

URBAN MINISTRIES OF DURHAM, INC.
Durham, North Carolina

Audited Financial Statements

Years Ended June 30, 2020 and 2019



URBAN MINISTRIES OF DURHAM, INC.
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Years Ended June 30, 2020 and 2019

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and Consultants

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Urban Ministries of Durham, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019 and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

As discussed in Note 18, in March 2020, the World Health Organization declared a pandemic related to the spread of coronavirus disease 2019 (COVID-19). Given the uncertainty of the situation, the degree of business interruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to these matters.

Thomas S. Gibbs CPA, PLLC

Durham, North Carolina
January 14, 2021

URBAN MINISTRIES OF DURHAM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 979,709	\$ 552,369
Grants and contracts receivable (note 5)	211,487	235,996
Accounts receivable	-	1,352
Pledges receivable	13,961	35,350
Sales tax receivable	13,339	8,595
Employee advances	-	1,054
Prepaid expenses	7,932	7,803
Certificates of deposit (note 3)	136,325	133,651
Other current assets	4,233	3,979
Total current assets	1,366,986	980,149
Non-current assets		
Cash restricted to long term purposes (note 2)	251,000	250,000
Property and equipment, net (note 6)	1,836,681	1,751,441
Total non-current assets	2,087,681	2,001,441
Total assets	\$ 3,454,667	\$ 2,981,590
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 65,376	\$ 71,527
Accrued payroll liabilities	63,535	59,337
Accrued paid time off (note 22)	50,643	27,087
Obligation under capital lease - current portion (note 14)	4,735	4,425
Note payable - current portion (note 13)	71,457	4,213
Total current liabilities	255,746	166,589
Non-current liabilities		
Note payable (note 13)	273,121	30,806
Obligation under capital leases (note 14)	5,322	9,603
Total non-current liabilities	278,443	40,409
Total liabilities	534,189	206,998
Net assets		
Without donor restrictions		
Board designated (note 16)	320,256	553,483
Undesignated	2,321,540	1,685,226
With donor restrictions (note 10)	278,682	535,883
Total net assets	2,920,478	2,774,592
Total liabilities and net assets	\$ 3,454,667	\$ 2,981,590

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
Donated materials, services and use of space	\$ 1,012,237	\$ -	\$ 1,012,237
Contributions	1,371,578	59,500	1,431,078
Grants	1,315,249	-	1,315,249
Special events: (Integral and ongoing)			
Contributions	82,098	-	82,098
Ticket sales	25,150	-	25,150
Sponsorships	37,289	-	37,289
Net fundraising revenue	144,537	-	144,537
Fundraising events, net of expenses:			
(Peripheral and incidental)	(7,672)	-	(7,672)
Federated campaigns	54,744	-	54,744
Other income	16,804	-	16,804
Total support and revenue	3,907,477	59,500	3,966,977
Net assets released from restrictions (note 11)	317,701	(317,701)	-
Total support and revenue	4,225,178	(258,201)	3,966,977
Expenses			
Program services			
Community Shelter	1,814,264		1,814,264
Community Kitchen	927,424		927,424
Mission Society	426,708		426,708
Community Outreach	124,446		124,446
Total program services	3,292,842	-	3,292,842
Supporting services			
Management and general	277,573	-	277,573
Fundraising	254,883	-	254,883
Total supporting services	532,456	-	532,456
Total expenses	3,825,298	-	3,825,298
Non-operating activities:			
Interest income	3,207	-	3,207
Endowment contribution	-	1,000	1,000
Total non-operating revenue	3,207	1,000	4,207
Change in net assets	403,087	(257,201)	145,886
Net assets, beginning of year	2,238,709	535,883	2,774,592
Net assets, end of year	\$ 2,641,796	\$ 278,682	\$ 2,920,478

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

URBAN MINISTRIES OF DURHAM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
Donated materials, services and use of space	\$ 1,146,325	\$ -	\$ 1,146,325
Contributions	859,157	170,150	1,029,307
Grants	1,164,916	-	1,164,916
Special events: (Integral and ongoing)			
Contributions	83,485	-	83,485
Ticket sales	47,743	-	47,743
Cost of direct benefits to donors	(9,421)	-	(9,421)
Net fundraising revenue	121,807	-	121,807
Fundraising events, net of expenses:			
(Peripheral and incidental)	17,459	-	17,459
Federated campaigns	46,806	-	46,806
Other income	14,274	-	14,274
Total support and revenue	3,370,744	170,150	3,540,894
Net assets released from restrictions (note 11)	172,578	(172,578)	-
Total support and revenue	3,543,322	(2,428)	3,540,894
Expenses			
Program services			
Community Shelter	1,794,255		1,794,255
Community Kitchen	921,736		921,736
Mission Society	491,143		491,143
Community Outreach	125,648		125,648
Total program services	3,332,783	-	3,332,783
Supporting services			
Management and general	207,016	-	207,016
Fundraising	219,079	-	219,079
Total supporting services	426,095	-	426,095
Total expenses	3,758,878	-	3,758,878
Non-operating activities:			
Interest income	2,552	-	2,552
Endowment contribution	-	250,000	250,000
Total non-operating revenue	2,552	250,000	252,552
Change in net assets	(213,004)	247,572	34,568
Net assets, beginning of year	2,451,713	288,311	2,740,024
Net assets, end of year	\$ 2,238,709	\$ 535,883	\$ 2,774,592

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services				Total Program Services	Support Services			Total Expenses
	Community Shelter	Community Kitchen	Mission Society	Community Outreach		Management and General	Fundraising	Total Support Services	
Salaries and related benefits	\$ 1,005,358	\$ 194,897	\$ 113,243	\$ 92,176	\$ 1,405,674	\$ 190,656	\$ 144,869	\$ 335,525	\$ 1,741,199
Food, clothing and kitchen expenses	42,681	565,733	284,285	11	892,710	138	-	138	892,848
Depreciation and amortization	23,692	23,692	22,308	23,692	93,384	23,693	22,308	46,001	139,385
Contract security	179,601	76,755	-	-	256,356	-	-	-	256,356
Community outreach and education	78,071	13,584	-	-	91,655	21,079	12,025	33,104	124,759
Rent	190,668	-	-	-	190,668	-	-	-	190,668
Legal and professional services	458	-	-	-	458	11,352	-	11,352	11,810
Repairs and maintenance	38,438	20,432	186	268	59,324	3,013	531	3,544	62,868
Utilities	25,522	15,635	2,966	101	44,224	2,734	2,733	5,467	49,691
Printing	933	-	306	306	1,545	885	15,434	16,319	17,864
Insurance	5,439	4,406	1,175	1,175	12,195	3,486	734	4,220	16,415
Office supplies and expense	10,366	1,725	710	822	13,623	4,172	23,425	27,597	41,220
Client/resident life supplies	6,973	503	585	500	8,561	-	-	-	8,561
Equipment rental	1,166	4,759	240	150	6,315	3,794	20,944	24,738	31,053
Telephone	11,190	677	677	825	13,369	2,181	2,032	4,213	17,582
Postage and shipping	369	145	7	-	521	162	7,701	7,863	8,384
Staff and volunteer development	4,250	20	20	445	4,735	2,535	90	2,625	7,360
Client financial assistance	186,390	4,370	-	3,975	194,735	6	-	6	194,741
Interest expense	-	-	-	-	-	2,409	-	2,409	2,409
Travel	1,112	89	-	-	1,201	342	5	347	1,548
Dues and subscriptions	1,574	-	-	-	1,574	4,337	1,076	5,413	6,987
Other	13	2	-	-	15	599	976	1,575	1,590
Totals	\$ 1,814,264	\$ 927,424	\$ 426,708	\$ 124,446	\$ 3,292,842	\$ 277,573	\$ 254,883	\$ 532,456	\$ 3,825,298

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services				Total Program Services	Support Services			Total Expenses
	Community Shelter	Community Kitchen	Mission Society	Community Outreach		Management and General	Fundraising	Total Support Services	
Salaries and related benefits	\$ 955,613	\$ 184,301	\$ 74,265	\$ 93,358	\$ 1,307,537	\$ 135,424	\$ 123,424	\$ 258,848	\$ 1,566,385
Food, clothing and kitchen expense	17,492	568,231	388,200	120	974,043	7,019	33	7,052	981,095
Depreciation and amortization	22,013	22,013	20,740	22,013	86,779	22,013	20,741	42,754	129,533
Contract security	80,733	80,732	-	-	161,465	-	-	-	161,465
Community outreach and education	98,715	-	-	4,671	103,386	-	17,565	17,565	120,951
Rent	190,668	-	-	-	190,668	-	-	-	190,668
Legal and professional services	-	-	-	-	-	18,858	-	18,858	18,858
Repairs and maintenance	47,347	34,225	179	207	81,958	611	366	977	82,935
Utilities	22,925	16,153	2,890	123	42,091	2,726	2,683	5,409	47,500
Printing	1,495	315	445	426	2,681	1,026	14,196	15,222	17,903
Insurance	4,639	3,765	1,004	1,004	10,412	3,229	627	3,856	14,268
Office supplies and expense	10,194	163	157	779	11,294	1,805	12,337	14,142	25,436
Client/resident life supplies	7,570	419	930	433	9,352	-	-	-	9,352
Equipment rental	1,599	2,618	870	30	5,117	2,884	15,873	18,757	23,874
Telephone	10,983	666	666	810	13,125	2,142	1,999	4,141	17,266
Postage and shipping	774	146	468	184	1,572	342	6,329	6,671	8,243
Staff and volunteer development	9,259	250	229	1,440	11,178	2,194	2,069	4,263	15,441
Client financial assistance	305,009	7,739	100	-	312,848	19	-	19	312,867
Interest expense	-	-	-	-	-	2,876	-	2,876	2,876
Travel	5,782	-	-	-	5,782	86	22	108	5,890
Events	-	-	-	-	-	-	-	-	-
Dues and subscriptions	1,064	-	-	50	1,114	3,695	658	4,353	5,467
Other	381	-	-	-	381	67	157	224	605
Totals	\$ 1,794,255	\$ 921,736	\$ 491,143	\$ 125,648	\$ 3,332,783	\$ 207,016	\$ 219,079	\$ 426,095	\$ 3,758,878

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
Operating activities		
Change in net assets	\$ 145,886	\$ 34,568
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	139,385	129,533
Contributions restricted for endowment	(1,000)	(250,000)
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	24,509	(83,696)
Accounts and pledges receivable	19,051	103,294
Prepaid expenses	(383)	(3,636)
Accounts payable	(1,953)	7,362
Accrued payroll liabilities	23,556	(736)
Net cash provided (used) by operating activities	349,051	(63,311)
Cash flows from investing activities		
Proceeds from beneficial interest in assets held by others	-	27,239
Cash paid for purchases of fixed assets	(224,625)	(92,606)
Proceeds from certificate of deposit	(138,156)	(2,098)
Purchase of certificate of deposit	135,482	-
Net cash used by investing activities	(227,299)	(67,465)
Cash flows from financing activities		
Payments on capital leases	(3,971)	(4,333)
Proceeds from notes payable	314,200	-
Principal payments on notes payable	(4,641)	(4,047)
Contributions restricted for endowment	1,000	250,000
Net cash provided by financing activities	306,588	241,620
Net increase in cash and cash equivalents	428,340	110,844
Cash and cash equivalents, beginning of year	552,369	691,525
Cash and cash equivalents, end of year	\$ 980,709	\$ 802,369
Supplemental disclosures:		
Cash paid for interest	\$ 2,409	\$ 2,876

The accompanying notes are an integral part of the financial statements

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 1 – Nature of activities and significant accounting policies

Urban Ministries of Durham, Inc., (the “Organization”) was formed in 1983 to provide 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 Organization is supported by government and private grants, contributions and in-kind services, facilities and goods.

The program entitled “Food and Clothing Pantry” refers to the Organization’s efforts to provide used clothing and groceries to qualified people.

Basis of accounting - The Organization uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of presentation - The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions - Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 1 – Nature of activities and significant accounting policies (continued)

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Grants and pledges - Grants and pledges to give future amounts are recognized when the donor makes a promise to give that is, in substance, unconditional. Grants from government agencies are recognized as they are earned over the grant period. The Organization considers unconditional promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in income as received.

Accounts receivable – Accounts receivable are considered to be fully collectible. Interest is not charged on past due amounts. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in income as received.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 totaled \$8,013 and \$6,168, respectively.

Cash and cash equivalents – Consist of short-term, highly liquid investments, with original maturities at time of purchase of less than ninety days.

Property and equipment – Purchases of furniture and equipment are recorded at cost. 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 capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to thirty-nine years.

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 totaling \$1,012,237 and \$1,146,325 for the years ended June 30, 2020 and 2019, respectively.

The Organization recognized donated services if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The accompanying statement of activities includes recognition of donated web development and maintenance and marketing services of approximately \$11,907 and \$11,340 for the years ended June 30, 2020 and 2019, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 1 – Nature of activities and significant accounting policies (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 15,715 and 28,010 hours of donated services with estimated values of \$400,000 and \$712,299 for the years ended June 30, 2020 and 2019, respectively.

Measure of operations - The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional allocation of expenses – The cost of providing the program services and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation method</u>
Salaries and wages	Time and effort
Depreciation	Estimated benefit
Utilities except gas	Square footage
Insurance	Square footage
Other	Time and effort

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for 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). Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions – Income from certain activities not directly related to the Organization’s tax-exempt purposes may be subject to taxation as unrelated business income. The Organization currently has no obligation for unrelated business income tax.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2020 and 2019

Note 1 – Nature of activities and significant accounting policies (continued)

Pending accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for the Organization for the year ending June 30, 2022. Management is currently evaluating the effect that the standard will have on the financial statements.

Note 2 – Cash and cash equivalents

Cash and cash equivalents consist of the following at June 30:

	2020	2019
Non-interest bearing checking accounts	\$ 789,539	\$ 123,602
Interest bearing savings account	434,959	669,832
Money market	2,825	5,549
Undeposited funds	3,386	3,386
Total	\$ 1,230,709	\$ 802,369

\$251,000 of cash held in interest bearing savings accounts represents the donor restricted endowment which is restricted for long term purposes.

Note 3 – Certificate of deposit

The Organization has a certificate of deposit held in a local bank. The certificate has a 12-month term and matures on February 22, 2021, with an interest rate of 2.1%. The certificate is presented at cost which approximates fair value under level 1 of the fair value hierarchy.

Note 4 – Property and equipment

Property and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Buildings & improvements	\$ 3,442,629	\$ 3,236,117
Equipment & software	528,006	516,510
Furniture & fixtures	119,395	112,778
Total property and equipment	4,090,030	3,865,405
Less accumulated depreciation	(2,253,349)	(2,113,964)
Property and equipment, net	\$ 1,836,681	\$ 1,751,441

The Organization recognized depreciation expense of \$139,385 and \$129,533 for the years ended June 30, 2020 and 2019, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 5 – Accrued paid time off

The Organization has a leave policy in which employees are allowed to carry over 10 days of accrued leave into the subsequent year. Accrued paid time off was \$50,643 and \$27,087 as of June 30, 2020 and 2019, respectively.

Note 6 – Note payable

The Organization has a note payable to a financial institution as of June 30, 2020 and 2019. The note has a principal balance of \$30,378 and \$35,019, respectively, with payment in full by April 2026. The note bears interest at a rate equal to the lending institution's "prime rate" plus one percent which was 5.5% and 4.75% at June 30, 2020 and 2019, respectively. Monthly payments, including interest, are approximately \$496. The note payable is collateralized by substantially all assets of the Organization and the land leased to it by a related party.

On April 21, 2020, the Organization received loan proceeds in the amount of \$314,200 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 21, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2020 and 2019

Note 6 – Note payable (continued)

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

Year	Amount
2021	\$ 4,437
2022	4,675
2023	4,927
2024	5,190
2025	5,471
Thereafter	5,678
	\$ 344,578

Note 7 – Board designated net assets

In 2011, the Board of Directors established a sustaining fund to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The board designated net assets included in the Organization’s total unrestricted net assets at June 30, 2020 and 2019 are \$320,256 and \$553,483, respectively.

Note 8 – Net assets with donor restrictions

The following net assets with donor restrictions are available for program activities at June 30, as indicated:

	2020	2019
Restricted purpose:		
Workforce education	\$ -	\$ 63,591
Clinical placement program	2,400	47,135
Security system	-	5,007
Café renovation	25,282	170,150
Total restricted purpose	27,682	285,883
Time restricted:		
Endowment	251,000	250,000
Total net assets with donor restrictions	\$ 278,682	\$ 535,883

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NOTES TO THE FINANCIAL STATEMENTS
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Note 9 – Net assets released from restrictions

During the years ended June 30, 2020 and 2019, net assets released from donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Security system	\$ 5,007	\$ 83,304
Workforce education	63,591	38,409
Clinical placement	44,735	50,865
Café renovation	<u>204,368</u>	<u>-</u>
	<u>\$ 317,701</u>	<u>\$ 172,578</u>

Note 10 – Endowment funds

The Organizations endowment consists of funds held in an interest-bearing bank account. The endowment includes both donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions and funds designated by the Board of Trustees to function as endowment.

The Organization is subject to the North Carolina Uniform Prudent Management of Institutional Funds Act (NCUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted in perpetuity or until the Board of Trustees appropriates such amounts for expenditure. The Board of Trustees has interpreted NCUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund unless a donor stipulates to the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted NCPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with NCPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

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Note 10 – Endowment funds (continued)

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 251,000	\$ 251,000
Board designated endowment funds	151,000	-	151,000
Total	<u>\$ 151,000</u>	<u>\$ 251,000</u>	<u>\$ 402,000</u>

Changes in endowment net assets for the year ended June 30, 2020:

Endowment net assets, beginning of year	\$ 151,000	\$ 250,000	\$ 401,000
Contributions	-	1,000	1,000
Endowment net assets, end of year	<u>\$ 151,000</u>	<u>\$ 251,000</u>	<u>\$ 402,000</u>

The Organization has not yet determined its investment or spending policies related to the endowment.

Note 11 – Lease commitments

The Organization is the lessee of office equipment under a capital lease expiring in the year ended June 30, 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. The terms of the lease require 60 monthly payments of \$438 including interest. The equipment is being financed at 6.0% per year.

Following is a summary of property held under capital leases:

Office equipment	\$ 22,224
Accumulated amortization	<u>(13,334)</u>
	<u>\$ 8,890</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Note 11 – Lease commitments (continued)

Future minimum payments, by year and in aggregate, under this lease are as follows at June 30:

Year ending June 30	Amount
2021	\$ 5,256
2022	4,801
	<u>10,057</u>
Less: amounts representing interest	(707)
	<u>\$ 9,350</u>

Note 12 – Credit risk

The Organization holds its cash and cash equivalents in North Carolina based banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There are uninsured cash account balances of \$419,860 and \$206,260 at June 30, 2020 and 2019, respectively.

Financial instruments that potentially subject the Organization to credit risk consist of contributions receivable. Contributions receivable are unsecured, unconditional promises to give over a period of time. The potential accounting loss related to contributions receivable is limited to the balance outstanding at June 30, 2020 and 2019.

Note 13 – Related party transactions

The Organization's by-laws provide that the Rector of St. Phillip's Episcopal Church (the "Church") will have a permanent seat on the Board of Directors as long as the Organization leases property from the Church. The lease is \$1 per year through 2024 and is treated as donated use of space in the accompanying statements of activities. Contributions from the Church excluding the donated use of space totaled \$25,779 and \$24,611 for the years ended June 30, 2020 and 2019, respectively.

Note 14 – Concentrations

The Organization received approximately 22% and 17% of its support from government agencies and 13% and 14% from private foundations for the years ended June 30, 2020 and 2019, respectively. Also, the Organization received approximately 27% and 30% of its revenue from in-kind contributions for the years ended June 30, 2020 and 2019, respectively. 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. 57% of accounts receivable at June 30, 2020 are from two government agencies and 23% of receivables at June 30, 2019 are from two private foundations.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 15 – Liquidity

The Organization receives significant support through donations. In some cases, a donor’s restriction requires resources to be used in a particular manner or in a future period, and the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus certain financial assets may not be available for general expenditures within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, amounts designated by the Board of Director’s for liquidity reserve may be drawn upon to meet the immediate need.

The following represents the Organization’s financial assets at June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 1,230,709	\$ 802,369
Grants and contracts receivable	211,487	235,996
Accounts receivable	-	1,352
Pledges receivable	13,961	35,350
Sales tax receivable	13,339	8,595
Employee advances	-	1,054
Prepaid expenses	7,932	7,803
Certificate of deposit	136,325	133,651
Other current assets	4,233	3,979
	<u>1,617,986</u>	<u>1,230,149</u>
Less restricted assets:		
Donor restricted endowment	(251,000)	(250,000)
Purpose restricted net assets	(27,682)	(285,883)
	<u>(278,682)</u>	<u>(535,883)</u>
Add: Assets expected to be released from restrictions before 6/30/21	<u>27,682</u>	<u>285,883</u>
Total financial assets available for use within the next year	<u>\$ 1,366,986</u>	<u>\$ 980,149</u>

Note 16 – Description of program services

For nearly 35 years, Urban Ministries of Durham (UMD) has served the needs of the Triangle’s most vulnerable residents: the poor, hungry, and homeless. By offering food, shelter, and a future to our neighbors in need, UMD helps hundreds of individuals and families each year find emergency shelter, obtain groceries and clothing, develop job skills, and connect to life-changing services offered by more than a dozen partner agencies. From July 1, 2019 through June 30, 2020, UMD helped 165 people end their homelessness and served more than 240,000 meals at its downtown Durham location.

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NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 16 – Description of program services (continued)

Community Shelter - UMD's community shelter accommodates up to 149 men, women, and children each night, with 19 overflow mats available during evenings with severe weather. New arrivals receive a bed for 14 nights, as well as access to hygiene products and showers, apparel from the Clothing Closet, and meals at the Community Cafe. UMD accepts referrals from nonprofits, churches, and other service organizations 24 hours a day, 7 days a week.

Rapid Rehousing - UMD implements a rapid re-housing model focused on helping individuals and families move quickly into permanent housing, usually within 30 days. By providing a tailored package of assistance that includes case management, housing location services, and financial assistance for housing-related expenses (e.g. rent assistance, moving costs), UMD is able to decrease homelessness in the local community, reduce the amount of time that clients stay in shelters, prevent clients from returning to homelessness, and increase clients' self-sufficiency.

Workforce Preparedness Initiative - Launched in 2015, UMD's workforce programs focus on empowering homeless adults with chronic barriers to employment who are not disabled and must pay for their own permanent housing. UMD's campus serves as a training ground for clients to develop commercial kitchen, maintenance, commercial laundry, and retail skills, with additional support from case managers to help them prepare for, find, and keep jobs. Ultimately, the goal of these programs is to help marginalized single homeless adults--many of whom have long periods of unemployment, prior criminal convictions, educational deficiencies, and other barriers to employment--rejoin society through working.

Community Cafe - UMD's Community Cafe serves three meals a day, seven days a week, 365 days a year to shelter residents and anyone else in need of a meal. Volunteers provide over 90% of labor, and community partners donate over 90% of food.

Food Pantry and Clothing Closet - UMD's Food Pantry and Clothing Closet meets community members' basic emergency needs for food, clothing, diapers, and hygiene supplies. Guests--the majority of whom are not homeless but trying to stretch limited resources--may receive supplies once every 30 days provided that they meet income eligibility requirements and provide documentation. Volunteers assisting guests also watch for signs that a family is in danger of becoming homeless and can provide referrals to case managers and financial assistance providers for additional support.

Diversion Programs - UMD uses a number of diversion assistance efforts to prevent individuals and families from becoming homeless. UMD's Diversion Program provides families with financial assistance for needed costs such as rent/utility assistance, apartment deposits, and transportation. These supports prevent families from needing emergency shelter, and a great number of clients who receive diversion assistance "self-resolve" the challenges making them vulnerable to homelessness.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

Note 17 – Contingencies

The Organization receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization.

The Organization has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

Note 18 – Uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's funding sources, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 19 – Retirement plan

The Organization provides retirement benefits to its participating employees through a defined contribution plan. The Organization contributes three percent of each eligible participant's compensation to the plan. In addition, the Organization contributes one percent of compensation for employees who elect contributions to the plan. The Organization's contributions to the plan during the years ended June 30, 2020 and 2019 were \$29,530 and \$24,373, respectively.

Note 20 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2020 through January 14, 2021, which is the date the financial statements were available to be issued.

On December 10, 2020, the Organization received notification that its application for PPP forgiveness had been approved by the lender and forwarded to the SBA for final approval. On December 21, 2020, SBA approval of forgiveness was received.