

URBAN MINISTRIES OF DURHAM, INC.
Durham, North Carolina

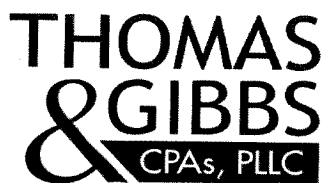
Audited Financial Statements

Years Ended June 30, 2018 and 2017

**THOMAS
& GIBBS**
CPAs, PLLC
Certified Public Accountants
and Consultants

URBAN MINISTRIES OF DURHAM, INC.
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Years Ended June 30, 2018 and 2017

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Fayetteville Road Office Park
6114 Fayetteville Road, Suite 101
Durham, North Carolina 27713

919/ 544-0555 Phone
919/ 544-0556 Fax
866/ 956-5544 Toll Free

Certified Public Accountants
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 statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Organization as of June 30, 2018 and the changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The June 30, 2017 financial statements were audited by other auditors and their report issued November 6, 2017 expressed an unmodified opinion.

James F. Gilbo CMA, PCA

Durham, North Carolina
October 23, 2018

URBAN MINISTRIES OF DURHAM, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 691,525	\$ 669,937
Grants and contracts receivable (note 3)	152,300	55,198
Accounts receivable	116,613	4,866
Pledges receivable	21,199	7,456
Sales tax receivable	11,833	7,635
Employee advances	-	620
Prepaid expenses	8,146	6,380
Beneficial interest in assets held by others (note 6)	27,239	28,182
Certificates of deposit	131,553	130,064
Total current assets	<u>1,160,408</u>	<u>910,338</u>
Property and equipment, net (note 4)	<u>1,788,368</u>	<u>1,830,295</u>
Total non current assets	<u>1,788,368</u>	<u>1,830,295</u>
Total assets	<u>\$ 2,948,776</u>	<u>\$ 2,740,633</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 77,783	\$ 60,664
Accrued payroll liabilities	45,719	48,076
Accrued paid time off (note 20)	27,823	28,301
Obligation under capital lease - current portion (note 12)	5,256	2,919
Note payable - current portion (note 10)	4,099	4,236
Total current liabilities	<u>160,680</u>	<u>144,196</u>
Non-current liabilities		
Note payable (note 10)	34,967	38,824
Obligation under capital leases (note 12)	13,105	2,828
Total non-current liabilities	<u>48,072</u>	<u>41,652</u>
Total liabilities	<u>208,752</u>	<u>185,848</u>
Net assets		
Unrestricted	1,866,824	2,046,587
Unrestricted-board designated (note 13)	584,889	508,198
Temporarily restricted (note 8)	288,311	-
Total net assets	<u>2,740,024</u>	<u>2,554,785</u>
Total liabilities and net assets	<u>\$ 2,948,776</u>	<u>\$ 2,740,633</u>

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

URBAN MINISTRIES OF DURHAM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Donated materials, services and use of space	\$ 1,440,517	\$ -	\$ 1,440,517
Contributions	832,553	-	832,553
Grants	1,128,918	349,382	1,478,300
Events	126,819	-	126,819
Federated campaigns	85,348	-	85,348
Other income	28,574	-	28,574
Realized gain on beneficial interest in assets held by others	1,721	-	1,721
(Loss) on disposal of fixed assets	(3,363)	-	(3,363)
Interest income	1,974	-	1,974
Total revenue	3,643,061	349,382	3,992,443
Net assets released from restrictions (note 9)	61,071	(61,071)	-
Total support and revenues	3,704,132	288,311	3,992,443
Expenses			
Program services	3,232,225	-	3,232,225
Management and general	293,936	-	293,936
Fundraising	281,043	-	281,043
Total expenses	3,807,204	-	3,807,204
Change in net assets	(103,072)	288,311	185,239
Net assets, beginning of year	2,554,785	-	2,554,785
Net assets, end of year	<u>\$ 2,451,713</u>	<u>\$ 288,311</u>	<u>\$ 2,740,024</u>

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

URBAN MINISTRIES OF DURHAM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Donated materials, services and use of space	\$ 1,324,888	\$ -	\$ 1,324,888
Contributions	806,801	-	806,801
Grants	883,515	-	883,515
Events	157,030	-	157,030
Federated campaigns	84,427	-	84,427
Other income	42,028	-	42,028
Realized gain on beneficial interest in assets held by others	3,151	-	3,151
Gain on disposal of fixed assets	1,041	-	1,041
Interest income	2,048	-	2,048
Total revenues and support	3,304,929	-	3,304,929
Net assets released from restrictions	-	-	-
Total support and revenues	3,304,929	-	3,304,929
Expenses			
Program services	2,930,596	-	2,930,596
Management and general	265,431	-	265,431
Fundraising	277,246	-	277,246
Total expenses	3,473,272	-	3,473,272
Change in net assets	(168,343)	-	(168,343)
Net assets, beginning of year	2,723,128	-	2,723,128
Net assets, end of year	\$ 2,554,785	\$ -	\$ 2,554,785

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

URBAN MINISTRIES OF DURHAM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
Operating activities		
Change in net assets	\$ 185,239	\$ (168,343)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	138,277	148,771
Realized loss (gain) on beneficial interest in assets held by others	1,721	(3,151)
Loss on disposal of fixed assets	3,363	1,041
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	(97,102)	7,961
Accounts and pledges receivable	(115,325)	28,785
Prepaid expenses	(1,766)	9,995
Accounts payable	14,762	8,100
Accrued payroll liabilities	(478)	31,534
Net cash provided (used) by operating activities	128,690	64,693
Cash flows from investing activities		
Proceeds from beneficial interest in assets held by others	(778)	(250)
Cash paid for purchases of fixed assets	(78,907)	(58,876)
Reinvestment of interest in certificates of deposit	(1,489)	(1,359)
Net cash provided (used) by investing activities	(80,396)	(60,485)
Cash flows from financing activities		
Payments on capital leases	(8,191)	(3,962)
Principal payments on notes payable	(3,994)	(1,997)
Net cash provided (used) by financing activities	(12,185)	(5,959)
Net increase (decrease) in cash and cash equivalents	36,109	(1,751)
Cash and cash equivalents, beginning of year	669,937	671,688
Cash and cash equivalents, end of year	<u>\$ 706,046</u>	<u>\$ 669,937</u>
Supplemental disclosures:		
Cash paid for interest	\$ 4,076	\$ 1,859
Non-cash financing activities	<u>\$ 22,224</u>	<u>\$ -</u>

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services					Support Services			
	Community		Mission		Total Program Services	Management and General		Total Support Services	Total Expenses
	Shelter	Kitchen	Society	Outreach					
Salaries and related benefits	\$ 821,744	\$ 159,997	\$ 99,686	\$ 35,134	\$ 1,116,561	\$ 214,233	\$ 67,521	\$ 281,754	\$ 1,398,315
Food, clothing and kitchen expense	27,668	637,614	356,791	153	1,022,227	36	1	38	1,022,264
Depreciation and amortization	23,046	23,046	23,046	23,046	92,185	23,046	23,046	46,092	138,277
Contract security	53,326	53,326	-	-	106,653	-	-	-	106,653
Community outreach and education	252,190	-	-	3,611	255,801	7,539	114,559	122,098	377,898
Rent	190,668	-	-	-	190,668	-	-	-	190,668
Legal and professional services	-	-	-	-	-	16,500	300	16,800	16,800
Repairs and maintenance	34,482	31,634	6,792	142	73,050	189	177	366	73,416
Utilities	21,398	16,900	2,995	132	41,424	3,177	2,797	5,974	47,398
Printing	1,949	47	638	595	3,229	744	8,930	9,674	12,903
Insurance	4,417	3,581	955	955	9,909	3,156	597	3,752	13,661
Office supplies and expense	17,804	236	1,442	732	20,214	3,287	10,112	13,399	33,613
Client/resident life supplies	5,116	1,985	36	191	7,329	-	-	-	7,329
Equipment rental	137	1,624	-	82	1,843	3,089	15,832	18,921	20,764
Telephone	10,812	714	714	857	13,097	1,196	2,142	3,338	16,435
Postage and shipping	245	186	447	-	878	345	8,213	8,559	9,437
Staff and volunteer development	3,750	282	195	667	4,894	6,034	17,223	23,257	28,151
Client financial assistance	261,321	2,905	-	185	264,411	154	-	154	264,565
Interest expense	-	-	-	-	-	4,076	-	4,076	4,076
Travel	281	-	-	104	385	1,652	41	1,693	2,078
Events	-	-	-	-	-	-	5,049	5,049	5,049
Dues and subscriptions	815	90	-	1,290	2,195	3,848	108	3,955	6,150
Other	5,243	32	-	-	5,275	1,636	4,395	6,031	11,306
Totals	\$ 1,736,410	\$ 934,199	\$ 493,738	\$ 67,877	\$ 3,232,225	\$ 293,936	\$ 281,043	\$ 574,980	\$ 3,807,204

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services						Support Services		
	Community Shelter	Community Kitchen	Mission Society	Community Outreach	Community Enrichment	Total Program Services	Management and General	Fundraising	Total Support Services
Salaries and related benefits	\$ 826,787	\$ 177,105	\$ 95,231	\$ 40,445	\$ -	\$ 1,139,568	\$ 168,090	\$ 73,062	\$ 241,151
Food, clothing and kitchen expense	29,482	609,095	361,241	171	-	999,989	45	1,570	1,615
Depreciation and amortization	24,796	24,795	24,795	24,795	-	99,181	24,795	24,795	49,590
Contract security	33,995	32,481	-	-	-	66,476	-	-	-
Community outreach and education	163,786	-	-	-	-	163,786	24,832	109,854	134,686
Rent	190,668	-	-	-	-	190,668	-	-	-
Legal and professional services	-	-	-	-	-	-	20,029	300	20,329
Utilities	19,673	17,023	3,035	137	-	39,868	3,301	2,842	6,143
Printing	1,084	-	66	1,379	-	2,529	1,124	15,996	17,120
Insurance	3,669	3,481	928	928	-	9,005	2,886	580	3,466
Office supplies and expense	3,821	84	2,217	653	-	6,775	5,916	11,167	17,083
Client/resident life supplies	11,315	698	13	-	624	12,650	-	40	40
Equipment rental	2,588	72	6	183	-	2,849	2,651	17,633	20,283
Telephone	7,225	549	549	630	-	8,954	1,729	1,648	3,376
Postage and shipping	378	9	6	18	-	410	638	5,791	6,429
Staff and volunteer development	2,364	318	635	1,915	-	5,232	1,842	65	1,907
Client financial assistance	119,839	141	-	-	-	119,981	540	93	633
Interest expense	-	-	-	-	-	-	1,859	-	1,859
Travel	73	11	70	27	-	180	1,584	431	2,014
Events	-	-	-	-	-	-	34	8,777	8,811
Dues and subscriptions	460	334	35	821	-	1,650	2,427	1,071	3,498
Other	5,079	473	-	-	-	5,552	924	1,001	1,925
Totals	\$ 1,481,160	\$ 887,380	\$ 489,197	\$ 72,234	\$ 624	\$ 2,930,596	\$ 265,431	\$ 277,246	\$ 542,676
									\$ 3,473,272

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

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that require actions of the Organization or the passage of time. When a restriction expires as a result of the lapse of a time requirement or achievement of the specific operating purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available to be used primarily to meet program requirements. The Organization had no temporarily restricted net assets at June 30, 2017.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations or interpretation of applicable law that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2018 or 2017.

Revenue recognition - The Organization follows ASC Topic 985-605, *Revenue Recognition*. In accordance with ASC 985-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted net assets.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

Contributions, grants and pledges - Contributions, 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, 2018 and 2017 totaled \$1,266 and \$2,316, respectively.

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 \$1,440,517 and \$1,324,888 for the years ended June 30, 2018 and 2017, 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 \$104,841 and \$217,046 for the years ended June 30, 2018 and 2017, respectively.

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 27,643 and 20,538 hours of donated services with estimated values of \$667,302 and \$618,179 for the years ended June 30, 2018 and 2017, respectively.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the current presentation. Net assets are not changed as a result of these reclassifications.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

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.

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.

Pending accounting pronouncements - In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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, 2020. Management is currently evaluating the effect that the standard will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 2 – Cash and cash equivalents

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

Note 3 – Grants and contracts receivable

During the year ended June 30, 2018, the Organization received an unconditional promise to give of grant funds in the amount of \$200,000. Of this amount \$50,000 was received by June 30, 2018. The balance is due in two annual increments of \$75,000 each.

Note 4 – Property and equipment, net

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Buildings & improvements	3,225,562	\$ 3,235,121
Equipment & software	462,743	382,312
Furniture & fixtures	111,514	125,108
Total property and equipment	3,799,819	3,742,541
Less accumulated depreciation	(2,011,451)	(1,912,246)
Property and equipment, net	<u>\$ 1,788,368</u>	<u>\$ 1,830,295</u>

The Organization recognized depreciation expense of \$138,277 and \$148,771 for the years ended June 30, 2018 and 2017, respectively.

Note 5 - Fair value measurements

Generally accepted accounting principles (GAAP) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level one inputs) and the lowest priority to measurements involving significant unobservable inputs (Level three inputs). The three levels of the hierarchy are as follows:

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 5 - Fair value measurements (continued)

- Level one inputs – unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level two inputs – include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly.
- Level three inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2018:

Fair Value Measurement at Reporting Date Using:			
	Level One Inputs	Level Two Inputs	Level Three Inputs
Beneficial interest in assets held by others	\$ -	\$ 27,239	\$ -

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2017

Fair Value Measurement at Reporting Date Using:			
	Level One Inputs	Level Two Inputs	Level Three Inputs
Beneficial interest in assets held by others	\$ -	\$ 28,182	\$ -

The beneficial interest in assets held by others is valued based on a quarterly statement provided by the Triangle Community Foundation, the third party who manages the fund.

Note 6 – Beneficial interest in assets held by others

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 Triangle Community Foundation (the Foundation). The initial gift was \$10,000 and per terms of the agreement, five percent (5%) of the asset balance is available to the Organization for withdrawal each year. As of June 30, 2018 and 2017, the Fund had a current spendable balance of \$0 and \$335, respectively. Based on the criteria established in professional standards, the investment balance as of June 30, 2018 and 2017 of \$27,239 and \$26,519, respectively, has been recognized as a "beneficial interest in assets held by others" in the accompanying statements of financial position.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 7 – Fair value of financial instruments

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of June 30, 2018 and 2017. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, grants and contracts receivable, pledges and other receivables and accounts payable, accrued payroll liabilities, and short-term borrowings to be approximately their respective carrying values reported on these statements because of their short maturities.

Note 8 – Temporarily restricted net assets

The following temporarily restricted net assets are available for program activities at June 30, as indicated:

	2018	2017
Workforce education	\$ 102,000	\$ -
Clinical placement program	98,000	-
Security system	88,311	-
	<u>\$ 288,311</u>	<u>\$ -</u>

Note 9 – Net assets released from restrictions

During the years ended June 30, 2018 and 2017, temporarily restricted net assets totaling \$61,071 and \$0, respectively, were released due to satisfaction of purpose restrictions.

	2018	2017
Security system	\$ 61,071	\$ -
	<u>\$ 61,071</u>	<u>\$ -</u>

Note 10 – Note payable

The Organization has a note payable to a financial institution as of June 30, 2018 and 2017. The note has a principal balance of \$39,066 and \$43,060, 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 4.75% and 4.00% at June 30, 2018 and 2017, respectively. Monthly payments, including interest, are approximately \$465. The note payable is collateralized by substantially all assets of the Organization and the land leased to it by a related party.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 10 – Note payable (continued)

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

Year	Amount
2019	\$ 4,099
2020	4,297
2021	4,521
2022	4,752
2023	4,995
Thereafter	16,402
	<u>\$ 39,066</u>

Note 11 – 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 \$206,260 and \$164,800 at June 30, 2018 and 2017, 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, 2018 and 2017.

Note 12 – Lease commitments

In June 2017, the Organization leased several copiers from CEI under a capital lease and returned copiers previously leased. The actual cost of the equipment is \$22,224, which is included in the equipment and software line item of the accompanying statements of financial position. Depreciation expense totaled \$4,445 and \$2,799 for the years ended June 30, 2018 and 2017, respectively. The terms of the lease require 60 monthly payments of \$438 including interest. The equipment is being financed at 6.0% per year.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 12 – Lease commitments (continued)

Future minimum payments, by year and in aggregate, under this lease are as follows at June 30, 2018:

Year Ending June 30	Amount
2019	\$ 5,256
2020	5,256
2021	5,256
2022	5,256
Less: amounts representing interest	(2,662)
	18,362
Less: current portion	(5,256)
	<u>\$ 13,106</u>

Note 13 – 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, 2018 and 2017 are \$584,889 and \$508,198, respectively.

Note 14 – 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 \$23,583 and \$21,322 for the years ended June 30, 2018 and 2017, respectively.

Note 15 – Concentrations

The Organization received approximately 15% and 13% of its support from government agencies and 24% and 14% from private foundations for the years ended June 30, 2018 and 2017, respectively. Also, the Organization received approximately 37% and 39% of its revenue from in-kind contributions for the years ended June 30, 2018 and 2017, 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. Approximately 53% and 56% of its outstanding receivables were from one entity at June 30, 2018 and 2017, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 16 – Allocation of joint costs

The Organization produces newsletters that include requests for contributions as well as program and management and general components. The cost of conducting these activities totaled \$26,057 and \$25,215 of joint costs not specifically attributable to particular components of the activities for the years ended June 30, 2018 and 2017, respectively. These joint costs have been allocated as follows based on the content of the newsletters:

	2018	2017
Community shelter	\$ 13,028	\$ 12,607
Community kitchen	8,338	8,068
Mission society	1,042	1,009
Management and general	1,303	1,261
Fundraising	1,303	1,261
Community outreach	1,043	1,009
	<u>\$ 26,057</u>	<u>\$ 25,215</u>

Note 17 – 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, 2017 through June 30, 2018, UMD helped 246 people end their homelessness and served more than 250,000 meals at its downtown Durham location.

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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 17 – Description of program services (continued)

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.

Note 18 – 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 19 – Retirement plan

The Organization provides retirement benefits to its participating employees through a defined contribution plan. The Organization contributes three (3) percent of each eligible participant's compensation to the plan. In addition, the Organization contributes one (1) percent of compensation for employees who elect contributions to the plan. The Organization's contributions to the plan during the years ended June 30, 2018 and 2017 were \$23,381 and \$36,600, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 20 – 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 \$27,823 and \$28,301 as of June 30, 2018 and 2017, respectively.

Note 21 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2018 through October 23, 2018, which is the date the financial statements were available to be issued. As discussed in Note 6, the Organization reports a beneficial interest in assets held by others in these financial statements. On June 13, 2018, Triangle Community Foundation notified the Organization that the Foundation would no longer manage endowment funds with balances less than \$50,000. The Organization was provided the opportunity to increase their investment balance or elect withdrawal of the funds free of any restrictions stipulated by the original donor. The Organization elected to withdraw the funds from the Foundation and received \$27,186 on October 4, 2018.

