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Religious Coalition for Emergency  
Human Needs, Inc.

Financial Statements and  
Independent Auditors' Report

For the Years Ended  
December 31, 2019 and 2018

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**LSWG**  
CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS



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## Independent Auditors' Report

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

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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, 2019 and 2018, 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.

### **Auditors' 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, 2019 and 2018, 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.*

Rockville, Maryland  
October 29, 2020

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

	<u>Assets</u>	
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 166,695	\$ 237,763
Grants and contributions receivable	102,302	195,875
Prepaid expenses	24,042	19,071
Total Current Assets	293,039	452,709
Property and Equipment, at cost		
Land	331,200	31,200
Buildings and improvements	1,678,969	1,627,280
Leasehold improvements	108,458	108,458
Furniture and equipment	69,904	66,730
Cemetery plot	3,000	3,000
	2,191,531	1,836,668
Less accumulated depreciation	(809,535)	(717,363)
Total Property and Equipment, net	1,381,996	1,119,305
Other Assets		
Deposits	13,955	13,956
Investments - endowment fund	79,611	61,384
Certificate of deposit	-	10,489
Cloud computing costs	24,132	46,570
Total Other Assets	117,698	132,399
<b>Total Assets</b>	<b>\$ 1,792,733</b>	<b>\$ 1,704,413</b>

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>2019</u>	<u>2018</u>
Current Liabilities		
Line of credit	\$ 50,000	\$ 50,000
Finance agreements- current portion	22,438	30,035
Accounts payable	67,569	55,077
Accrued liabilities	9,927	11,162
Total Current Liabilities	<u>149,934</u>	<u>146,274</u>
Long-Term Liabilities		
Note payable	90,000	90,000
Finance agreements- net of current portion	4,830	27,267
Total Long-Term Liabilities	<u>94,830</u>	<u>117,267</u>
Total Liabilities	<u>244,764</u>	<u>263,541</u>
Net Assets		
Without donor restrictions		
Undesignated	1,434,192	1,322,816
Board designated	6,406	22,774
With donor restrictions	107,371	95,282
Total Net Assets	<u>1,547,969</u>	<u>1,440,872</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,792,733</u></b>	<b><u>\$ 1,704,413</u></b>

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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
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 (loss) 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	856,721	(856,721)	-
Total Support and Revenue	1,857,535	12,089	1,869,624
<b>Expenses:</b>			
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	1,463,898	-	1,463,898
Support Services:			
Fundraising	125,170	-	125,170
Management and general	173,459	-	173,459
Total Support Services	298,629	-	298,629
Total Expenses	<u>1,762,527</u>	<u>-</u>	<u>1,762,527</u>
<b>Changes in Net Assets</b>	<b>95,008</b>	<b>12,089</b>	<b>107,097</b>
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 Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Grants and contracts	\$ 174,776	\$ 800,021	\$ 974,797
Contributions	397,908	176,578	574,486
In-kind contributions	116,082	-	116,082
Special event income	72,771	-	72,771
Less: direct special event costs	(23,063)	-	(23,063)
Investment income	5,768	-	5,768
Other income	5,319	-	5,319
Unrealized gain (loss) on investments	(6,955)	-	(6,955)
	<u>742,606</u>	<u>976,599</u>	<u>1,719,205</u>
Net assets released from restriction	956,744	(956,744)	-
Total Support and Revenue	1,699,350	19,855	1,719,205
<b>Expenses:</b>			
Program Services:			
Housing	395,519	-	395,519
Year round shelter	481,737	-	481,737
Family shelter	266,323	-	266,323
Health care services	163,772	-	163,772
Other client services	265,039	-	265,039
Total Program Services	1,572,390	-	1,572,390
Support Services:			
Fundraising	69,449	-	69,449
Management and general	182,584	-	182,584
Total Support Services	252,033	-	252,033
Total Expenses	1,824,423	-	1,824,423
Changes in Net Assets	(125,073)	19,855	(105,218)
Net Assets, Beginning of Year	<u>1,470,663</u>	<u>75,427</u>	<u>1,546,090</u>
Net Assets, End of Year	<u>\$ 1,345,590</u>	<u>\$ 95,282</u>	<u>\$ 1,440,872</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, 2019**

	Program Services						Support Services		
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total Expenses
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
<b>Total Expenses</b>	<b>\$ 367,028</b>	<b>\$ 404,824</b>	<b>\$ 297,948</b>	<b>\$ 145,262</b>	<b>\$ 248,836</b>	<b>\$ 1,463,898</b>	<b>\$ 125,170</b>	<b>\$ 173,459</b>	<b>\$ 1,762,527</b>

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, 2018**

	Program Services						Support Services			Total
	Housing	Year Round Shelter	Family Shelter	Health Care Services	Other Client Services	Total	Fundraising	Management & General	Total Expenses	
Salaries	\$ 105,918	\$ 235,918	\$ 194,673	\$ 45,239	\$ 58,691	\$ 640,439	\$ 22,354	\$ 68,899	\$ 731,692	
Payroll taxes	7,903	18,190	14,916	3,357	4,262	48,628	1,866	5,376	55,870	
Fringe benefits	16,828	9,296	7,797	6,502	13,500	53,923	1,333	3,468	58,724	
Temporary help	-	26,881	-	-	-	26,881	-	-	26,881	
Interest	-	-	-	-	-	-	-	2,977	2,977	
Repairs and maintenance	3,162	34,301	3,700	1,154	1,525	43,842	-	11,757	55,599	
Supplies	4,119	35,033	11,280	1,367	66,419	118,218	1,452	3,803	123,473	
Rent assistance	243,396	-	-	-	-	243,396	-	-	243,396	
Utilities	2,555	20,429	10,397	989	1,195	35,565	-	2,036	37,601	
Fuel pass through	-	-	-	-	42,563	42,563	-	-	42,563	
Assistance	-	46,870	-	96,531	59,278	202,679	-	-	202,679	
Other client services	-	3,904	-	-	-	3,904	-	-	3,904	
Volunteer expenses	1,551	-	-	912	748	3,211	144	1,198	4,553	
Insurance	-	-	-	-	-	-	-	14,563	14,563	
Advertising	-	-	30	-	-	30	-	263	293	
Depreciation	4,480	44,801	16,128	5,376	7,168	77,953	2,688	8,961	89,602	
Printing	2,717	43	243	1,103	1,310	5,416	3,042	2,659	11,117	
Dues and subscriptions	-	-	-	-	-	-	-	2,231	2,231	
Telephone	1,337	2,754	2,449	524	731	7,795	425	734	8,954	
Travel and conferences	-	144	1,617	-	121	1,882	355	1,542	3,779	
Professional services	-	150	198	-	6,792	7,140	23,145	30,619	60,904	
Staff development	-	2,855	-	-	-	2,855	-	9,812	12,667	
Cloud computing	-	-	-	-	-	-	10,372	10,372	20,744	
Office expense	1,553	168	2,895	718	736	6,070	2,273	1,314	9,657	
<b>Total Expenses</b>	<b>\$ 395,519</b>	<b>\$ 481,737</b>	<b>\$ 266,323</b>	<b>\$ 163,772</b>	<b>\$ 265,039</b>	<b>\$ 1,572,390</b>	<b>\$ 69,449</b>	<b>\$ 182,584</b>	<b>\$ 1,824,423</b>	

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,**

	2019	2018
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 107,097	\$ (105,218)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Donated land	(299,999)	-
Depreciation	92,172	89,602
Unrealized (gain) loss on investments	(11,107)	6,955
<b>Net change in operating assets and liabilities</b>		
Grants and contributions receivable	93,573	(100,757)
Prepaid expenses	(4,971)	(13,390)
Deposits	1	(846)
Cloud computing costs	22,438	20,744
Accounts payable	12,492	13,301
Accrued liabilities	(1,235)	1,405
<b>Net cash provided by (used in) operating activities</b>	10,461	(88,204)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(54,864)	(45,129)
Proceeds from sale of certificates of deposit	10,489	69,608
Purchase of investments	(11,532)	(8,588)
Proceeds from sale of investments	4,412	4,121
<b>Net cash provided by (used in) investing activities</b>	(51,495)	20,012
<b>Cash flows from financing activities:</b>		
Payments of long-term debt	(30,034)	(10,012)
<b>Net cash (used in) financing activities</b>	(30,034)	(10,012)
<b>Net (decrease) in cash and cash equivalents</b>	(71,068)	(78,204)
<b>Cash and cash equivalents, beginning of year</b>	237,763	315,967
<b>Cash and Cash Equivalents, End of Year</b>	\$ 166,695	\$ 237,763
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 2,340	\$ 2,977
Cash paid for income taxes	\$ -	\$ -
<b>Supplemental Disclosure of Non Cash Operating and Financing Transactions:</b>		
Cloud computing subscriptions purchased with financing	\$ -	\$ 21,735

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, 2019 and 2018**

**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**

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**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, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Board Designated Net Assets** - As of December 31, 2019 and 2018, the Board of Directors has designated \$6,406 and \$6,359, respectively of net assets without donor restrictions as a general endowment fund to support the mission of the Coalition and \$-0- and \$16,415, respectively 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 net assets without donor restrictions~~

**Contributions** - Contributions are recognized when the donor makes a promise (pledge) to give 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, 2019 and 2018 was \$646 and \$293, respectively.

Religious Coalition for Emergency Human Needs, Inc.  
Notes to the Financial Statements  
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Recently Issued Accounting Standards - The Financial Accounting Standards Board (FASB) issued several Accounting Standard Updates (ASU) that were adopted by the Coalition effective January 1, 2019 and are being applied prospectively from that point. ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities, Financial Instruments – Overall (Subtopic 825-10)* enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The Update addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The adoption of these ASU's resulted in no changes to beginning net assets and the application resulted in no significant changes for the year ended December 31, 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, 2019 and 2018.

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, 2019 and 2018.

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 2016.

**Religious Coalition for Emergency Human Needs, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**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 \$92,172 and \$89,602 for the years ended December 31, 2019 and 2018, respectively.

**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:

	2019	2018
Balance, beginning of year	\$ 61,384	\$ 63,872
Contributions	3,700	3,700
Reinvestments and earnings	7,832	4,888
Fund disbursements	(3,700)	(3,438)
Management fees	(712)	(683)
Unrealized gain (loss)	11,107	(6,955)
Balance, end of year	<u>\$ 79,611</u>	<u>\$ 61,384</u>

Religious Coalition for Emergency Human Needs, Inc.  
Notes to the Financial Statements  
December 31, 2019 and 2018

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:

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*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.

Religious Coalition for Emergency Human Needs, Inc.  
Notes to the Financial Statements  
December 31, 2019 and 2018

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

During the years ended December 31, 2019 and 2018, the Coalition held a certificate of deposit with a local financial institution. The interest rate on this certificate was 0.349%. The certificate 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.

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

2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Foundation				
Endowment fund	\$ -	\$ 61,384	\$ -	\$ 61,384
Certificates of deposit	-	10,489	-	10,489
	<u>\$ -</u>	<u>\$ 71,873</u>	<u>\$ -</u>	<u>\$ 71,873</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 and 2018 was \$50,000. The line matured in August 2020 and was not renewed.

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8. 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. As of December 31, 2019 and 2018, the Coalition is not in default.

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

	<u>2019</u>	<u>2018</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	\$ 37,982
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>12,075</u>	<u>19,320</u>
Total outstanding finance agreements	27,268	57,302
Less: current maturities	<u>(22,438)</u>	<u>(30,035)</u>
Total long-term finance agreements	<u>\$ 4,830</u>	<u>\$ 27,267</u>

Aggregate maturities of finance agreements as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 22,438
2021	4,830
2022	-
2023	-
2024	-

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**9. 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 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.

**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, 2019 and 2018 was \$3,061 and \$3,280, 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, 2019 and 2018, management estimates the annual value of these items at \$124,232 and \$116,082, 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.

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**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.

**13. NET ASSETS WITH DONOR RESTRICTIONS**

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

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	<u>2019</u>	<u>2018</u>
Hayward Road	\$ 25,856	\$ -
Fuel fund	17,161	21,065
School supplies	17,130	13,038
Prescription fund	14,316	13,164
Dental fund	8,593	-
Food banks	8,200	1,665
After the Storm	4,177	-
Garden fund	3,000	-
Building fund	2,794	2,794
Designated pass- through	2,697	4,209
Year-round shelter	2,230	-
Christmas fund	1,217	2,333
Family shelter fund	-	31,241
Leadership development	-	5,773
	<u>\$ 107,371</u>	<u>\$ 95,282</u>

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14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Coalition's financial assets as of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 166,695	\$ 237,763
Grants and accounts receivable	102,302	195,875
Investments - endowment fund	79,611	61,384
Certificate of deposit	<u>-</u>	<u>10,489</u>
Financial assets, at year end	348,608	505,511
Donor-imposed restrictions:		
Donor-designated funds	(107,371)	(95,282)
Endowments	<u>(79,611)</u>	<u>(61,384)</u>
Net financial assets after donor-imposed restrictions	161,626	348,845
Less those unavailable for general expenditure within one year, due to:		
Board designated net assets	<u>(6,406)</u>	<u>(22,774)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 155,220</u>	<u>\$ 326,071</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 2019 and 2018, the board approved transfers of approximately \$16,000 and \$70,000, respectively, from board designated funds.

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**15. SUBSEQUENT EVENTS**

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through October 29, 2020, 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.

The COVID-19 pandemic is disrupting supply chains and affecting production and sales across a range of businesses and industries. The extent of the impact of COVID-19 on the Coalition's operational and financial performance will depend on certain developments, including the duration of the pandemic and the impact on grantors, employees and vendors, all of which are uncertain. Any financial impact cannot be reasonably estimated at this time.

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 and expires in February 2021.

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 accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Since the outbreak of pandemic, the Coalition has been awarded funding specifically related to COVID-19 relief, including:

- Memorandum of Understanding for approximately \$2,200,000 with Frederick County for providing emergency rental assistance to residents of Frederick City and Frederick County.
- Agreement for approximately \$830,000 with the City of Frederick for emergency rental assistance to residents of the City of Frederick.