

**COALITION FOR THE HOMELESS
OF CENTRAL FLORIDA, INC.**

Orlando, Florida

FINANCIAL STATEMENTS

Year Ended June 30, 2014



**AVERETT
WARMUS
DURKEE**

Certified Public Accountants and Business Advisors

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

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Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Board of Directors
Coalition for the Homeless of Central Florida, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition for the Homeless of Central Florida, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. 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 auditors' 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 auditors consider internal control relevant to the Coalition'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 Coalition'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.

To the Board of Directors
Coalition for the Homeless of Central Florida, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Coalition's June 30, 2013, financial statements, and our report dated November 19, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented in the statement of functional expenses for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Coalition'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 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 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 the Coalition's internal control over financial reporting and compliance.

Aurett Warmus Durkee

Orlando, Florida
December 15, 2014

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Statement of Financial Position

June 30, 2014

Assets

Cash and Cash Equivalents	\$	1,855,859
Grants and Contributions Receivable		943,041
Pledges Receivable		496,499
Property and Equipment, net		11,062,429
Beneficial Interest in Net Assets of Central Florida Foundation, Inc.		828,522
Other Assets		<u>157,636</u>
Total assets	\$	<u><u>15,343,986</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	342,356
Residents' accounts		78,294
Deferred support under conditional promises to give		<u>2,202,351</u>
Total liabilities		<u><u>2,623,001</u></u>

Net Assets:

Unrestricted		1,634,818
Temporarily restricted		9,504,952
Permanently restricted		<u>1,581,215</u>
Total net assets		<u><u>12,720,985</u></u>

Total liabilities and net assets	\$	<u><u>15,343,986</u></u>
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See accompanying notes.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Statement of Activities
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Support:				
Government grants	\$ 1,012,021	\$ 2,959,998	\$ -	\$ 3,972,019
Private support	1,449,821	800,675	500,000	2,750,496
In-kind contributions	1,367,617	-	-	1,367,617
	<u>3,829,459</u>	<u>3,760,673</u>	<u>500,000</u>	<u>8,090,132</u>
Revenue:				
Fundraising events, net of expenses of \$65,398	477,363	-	-	477,363
Resident services	228,357	-	-	228,357
Interest	16,101	-	-	16,101
	<u>721,821</u>	<u>-</u>	<u>-</u>	<u>721,821</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	165,049	(165,049)	-	-
Expiration of time restrictions	1,002,511	(1,002,511)	-	-
	<u>1,167,560</u>	<u>(1,167,560)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,718,840</u>	<u>2,593,113</u>	<u>500,000</u>	<u>8,811,953</u>
Expenses:				
Program services:				
Transitional housing	350,362	-	-	350,362
Shelter operations	3,546,023	-	-	3,546,023
Women's Residential Counseling Center	752,049	-	-	752,049
Depreciation	184,267	-	-	184,267
	<u>4,832,701</u>	<u>-</u>	<u>-</u>	<u>4,832,701</u>
Supporting services:				
Management and general	388,589	-	-	388,589
Fundraising	417,357	-	-	417,357
Depreciation	3,476	-	-	3,476
Total expenses	<u>5,642,123</u>	<u>-</u>	<u>-</u>	<u>5,642,123</u>
Increase in Net Assets	76,717	2,593,113	500,000	3,169,830
Net Assets, beginning of year	<u>1,558,101</u>	<u>6,911,839</u>	<u>1,081,215</u>	<u>9,551,155</u>
Net Assets, end of year	<u>\$ 1,634,818</u>	<u>\$ 9,504,952</u>	<u>\$ 1,581,215</u>	<u>\$ 12,720,985</u>

See accompanying notes.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Statement of Functional Expenses
Year Ended June 30, 2014**

	Program Services				Supporting Services			2014 Total	Comparative Totals for 2013
	Transitional Housing	Shelter Operations	Women's Residential Counseling Center	Total	Management and General	Fundraising	Total		
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ 621
Audit	-	-	-	-	18,000	-	18,000	18,000	18,375
Client Supportive Services	115,188	-	-	115,188	-	-	-	115,188	210,203
Computer	-	-	-	-	25,969	-	25,969	25,969	15,634
Conferences and Training	-	8,051	2,777	10,828	1,206	1,379	2,585	13,413	13,190
Food (including in-kind contributions for 2014 and 2013 of \$1,100,768 and \$1,188,914)	-	1,125,087	11,260	1,136,347	-	-	-	1,136,347	1,220,271
Insurance	4,815	53,932	25,040	83,787	12,520	-	12,520	96,307	89,092
Interest	-	-	-	-	162	-	162	162	495
Maintenance	4,396	64,576	52,167	121,139	3,407	-	3,407	124,546	164,298
Miscellaneous	602	14,540	690	15,832	32,473	14,313	46,786	62,618	40,337
Personnel	139,641	1,483,249	449,991	2,072,881	611,290	360,605	971,895	3,044,776	2,670,525
Postage	-	-	-	-	8,823	5,505	14,328	14,328	12,159
Printing	83	285	178	546	15,871	16,862	32,733	33,279	27,836
Publications	-	-	-	-	610	-	610	610	607
Rent	26,741	13,404	3,180	43,325	3,919	-	3,919	47,244	42,536
Supplies	6,413	235,493	42,815	284,721	16,786	15,983	32,769	317,490	326,847
Telephone	1,250	42,992	8,911	53,153	3,419	1,045	4,464	57,617	40,274
Transportation	1,664	7,959	574	10,197	12,134	1,665	13,799	23,996	21,032
Utilities	20,569	200,455	91,466	312,490	-	-	-	312,490	305,176
	<u>321,362</u>	<u>3,250,023</u>	<u>689,049</u>	<u>4,260,434</u>	<u>776,589</u>	<u>417,357</u>	<u>1,193,946</u>	<u>5,454,380</u>	<u>5,219,508</u>
Allocation of Supporting Services to Programs	29,000	296,000	63,000	388,000	(388,000)	-	(388,000)	-	-
	<u>350,362</u>	<u>3,546,023</u>	<u>752,049</u>	<u>4,648,434</u>	<u>388,589</u>	<u>417,357</u>	<u>805,946</u>	<u>5,454,380</u>	<u>5,219,508</u>
Depreciation	7,388	135,294	41,585	184,267	3,429	47	3,476	187,743	203,757
	<u>\$ 357,750</u>	<u>\$ 3,681,317</u>	<u>\$ 793,634</u>	<u>\$ 4,832,701</u>	<u>\$ 392,018</u>	<u>\$ 417,404</u>	<u>\$ 809,422</u>	<u>\$ 5,642,123</u>	<u>\$ 5,423,265</u>

See accompanying notes.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Statement of Cash Flows
Year Ended June 30, 2014**

Cash Flows From Operating Activities:	
Cash received from contributors and service recipients	\$ 5,167,824
Cash paid to suppliers and employees	(4,144,951)
Interest received	16,101
Interest paid	(162)
Net cash provided by operating activities	<u>1,038,812</u>
Cash Flows From Investing Activities:	
Purchases of property and equipment	<u>(160,638)</u>
Net cash used in investing activities	<u>(160,638)</u>
Increase in Cash and Cash Equivalents	878,174
Cash and Cash Equivalents, beginning of year	<u>977,685</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,855,859</u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:	
Increase in net assets	\$ <u>3,169,830</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	187,743
Noncash contributions of property and equipment	(42,575)
Noncash grant revenue for construction of Men's Service Center	(2,521,249)
Noncash increase in beneficial interest in net assets of Central Florida Foundation, Inc.	(52,926)
Changes in assets and liabilities:	
Grants and contributions receivable	(205,327)
Pledges receivable	(123,637)
Other assets	(40,394)
Accounts payable and accrued expenses	79,141
Residents accounts	11,544
Deferred support under conditional promises to give	576,662
Total adjustments	<u>(2,131,018)</u>
Net cash provided by operating activities	<u>\$ 1,038,812</u>

Noncash investing and financing activities:

At June 30, 2014, the Coalition had \$21,077 in accounts payable for the acquisition of property and equipment.

See accompanying notes.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements June 30, 2014

1. Summary of Significant Accounting Policies:

Nature of Operations

Coalition for the Homeless of Central Florida, Inc. (the "Coalition") (a nonprofit organization) provides homeless men, women, and children with shelter, meals, and supportive services in order to restore them to self-sufficiency. These services are provided at two primary locations: the Coalition's main campus and the Women's Residential and Counseling Center ("WRCC"). Client supportive services are also rendered in residences within the community. Support for providing these services is obtained from both government grants and private sector contributions. The Coalition serves clients in the Central Florida area.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Coalition and changes therein are classified and reported as follows:

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

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Coalition.

Allocation of Supporting Services Expenses

The Coalition's policy is to allocate that part of the supporting services expenses associated with programs to the individual programs, based on each program's direct program cost to total program costs.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Coalition considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements – Continued

June 30, 2014

1. Summary of Significant Accounting Policies – Continued:

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are reported as an increase in unrestricted net assets unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

In-Kind Contributions

In-kind contributions of facilities and materials used in the Coalition's programs are recorded as support and expense at the estimated fair value of those items. In addition, in-kind contributions of property and equipment are recorded as support and increases of property and equipment.

A substantial number of volunteers have contributed significant amounts of their time to the Coalition's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants and Contributions Receivable

Grants and contributions receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account.

Pledges Receivable

Pledges receivable due within one year are stated at their net realizable value. Pledges receivable due after one year are stated at the present value of their net realizable value using risk-free interest rates applicable to the years in which the pledges are to be received. An allowance for doubtful accounts is recorded using set percentages that approximate expected bad debts.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is calculated by the straight-line method over estimated useful lives of 3 to 40 years. Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Repairs and maintenance are expensed as incurred.

Summarized Financial Information for 2013

The financial information for the year ended June 30, 2013, presented for comparative purposes, is not intended to be a complete financial statement presentation.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements – Continued
June 30, 2014

1. Summary of Significant Accounting Policies – Continued:

Income Taxes

The Coalition is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Coalition in its tax returns. The Coalition's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Coalition in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Coalition has any material uncertain tax positions at June 30, 2014.

In the event interest and penalties were due relating to an unsustainable tax position, they would be treated as a component of income tax expense.

The Coalition's federal income tax returns are subject to examination by the Internal Revenue Service. At June 30, 2014, the fiscal years 2011 through 2014 federal income tax returns are subject to examination.

Subsequent Events

The Coalition's management has evaluated subsequent events through September 15, 2014, the date which the financial statements were available to be issued.

2. Cash and Cash Equivalents:

As of June 30, 2014, the Coalition had demand and time deposits in a high credit quality financial institution. The Coalition's accounts are federally insured up to \$250,000 per institution under FDIC protection. Approximately \$1,600,000 of the Coalition's deposits is in excess of FDIC protection at June 30, 2014.

3. Grants and Contributions Receivable:

Grants and contributions receivable at June 30, 2014, consists of the following:

Government grants	\$	290,287
United Way		534,194
Other		<u>118,560</u>
	\$	<u><u>943,041</u></u>

These amounts are due within one year.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements – Continued
June 30, 2014

3. Grants and Contributions Receivable – Continued:

In addition to grants and contributions receivable, the Coalition received the following conditional promises to give as of June 30, 2014:

Incurring future expenses	\$ 2,562,170
Construction of the Men’s Service Center	<u>354,668</u>
	<u>\$ 2,916,838</u>

The Coalition has entered into contractual agreements with the City of Orlando, Florida (the “City”) and Orange County, Florida (the “County”) for the construction of a Men’s Service Center for the purpose of addressing the continuing needs of homeless men in Central Florida. The amounts of these agreements total \$6,600,000. The County is managing the construction of this project along with retaining responsibility for compliance with most grant requirements.

The timing of fulfillment of the conditions and, consequently, of recognizing the contributions is estimated to be less than one year.

Deferred support under conditional promises to give at June 30, 2014, consists of the following:

Grant contracts for the design, planning, and construction of the Men’s Service Center requiring the facility to be used for specified purposes for a period of five years or until September 30, 2020; contract creates a collateral interest in the facility to the grantor for the duration of the condition.	\$ 1,464,432
Grant contract to support the operation of programs within the Men’s Service Center and the growth of the Coalition’s endowment for a period of three years; condition expected to be fulfilled in June 2016.	358,623
Grant contract to support the operation of programs within the Men’s Service Center for a period of ten years; condition expected to be fulfilled in June 2022.	<u>379,296</u>
	<u>\$ 2,202,351</u>

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements – Continued
June 30, 2014**

4. Pledges Receivable:

Pledges receivable at June 30, 2014, consists of the following:

	Due in 1 Year	Due in 2 – 5 Years	Total
	<u> </u>	<u> </u>	<u> </u>
Journey Home pledges receivable	\$ 265,207	\$ 307,603	\$ 572,810
Less:			
Allowance for uncollectible pledges	26,521	30,760	57,281
Discount to present value of net realizable value	<u>4,680</u>	<u>14,350</u>	<u>19,030</u>
Net pledges receivable	<u>\$ 234,006</u>	<u>\$ 262,493</u>	<u>\$ 496,499</u>

Pledges have been discounted at a 2% annual rate of interest.

5. Property and Equipment, Net:

A summary of property and equipment at June 30, 2014, is as follows:

Land and land improvements	\$ 2,942,002
Buildings and building improvements	9,442,928
Leasehold improvements	696,921
Machinery and equipment	537,167
Furniture and fixtures	359,677
Office equipment	486,743
Vehicles	<u>94,708</u>
	14,560,146
Less accumulated depreciation	<u>(3,497,717)</u>
	<u>\$ 11,062,429</u>

Certain land and buildings, with a cost of \$2,412,484, were acquired with funds received under a grant contract with the City. Under the terms of this contract, title to the property reverts to the City if it ceases to be used as a facility to assist the homeless.

Certain land and buildings, with a cost of \$1,899,000, were acquired under a grant contract with the Women’s Residential and Counseling Center, Inc. Under the terms of the contract, the facility must be used for services for women and children through the year 2021. After that time, if sale occurs, any proceeds from such sale will be used to build another residential facility for women and children or create a foundation to support women and children’s services.

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements – Continued

June 30, 2014

5. Property and Equipment, Net – Continued:

Certain buildings for the Men’s Service Center with an accumulated cost of \$6,652,591 were acquired with funds received under a grant contract with the County and the City. Under the terms of this contract, the facility must be used as a homeless shelter for homeless men through the year 2026. If it ceases to be used as a homeless shelter for homeless men before that time, the County or City have certain options to enforce the restrictions.

6. Beneficial Interest in Net Assets of Central Florida Foundation, Inc.:

Beneficial interest in net assets of Central Florida Foundation, Inc. (the “Foundation”) at June 30, 2014, consists of the estimated fair value of assets transferred by the Coalition to the Foundation, for which the Coalition designated itself as beneficiary. The Coalition granted the Foundation a variance power to modify or eliminate any restriction, limitation, or condition on the distribution of funds. The Coalition can receive distributions representing a portion of the investment income on these funds. During the year ended June 30, 2014, distributions amounted to \$12,450. The Coalition may also instruct the Foundation to distribute principal of these funds not designated by the Coalition as endowment funds.

A summary of the beneficial interest in net assets of the Foundation at June 30, 2014, is as follows:

Coalition for the Homeless of Central Florida Fund (Endowment)	\$ 405,494
Coalition for the Homeless (Coyle Estate) Fund (Endowment)	62,654
Coalition for the Homeless Non-Endowed Capital Reserve Fund	<u>360,374</u>
	<u>\$ 828,522</u>

7. Retirement Plan:

The Coalition maintains a tax-deferred annuity program which is available to all employees. Voluntary contributions to the plan are based on a deferral of employee salaries. The Coalition also maintains a simplified employee pension plan (“SEP”) which is currently dormant. There were no contributions to the plans during the year ended June 30, 2014.

8. In-Kind Contributions:

In-kind contributions received during the year ended June 30, 2014, consist of the following:

Value of meals contributed by various organizations	\$ 1,100,768
Value of improvement to property and equipment	42,575
Value of personal items contributed by various organizations and individuals	<u>224,274</u>
	<u>\$ 1,367,617</u>

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements – Continued
June 30, 2014**

9. Lease:

The Coalition leases an apartment building which is used for transitional housing. The lease, which expires in March 2017, is classified as an operating lease. Future minimum lease payments under this lease at June 30, 2014, are as follows:

Year Ending June 30,	
2015	\$ 26,741
2016	26,741
2017	<u>20,056</u>
	<u>\$ 73,538</u>

Rental expense under this lease amounted to \$26,741 for the year ended June 30, 2014.

10. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2014, consist of the following:

Land and building restricted for use as a facility to provide services for women and children	\$ 1,862,750
Buildings restricted for use as a facility to assist the homeless	5,777,820
Grants and contributions receivable which are time restricted for use in future periods	482,870
Beneficial interest in net assets of the Foundation	548,522
Cash held until purpose restrictions are satisfied	<u>832,990</u>
	<u>\$ 9,504,952</u>

11. Permanently Restricted Net Assets:

Permanently restricted net assets at June 30, 2014, consist of the following:

Land restricted for use as a facility to assist the homeless	\$ 801,215
Beneficial interest in net assets of the Foundation	280,000
Assets contributed as endowment	<u>500,000</u>
	<u>\$ 1,581,215</u>

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements – Continued
June 30, 2014

12. Fair Value Measurements:

Accounting principles generally accepted in the United States of America establish 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 this framework are described as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Coalition has the ability to access.
- Level 2 – Quoted prices for similar assets 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; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs such as assumptions by the Coalition about how market participants would price an asset or liability.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2014:

Beneficial Interest in Net Assets of the Foundation: Valued at fair value provided by the Foundation and adjusted for the Coalition's percentage in that value.

The following table sets forth by level, within the fair value hierarchy, the Coalition's fair value measurements at June 30, 2014:

Level 1	\$	-
Level 2		-
Level 3 – beneficial interest in net assets of the Foundation		<u>828,522</u>
	\$	<u><u>828,522</u></u>

The following table sets forth a summary of changes in the fair value of the Coalition's Level 3 assets for the year ended June 30, 2014:

Balance, beginning of year	\$	775,596
Contributions		1,970
Interest and dividends		6,044
Net realized and unrealized gains (losses) on investments		69,108
Grants		(12,408)
Investment expenses		<u>(11,788)</u>
	\$	<u><u>828,522</u></u>

COALITION FOR THE HOMELESS OF CENTRAL FLORIDA, INC.

**Notes to Financial Statements – Continued
June 30, 2014**

13. Commitments and Contingencies:

Economic Dependency

The Coalition receives a substantial portion of its support from the City, County, and the Heart of Florida United Way, Inc. (the “United Way”). A significant reduction in the level of this support, if this were to occur, may have an effect on the Coalition’s programs and activities.

Costs reflected in the financial statements relating to government and public-funded programs are subject to audit by the funding agency. The possible disallowance of any item charged to the program has not been determined, if any. No provision for any liability that may result has been made in the financial statements.

Concentration of Credit Risk

The Coalition has a potential concentration of credit risk in grants and contributions receivable, which are receivables primarily from governmental agencies and the United Way.

Environmental Issues

The Coalition has discovered that there is petroleum contamination on its property associated with former on-site petroleum storage maintained by the prior owner. A Phase 1 environmental site assessment was completed, and this report was unable to estimate the costs of clean up, if any, that may be required. Management does not believe that the environmental issue will have a significant financial impact on the Coalition.

Title to Assets

See Note 5 for deed restrictions on the title to real estate.

14. Line of Credit:

At June 30, 2014, the Coalition has available \$125,000 on an unused line of credit with a bank to be drawn upon as needed. Interest is charged at the bank’s prime rate. The line of credit is collateralized by all the Coalition’s assets.