COALITION ON HUMAN NEEDS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

September 30, 2018

HAN GROUP
Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coalition on Human Needs

We have audited the accompanying financial statements of Coalition on Human Needs (the Coalition), which comprises of the statement of financial position as of September 30, 2018, 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. 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 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 Coalition on Human Needs as of September 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 2, Coalition on Human Needs has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities.* Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
September 3, 2019

COALITION ON HUMAN NEEDS
Statement of Financial Position
September 30, 2018

Assets		
Cash	$	1,385,765
Grants and contributions receivable		15,500
Prepaid expenses		35,109
Property and equipment, net		31,800
Deposits		20,751
Total assets	$	1,488,925
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	6,928
Accrued vacation		8,862
Total liabilities		15,790
Net Assets		
Without donor restrictions		1,458,135
With donor restrictions		15,000
Total net assets		1,473,135
Total liabilities and net assets	$	1,488,925

See accompanying notes.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	$ 1,649,510	$ 15,000	$ 1,664,510
Membership dues	54,500	-	54,500
Event income	31,825	-	31,825
Other income	252	-	252
Net assets released from restrictions:			
Satisfaction of purpose restrictions	18,500	(18,500)	-
Total revenue and support	1,754,587	(3,500)	1,751,087
Expenses			
Program services	576,436	-	576,436
Supporting services:			
Management and general	154,626	-	154,626
Fundraising	112,628	-	112,628
Total supporting services	267,254	-	267,254
Total expenses	843,690	-	843,690
Changes in Net Assets	910,897	(3,500)	907,397
Net Assets, beginning of year	547,238	18,500	565,738
Net Assets, end of year	$ 1,458,135	$ 15,000	$ 1,473,135

See accompanying notes.

COALITION ON HUMAN NEEDS
Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 462,185	$ 113,871	$ 93,778	$ 207,649	$ 669,834
Rent	46,406	11,433	9,416	20,849	67,255
Consultants	17,541	21,246	3,559	24,805	42,346
Office expenses	23,325	5,746	4,732	10,478	33,803
Subscriptions	17,692	943	-	943	18,635
Computer, software and tools	2,722	671	552	1,223	3,945
Event expense	2,157	-	-	-	2,157
Travel	1,369	337	278	615	1,984
Insurance	1,339	330	272	602	1,941
Dues	1,500	-	-	-	1,500
Fees and licenses	200	49	41	90	290
Total Expenses	$ 576,436	$ 154,626	$ 112,628	$ 267,254	$ 843,690

See accompanying notes.

Cash Flows from Operating Activities		
Changes in net assets	$	907,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and contributions receivable		3,000
Prepaid expenses		(19,339)
Deposits		(16,778)
Accounts payable and accrued expenses		3,238
Accrued vacation		95
Net cash provided by operating activities		877,613
Cash Flows from Investing Activities		
Purchases of property and equipment		(26,700)
Net cash used in investing activities		(26,700)
Net Increase in Cash		850,913
Cash, beginning of year		534,852
Cash, end of year	$	1,385,765

See accompanying notes.

1. Nature of Operations

Coalition on Human Needs (the Coalition) is a 501(c)(3) organization incorporated in the District of Columbia. The Coalition is an alliance of national organizations working together to promote public policies which address the needs of low-income and other vulnerable populations. The Coalition's mission includes but is not limited to a) analyzing and adopting positions relating to federal, state, and local responsibilities for meeting the needs of low-income people, b) advocating for those positions at the federal level, and c) working with and assisting national, state, and local groups with interests similar to those of the Coalition. The Coalition funds its program and supporting services primarily through grants and contributions from individuals, organizations, and foundations.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Coalition have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from the Coalition's various grantors and contributors. There was no allowance recorded at September 30, 2018 as the entire balances have been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment over $1,000 with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the related assets. Direct costs incurred during the application stage of the development of the Coalition's website are capitalized and amortized over an estimated useful life. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Coalition's operations.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Coalition does not have any donor-imposed restrictions which are perpetual in nature at September 30, 2018.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Membership dues, which are essentially contributions, are received annually from the Coalition's internal members. No substantial benefits were provided in exchange for the annual dues received. Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Coalition incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Coalition also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as labor distribution or estimates of time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, rent, consultants, office expenses, computer, software and tools, travel, insurance, fees and licenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

Effective October 1, 2017, the Coalition adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Although ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017, the Coalition elected early adoption as permitted by the ASU.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Coalition net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Coalition’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Coalition did not have any permanently restricted net assets.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Coalition’s financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Coalition’s financial statements.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Coalition for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Coalition's financial statements.

3. Property and Equipment

The Coalition held the following property and equipment at September 30, 2018:

Website	$	31,800
Less: accumulated depreciation and amortization		(-)
Property and equipment, net	$	31,800

4. Liquidity and Availability of Resource

The following schedule reflects the Coalition's financial assets as of September 2018, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Cash	$	1,385,765
Grants and contributions receivable		15,500
Total financial assets		1,401,265
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions on the financial assets		(15,000)
Financial assets available to meet cash needs for general expenditures within one year	$	1,386,265

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to the financial assets available to meet general expenditures over the next 12 months, the Coalition operates with a balanced budget. The Coalition does not have any short or long-term non-operating debt.

5. Net Assets with Donor Restrictions

At September 30, 2018, net assets with donor restrictions were for the following:

Subject to the passage of time:	$	15,000
Total net assets with donor restrictions	$	15,000

During the year ended September 30, 2018, releases from net assets with donor restrictions were for the following:

Subject to the passage of time:	$	18,500
Total net assets released from donor restrictions	$	18,500

6. Operating Lease

In June 2013, the Coalition entered into an office lease agreement commencing in October 2013 and expiring in December 2018. The lease agreement calls for a base monthly rent payment of $4,199 with a four percent annual escalation clause. In addition, the landlord provided rent abatement for the first three months.

In September 2018, the Coalition entered into another office lease agreement commencing in February 2019 and expiring in June 2024. The lease agreement calls for a base monthly rent payment of $8,389 with a two and a half percent annual escalation clause. Additionally, the lease agreement provides the Coalition with seven months rent abatement. Rent expense under these office leases was $67,255 for the year ended September 30, 2018. Deferred rent was not recorded at September 30, 2018 due to its immateriality.

At September 30, 2018, future minimum lease payments required under these leases are as follows for the years ended September 30:

2019	$	23,714
2020		102,350
2021		104,912
2022		107,544
2023		110,228
Thereafter		103,482
Total future minimum lease payments	$	552,231

7. Pension Plan

The Coalition maintains a 401(k) plan (the Plan) that covers all eligible employees. Under the terms of the Plan, eligible employees may elect to make deferrals up to Federal limits. After six months of participant's employment, the Coalition makes discretionary contributions no less than 3% of each participant's compensation. Employees are immediately vested in all deferrals and employer contributions. The Coalition contributed $36,196 to the Plan during the year ended September 30, 2018.

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Coalition is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended September 30, 2018, as the Coalition had no material taxable net unrelated business income.

The Coalition follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Coalition performed an evaluation of uncertain tax positions for the year ended September 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At September 30, 2018, the statute of limitations for tax years ended September 30, 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Coalition files tax returns. It is the Coalition's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

9. Subsequent Events

In preparing these financial statements, the Coalition has evaluated events and transactions for potential recognition or disclosure through September 3, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.