 2019 - \$10.

Religious Coalition for Emergency Human Needs, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

9. 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. The balance on the line of credit as of December 31, 2017 and 2016 was \$50,000.

10. 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.

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, 2017 and 2016 was \$6,553 and \$7,355, respectively.

11. 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, 2017 and 2016, management estimates the annual value of these items at \$124,453 and \$125,374, 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.

12. CONCENTRATION OF CREDIT RISK

Cash and cash equivalents 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 and cash equivalents.

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13. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Designated pass- through	\$ 2,149	\$ 2,803
Fuel fund	17,424	11,973
Food banks	20,556	15,469
Christmas fund	4,021	6,496
School supplies	22,848	15,761
Family shelter fund	-	56,198
Dental fund	4,400	-
Prescription fund	1,235	-
Building fund	<u>2,794</u>	<u>2,794</u>
	<u>\$ 75,427</u>	<u>\$ 111,494</u>

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through August 23, 2018, the date the financial statements were available to be issued. There were no subsequent events to report.