

**LAUREL ADVOCACY AND  
REFERRAL SERVICES, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2016**



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ASSURANCE, TAX & ADVISORY SERVICES

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Laurel Advocacy and Referral Services, Inc.  
Laurel, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Laurel Advocacy and Referral Services, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Laurel Advocacy and Referral Services, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PBMares, LLP*

Baltimore, Maryland  
November 28, 2016

## FINANCIAL STATEMENTS

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 474,308	\$ 497,374
Restricted cash	9,669	7,401
Pledges receivable	29,658	27,009
Grants receivable	65,373	57,160
Other receivables	723	1,113
Inventories	10,239	16,308
Prepaid expenses	28,030	30,351
<b>Total current assets</b>	<b>618,000</b>	<b>636,716</b>
Property and Equipment		
Land	89,842	89,842
Building and improvements	533,336	533,336
Furniture and equipment	116,878	116,878
	<b>740,056</b>	<b>740,056</b>
Less accumulated depreciation	<b>(190,770)</b>	<b>(154,158)</b>
	<b>549,286</b>	<b>585,898</b>
<b>Total assets</b>	<b>\$ 1,167,286</b>	<b>\$ 1,222,614</b>

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION (Continued)**  
**June 30, 2016 and 2015**

	2016	2015
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 789	\$ 1,565
Accrued payroll and payroll taxes	25,775	17,746
Current portion of mortgage payable	9,952	9,781
Client funds held in trust	9,669	7,401
<b>Total current liabilities</b>	<b>46,185</b>	<b>36,493</b>
Long-Term Liabilities		
Mortgage payable, net of current portion	56,091	71,347
<b>Total liabilities</b>	<b>102,276</b>	<b>107,840</b>
Net Assets		
Unrestricted	1,050,181	919,062
Temporarily restricted	14,829	195,712
<b>Total net assets</b>	<b>1,065,010</b>	<b>1,114,774</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,167,286</b>	<b>\$ 1,222,614</b>

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2016 and 2015**

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support			
Special events:			
Revenues	\$ 63,358	\$ -	\$ 63,358
Less: donor benefit costs	(13,583)	-	(13,583)
<b>Net support from special events</b>	<b>49,775</b>	<b>-</b>	<b>49,775</b>
Grants	650,841		650,841
Contributions	158,346	14,829	173,175
Client co-payments	41,884	-	41,884
In-kind contributions	206,834	-	206,834
Other income	362	-	362
Interest income	1,029	-	1,029
Net assets released from restrictions by satisfaction of program requirements	195,712	(195,712)	-
<b>Total revenue, gains, and other support</b>	<b>1,304,783</b>	<b>(180,883)</b>	<b>1,123,900</b>
Expenses			
Program services:			
Emergency services	479,646	-	479,646
Housing	578,026	-	578,026
<b>Total program services</b>	<b>1,057,672</b>	<b>-</b>	<b>1,057,672</b>
Supporting services:			
Management and general	61,837	-	61,837
Fundraising	54,155	-	54,155
<b>Total supporting services</b>	<b>115,992</b>	<b>-</b>	<b>115,992</b>
<b>Total expenses</b>	<b>1,173,664</b>	<b>-</b>	<b>1,173,664</b>
Change in Net Assets	131,119	(180,883)	(49,764)
Net Assets, Beginning of Year	919,062	195,712	1,114,774
Net Assets, End of Year	\$ 1,050,181	\$ 14,829	\$ 1,065,010

See Notes to Financial Statements.



**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENTS OF ACTIVITIES (Continued)**  
**Years Ended June 30, 2016 and 2015**

		2015	
Unrestricted	Temporarily Restricted	Total	
\$ 54,799	\$ -	\$ 54,799	
(11,185)	-	(11,185)	
43,614	-	43,614	
697,221	20,000	717,221	
151,568	13,504	165,072	
35,242	-	35,242	
171,337	-	171,337	
147	-	147	
1,055	-	1,055	
35,469	(35,469)	-	
1,135,653	(1,965)	1,133,688	
469,697	-	469,697	
525,877	-	525,877	
995,574	-	995,574	
68,569	-	68,569	
54,046	-	54,046	
122,615	-	122,615	
1,118,189	-	1,118,189	
17,464	(1,965)	15,499	
901,598	197,677	1,099,275	
\$ 919,062	\$ 195,712	\$ 1,114,774	

See Notes to Financial Statements.

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2016**

	Program Services			Supporting Services			Total Program & Supporting Services
	Emergency Services	Housing	Total Program Services	Management & Fundraising		Total Supporting Services	
				General	Fundraising		
Salaries	\$ 140,711	\$ 121,077	\$ 261,788	\$ 26,179	\$ 39,268	\$ 65,447	\$ 327,235
Payroll taxes	12,714	10,940	23,654	2,365	3,548	5,913	29,567
Employee benefits	4,928	4,240	9,168	917	1,375	2,292	11,460
<b>Total salaries and related benefits</b>	<b>158,353</b>	<b>136,257</b>	<b>294,610</b>	<b>29,461</b>	<b>44,191</b>	<b>73,652</b>	<b>368,262</b>
Bank fees	-	-	-	601	-	601	601
Children's program	6,812	-	6,812	-	-	-	6,812
Depreciation	17,940	11,716	29,656	4,027	2,929	6,956	36,612
Dues and subscriptions	-	-	-	1,891	-	1,891	1,891
Education assistance	5,550	-	5,550	-	-	-	5,550
Events	-	-	-	-	1,962	1,962	1,962
Food	243,100	-	243,100	-	-	-	243,100
Housing/utilities assistance	-	402,519	402,519	-	-	-	402,519
Insurance	8,543	5,579	14,122	1,918	1,395	3,313	17,435
Interest	1,666	1,088	2,754	374	272	646	3,400
Medical assistance	1,436	-	1,436	-	-	-	1,436
Miscellaneous	1,832	-	1,832	1,534	-	1,534	3,366
Office expense	6,522	4,260	10,782	1,464	1,065	2,529	13,311
Payroll expenses	1,328	1,143	2,471	247	371	618	3,089
Postage	851	556	1,407	191	139	330	1,737
Professional fees	5,989	7,584	13,573	17,611	-	17,611	31,184
Repair and maintenance	3,126	2,041	5,167	702	510	1,212	6,379
Support services	3,545	-	3,545	-	-	-	3,545
Telephone	3,992	2,607	6,599	896	652	1,548	8,147
Training	4,058	-	4,058	-	-	-	4,058
Transportation	906	-	906	-	-	-	906
Utilities	4,097	2,676	6,773	920	669	1,589	8,362
<b>Total expenses</b>	<b>\$ 479,646</b>	<b>\$ 578,026</b>	<b>\$ 1,057,672</b>	<b>\$ 61,837</b>	<b>\$ 54,155</b>	<b>\$ 115,992</b>	<b>\$ 1,173,664</b>

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2015**

	Program Services			Supporting Services			Total Program & Supporting Services
	Emergency Services	Housing	Total Program Services	Management & Fundraising		Total Supporting Services	
				General	Fundraising		
Salaries	\$ 169,617	\$ 126,311	\$ 295,928	\$ 28,871	\$ 36,089	\$ 64,960	\$ 360,888
Payroll taxes	16,636	12,388	29,024	2,832	3,540	6,372	35,396
Employee benefits	7,243	5,394	12,637	1,233	1,541	2,774	15,411
<b>Total salaries and related benefits</b>	193,496	144,093	337,589	32,936	41,170	74,106	411,695
Bank fees	-	-	-	633	-	633	633
Children's program	2,013	-	2,013	-	-	-	2,013
Depreciation	16,739	9,616	26,355	5,698	3,561	9,259	35,614
Dues and subscriptions	-	-	-	1,195	-	1,195	1,195
Education assistance	6,708	-	6,708	-	-	-	6,708
Events	-	-	-	-	3,025	3,025	3,025
Food	202,323	-	202,323	-	-	-	202,323
Housing/utilities assistance	-	344,959	344,959	-	-	-	344,959
Insurance	8,590	4,934	13,524	2,924	1,828	4,752	18,276
Interest	1,896	1,089	2,985	646	404	1,050	4,035
Medical assistance	1,468	-	1,468	-	-	-	1,468
Miscellaneous	-	-	-	1,334	-	1,334	1,334
Office expense	5,609	3,222	8,831	1,909	1,193	3,102	11,933
Payroll expenses	1,619	1,206	2,825	275	345	620	3,445
Postage	559	321	880	190	118	308	1,188
Professional fees	8,402	9,952	18,354	16,987	-	16,987	35,341
Repair and maintenance	4,073	2,340	6,413	1,386	867	2,253	8,666
Support services	2,150	-	2,150	-	-	-	2,150
Telephone	2,502	1,437	3,939	852	532	1,384	5,323
Training	4,774	-	4,774	-	-	-	4,774
Transportation	2,063	-	2,063	-	-	-	2,063
Utilities	4,713	2,708	7,421	1,604	1,003	2,607	10,028
<b>Total expenses</b>	<b>\$ 469,697</b>	<b>\$ 525,877</b>	<b>\$ 995,574</b>	<b>\$ 68,569</b>	<b>\$ 54,046</b>	<b>\$ 122,615</b>	<b>\$ 1,118,189</b>

**LAUREL ADVOCACY AND REFERRAL SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (49,764)	\$ 15,499
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,612	35,614
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(2,649)	4,269
Grants receivable	(8,213)	(12,695)
Other receivables	390	1,724
Prepaid expenses	2,321	2,726
Inventories	6,069	2,523
Increase (decrease) in liabilities:		
Accounts payable	(776)	1,301
Accrued payroll and payroll taxes	8,029	(1,838)
Client funds held in trust	2,268	1,001
<b>Net cash provided by (used in) operating activities</b>	<u>(5,713)</u>	<u>50,124</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	-	(13,854)
Increase in client funds held in trust	(2,268)	(1,001)
<b>Net cash used in investing activities</b>	<u>(2,268)</u>	<u>(14,855)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on mortgage loan	(15,085)	(11,949)
Net increase (decrease) in cash and cash equivalents	(23,066)	23,320
Cash and Cash Equivalents, beginning of year	<u>497,374</u>	<u>474,054</u>
Cash and Cash Equivalents, end of year	<u>\$ 474,308</u>	<u>\$ 497,374</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 3,400</u>	<u>\$ 4,035</u>

## LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** Laurel Advocacy and Referral Services, Inc.'s (the "Organization") mission is to enable homeless and low-income people in Laurel who are in crisis to achieve stability and long-term self-sufficiency. Its vision is a community that treats all people with dignity and helps everyone meet their basic needs.

The Organization's program areas are:

*Emergency services:* The Organization provides short-term financial assistance, support services, and referrals to low-income and homeless individuals and families in crisis. Funding comes from a variety of public and private grants, as well as other general contributions. Services include short-term case management, eviction prevention and rental assistance, utility assistance, referrals to long-term services, assistance in obtaining identification cards and birth certificates, clothing and furniture vouchers, employment assistance, holiday and back-to-school programs, and additional homeless supportive services. In addition, the Organization also operates a food pantry.

*Housing:* Through a HUD grant, the Organization provides transitional housing for ten (10) families, at any point in time, for up to twenty-four (24) months. This program provides budgeting and life-skills workshops, employment assistance, transportation, daycare, and referral services for mental health, health, and substance abuse treatment. The Organization has another HUD grant to provide permanent housing for nine (9) disabled individuals who have met the HUD definition for chronic homelessness.

A summary of the Organization's significant accounting policies follows:

**Basis of accounting:** The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted net assets* – net assets that result from contributions and grants whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

*Permanently restricted net assets* – net assets that result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The Organization did not have any permanently restricted net assets as of June 30, 2016 and 2015.

## LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

**Financial risk:** The Organization maintains its cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses on cash accounts and believes it is not exposed to any significant credit risk on cash.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may vary from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

**Restricted cash:** The Organization collects payments from clients each month in an effort to assist in helping them build up savings while they are enrolled in the program. These funds are required to be held in separate accounts and are restricted for clients only. Once the clients have completed the program, they may withdraw their savings.

**Pledges receivable:** Pledges receivable represent unconditional promises to give which are recognized as contributions when the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are deemed fully collectible by management. As of June 30, 2016 and 2015, pledges receivable are all due within one year.

**Grants receivable:** Grants receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Grants receivable are written off when deemed uncollectible. Recoveries of grants receivable previously written off are recorded when received. As of June 30, 2016 and 2015, management has determined that no allowance for doubtful accounts is necessary based upon the status and collectability of grants receivable.

**Inventories:** Inventories are stated at the lower of cost, using the first-in, first-out method (FIFO) or market.

**Fair value of financial instruments:** The estimated fair values of financial instruments, consisting principally of cash and cash equivalents, pledges receivable, grants receivable, other receivables, inventories, prepaid expenses, mortgage payable (current portion), accounts payable and accrued expenses, are stated at cost, which approximates fair value because of their short-term nature.

## LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Valuation of long-lived assets:** The Organization accounts for the valuation of long-lived assets under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management has determined there is no impairment to be recorded as of June 30, 2016 or 2015.

**Property and equipment:** Property and equipment are recorded at cost. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method, ranging from 3 to 30 years. Depreciation expense was \$36,612 and \$35,614 for the years ended June 30, 2016 and 2015, respectively.

Property and equipment with a cost of \$500 or more, if purchased, or a fair value of \$500 or more at date of donation, if contributed, is generally capitalized. Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred.

**Income taxes:** The Organization is generally exempt from federal and state income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions under Section 170(b) (1) (A) (VI) and has been classified as an organization that is not a private foundation under Section 509(a) (1). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income for the years ended June 30, 2016 and 2015.

FASB ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance to its financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions whose restrictions are satisfied in the same restriction period are shown as unrestricted contributions. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

## LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Grant revenue:** Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or when a unit of service is provided for performance grants. Expenditures under federal awards are subject to review by the grantor, which may result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

**In-kind contributions:** Donated goods and services are reported at fair value in the financial statements when those items are received if they (1) create or enhance non-financial assets or (2) require any specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Organization received donated food and other goods valued at approximately \$206,834 and \$171,337 for the years ended June 30, 2016 and 2015, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Organization's programs and its fundraising campaigns. The value of these donated services does not meet the criteria for recognition and, accordingly, is not recognized in the accompanying financial statements.

**Functional allocation of expenses:** The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Expenses are charged to program and supporting services on the basis of direct charges, square footage, and periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

**Subsequent events:** The Organization has evaluated subsequent events through November 28, 2016, the date the financial statements were available to be issued.

#### Note 2. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016 and 2015:

	2016	2015
Time restriction	\$ 14,829	\$ 13,504
Grant restriction - building renovations	-	162,208
Grant restriction - housing	-	15,000
Grant restriction - food	-	5,000
	<u>\$ 14,829</u>	<u>\$ 195,712</u>



## LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Temporarily Restricted Net Assets (Continued)**

The time restriction on temporarily restricted net assets as of June 30, 2016 will expire in the year ending June 30, 2017. The time restriction on temporarily restricted net assets as of June 30, 2015 expired during the year ended June 30, 2016.

The grant agreement primarily used for the renovation of the building had certain provisions and restrictions, whereby the building and related equipment purchased with proceeds from the grant were to be held for a minimum of five years by the Organization and used for purposes as referenced in the grant agreement. Therefore, these grants were considered temporarily restricted for five years. Depreciation of the building and related equipment was considered a release from restriction and reclassified to unrestricted net assets each year through the fifth year. At the end of the fifth year, which occurred during the year ended June 30, 2016, these net assets were released from restriction.

Net assets temporarily restricted by grants represent grants which have donor-imposed stipulations on their use. These stipulations were met during the year ended June 30, 2016.

#### **Note 3. Commitments**

**Retirement plan:** The Organization established a Safe-Harbor contributory plan qualified under Section 401(k) of the Internal Revenue Code in January 2010. The Plan covers all employees of the Organization who are at least 18 years of age and have completed three (3) months of service. A participant can contribute a percentage of his/her compensation, which is immediately vested. The Organization makes a Safe Harbor matching contribution of 100% of the participant's elective deferral contributions up to 4% of compensation plus 50% of their elective deferral contributions over 4% up to 6% of compensation. The participant's share of the Organization's contributions is immediately vested. The Organization's contributions were \$8,787 and \$10,005 for the years ended June 30, 2016 and 2015, respectively.

**Operating leases:** The Organization leases apartments for housing clients under various non-cancelable operating leases which expire at various dates through February 2017. Total rental and utilities expense for the years ended June 30, 2016 and 2015 were \$402,519 and \$344,959 respectively. The Organization also has a lease for office equipment. Future minimum lease payments for apartments and equipment are due as follows for the years ending June 30:

Years	Amount
2017	\$ 47,304
2018	3,800
2019	633
	<u>\$ 51,737</u>

**LAUREL ADVOCACY REFERRAL AND REFERRAL SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Mortgage**

The Organization has a mortgage note payable with a bank bearing interest at 4.5% and secured by the land and building. The terms of the loan provide for monthly payments of \$1,040, which include principal and interest, through February 2023. During the years ended June 30, 2016 and 2015, interest expense on the mortgage was \$3,400 and \$4,035, respectively. Future minimum principal payments are as follows for the years ending June 30:

<u>Years</u>	<u>Amount</u>
2017	\$ 9,952
2018	10,168
2019	10,635
2020	11,124
2021	11,635
Thereafter	12,529
	<u>\$ 66,043</u>

**Note 5. Line of Credit**

The Organization has a \$100,000 revolving line of credit with a bank. The line of credit bears interest at the bank's prime rate plus 1% and is secured by the Organization's land and building. Monthly payments of interest only are required until March 3, 2018 when the outstanding principal is due. There is no balance outstanding on the line of credit as of June 30, 2016 and 2015.