

Urban Ministries of Durham, Inc.

Report on Audits of Financial Statements
for the years ended June 30, 2009 and 2008

McMILLAN, PATE & COMPANY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
615 OBERLIN ROAD, SUITE 200
RALEIGH, NC 27605

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McMILLAN, PATE & COMPANY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

615 OBERLIN ROAD, SUITE 200

RALEIGH, NORTH CAROLINA 27605

TELEPHONE (919) 836-9200

FACSIMILE (919) 836-9288

J. MICAH PATE, III
ANGELA W. BANASK
THOMAS M. DOHERTY
BRIAN T. BENNETT

JAMES L. McMILLAN, JR.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Urban Ministries of Durham, Inc.
Durham, North Carolina

We have audited the accompanying statements of financial position of Urban Ministries of Durham, Inc. (a not-for-profit organization) as of June 30, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Ministries of Durham, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McMillan, Pate & Company, L.L.P.

November 20, 2009

URBAN MINISTRIES OF DURHAM, INC.
 Statements of Financial Position
 June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 126,955	\$ 317,401
Grants and contracts receivable	84,973	10,273
Unconditional promises to give, net of allowance for doubtful accounts of \$0 and \$14,500 at June 30, 2008 and 2009, respectively	31,481	71,977
Other receivables and deposits	368	306
Loans receivable from employees	-	1,735
Inventory	500	-
Prepaid expenses	-	731
Beneficial interest in assets held by others	25,188	32,378
Intangible asset, net of accumulated amortization of \$2,167 and \$1,167 at June 30, 2009 and 2008, respectively	7,833	8,833
Property and equipment:		
Buildings and improvements	2,588,821	2,588,821
Furniture and fixtures	88,109	79,804
Equipment and software	<u>188,717</u>	<u>174,359</u>
	2,865,647	2,842,984
Less accumulated depreciation	<u>1,024,636</u>	<u>922,666</u>
Property and equipment, net	<u>1,841,011</u>	<u>1,920,318</u>
Total assets	<u>\$ 2,118,309</u>	<u>\$ 2,363,952</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 54,313	\$ 11,503
Accrued payroll liabilities	52,724	44,833
Accrued interest	-	414
Long-term debt	<u>72,296</u>	<u>100,713</u>
Total liabilities	<u>179,333</u>	<u>157,463</u>
Net assets:		
Unrestricted:		
Board designated:		
Enterprise program	-	28,472
Undesignated	<u>1,938,976</u>	<u>2,178,017</u>
Total unrestricted	1,938,976	2,206,489
Temporarily restricted	-	-
Total net assets	<u>1,938,976</u>	<u>2,206,489</u>
	<u>\$ 2,118,309</u>	<u>\$ 2,363,952</u>

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

URBAN MINISTRIES OF DURHAM, INC.
Statements of Activities
for the years ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in net assets:						
Revenues and gains:						
Donated materials, services and use of space	\$ 1,010,818	\$ -	\$ 1,010,818	\$ 655,199	\$ -	\$ 655,199
Contributions - individuals	302,541	-	302,541	287,919	-	287,919
Grants from government agencies	309,164	-	309,164	384,020	-	384,020
Grants from private foundations	210,745	-	210,745	244,576	-	244,576
Contributions - congregations	137,269	-	137,269	174,250	-	174,250
Contributions - school, civic and business	93,133	-	93,133	73,579	-	73,579
Events	55,484	-	55,484	29,190	-	29,190
Resident fees	19,377	-	19,377	21,486	-	21,486
Federated campaigns	13,440	-	13,440	19,921	-	19,921
Contract services	68,448	-	68,448	28,265	-	28,265
Interest income	1,627	-	1,627	3,608	-	3,608
Realized gain (loss) on beneficial interest in assets held by others	(5,226)	-	(5,226)	(1,375)	-	(1,375)
Other income	11,181	-	11,181	11,291	-	11,291
Total revenues and gains	<u>2,228,001</u>	<u>-</u>	<u>2,228,001</u>	<u>1,931,929</u>	<u>-</u>	<u>1,931,929</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,576</u>	<u>(13,576)</u>	<u>-</u>
Expenses and losses:						
Program services:						
Community shelter	985,266	-	985,266	725,616	-	725,616
Community kitchen	644,170	-	644,170	527,150	-	527,150
Mission society	264,624	-	264,624	200,955	-	200,955
HUD supplemental housing	66,682	-	66,682	-	-	-
Enterprise program	201,747	-	201,747	30,165	-	30,165
Management and general	119,168	-	119,168	167,557	-	167,557
Fundraising	208,042	-	208,042	142,528	-	142,528
Total expenses	<u>2,489,699</u>	<u>-</u>	<u>2,489,699</u>	<u>1,793,971</u>	<u>-</u>	<u>1,793,971</u>
Loss on bad debt	5,815	-	5,815	5,320	-	5,320
Total expenses and losses	<u>2,495,514</u>	<u>-</u>	<u>2,495,514</u>	<u>1,799,291</u>	<u>-</u>	<u>1,799,291</u>
Changes in net assets	<u>(267,513)</u>	<u>-</u>	<u>(267,513)</u>	<u>146,214</u>	<u>(13,576)</u>	<u>132,638</u>
Net assets at beginning of year	<u>2,206,489</u>	<u>-</u>	<u>2,206,489</u>	<u>2,060,275</u>	<u>13,576</u>	<u>2,073,851</u>
Net assets at end of year	<u>\$ 1,938,976</u>	<u>\$ -</u>	<u>\$ 1,938,976</u>	<u>\$ 2,206,489</u>	<u>\$ -</u>	<u>\$ 2,206,489</u>

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

URBAN MINISTRIES OF DURHAM, INC.
Statement of Functional Expenses
for the year ended June 30, 2009

	Program Services				Enterprise Program	Total Program Services	Management and General	Fundraising	Total Expenses
	Community Shelter	Community Kitchen	Mission Society	HUD Supplemental Program					
Salaries, wages and related benefits	\$ 495,678	\$ 106,774	\$ 17,997	\$ 18,745	\$ 163,633	\$ 802,827	\$ 62,452	\$ 172,535	\$ 1,037,814
Food, clothing and kitchen expense	7,224	333,889	67,216	909	94	409,332	395	-	409,727
Depreciation and amortization	25,492	25,492	25,492	-	1,000	77,476	25,492	-	102,968
Promotion and awareness	141,611	141,611	70,805	-	-	354,027	-	-	354,027
Rent	190,668	-	-	-	-	190,668	-	-	190,668
Legal and professional fees	28,154	6,065	1,022	1,065	9,294	45,600	8,547	9,800	63,947
Repairs and maintenance	7,690	1,571	172	179	1,585	11,197	596	1,780	13,573
Utilities	15,876	12,183	2,358	2,918	1,391	34,726	2,649	1,717	39,092
Printing	2,988	643	108	113	986	4,838	376	1,040	6,254
Insurance	10,973	3,195	1,404	458	3,856	19,886	2,262	3,619	25,767
Janitorial expense	5,146	2,542	54	89	5,987	13,818	669	-	14,487
Office supplies and expense	10,119	2,180	367	383	3,341	16,390	1,275	3,522	21,187
Client/resident life supplies	8,293	175	76,795	9	28	85,300	-	-	85,300
Equipment rental	6,172	1,329	224	233	2,037	9,995	777	2,148	12,920
Telephone	6,064	1,306	220	229	2,002	9,821	764	2,111	12,696
Postage and shipping	5,056	1,089	184	191	1,669	8,189	637	1,760	10,586
Staff and volunteer development	13,951	1,078	58	60	567	15,714	660	1,349	17,723
Client financial assistance	2,443	-	58	40,422	-	42,923	-	-	42,923
Interest expense	-	-	-	-	-	-	7,198	-	7,198
Travel	1,306	2,862	90	608	3,998	8,864	2,096	59	11,019
Events	-	-	-	-	-	-	-	6,602	6,602
Dues and subscriptions	165	100	-	-	-	265	575	-	840
Fees, taxes and penalties	45	49	-	71	279	444	350	-	794
Other expense	152	37	-	-	-	189	1,398	-	1,587
Total expenses	\$ 985,266	\$ 644,170	\$ 264,624	\$ 66,682	\$ 201,747	\$ 2,162,489	\$ 119,168	\$ 208,042	\$ 2,489,699

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

URBAN MINISTRIES OF DURHAM, INC.
Statement of Functional Expenses
for the year ended June 30, 2008

	Program Services					Total Program Services	Management and General	Fundraising	Total Expenses
	Community Shelter	Community Kitchen	Mission Society	Enterprise Program					
Salaries, wages and related benefits	\$ 402,880	\$ 109,457	\$ 37,487	\$ 21,570		\$ 571,394	\$ 79,018	\$ 103,452	\$ 753,864
Food, clothing and kitchen expense	9,630	350,215	117,373	-		477,218	392	31	477,641
Depreciation and amortization	24,386	24,386	24,386	1,000		74,158	24,386	-	98,544
Promotion and awareness	-	-	-	-		-	-	2,523	2,523
Rent	190,668	-	-	-		190,668	-	-	190,668
Legal and professional fees	24,433	12,279	9,985	45		46,742	8,491	4,860	60,093
Repairs and maintenance	5,795	4,752	517	4,339		15,403	3,574	1,027	20,004
Utilities	12,509	13,406	1,509	-		27,424	3,665	1,415	32,504
Printing	1,653	1,139	963	-		3,755	1,963	7,294	13,012
Insurance	12,225	3,676	956	1,073		17,930	2,641	3,227	23,798
Janitorial expense	3,329	2,281	138	1,173		6,921	2,360	220	9,501
Office supplies and expense	8,050	1,542	498	58		10,148	15,645	4,194	29,987
Client/resident life supplies	8,660	186	11	-		8,857	-	-	8,857
Equipment rental	10,561	1,820	1,358	-		13,739	2,522	-	16,261
Telephone	4,605	911	911	-		6,427	2,559	1,360	10,346
Postage and shipping	1,478	546	432	-		2,456	2,049	4,471	8,976
Staff and volunteer development	1,427	234	31	-		1,692	5,500	2,633	9,825
Client financial assistance	690	-	4,332	300		5,322	-	-	5,322
Interest expense	-	-	-	-		-	9,209	-	9,209
Travel	2,637	320	-	542		3,499	9	157	3,665
Events	-	-	-	-		-	-	4,472	4,472
Dues and subscriptions	-	-	-	-		-	605	151	756
Fees, taxes and penalties	-	-	-	65		65	1,176	1,041	2,282
Other expense	-	-	68	-		68	1,793	-	1,861
Total expenses	\$ 725,616	\$ 527,150	\$ 200,955	\$ 30,165		\$ 1,483,886	\$ 167,557	\$ 142,528	\$ 1,793,971

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

URBAN MINISTRIES OF DURHAM, INC.
 Statements of Cash Flows
 for the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ (267,513)	\$ 132,638
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in allowance for doubtful accounts	(14,500)	2,000
Depreciation and amortization	102,970	98,544
Donation of property and equipment	(10,595)	(10,000)
Donated inventory	(500)	-
Realized (gain) loss on beneficial interest in assets held by others	5,226	1,375
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants and contracts receivable	(74,700)	(10,273)
Unconditional promises to give	54,996	31,306
Other receivables and deposits	(62)	-
Loans receivable from employees	1,735	12,015
Prepaid expenses	731	11,014
Increase (decrease) in liabilities:		
Accounts payable	42,810	3,712
Accrued payroll liabilities	7,891	6,101
Accrued interest	(414)	(720)
Net cash provided by operating activities	<u>(151,925)</u>	<u>277,712</u>
Cash flows from investing activities:		
Proceeds from beneficial interest in assets held by others	1,964	1,645
Capital expenditures	<u>(12,068)</u>	<u>(40,257)</u>
Net cash used in investing activities	<u>(10,104)</u>	<u>(38,612)</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(28,417)</u>	<u>(131,732)</u>
Net cash used in financing activities	<u>(28,417)</u>	<u>(131,732)</u>
Net increase (decrease) in cash and cash equivalents	(190,446)	107,368
Cash and cash equivalents at beginning of year	<u>317,401</u>	<u>210,033</u>
Cash and cash equivalents at end of year	\$ <u><u>126,955</u></u>	\$ <u><u>317,401</u></u>
Supplemental disclosure of cash payments for:		
Interest	\$ <u><u>7,612</u></u>	\$ <u><u>9,929</u></u>

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

URBAN MINISTRIES OF DURHAM, INC.
Notes to Financial Statements
June 30, 2009 and 2008

1. ORGANIZATION

Urban Ministries of Durham, Inc. (the Organization) was founded in 1983. The Organization provides a variety of services to low-income people, such as emergency shelter, food, clothing, and many other supportive services to people in need. The Organization also seeks to inform the public of the plight of low income people in order to spur individual and community action on their behalf.

The program entitled "Mission Society" refers to the Organization's efforts to provide used clothing and groceries to qualified people. The "Enterprise Program" seeks to provide employment opportunities to residents on their way to recovery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. Unrestricted net assets account for all resources expended, and for contributions which have no restriction on use, or for which a restriction has been met or has expired. Temporarily restricted net assets account for contributions made which have donor-imposed restrictions which have not been met as of the date of the financial statements.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the internal operating accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives specified. These financial statements, however, have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all certificates of deposit and all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. At June 30, 2009 and 2008 the Organization had \$- and \$161,005 of cash deposits in excess of amounts insured by the Federal Deposit Insurance Corporation, respectively.

URBAN MINISTRIES OF DURHAM, INC.
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants from government agencies are recognized as they are earned over the grant period. The Organization reports donor-restricted revenues whose restrictions are met in the same year as unrestricted revenue.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using the Organization's borrowing rate. Amortization of the discounts is included in contribution revenue. The discount rate used to reflect the present value of estimated future cash flows was 7% for 2008. All unconditional promises to give are stated at the amount management expects to collect from outstanding balances based on prior experience and management's best estimate.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with an original value of \$1,000 or more and an estimated useful life of more than one year. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded as revenue at their estimated fair value as of the date of the contribution.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2009 and 2008.

Depreciation is provided using the straight-line method over the estimated useful life of the related asset. The following useful lives are used in determining depreciation:

	<u>Estimated Useful Life</u>
Building and improvements	10-39 Years
Equipment and software	3-7 Years
Furniture and fixtures	5-12 Years

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities for the period.

URBAN MINISTRIES OF DURHAM, INC.
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2009 and 2008 was \$101,970 and \$97,544, respectively.

Intangible Assets

During the year ended June 30, 2007, the Organization purchased a cleaning supplies franchise. This intangible asset is stated at cost, net of accumulated amortization. Amortization is calculated by the straight-line method over the life of the agreement. For the years ended June 30, 2009 and 2008, amortization expense totaled \$1,000 and \$1,000, respectively. The carrying value of the asset is reviewed if the facts and circumstances indicate potential impairment of the carrying value. If this review indicates that the carrying value of the asset is not recoverable, as determined based on estimated future undiscounted cash flows, the value of the asset would be reduced by the estimated shortfall of cash flows. There was no such impairment as of June 30, 2009 and 2008. Estimated amortization expense is \$1,000 per year for each of the next nine years.

Income Taxes

Urban Ministries of Durham, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

For the years ended June 30, 2009 and 2008, the Organization had unrelated business income of \$5,888 and \$8,635, respectively, related to vending machine sales and a pay phone. The Organization did not have any federal income tax expense for 2008 on the \$8,635 of unrelated business income. The federal tax return for the period ended June 30, 2009, had not been filed as of the date of the audit report; however, unrelated business income tax expense is expected to be immaterial.

Donated Materials, Services and Use of Space

Donated materials, services and use of space are recorded as contributions at their estimated fair market values at the date of receipt. The Organization recognized donated materials, services and use of space in the amounts of \$1,010,818 and \$623,199 for the years ended June 30, 2009 and 2008, respectively.

The Organization recognizes donated services if such services (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The accompanying statement of activities includes the recognition of donated web development and maintenance and marketing services of approximately \$354,000, donated accounting services for \$11,800 and donated legal services for \$5,000 for the year ended June 30, 2009. The accompanying statement of activities for the year ended June 30, 2008 includes the recognition of donated web development and marketing services of \$32,000.

URBAN MINISTRIES OF DURHAM, INC.
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Use of Space (continued)

Other donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Nevertheless, a substantial number of volunteers have donated significant amounts of their time. Management estimates that the Organization received 17,142 and 16,589 hours of donated services for the years ended June 30, 2009 and 2008, respectively.

Functional Allocation of Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2009 and November 18, 2009 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Subsequent to year end the Organization discontinued its Enterprise program and the related franchise agreement was returned to the franchisor without penalty.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation with no effect on previously reported changes in net assets and net assets.

3. FAIR VALUE MEASUREMENTS

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. SFAS No. 157 also expands disclosures about fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. SFAS No. 157 was originally effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years with early adoption permitted.

In early 2008, the FASB issued Staff Position (FSP) FAS-157-2, "Effective Date of FASB Statement No. 157," which delays by one year, the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay pertains to items including, but not limited to, non-financial assets and non-financial liabilities initially measured at fair value in a business combination, non-financial assets (such as real estate or donations in kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment under SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets."

URBAN MINISTRIES OF DURHAM, INC.
Notes to Financial Statements
June 30, 2009 and 2008

3. FAIR VALUE MEASUREMENTS (Continued)

The Organization adopted the portion of SFAS No. 157 that has not been delayed by FSP FAS-157-2 as of July 1, 2008, and plans to adopt the balance of its provisions as of July 1, 2009. Items carried at fair value on a recurring basis (to which SFAS No. 157 applies for the year ended June 30, 2009) consist of beneficial interest in assets held by others. The assets held by others are invested in common stocks and mutual funds which are valued primarily based on quoted prices in active or brokered markets for identical assets. Items carried at fair value on a non-recurring basis (to which SFAS No. 157 will apply for the year ended June 30, 2010) generally consist of donations in kind. The Organization also uses fair value concepts to test various long-lived assets for impairment. The Organization is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post June 30, 2009 years.

SFAS No. 157 establishes three levels of inputs that may be used to measure fair value: Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date; Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active market for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or Level 3: Unobservable inputs that are supported by little or no market activity and that reflect the Organization's own assumptions about market participants and prices.

Fair value of assets measured on a recurring basis at June 30, 2009 are as follows:

Fair Value	Fair Value Measurements at June 30, 2009 Using		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held for Others	\$ <u>25,188</u>	\$ <u>25,188</u>	\$ <u>-</u>
Total	\$ <u>\$25,188</u>	\$ <u>\$25,188</u>	\$ <u>-</u>

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

4. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has adopted Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* (SFAS 136). This statement establishes standards for transactions in which a community Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. If a not-for-profit organization establishes a fund at a community Organization with its own assets and specifies itself as the beneficiary of that fund, SFAS 136 requires the not-for-profit organization to continue to recognize an asset, and the community Organization must account for the transfer of such an asset as a liability (on the community Organization's books).

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4. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

In 1990, the then St. Philip's Community Kitchen established the Betsy B. Rollins Fund for Hunger in Durham Endowment Fund (the Fund) for the Organization through the Triangle Community Foundation (the Foundation). The initial gift was \$10,000. Per terms of the agreement, 5% of the assets from this fund are given to the Organization each year. As of June 30, 2009 and 2008, the Fund had a current spendable balance of \$390 and \$416. Based on the criteria established in SFAS 136, the investment balance as of June 30, 2009 and 2008 of \$25,188 and \$32,378 has been recognized as a "beneficial interest in assets held by others" in the accompanying statement of financial position, respectively.

The Board of Directors of the Foundation has full authority and discretion as to the investment and reinvestment of the assets of the Fund. In the event of the dissolution of the Organization, the Foundation shall thereafter continue to hold the assets constituting the Fund and shall distribute the net income and/or principal there-from to such entities as in the opinion of the Board of Directors most nearly meet the purposes and objectives of the Organization. The Fund shall be administered by the Foundation subject to its charter and by-laws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30, 2009:

Receivable in less than one year	\$ 31,481
Total unconditional promises to give	\$ <u>31,481</u>

Unconditional promises to give consist of the following at June 30, 2008:

Receivable in less than one year	\$ 53,937
Receivable in one to five years	<u>35,240</u>
Total unconditional promises to give	89,177
Less: allowance for uncollectible accounts	14,500
Less: discounts to net present value, 7%	<u>2,700</u>
Net unconditional promises to give	\$ <u>71,977</u>

6. LOANS RECEIVABLE FROM EMPLOYEES

At June 30, 2008, unsecured loans receivable from employees represent non-interest bearing loans made to one employee for down payment assistance on the purchase of principal residence. The loans were satisfied in full in the current year.

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7. LONG-TERM DEBT

A note payable to a financial institution at June 30, 2009 and 2008, consists of \$72,296 and \$100,713, respectively. It is to be paid in sufficient monthly amounts to allow for payment in full by April 2026. The note bears interest at a rate equal to the lending institution's "prime rate" (3.25% at June 30, 2009) plus one percent. Monthly payments, including interest, are estimated to be \$470. The note payable is collateralized by substantially all assets of the Organization and the land leased to it by a related party.

Future maturities of long-term debt at June 30, 2009 are as follows:

2010	\$	3,040
2011		3,421
2012		3,534
2013		3,651
2014		3,771
Thereafter		<u>54,879</u>
	\$	<u>72,296</u>

8. OPERATING LEASES

The Organization leases office equipment under non-cancelable operating leases expiring at various dates through 2011. Expenses under these leases were \$10,896 in 2009 and 2008.

The following is a schedule of future minimum lease payments required under the above operating leases as of June 30, 2009:

		<u>Amount</u>
2010	\$	10,896
2011		<u>1,644</u>
	\$	<u>12,540</u>

9. RELATED PARTY TRANSACTIONS

The Organization's by-laws state that the Rector of St. Philip's Episcopal Church (the Church) shall have a permanent seat on the Board of Directors for as long as the Organization is leasing property from the Church. The lease is for \$1 per year through the year 2024 and is treated as donated use of space in the accompanying statement of activities. Total contributions from the Church (including the donated use of space) were \$17,377 and \$22,546 for the years ended June 30, 2009 and 2008, respectively.

A family member of a member of the board of directors was hired to assist with accounting matters. During 2009 this family member was paid \$2,360 for services provided.

10. CONCENTRATIONS

The Organization received approximately 14% and 20% of its support from government agencies and 46% and 35% in in-kind contributions for the years ended June 30, 2009 and 2008, respectively. Also, the Organization received approximately 11% of its support from a private foundation for the year ended June 30, 2008. A significant reduction in these levels of support, if they were to occur, could have a significant effect on the Organization's programs and activities.

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11. RETIREMENT PLAN

The Organization sponsors an IRS Section 403(b) tax sheltered annuity. Employees are eligible to participate after one year of service for full-time employees. Employees can contribute 10% of their salary to the plan. The Organization will contribute 10% of the employee's salary regardless of whether the employee contributes to the plan. Retirement expense for the years ended June 30, 2009 and 2008 totaled \$24,527 and \$24,611, respectively.

12. ALLOCATION OF JOINT COSTS

The Organization produces newsletters that include requests for contributions, as well as program and management and general components. The costs of conducting these activities included a total of \$16,840 and \$24,210 for 2009 and 2008, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows based on content of the newsletters:

	<u>2009</u>	<u>2008</u>
Community shelter	\$ 6,736	\$ 9,684
Community kitchen	5,052	7,263
Mission society	1,684	2,421
Management and general	1,684	2,421
Fundraising	<u>1,684</u>	<u>2,421</u>
	\$ <u>16,840</u>	\$ <u>24,210</u>