

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

**Financial Statements, Schedule of
Expenditures of Federal Awards and
Independent Auditor's Reports**

**For the Years Ended
December 31, 2020 and 2019**

Independent Auditor's Report

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

Report on the Financial Statements

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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February xx, 2022, on our consideration of Religious Coalition for Emergency Human Needs, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Religious Coalition for Emergency Human Needs, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Religious Coalition for Emergency Human Needs, Inc.'s internal control over financial reporting and compliance.

LSWG, P.A.

Frederick, Maryland

February xx, 2022

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

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 493,369	\$ 166,695
Grants and contributions receivable	999,904	102,302
Prepaid expenses	<u>19,473</u>	<u>24,042</u>
Total Current Assets	<u>1,512,746</u>	<u>293,039</u>
Property and Equipment, at cost		
Land	331,200	331,200
Buildings and improvements	1,840,331	1,678,969
Leasehold improvements	134,003	108,458
Furniture and equipment	97,154	69,904
Cemetery plot	<u>3,000</u>	<u>3,000</u>
	2,405,688	2,191,531
Less accumulated depreciation	<u>(881,760)</u>	<u>(809,535)</u>
Total Property and Equipment, net	<u>1,523,928</u>	<u>1,381,996</u>
Other Assets		
Deposits	13,955	13,955
Investments - endowment fund	90,332	79,611
Cloud computing costs	<u>4,830</u>	<u>24,132</u>
Total Other Assets	<u>109,117</u>	<u>117,698</u>
Total Assets	<u>\$ 3,145,791</u>	<u>\$ 1,792,733</u>

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

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

	<u>Liabilities and Net Assets</u>	
	<u>2020</u>	<u>2019</u>
Current Liabilities		
Line of credit	\$ 190,599	\$ 50,000
Accounts payable	307,794	67,569
Accrued liabilities	36,783	9,927
Finance agreements - current portion	4,830	22,438
Paycheck protection program loan	163,185	-
Deferred revenue	48,788	-
Total Current Liabilities	<u>751,979</u>	<u>149,934</u>
Long-Term Liabilities		
Note payable	90,000	90,000
Finance agreements - net of current portion	-	4,830
Total Long-Term Liabilities	<u>90,000</u>	<u>94,830</u>
Total Liabilities	<u>841,979</u>	<u>244,764</u>
Net Assets		
Without donor restrictions		
Undesignated	1,602,042	1,434,192
Board designated	6,415	6,406
With donor restrictions	<u>695,355</u>	<u>107,371</u>
Total Net Assets	<u>2,303,812</u>	<u>1,547,969</u>
Total Liabilities and Net Assets	<u>\$ 3,145,791</u>	<u>\$ 1,792,733</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 3,433,916	\$ 976,140	\$ 4,410,056
Contributions	652,606	376,624	1,029,230
In-kind contributions	250	-	250
Special event income	38,440	-	38,440
Less: direct special event costs	(19,027)	-	(19,027)
Investment income	7,940	-	7,940
Other income	4,638	-	4,638
Unrealized gain on investments	6,650	-	6,650
	<u>4,125,413</u>	<u>1,352,764</u>	<u>5,478,177</u>
Net assets released from restriction	<u>764,780</u>	<u>(764,780)</u>	<u>-</u>
Total Support and Revenue	4,890,193	587,984	5,478,177
Expenses:			
Program Services:			
Housing	189,097	-	189,097
Year round shelter	477,614	-	477,614
Family shelter	329,865	-	329,865
Health care services	64,567	-	64,567
COVID-19 assistance	3,090,895	-	3,090,895
Other client services	64,394	-	64,394
Total Program Services	<u>4,216,432</u>	<u>-</u>	<u>4,216,432</u>
Support Services:			
Fundraising	157,083	-	157,083
Management and general	348,819	-	348,819
Total Support Services	<u>505,902</u>	<u>-</u>	<u>505,902</u>
Total Expenses	<u>4,722,334</u>	<u>-</u>	<u>4,722,334</u>
Changes in Net Assets	167,859	587,984	755,843
Net Assets, Beginning of Year	<u>1,440,598</u>	<u>107,371</u>	<u>1,547,969</u>
Net Assets, End of Year	<u>\$ 1,608,457</u>	<u>\$ 695,355</u>	<u>\$ 2,303,812</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 94,382	\$ 708,502	\$ 802,884
Contributions	420,347	160,308	580,655
In-kind contributions	424,231	-	424,231
Special event income	52,893	-	52,893
Less: direct special event costs	(23,387)	-	(23,387)
Investment income	9,449	-	9,449
Other income	11,792	-	11,792
Unrealized gain on investments	11,107	-	11,107
	<u>1,000,814</u>	<u>868,810</u>	<u>1,869,624</u>
Net assets released from restriction	<u>856,721</u>	<u>(856,721)</u>	<u>-</u>
Total Support and Revenue	1,857,535	12,089	1,869,624
Expenses:			
Program Services:			
Housing	367,028	-	367,028
Year round shelter	404,824	-	404,824
Family shelter	297,948	-	297,948
Health care services	145,262	-	145,262
Other client services	248,836	-	248,836
Total Program Services	<u>1,463,898</u>	<u>-</u>	<u>1,463,898</u>
Support Services:			
Fundraising	125,170	-	125,170
Management and general	173,459	-	173,459
Total Support Services	<u>298,629</u>	<u>-</u>	<u>298,629</u>
Total Expenses	<u>1,762,527</u>	<u>-</u>	<u>1,762,527</u>
Changes in Net Assets	95,008	12,089	107,097
Net Assets, Beginning of Year	<u>1,345,590</u>	<u>95,282</u>	<u>1,440,872</u>
Net Assets, End of Year	<u>\$ 1,440,598</u>	<u>\$ 107,371</u>	<u>\$ 1,547,969</u>

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, 2020

	Program Services						Support Services		Total Expenses	
	Housing	Year Round Shelter	Family Shelter	Health Care Services	COVID-19 Assistance	Other Client Services	Total	Fundraising		Management & General
Salaries	\$ 35,615	\$ 279,478	\$ 246,660	\$ 10,338	\$ 40,914	\$ 7,220	\$ 620,225	\$ 80,240	\$ 202,068	\$ 902,533
Payroll taxes	2,656	20,987	18,660	750	3,101	543	46,697	6,055	14,493	67,245
Fringe benefits	1,433	36,471	22,978	-	1,660	13,328	75,870	3,088	11,790	90,748
Temporary help	-	26,051	-	-	320,219	-	346,270	-	-	346,270
Interest	-	-	-	-	-	-	-	-	6,522	6,522
Repairs and maintenance	643	36,388	5,603	117	53,583	1,019	97,353	469	14,103	111,925
Supplies	574	11,771	4,205	178	10,126	292	27,146	1,350	1,721	30,217
Rent assistance	132,706	-	-	-	-	-	132,706	-	-	132,706
Utilities	594	22,743	11,724	107	381	1,433	36,982	745	2,277	40,004
Fuel pass through	-	-	-	-	-	9,148	9,148	-	-	9,148
Assistance	9,314	21	(3,314)	48,183	2,638,036	21,673	2,713,913	-	-	2,713,913
Other client services	-	-	-	-	-	-	-	-	6,164	6,164
Volunteer expenses	1,098	-	-	451	720	704	2,973	-	563	3,536
Insurance	-	-	-	-	-	-	-	-	15,272	15,272
Advertising	-	-	-	-	-	-	-	-	52	52
Depreciation	3,609	36,088	13,055	4,331	-	5,774	62,857	2,165	7,201	72,223
Printing	274	2,175	1,930	-	-	36	4,415	790	1,499	6,704
Dues and subscriptions	-	1,081	1,081	-	-	-	2,162	626	2,019	4,807
Telephone	318	3,493	4,472	39	262	90	8,674	567	1,458	10,699
Travel	-	-	2,044	-	21,475	-	23,519	83	557	24,159
Professional services	-	35	178	-	-	3,011	3,224	35,906	48,666	87,796
Cloud computing	-	-	-	-	-	-	-	22,982	11,670	34,652
Office expense	263	832	589	73	418	123	2,298	2,017	724	5,039
Total Expenses	\$ 189,097	\$ 477,614	\$ 329,865	\$ 64,567	\$ 3,090,895	\$ 64,394	\$ 4,216,432	\$ 157,083	\$ 348,819	\$ 4,722,334

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, 2019

	Program Services					Support Services		Total Expenses	
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising		Management & General
Salaries	\$ 115,856	\$ 212,548	\$ 206,522	\$ 46,934	\$ 66,525	\$ 648,385	\$ 19,445	\$ 80,825	\$ 748,655
Payroll taxes	8,897	16,245	15,793	3,624	5,113	49,672	1,488	5,686	56,846
Fringe benefits	12,342	12,791	17,408	4,876	15,468	62,885	921	4,353	68,159
Temporary help	-	25,436	-	-	-	25,436	-	-	25,436
Interest	-	-	-	-	-	-	-	2,340	2,340
Repairs and maintenance	2,910	30,481	3,867	1,181	1,564	40,003	-	12,469	52,472
Supplies	2,817	25,637	23,549	1,043	67,948	120,994	933	2,077	124,004
Rent assistance	212,136	-	-	-	-	212,136	-	-	212,136
Utilities	2,883	21,072	9,250	1,194	1,595	35,994	-	2,139	38,133
Fuel pass through	-	-	-	-	45,496	45,496	-	-	45,496
Assistance	-	5,652	-	78,945	28,912	113,509	-	-	113,509
Other client services	-	3,686	-	-	-	3,686	-	-	3,686
Volunteer expenses	625	-	-	228	346	1,199	-	300	1,499
Insurance	-	-	-	-	-	-	-	13,382	13,382
Advertising	-	65	-	-	-	65	-	581	646
Depreciation	4,608	46,083	16,590	5,530	7,379	80,190	2,765	9,217	92,172
Printing	1,657	120	256	796	857	3,686	789	1,947	6,422
Dues and subscriptions	-	2,161	-	-	-	2,161	-	2,130	4,291
Telephone	835	2,559	3,154	326	448	7,322	460	690	8,472
Travel	-	-	613	-	37	650	445	3,692	4,787
Professional services	-	105	718	-	6,250	7,073	78,156	23,299	108,528
Cloud computing	-	-	-	-	-	-	15,193	7,245	22,438
Office expense	1,462	183	228	585	898	3,356	4,575	1,087	9,018
Total Expenses	\$ 367,028	\$ 404,824	\$ 297,948	\$ 145,262	\$ 248,836	\$ 1,463,898	\$ 125,170	\$ 173,459	\$ 1,762,527

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,

	2020	2019
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Changes in net assets	\$ 755,843	\$ 107,097
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated land	-	(299,999)
Depreciation	72,223	92,172
Unrealized (gain) on investments	(6,650)	(11,107)
Net change in operating assets and liabilities		
Grants and contributions receivable	(897,602)	93,573
Prepaid expenses	4,569	(4,971)
Deposits	-	1
Cloud computing costs	19,302	22,438
Accounts payable	240,225	12,492
Accrued liabilities	26,856	(1,235)
Deferred revenue	48,788	-
Net cash provided by operating activities	263,554	10,461
Cash flows from investing activities:		
Purchase of property and equipment	(214,157)	(54,864)
Proceeds from sale of certificates of deposit	-	10,489
Purchase of investments	(8,800)	(11,532)
Proceeds from sale of investments	4,731	4,412
Net cash (used in) investing activities	(218,226)	(51,495)
Cash flows from financing activities:		
Net draws (payments) on line of credit	140,599	-
Proceeds from paycheck protection program loan	163,185	-
Payments of long-term debt	(22,438)	(30,034)
Net cash provided by (used in) financing activities	281,346	(30,034)
Net increase (decrease) in cash and cash equivalents	326,674	(71,068)
Cash and cash equivalents, beginning of year	166,695	237,763
Cash and Cash Equivalents, End of Year	\$ 493,369	\$ 166,695
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 6,522	\$ 2,340
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 the Financial Statements
December 31, 2020 and 2019

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 Presentation - The financial statements of the Coalition have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - Cash and cash equivalents 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.

Grants and Contributions Receivable – Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. The Coalition considers all receivables 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.

Net Assets - The Coalition reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Contributions are recognized when the donor makes a promise (pledge) to give to the Coalition that is, in substance, unconditional. All contributions are considered to be available for the general programs of the Coalition unless specifically restricted by the donor.

Grants - Revenue from unconditional grants is recognized in the period received or pledged. Conditional grants – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend have been met. Conditional grants received, but not earned, are reported as deferred revenue.

Special Events - Revenue from special events is recognized at the point in time of the transfer or the special event is held.

In-Kind Contributions - 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.

Functional Expenses - The Coalition's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenses that are allocated include compensation and benefits of the Executive Director and office staff, volunteer expenses, office supplies, postage, printing, repairs, maintenance and utilities, all of which are allocated based on estimates of time and effort and the number of clients served; telephone expense, which is allocated based on physical handsets and the number of clients served; occupancy costs and depreciation, which are allocated on a weighted-average square footage basis.

Advertising - The Coalition expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2020 and 2019 was \$52 and \$646, respectively.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019.

The Coalition previously adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles. 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, 2020 and 2019.

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 2017.

4. 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
Furniture and equipment	4 – 7 years
Leasehold improvements	Based on remaining life of the lease

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 \$72,223 and \$92,172 for the years ended December 31, 2020 and 2019, respectively.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

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 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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 79,611	\$ 61,384
Contributions	1,575	3,700
Reinvestments and earnings	7,227	7,832
Fund disbursements	(3,951)	(3,700)
Management fees	(780)	(712)
Unrealized gains	<u>6,650</u>	<u>11,107</u>
Balance, end of year	<u>\$ 90,332</u>	<u>\$ 79,611</u>

6. 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;

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

- Level 2* Inputs to the valuation methodology include: (continued)
- 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.

During the year ended December 31, 2019, the Coalition held a certificate of deposit with a local financial institution with an interest rate of 0.349%. The certificate of deposit was sold during 2019.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, the Coalition's assets (investments) at fair value as of:

December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Foundation				
Endowment fund	<u>\$ -</u>	<u>\$ 90,332</u>	<u>\$ -</u>	<u>\$ 90,332</u>

December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Foundation				
Endowment fund	<u>\$ -</u>	<u>\$ 79,611</u>	<u>\$ -</u>	<u>\$ 79,611</u>
	<u>\$ -</u>	<u>\$ 79,611</u>	<u>\$ -</u>	<u>\$ 79,611</u>

7. LINE OF CREDIT

The Coalition had a \$50,000 line of credit with a local bank. The interest rate was calculated at 1% over the prime rate and was 5.75% at December 31, 2019. The line called for interest only monthly payments, with a balloon payment at maturity. The balance on the line of credit as of December 31, 2019 was \$50,000. The line matured in August 2020 and was not renewed.

In February 2020, the Coalition established a \$200,000 line of credit with a new financial institution. The line is secured by the property acquired in 2019 for the new Family Shelter. The interest rate was 4.00% and the balance was \$190,599 at December 31, 2020. The line matured and was paid off in September 2021.

8. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Coalition applied for and was approved a \$163,185 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at 1%, but payments were not required to begin for ten months after the funding of the loan. The loan was uncollateralized and fully guaranteed by the Federal government. The loan was fully forgiven on March 24, 2021.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

9. LONG-TERM LIABILITIES

Note Payable – The Coalition is party to 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.

Finance Agreements – The Coalition is party to the following non-interest bearing financing agreements:

	<u>2020</u>	<u>2019</u>
Finance agreement for Blackbaud Raiser's Edge and Financial Edge three-year cloud-computing subscriptions in the amount of \$45,579. The agreement matures in August 2020 and requires monthly payments of \$1,899.	\$ -	\$ 15,193
Finance agreement for Blackbaud Wealth Analytics Solutions three-year cloud-computing subscriptions in the amount of \$21,735. The agreement matures in August 2021 and requires monthly payments of \$604.	<u>4,830</u>	<u>12,075</u>
Total outstanding finance agreements	4,830	27,268
Less: current maturities	<u>(4,830)</u>	<u>(22,438)</u>
Total long-term finance agreements	<u>\$ -</u>	<u>\$ 4,830</u>

Aggregate maturities of finance agreements as of December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 4,830
2022	-
2023	-
2024	-
2025	-

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

10. OPERATING LEASES

The Coalition has an operating lease for the Family Shelter. The initial lease term was five years ending October 31, 2019. The annual lease payment is \$10. The lease has been extended until the opening of the Coalition's new Family Shelter being constructed on property it acquired in 2019. The future minimum lease payments due under this lease are \$10 per year until the new shelter opens.

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.

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 years ended December 31, 2020 and 2019 was \$3,568 and \$3,061, 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, 2020 and 2019, management estimates the annual value of these items at \$250 and \$124,232, respectively. This amount has been recorded as a contribution with an offsetting expense.

In 2019, the Coalition settled on the purchase of land and a building from the City of Frederick for \$1. The land was valued at \$300,000. In accordance with the Coalition's accounting policies, \$299,999 has been recorded as a contribution with an offsetting amount in property and equipment - land.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

13. CONCENTRATION OF CREDIT RISK

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. The Coalition had \$264,007 and \$0 in excess of FDIC limits at December 31, 2020 and 2019, respectively. Management believes the Coalition is not exposed to any significant credit risk related to cash and cash equivalents.

Sources of Revenue - During the year ended December 31, 2020, the Coalition received \$3,198,234 of COVID-19 relief grants for emergency rental assistance. These grants represent approximately 58% of total support in 2020. These grants are not expected to be long-term funding sources.

14. NET ASSETS

Board Designated Net Assets

As of December 31, 2020 and 2019, the Board of Directors has designated \$6,415 and \$6,406, respectively of net assets without donor restrictions as a general endowment fund to support the mission of the Coalition. 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 net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Hayward Road project	\$ 526,542	\$ 25,856
Fuel fund	40,019	17,161
School supplies	20,477	17,130
Prescription fund	9,763	14,316
Dental fund	52,723	8,593
Food banks	26,759	8,200
After the Storm	9,970	4,177
Garden fund	-	3,000
Building fund	2,794	2,794
Designated pass- through	2,741	2,697
Year-round shelter	-	2,230
Christmas fund	1,567	1,217
Getting ahead development	2,000	-
	<u>\$ 695,355</u>	<u>\$ 107,371</u>

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Coalition’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long term investment as board designated endowments. The board designated net assets can be drawn upon if the board approves that action.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 493,369	\$ 166,695
Grants and contributions receivable	999,904	102,302
Investments - endowment fund	<u>90,332</u>	<u>79,611</u>
Financial assets, at year end	1,583,605	348,608
 Donor-imposed restrictions:		
Donor-designated funds	(695,355)	(107,371)
Endowments	<u>(90,332)</u>	<u>(79,611)</u>
Net financial assets after donor-imposed restrictions	797,918	161,626
 Less those unavailable for general expenditure within one year, due to:		
Board designated net assets	<u>(6,415)</u>	<u>(6,406)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 791,503</u>	<u>\$ 155,220</u>

As part of its liquidity management, the Coalition structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Coalition applies for grants to cover specific programs and other expenses and considers contributions and fundraising campaigns to cover general mission and operating expenses. The board of directors also periodically approves reducing board designated net assets to cover cash flow needs. In 2020 and 2019, the Board of Directors approved transfers of approximately \$0 and \$16,000, respectively, from board designated funds.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

16. UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The outbreak continues to be an evolving situation and long-term effects on the Coalition cannot be fully estimated at this time.

17. CONTINGENCIES

At December 31, 2020 and 2019, the Coalition was participating in grants funded by government agencies. These grants, as well as other grants and contracts awarded and completed in the past, are subject to compliance audits by grantors. The amounts, if any, of expenditures, which could be disallowed by the granting agency, cannot be determined at this time. The Coalition expects such amounts, if any, to be immaterial.

18. SUBSEQUENT EVENTS

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through February xx, 2022, the date the financial statements were available to be issued. Except for the matters disclosed below, management has determined that no other subsequent events require disclosure in these financial statements.

On January 14, 2021, the Coalition signed a contract with a builder to renovate the existing Hayward Road property. The contract award amount is \$1,804,559.

As discussed in Note 7, the line of credit matured and was paid off in September 2021. Also, as discussed in Note 8, the Paycheck Protection Program (PPP) loan was fully forgiven on March 24, 2021.

On July 22, 2021, the Board of Directors approved changing the year end from December 31st to September 30th to align with the significant influx of revenue the Coalition receives.

On September 24, 2021, the Coalition entered into a loan agreement with Woodsboro Bank for \$2,000,000. The interest rate on the loan is 4%. Interest only payments will be made through September 2024 at which time principal and interest payments will be made until September 2029 when a balloon payment will be due. The proceeds of the loan will be used to renovate the Hayward Road property.

In October 2021 fraud was detected by a Coalition vendor regarding payments made through the emergency rental assistance program in the amount of \$77,195. The Coalition is working with law enforcement and specific measures have been taken to heighten assurance of eligible participants to prevent future issues.

SINGLE AUDIT

Religious Coalition For Emergency Human Needs, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures</i>
<i>Other Programs</i>			
Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Emergency Food and Shelter National Board Program	97.024		\$ 11,220
Total Emergency Food and Shelter National Board Program			11,220
<i>Total Department of Homeland Security</i>			11,220
Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Frederick County Maryland,CV-1-6	24,740
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	City of Frederick Maryland	27,800
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	City of Frederick Maryland	12,469
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			65,009
Emergency Solutions Grant Program			
Emergency Solutions Grant Program	14.231	City of Frederick Maryland	64,889
Total Emergency Solutions Grant Program			64,889
<i>Total Department of Housing and Urban Development</i>			129,898
Department of the Treasury			
Coronavirus Relief Fund			
Coronavirus Relief Fund	21.019	Frederick County Maryland	2,130,144
Coronavirus Relief Fund	21.019	Frederick County Maryland	1,068,090
Total Coronavirus Relief Fund			3,198,234
<i>Total Department of the Treasury</i>			3,198,234
<i>Total Other Programs</i>			3,339,352
<i>Total Expenditures of Federal Awards</i>			\$ 3,339,352

The accompanying notes are an integral part of this schedule

RELIGIOUS COALITION FOR EMERGENCY HUMAN NEEDS, INC.
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2020

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Religious Coalition for Emergency Human Needs, Inc. (a nonprofit organization), under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

MAJOR PROGRAM

Department of the Treasury

CFDA # 21.019 Coronavirus Relief Fund

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the \$150 billion Coronavirus Relief Fund (the “Fund”). Payments must be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) between March 1, 2020, to December 30, 2020. Payments must be used to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. Governments otherwise have broad discretion to utilize payments for expenditures ranging from COVID-19 testing to reimbursing small businesses for the costs of business interruption caused by required closures.

This program provides emergency rental assistance to Frederick County families that are in danger of losing their housing as a result of the COVID-19 crisis.

Because the Schedule presents only a selected portion of the operations of Religious Coalition for Emergency Human Needs, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Religious Coalition for Emergency Human Needs, Inc.

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Religious Coalition for Emergency Human Needs, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance; they utilize the indirect cost rates agreed upon in the applicable grant document.

Independent Auditor's Report
on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Religious Coalition for Emergency Human Needs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February xx, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Religious Coalition for Emergency Human Needs, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Religious Coalition for Emergency Human Needs, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Religious Coalition for Emergency Human Needs, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Religious Coalition for Emergency Human Needs, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-002.

Religious Coalition for Emergency Human Needs, Inc.'s Response to Findings

Religious Coalition for Emergency Human Needs, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Religious Coalition for Emergency Human Needs, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

LSWG, P.A.

Frederick, Maryland
February xx, 2022

Independent Auditor's Report
on Compliance for Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Religious Coalition for Emergency Human Needs, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Religious Coalition for Emergency Human Needs, Inc.'s major federal programs for the year ended December 31, 2020. Religious Coalition for Emergency Human Needs, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Religious Coalition for Emergency Human Needs, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Religious Coalition for Emergency Human Needs, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Religious Coalition for Emergency Human Needs, Inc.'s compliance.

Basis for Qualified Opinion on Assistance Listing Number 21.019 Coronavirus Relief Fund

As described in the accompanying schedule of findings and questioned costs, Religious Coalition for Emergency Human Needs, Inc. did not comply with requirements regarding Assistance Listing Number 21.019 Coronavirus Relief Fund as described in finding 2020-002 for Procurement. Compliance with such requirements is necessary, in our opinion, for Religious Coalition for Emergency Human Needs, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Assistance Listing Number 21.019 Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Religious Coalition for Emergency Human Needs, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number 21.019 Coronavirus Relief Fund for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

Religious Coalition for Emergency Human Needs, Inc.’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Religious Coalition for Emergency Human Needs, Inc.’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Religious Coalition for Emergency Human Needs, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Religious Coalition for Emergency Human Needs, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Religious Coalition for Emergency Human Needs, Inc.’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Religious Coalition for Emergency Human Needs, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Religious Coalition for Emergency Human Needs, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

LSWG, P.A.

Frederick, Maryland
February xx, 2022

RELIGIOUS COALITION FOR EMERGENCY HUMAN NEEDS, INC
Schedule of Findings and Questioned Costs
December 31, 2020

B. Findings – Financial Statements (continued)

In early 2021, the internal governance of timesheet approval/submittal changed to an entirely digital procedure. All staff were trained on how to complete their timesheets through the Paychex portal. Supervisors now digitally approve their employee's hours. The last remaining step is the addition of the Executive Director digitally approving/verifying the hours submitted and paid out, match the time reported. This additional change is currently underway.

C. Findings and Questioned Costs – Major Federal Award

DEPARTMENT OF THE TREASURY

Program Information

CFDA # 21.019 Coronavirus Relief Fund

2020-002 Policies and Procedures

Material Weakness

Criteria: The Code of Federal Regulations (CFR) Section 200.318 and 200.320 require written policies concerning methods of procurement for goods and services.

Condition: The Organization did not have a written procurement policy that included all of the required elements during 2020.

Cause: The Organization is small and while general procedures for the procurement of goods and services have been established, they are not written and do not meet the CFR requirements.

Effect: The Organization is not in compliance with Section 200.318 and 200.320 of the Code of Federal Regulations.

Auditor's Recommendation: We recommend that the Coalition adopt a formal written procurement policy in the format and with the elements required by 2 CFR sections 200.318 to 200.326.

Views of Responsible Officials and Planned Corrective Actions:

The Coalition agrees with the finding. The Coalition had crafted a simple policy to comply with the procurement requirements of Maryland State funding the organization had previously received, however this policy was not sufficient to satisfy the CFR requirements. The Coalition is currently drafting its new procurement policy to satisfy all needed CFR requirements.