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

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

**For the Period January 1, 2021
through September 30, 2021 and the
Year Ended December 31, 2020**

LSWG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**



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 September 30, 2021 and December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the nine and twelve month periods 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 audit 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 September 30, 2021 and December 31, 2020 and the changes in its net assets and its cash flows for the nine and twelve month periods 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 November 14, 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.

Rockville, Maryland
November 14, 2022

Religious Coalition for Emergency Human Needs, Inc.
Statements of Financial Position
September 30, 2021 and December 31, 2020

Assets

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 753,958	\$ 493,369
Grants and contributions receivable	472,303	729,042
Pledges receivable - current	223,685	215,012
Prepaid expenses	12,090	19,473
Total Current Assets	<u>1,462,036</u>	<u>1,456,896</u>
Property and Equipment, at cost		
Land	331,200	331,200
Buildings and improvements	1,622,472	1,840,331
Leasehold improvements	134,003	134,003
Furniture and equipment	97,154	97,154
Construction in progress	1,547,666	-
Cemetery plot	3,000	3,000
	<u>3,735,495</u>	<u>2,405,688</u>
Less accumulated depreciation	<u>(936,376)</u>	<u>(881,760)</u>
Total Property and Equipment, net	<u>2,799,119</u>	<u>1,523,928</u>
Other Assets		
Deposits	13,955	13,955
Investments - endowment fund	102,219	90,332
Pledges receivable - long term	530,906	55,850
Cloud computing costs	-	4,830
Deferred financing fees	44,783	-
Total Other Assets	<u>691,863</u>	<u>164,967</u>
Total Assets	<u>\$ 4,953,018</u>	<u>\$ 3,145,791</u>

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

Religious Coalition for Emergency Human Needs, Inc.
Statements of Financial Position (continued)
September 30, 2021 and December 31, 2020

Liabilities and Net Assets

	September 30, 2021	December 31, 2020
	<hr/>	<hr/>
Current Liabilities		
Line of credit	\$ 841,143	\$ 190,599
Accounts payable	111,921	307,794
Accrued liabilities	28,948	36,783
Finance agreements - current portion	-	4,830
Paycheck protection program loan	-	163,185
Deferred revenue	604,857	48,788
Total Current Liabilities	<hr/> 1,586,869	<hr/> 751,979
 Long-Term Liabilities		
Note payable	<hr/> 90,000	<hr/> 90,000
Total Long-Term Liabilities	<hr/> 90,000	<hr/> 90,000
 Total Liabilities	<hr/> 1,676,869	<hr/> 841,979
 Net Assets		
Without donor restrictions		
Undesignated	1,163,513	1,602,042
Board designated	6,415	6,415
With donor restrictions	<hr/> 2,106,221	<hr/> 695,355
Total Net Assets	<hr/> 3,276,149	<hr/> 2,303,812
 Total Liabilities and Net Assets	 <u><u>\$ 4,953,018</u></u>	 <u><u>\$ 3,145,791</u></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 Nine-Months Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 7,501,285	\$ 860,009	\$ 8,361,294
Contributions	251,518	1,094,245	1,345,763
In-kind contributions	716	-	716
Investment income	11,626	-	11,626
Other income	164,760	-	164,760
Unrealized gain (loss) on investments	1,555	-	1,555
	<u>7,931,460</u>	<u>1,954,254</u>	<u>9,885,714</u>
Net assets released from restriction	<u>543,388</u>	<u>(543,388)</u>	<u>-</u>
Total Support and Revenue	8,474,848	1,410,866	9,885,714
Expenses:			
Program Services:			
Housing	308,937	-	308,937
Year round shelter	305,313	-	305,313
Family shelter	215,748	-	215,748
Health care services	35,740	-	35,740
COVID-19 relief	1,391,207	-	1,391,207
COVID-19 assistance	5,906,161	-	5,906,161
Other client services	230,863	-	230,863
Total Program Services	<u>8,393,969</u>	<u>-</u>	<u>8,393,969</u>
Support Services:			
Fundraising	145,927	-	145,927
Management and general	<u>373,481</u>	<u>-</u>	<u>373,481</u>
Total Support Services	<u>519,408</u>	<u>-</u>	<u>519,408</u>
Total Expenses	<u>8,913,377</u>	<u>-</u>	<u>8,913,377</u>
Changes in Net Assets	(438,529)	1,410,866	972,337
Net Assets, Beginning of Year	<u>1,608,457</u>	<u>695,355</u>	<u>2,303,812</u>
Net Assets, End of Year	<u>\$ 1,169,928</u>	<u>\$ 2,106,221</u>	<u>\$ 3,276,149</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, 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 (loss) 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 Functional Expenses
For the Nine-Months Ended September 30, 2021

	Program Services							Support Services		Total Expenses	
	Housing	Year Round Shelter	Family Shelter	Health Care Services	COVID-19 Relief	COVID Rental Assistance	Other Client Services	Total	Fundraising		Management & General
Salaries	\$ 32,235	\$ 176,697	\$ 156,555	\$ 10,477	\$ 9,431	\$ 79,192	\$ 12,050	\$ 476,637	\$ 78,863	\$ 143,884	\$ 699,384
Payroll taxes	2,494	13,669	11,099	810	730	6,126	932	35,860	6,101	12,142	54,103
Fringe benefits	4,346	20,830	12,916	1,235	1,397	9,901	1,706	52,331	10,267	20,055	82,653
Temporary help	-	13,256	-	-	137,060	-	-	150,316	-	-	150,316
Interest	-	-	-	-	-	-	9,196	9,196	-	-	9,196
Repairs and maintenance	238	22,786	5,326	77	36,069	584	89	65,169	581	19,018	84,768
Supplies	223	4,874	3,295	72	590	2,455	100	11,609	565	9,455	21,629
Utilities	118	19,064	6,187	38	35	2,025	2,694	30,161	289	2,995	33,445
Bad debt expense	-	-	-	-	-	-	-	-	-	3,324	3,324
Assistance	266,200	515	5,233	19,639	1,193,275	5,746,780	173,230	7,404,872	-	3,459	7,408,331
Other client services	-	-	-	-	10	-	7,270	7,280	-	6,799	14,079
Volunteer expenses	-	-	-	-	-	-	-	-	-	193	193
Insurance	-	-	-	-	-	-	1,082	1,082	-	15,001	16,083
Advertising	-	-	-	-	-	-	-	-	-	113	113
Depreciation	2,731	27,307	9,831	3,277	-	-	4,369	47,515	1,638	5,463	54,616
Printing	221	1,213	1,075	72	-	544	1,505	4,630	8,420	2,856	15,906
Dues and subscriptions	-	2,161	45	-	-	-	-	2,206	1,141	6,580	9,927
Telephone	-	1,465	3,384	-	-	-	-	4,849	-	4,069	8,918
Travel	-	-	75	-	-	-	-	75	55	707	837
Professional services	-	756	89	-	12,507	58,231	16,500	88,083	33,233	116,713	238,029
Office expense	131	720	638	43	103	323	140	2,098	4,774	655	7,527
Total Expenses	\$ 308,937	\$ 305,313	\$ 215,748	\$ 35,740	\$ 1,391,207	\$ 5,906,161	\$ 230,863	\$ 8,393,969	\$ 145,927	\$ 373,481	\$ 8,913,377

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	-	1,693	2,715,606
Other client services	-	-	-	-	-	-	-	-	4,471	4,471
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.
Statements of Cash Flows
For the Nine Months ended September 30, 2021 and
the Year ended December 31, 2020

	September 30, 2021	December 31, 2020
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Changes in net assets	\$ 972,337	\$ 755,843
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	54,616	72,223
Unrealized (gain) on investments	(1,555)	(6,650)
Bad debt	3,324	-
Paycheck protection program loan forgiveness	(163,185)	-
Net change in operating assets and liabilities		
Grants and contributions receivable	253,415	(626,740)
Pledges receivable	(483,729)	(270,862)
Prepaid expenses	7,383	4,569
Cloud computing costs	4,830	19,302
Deferred financing fees	(44,783)	-
Accounts payable	(195,873)	240,225
Accrued liabilities	(7,835)	26,856
Deferred revenue	556,069	48,788
Net cash provided by operating activities	955,014	263,554
Cash flows from investing activities:		
Purchase of property and equipment	(1,329,807)	(214,157)
Purchase of investments	(11,055)	(8,800)
Proceeds from sale of investments	723	4,731
Net cash (used in) investing activities	(1,340,139)	(218,226)
Cash flows from financing activities:		
Net draws (payments) on line of credit	650,544	140,599
Proceeds from paycheck protection program loan	-	163,185
Payments of long-term debt	(4,830)	(22,438)
Net cash provided by financing activities	645,714	281,346
Net increase in cash and cash equivalents	260,589	326,674
Cash and cash equivalents, beginning of year	493,369	166,695
Cash and Cash Equivalents, End of Year	\$ 753,958	\$ 493,369
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 9,196	\$ 6,522
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
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

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.

Promises to Give – The Coalition recognizes pledges receivable at fair value when an unconditional promise to give is received. Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Management estimates an allowance for uncollectible pledges receivable based on current economic conditions, historical trends, and current and past experience with the Coalition’s donor base. No allowance was deemed necessary for pledges receivable as they were deemed to be fully collectible by management.

Contributions – Unconditional contributions are recognized when received, conditional contributions are recognized when performance or other barriers and rights of return have been met.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 office staff, volunteer expenses, office supplies, postage, printing, facility and equipment expenses, repairs, maintenance and utilities, all of which are allocated based on estimates of time and effort.

Advertising - The Coalition expenses advertising costs as they are incurred. Total advertising expense for the nine month period ended September 30, 2021 and the year ended December 31, 2020 was \$113 and \$52, 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.

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 nine month period ended September 30, 2021 and year ending December 31, 2020.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

3. INCOME TAXES (continued)

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 effect 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 September 30, 2021 and December 31, 2020.

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 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 \$54,616 and \$72,223 for the nine month period ended September 30, 2021 and the year ended December 31, 2020, respectively.

Certain property owned by the organization was purchased in whole or in part through the use of grants. According to the terms of such grants, the use and ultimate disposition of these assets within a specified time period is restricted.

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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

5. COMMUNITY FOUNDATION FUNDS (continued)

The endowment fund is recorded at fair market value. The following is a summary of the fund's activity for the nine months and year ended:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Balance, beginning of year	\$ 90,332	\$ 79,611
Contributions	2,200	1,575
Reinvestments and earnings	8,855	7,227
Fund disbursements	-	(3,951)
Management fees	(723)	(780)
Unrealized gains	<u>1,555</u>	<u>6,650</u>
Balance, end of year	<u>\$ 102,219</u>	<u>\$ 90,332</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;
- 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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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.

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:

September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Community Foundation				
Endowment fund	<u>\$ -</u>	<u>\$ 102,219</u>	<u>\$ -</u>	<u>\$ 102,219</u>

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>

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

7. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows:

	September 30,	December 31,
	<u>2021</u>	<u>2020</u>
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 223,685	\$ 215,012
One to five years	<u>530,906</u>	<u>55,850</u>
Total unconditional promises to give before discount	754,591	270,862
Less: discount	<u>-</u>	<u>-</u>
	<u>\$ 754,591</u>	<u>\$ 270,862</u>

8. LINE OF CREDIT AND NOTE PAYABLE

The Coalition had a \$50,000 line of credit with a local bank with interest at 1% over the prime rate. The line was repaid in August 2020 and was not renewed.

In February 2020, the Coalition established a \$200,000 line of credit with a 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.

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 are being used to renovate the Hayward Road property. Collateral on the note includes receivables, equipment, furniture and deposit accounts. The balance on the note as of September 30, 2021 was \$841,143.

9. 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 was fully forgiven on March 24, 2021 and has been recognized as a component of “other income” on the Statement of Activities and Changes in Net Assets for the nine months ended September 30, 2021.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

10. 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>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Finance agreement for Blackbaud Wealth Analytics Solutions three-year cloud-computing subscriptions in the amount of \$21,735. The agreement matured in August 2021 and required monthly payments of \$604.	\$ _____ -	\$ 4,830
Total outstanding finance agreements	-	4,830
Less: current maturities	_____ -	(4,830)
Total long-term finance agreements	<u>\$ _____ -</u>	<u>\$ _____ -</u>

11. 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.

12. 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 nine-month period ended September 30, 2021 and the year ended December 31, 2020 was \$9,219 and \$3,568, respectively.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

13. 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 nine-months ended September 30, 2021 and the year ended December 31, 2020, management estimates the annual value of these items at \$716 and \$250, respectively. This amount has been recorded as a contribution with an offsetting expense.

14. 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. The Coalition had \$402,070 and \$264,007 in excess of FDIC limits at September 30, 2021 and December 31, 2020, respectively. Management believes the Coalition is not exposed to any significant credit risk related to cash and cash equivalents.

15. 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
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

15. NET ASSETS (continued)

Board Designated Net Assets

As of September 30, 2021 and December 31, 2020, the Board of Directors has designated \$6,415 and \$6,415, 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. 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 as of:

	September 30,	December 31,
	<u>2021</u>	<u>2020</u>
Hayward Road project	\$ 1,950,695	\$ 526,542
Fuel fund	57,444	40,019
School supplies	2,135	20,477
Prescription fund	2,263	9,763
Dental fund	38,565	52,723
Food banks	29,906	26,759
After the Storm	9,770	9,970
Housing fund	5,171	-
Building fund	2,794	2,794
Designated pass- through	2,911	2,741
Christmas fund	1,567	1,567
Getting ahead development	<u>3,000</u>	<u>2,000</u>
	<u>\$ 2,106,221</u>	<u>\$ 695,355</u>

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Coalition's financial assets as of September 30, 2021 and December 31, 2020, 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.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

	September 30,	December 31,
	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 753,958	\$ 493,369
Grants and contributions receivable	472,303	729,042
Pledges receivable – current	223,685	215,012
Investments - endowment fund	<u>102,219</u>	<u>90,332</u>
Financial assets, at year end	1,552,165	1,527,755
Donor-imposed restrictions:		
Donor restricted funds – current portion	(1,575,315)	(695,355)
Endowments	<u>(102,219)</u>	<u>(90,332)</u>
Net financial assets after donor-imposed restrictions	(125,369)	742,068
Less those unavailable for general expenditure within one year, due to:		
Board designated net assets	<u>(6,415)</u>	<u>(6,415)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ (131,784)</u>	<u>\$735,653</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 2021 and 2020, the board approved transfers of \$0 from board designated funds.

During the nine month period ended September 30, 2021, the Coalition “borrowed” \$131,784 from restricted cash that it intends to replenish from resources without donor restrictions once operations allow. The Coalition did not “borrow” any restricted cash during the year ended December 31, 2021 to cover general operations.

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Financial Statements
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

17. CONTINGENCIES

At September 30, 2021 and December 31, 2020, 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, 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 November 14, 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.

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. During the investigation by the Frederick Police Department, it was determined that the majority of the fraudulent funds were routed to Malaysia and Indonesia. Law enforcement closed the case in the spring of 2022. Two payments were reversed after the investigation concluded, decreasing the total amount of defrauded funds to \$65,745. The Coalition attempted to file an insurance claim, however the actions did not meet the criteria to be covered under a criminal or cybercrime insurance policy.

In June 2022, the Frederick County government created an MOU with the Religious Coalition refunding the lost amount of \$65,745. The Coalition continues to scrutinize the validity of any rental assistance application with a listed private landlord as a result of continued attempts to defraud the rental assistance program.

SINGLE AUDIT

Religious Coalition for Emergency Human Needs, Inc.
Schedule of Expenditures of Federal Awards
For the Period January 1 to September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant Number	Expenditures
Department of the Treasury			
Frederick County, Maryland			
COVID-19 Emergency Rental Assistance Program	21.023	N/A	\$5,895,143
COVID-19 American Rescue Plan: Nonprofits-Local Government Program	21.027	N/A	<u>45,361</u>
Total Department of Treasury			<u>5,940,504</u>
Department of Homeland Security			
Emergency Food and Shelter Board Program	97.024	LRO ID 379200-005	<u>21,674</u>
Total Department of Homeland Security			<u>21,674</u>
Department of Housing and Urban Development			
City of Frederick, Maryland			
Homeless Solutions Program	14.231	N/A	126,220
Homeless Solutions Program	14.231	N/A	91,245
COVID-19 Emergency Solutions grant	14.231	N/A	18,210
Community Development Block Grant	14.228	N/A	13,531
Frederick County, Maryland			
COVID-19 Community Development Block Grant	14.228	CV-1-6	<u>224,781</u>
Total Department of Housing and Urban Development			<u>473,987</u>
Total Expenditures of Federal Awards			<u><u>\$6,436,165</u></u>

Religious Coalition for Emergency Human Needs, Inc.
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2021

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 nine months ended September 30, 2021. 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).

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 asset, or cash flows of Religious Coalition for Emergency Human Needs, Inc.

MAJOR PROGRAM

Department of the Treasury

CFDA # 21.023 Emergency Rental Assistance Program

ERA 1 provided \$25 billion for the US Department of the Treasury (Treasury). ERA 1 award funds may be used to provide financial assistance and housing stability service to eligible households between March 15, 2021 and December 31, 2021.

This program provides emergency rental assistance and utility assistance to individuals and families who have been impacted by the COVID-19 crisis.

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 September 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period January 1 – September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 14, 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) to determine the 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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 statements. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-003.

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.

Rockville, Maryland
November 14, 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 period January 1 - September 30, 2021. 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 opinion 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 21.023 Emergency Rental Assistance Program

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 21.023 Emergency Rental Assistance Program as described in finding 2021-003 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 21.023 Emergency Rental Assistance Program

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 21.023 Emergency Rental Assistance Program for the period January 1 – September 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

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.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.

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.

Rockville, Maryland
November 14, 2022

Religious Coalition for Emergency Human Needs, Inc.
Schedule of Findings and Questioned Costs
For the Period January 1 - September 30, 2021

B. Findings – Financial Statements (continued)

2021-001 Timesheets

Material Weakness

Views of Responsible Officials and Planned Corrective Actions (continued):

Coalition staff that process payroll had previously used the act of the employee submitting the timesheet itself as the “approval” of the timesheet. However, there is an additional step available in the system, that requires the employee to access their timecard after submittal to approve the timesheet in the Paychex system. Though the Paychex reporting chart states that roughly 75% of employees timesheets were unapproved, Coalition management has reviewed that payroll period and attests that all paid employees were valid and that those employees were paid the proper amount.

Coalition staff will be made aware of the secondary step to approve the timesheet in the system.

2021-002 Cash Disbursements

Material Weakness

Criteria: Generally accepted accounting principles in the United States (GAAP) requires entities to establish and maintain effective internal controls over financial reporting to ensure accurate financial reports. A good system of internal controls requires vendor invoices be maintained and approved by an authorized individual.

Condition and Context: A cash disbursements test was performed that encompassed a random selection of sixty vendor invoices during the nine month period ended September 30, 2021. There were six invoices in which we were unable to verify that management approved the invoice.

Cause: Beginning in January 2021 the Coalition changed accounting systems. They also have multiple ways of approving invoices depending on how quickly the payment is needed

Effect: The lack of internal controls surrounding cash disbursements has led to insufficient documentation to ensure that the vendor invoices were properly approved.

Auditor’s Recommendation: We recommend that management review the internal controls surrounding cash disbursements to ensure that proper documentation of the approval of invoices is maintained.

**Religious Coalition for Emergency Human Needs, Inc.
Schedule of Findings and Questioned Costs
For the Period January 1 - September 30, 2021**

B. Findings – Financial Statements (continued)

2021-002 Cash Disbursements (continued)

Material Weakness

Views of Responsible Officials and Planned Corrective Actions:

The Coalition utilizes two systems that can disburse payments. The six invoices that could not be shown approved from the Accounting Clerk's database view, were paid from the Financial Edge software as opposed to the AP website Bill.com. Payments made from Bill.com are generally COVID ERA expenditures. Payments made from Financial Edge can either be non-COVID program, organization expenditures or a COVID ERA program payment that needed to be expedited to stem an emergency need. Of the seven invoices that could not be determine approved, all but two fall into the category of expedited rental/utility assistance payments. Those paid from Financial Edge are internally approved by either a paper or digital check request, approved by the Director of Operations and the check is signed by the Executive Director. The Coalition will review the internal controls surrounding cash disbursements to ensure all required supporting documentation is maintained.

C. Findings and Questioned Costs – Major Federal Award

DEPARTMENT OF THE TREASURY

Program Information

Assistance listing # 21.023 - Emergency Rental Assistance Program
Pass through from Frederick County, Maryland

2021-003 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 2021.

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.

**Religious Coalition for Emergency Human Needs, Inc.
Schedule of Findings and Questioned Costs
For the Period January 1 - September 30, 2021**

C. Findings and Questioned Costs – Major Federal Award (continued)

DEPARTMENT OF THE TREASURY

Program Information

Assistance listing # 21.023 - Emergency Rental Assistance Program
Pass through from Frederick County, Maryland

2021-003 Policies and Procedures (continued) *Material Weakness*

Repeating Finding: This is a repeat finding from December 31, 2020 - Finding #2020-002.

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 and the procurement policy was adopted in February 2022.

Religious Coalition for Emergency Human Needs, Inc.
Summary Schedule of Prior Audit Findings
September 30, 2021

Findings - Financial Statements

2020-001 Timesheets

Material Weakness

Criteria: Generally accepted accounting principles in the United States (GAAP) requires entities to establish and maintain effective internal controls over financial reporting to ensure accurate financial reports. A good system of internal controls requires contemporaneous timesheets be maintained for all employees and the timesheets should be signed by both the employee and the supervisor.

Condition and Context: A payroll test was performed that encompassed all employees for two calendar months. Of the 91 timesheets selected for testing, 36 did not include the supervisor's signature and 8 timesheets could not be located.

Auditor's Recommendation: We recommend that management establish internal controls surrounding the approval and retention of timesheets.

Current Status: During fiscal year 2021 the Coalition made the switch from paper timesheets to a digital time system. Approval of employee time is to be made within the system.

Findings and Questioned Costs – Major Federal Award

DEPARTMENT OF THE TREASURY

Program Information

Assistance Listing # 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.

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.

Current Status: The procurement policy was adopted in February 2022.



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CORRECTIVE ACTION PLAN **November 14, 2022**

Department of the Treasury

Religious Coalition for Emergency Human Needs, Inc. respectfully submits the following corrective action plan for the nine-month period ended September 30, 2021.

Name and address of independent public accounting firm:

LSWG, P.A.
Certified Public Accountants
1803 Research Blvd. Suite 404
Rockville, Maryland 20850

Audit period:

Nine months ended September 30, 2021

The findings from the September 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2021-001 Timesheets

Recommendation: We recommend that management work with the electronic timesheet vendor to ensure that an audit trail for all approvals (employee and supervisor) is maintained. If the system only allows access for a certain period of time, then the audit trail needs to be printed and stored separately so that the information is not lost.

Action Taken: The Coalition began utilizing a fully digital timesheet submittal process through the Paychex Payroll systems in July 2021. All employees are required to submit a digital timesheet in the system that is subsequently forwarded their supervisor. Supervisor approval is processed thereafter, and the timesheet is submitted for payment. Coalition staff that process payroll had previously used the act of the employee submitting the timesheet itself as the “approval” of the timesheet. However, there is an additional step available in



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the system, that requires the employee to access their timecard after submittal to approve the timesheet in the Paychex system. Though the Paychex reporting chart states that roughly 75% of employees timesheets were unapproved, Coalition management has reviewed that payroll period and attests that all paid employees were valid and that those employees were paid the proper amount.

MATERIAL WEAKNESS

2021-002 Cash Disbursements

Recommendation: We recommend that management review the internal controls surrounding cash disbursements to ensure that proper documentation of the approval of invoices is maintained.

Action Taken:

The Coalition utilizes two systems that can disburse payments. The six invoices that could not be shown approved from the Accounting Clerk's database view, were paid from the Financial Edge software as opposed to the AP website Bill.com. Payments made from Bill.com are generally COVID ERA expenditures. Payments made from Financial Edge can either be non-COVID program, organization expenditures or a COVID ERA program payment that needed to be expedited to stem an emergency need. Of the seven invoices that could not be determine approved, all but two fall into the category of expedited rental/utility assistance payments. Those paid from Financial Edge are internally approved by either a paper or digital check request, approved by the Director of Operations and the check is signed by the Executive Director. The Coalition will review the internal controls surrounding cash disbursements to ensure all required supporting documentation is maintained.

FINDING – FEDERAL AWARD PROGRAMS AUDITS

MATERIAL WEAKNESS

2021-003 Policies and procedures

Recommendation: Adopt a written procurement policy in the format and with the elements required by 2 CFR sections 200.318 to 200.326.



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Action Taken: As of 2/28/2022 the Religious Coalition has created, approved and implemented a Uniform Guidance Procurement Policy that satisfies 2 CFR Sections 200.318 to 200.326.

If the Department of the Treasury has questions regarding this plan, please call Nick Brown, Executive Director at (301)631-2670.

Sincerely,

Nick Brown, Executive Director

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