

URBAN MINISTRIES OF DURHAM, INC.
Durham, North Carolina

Audited Financial Statements

Years Ended June 30, 2021 and 2020



URBAN MINISTRIES OF DURHAM, INC.
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Years Ended June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020 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.

Thomas S. Gilbo CPA, PLLC

Durham, North Carolina
December 1, 2021

URBAN MINISTRIES OF DURHAM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 1,457,092	\$ 979,709
Grants and contracts receivable (note 6)	206,532	211,487
Accounts receivable	8,071	-
Pledges receivable, net (note 5)	1,999	13,961
Sales tax receivable	12,441	13,339
Prepaid expenses	10,715	7,932
Certificates of deposit (note 3)	138,072	136,325
Other current assets	4,257	4,233
Total current assets	1,839,179	1,366,986
Non-current assets		
Cash restricted to long term purposes (note 2)	251,000	251,000
Property and equipment, net (note 7)	1,843,339	1,836,681
Total non-current assets	2,094,339	2,087,681
Total assets	\$ 3,933,518	\$ 3,454,667
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 109,149	\$ 65,376
Accrued payroll liabilities	63,700	63,535
Accrued paid time off (note 23)	50,643	50,643
Obligation under capital lease - current portion (note 15)	4,632	4,735
Note payable - current portion (note 14)	5,200	71,457
Total current liabilities	233,324	255,746
Non-current liabilities		
Note payable (note 14)	20,191	273,121
Obligation under capital leases (note 15)	1,092	5,322
Total non-current liabilities	21,283	278,443
Total liabilities	254,607	534,189
Net assets		
Without donor restrictions		
Board designated (note 8)	622,038	320,256
Undesignated	2,793,541	2,321,540
With donor restrictions (note 9)	263,332	278,682
Total net assets	3,678,911	2,920,478
Total liabilities and net assets	\$ 3,933,518	\$ 3,454,667

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
Donated materials, services and use of space	\$ 1,023,530	\$ -	\$ 1,023,530
Contributions	1,792,553	-	1,792,553
Grants	1,638,249	-	1,638,249
Special events: (Integral and ongoing)			
Contributions	13,686	-	13,686
Ticket sales	12,434	-	12,434
Sponsorships	113,650	-	113,650
Cost of direct benefits to donors	(4,800)	-	(4,800)
Net fundraising revenue	134,970	-	134,970
Fundraising events, net of expenses:			
(Peripheral and incidental)	(885)	-	(885)
Federated campaigns	47,515	-	47,515
Other income	6,491	-	6,491
Total support and revenue	4,642,423	-	4,642,423
Net assets released from restrictions (note 11)	15,350	(15,350)	-
Total support and revenue	4,657,773	(15,350)	4,642,423
Expenses			
Program services			
Community Shelter	2,008,625	-	2,008,625
Community Kitchen	435,972	-	435,972
Mission Society	494,624	-	494,624
Community Outreach	562,339	-	562,339
Total program services	3,501,560	-	3,501,560
Supporting services			
Management and general	426,338	-	426,338
Fundraising	304,181	-	304,181
Total supporting services	730,519	-	730,519
Total expenses	4,232,079	-	4,232,079
Non-operating activities:			
Interest income	2,036	-	2,036
Cancellation of debt income	314,200	-	314,200
Total non-operating revenue	316,236	-	316,236
Change in net assets	741,930	(15,350)	726,580
Net assets, beginning of year, as previously stated	2,641,796	278,682	2,920,478
Prior period adjustment	31,853	-	31,853
Net assets, beginning of year, restated	2,673,649	278,682	2,952,331
Net assets, end of year	\$ 3,415,579	\$ 263,332	\$ 3,678,911

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 FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	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	\$ 1,169,325	\$ 149,525	\$ 57,521	\$ 121,629	\$ 1,498,000	\$ 290,618	\$ 179,182	\$ 469,800	\$ 1,967,800
Food, clothing and kitchen expense	50,769	122,259	407,942	409,056	990,026	-	-	-	990,026
Depreciation and amortization	24,975	24,975	23,494	24,975	98,419	24,975	23,482	48,457	146,876
Contract security	198,393	84,621	-	-	283,014	-	-	-	283,014
Community outreach and education	6,983	1,283	-	-	8,266	-	18,443	18,443	26,709
Rent	190,668	-	-	-	190,668	-	-	-	190,668
Legal and professional services	-	-	-	-	-	52,845	-	52,845	52,845
Repairs and maintenance	36,888	26,252	432	269	63,841	998	169	1,167	65,008
Utilities	24,871	13,674	2,510	60	41,115	2,229	2,189	4,418	45,533
Printing	324	-	95	95	514	1,039	15,755	16,794	17,308
Insurance	4,782	3,689	984	984	10,439	7,295	615	7,910	18,349
Office supplies and expense	7,943	1,248	375	748	10,314	3,314	25,405	28,719	39,033
Client/resident life supplies	1,405	960	98	1	2,464	6	7	13	2,477
Equipment rental	2,615	5,969	370	129	9,083	12,634	29,185	41,819	50,902
Telephone	11,640	682	682	842	13,846	2,215	2,047	4,262	18,108
Postage and shipping	247	189	9	-	445	356	6,304	6,660	7,105
Staff and volunteer development	3,736	622	1	2,206	6,565	7,699	285	7,984	14,549
Client financial assistance	270,458	14	110	1,344	271,926	199	-	199	272,125
Interest expense	-	-	-	-	-	1,836	-	1,836	1,836
Travel	999	-	-	-	999	-	-	-	999
Dues and subscriptions	1,535	10	1	1	1,547	3,704	1,113	4,817	6,364
Other	69	-	-	-	69	14,376	-	14,376	14,445
Totals	\$ 2,008,625	\$ 435,972	\$ 494,624	\$ 562,339	\$ 3,501,560	\$ 426,338	\$ 304,181	\$ 730,519	\$ 4,232,079

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 expense	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 CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Operating activities		
Change in net assets	\$ 758,433	\$ 145,886
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	146,876	139,385
Cancellation of debt income	(314,200)	-
Contributions restricted for endowment	-	(1,000)
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	4,955	24,509
Accounts and pledges receivable	4,789	19,051
Prepaid expenses	(2,807)	(383)
Accounts payable	43,938	(1,953)
Accrued payroll liabilities	-	23,556
Net cash provided (used) by operating activities	641,984	349,051
Cash flows from investing activities		
Cash paid for purchases of fixed assets	(141,050)	(224,625)
Proceeds from certificate of deposit	136,325	135,482
Purchase of certificate of deposit	(138,072)	(138,156)
Net cash used by investing activities	(142,797)	(227,299)
Cash flows from financing activities		
Payments on capital leases	(4,333)	(3,971)
Proceeds from notes payable	-	314,200
Principal payments on notes payable	(4,987)	(4,641)
Contributions restricted for endowment	-	1,000
Net cash provided by financing activities	(9,320)	306,588
Net increase in cash and cash equivalents	489,867	428,340
Cash and cash equivalents, beginning of year	1,230,709	802,369
Cash and cash equivalents, end of year	<u>\$ 1,720,576</u>	<u>\$ 1,230,709</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 1,836</u>	<u>\$ 2,409</u>
Composition of cash and cash equivalents		
Cash	\$ 1,457,092	\$ 979,709
Cash restricted for long term purposes	251,000	251,000
Total cash and cash equivalents	<u>\$ 1,708,092</u>	<u>\$ 1,230,709</u>

The accompanying notes are an integral part of the financial statement

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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, 2021 and 2020

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. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The allowance for uncollectable accounts is based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

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, 2021 and 2020 totaled \$6,200 and \$8,013, 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 the following at June 30:

	2021	2020
Use of space	\$ 190,668	\$ 190,668
Food	809,276	655,313
Clothing	5,805	75,797
Web development and maintenance	17,781	11,907
Interns	-	78,010
Total	\$ 1,023,530	\$ 1,011,695

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

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

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.

Donated use of space consists of the building that houses the Community Café and is recognized at its estimated fair rental value. Food and clothing received was distributed through the Organization's food pantry and clothing closet operations. Web development services are recognized at the fair market value of those services as general operating support. The donated interns provided services to the shelter residents and are recognized at the fair market value of those services.

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 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, 2021 and 2020:

	2021	2020
Non-interest bearing checking accounts	\$ 966,864	\$ 789,539
Interest bearing savings account	735,016	434,959
Money market	2,826	2,825
Undeposited funds	3,386	3,386
Subtotal	1,708,092	1,230,709
Less: Restricted endowment funds	251,000	251,000
	\$ 1,457,092	\$ 979,709

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

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, 2022, with an interest rate of 0.4%. 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, 2021 and 2020:

	2021	2020
Buildings & improvements	\$ 3,467,451	\$ 3,442,629
Equipment & software	654,797	528,006
Furniture & fixtures	121,316	119,395
Total property and equipment	4,243,564	4,090,030
Less accumulated depreciation	(2,400,225)	(2,253,349)
Property and equipment, net	\$ 1,843,339	\$ 1,836,681

The Organization recognized depreciation expense of \$146,876 and \$139,385 for the years ended June 30, 2021 and 2020, respectively.

Note 5 – Pledges receivable

Pledges receivable are presented net of the allowance for doubtful accounts. The allowance is managements estimate of the total expected uncollectible balance of outstanding pledges. The balance of pledges receivable at December 31 was as follows:

	2021	2020
Pledges receivable	\$ 16,036	\$ 13,961
Less: Allowance	(14,037)	-
	\$ 1,999	\$ 13,961

Note 6 – 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 as of June 30, 2021 and 2020.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

Note 7 – Note payable

The Organization has a note payable to a financial institution as of June 30, 2021 and 2020. The note has a principal balance of \$25,392 and \$30,378, respectively, with payment in full by April 2026. The note bears interest at a rate equal to the lending institution’s “prime rate” which was 3.25% and 4.5% at June 30, 2021 and 2020, 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 Organization received notification that the loan had been forgiven on December 21, 2021 and recognized \$314,200 of cancellation of debt income.

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

Year	Amount
2022	\$ 5,200
2023	5,369
2024	5,544
2025	5,724
Thereafter	3,555
	25,392
Less: current portion	(5,200)
Long term portion	\$ 20,192

Note 8 – Board designated net assets

Board designated net assets consist of the following at June 30:

	2021	2020
Sustaining fund	\$ 471,038	\$ 169,256
UMD Endowment	151,000	151,000
	\$ 622,038	\$ 320,256

The sustaining fund was established by the Board in 2011 to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

Note 9 – Net assets with donor restrictions

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

	2021	2020
Restricted purpose:		
Clinical placement program	\$ -	\$ 2,400
Café renovation	12,332	25,282
Total restricted purpose	12,332	27,682
Time restricted:		
Endowment	251,000	251,000
Total net assets with donor restrictions	\$ 263,332	\$ 278,682

Note 10 – Net assets released from restrictions

During the years ended June 30, 2021 and 2020, net assets released from donor restrictions consisted of the following:

	2021	2020
Net assets released from donor restrictions		
Security system	\$ -	\$ 5,007
Workforce education	-	63,591
Clinical placement	2,400	44,735
Café renovation	12,950	204,368
	\$ 15,350	\$ 317,701

Note 11 – 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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 11 – Endowment funds (continued)

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.

Endowment net asset composition by type of fund as of June 30, 2021:

	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, 2021:

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

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 11 – Endowment funds (continued)

The Finance Committee of the board of directors of the Organization, in their role as a fiduciary, is responsible for directing and monitoring the investment management of the investment plan assets. The Finance Committee may delegate certain responsibilities to professional experts in various fields with an overarching goal of making investments solely in the interest of the Organization with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund. Investments will be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so with a goal of preserving capital and maintaining purchasing power by growing the aggregate portfolio value at the rate of inflation over the Plan's investment horizon. A spending goal of 3% will be set, however there is no obligation to withdraw money annually for spending. As need arises, assets will be available by seeking to achieve an absolute rate of return of 6%. A minimum of 2-5% of Plan assets should be maintained in cash or cash equivalents.

Note 12 – 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 depreciation	(17,779)
	<u>\$ 4,445</u>

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

<u>Year ending June 30</u>	<u>Amount</u>
2022	4,632
2023	1,092
Less: amounts representing interest	(521)
	<u>\$ 5,203</u>

Note 13 – 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 \$1,261,074 and \$419,860 at June 30, 2021 and 2020, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

Note 13 – Credit risk (continued)

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, 2021 and 2020.

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 \$6,745 and \$25,779 for the years ended June 30, 2021 and 2020, respectively.

Note 15 – Concentrations

The Organization received approximately 27% and 22% of its support from government agencies and 16% and 13% from private foundations for the years ended June 30, 2021 and 2020, respectively. Also, the Organization received approximately 5% and 27% of its revenue from in-kind contributions for the years ended June 30, 2021 and 2020, 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. 83% of accounts receivable at June 30, 2021 are from three government agencies and 57% of receivables at June 30, 2020 are from two government agencies.

Note 16 – 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.

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NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2021 and 2020

Note 16 – Liquidity (continued)

The following represents the Organization’s financial assets at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,708,092	\$ 1,230,709
Grants and contracts receivable	206,532	211,487
Accounts receivable	8,071	-
Pledges receivable	1,999	13,961
Sales tax receivable	12,441	13,339
Prepaid expenses	10,715	7,932
Certificate of deposit	138,072	136,325
Other current assets	4,257	4,233
	<u>2,090,179</u>	<u>1,617,986</u>
Less restricted assets:		
Donor restricted endowment	(251,000)	(251,000)
Purpose restricted net assets	(12,332)	(27,682)
	<u>(263,332)</u>	<u>(278,682)</u>
Add: Assets expected to be released from restrictions before 6/30/21	12,332	27,682
Total financial assets available for use within the next year	<u>\$ 1,839,179</u>	<u>\$ 1,366,986</u>

Note 17 – Description of program services

For nearly 38 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, 2020 through June 30, 2021, UMD helped 125 people end their homelessness and served more than 199,375 meals at its downtown Durham location.

Community Shelter - UMD is the primary public homeless shelter for individuals and the backup shelter for families, with an overall capacity to serve 149. As a low-barrier, Housing-First emergency shelter, we seek to meet people “where they are” while providing case management to stabilize individuals experiencing homelessness and move them into permanent housing as quickly as possible.

As a response to COVID-19, UMD’s campus where capacity has been reduced to 83 beds (36 of which are in nine family rooms) to prevent the potential spread of coronavirus. We now operate a satellite location at the Carolina-Duke Inn, which has allotted 38 rooms to shelter medically-

URBAN MINISTRIES OF DURHAM, INC.
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Note 17 – Description of program services (continued)

fragile individuals at high risk for COVID-related complications. All residents are admitted via referral from Durham County Coordinated Entry.

Community Café: Our Community Café provides three free meals a day, seven days a week to shelter clients and any food-insecure community members. Since mid-March, to-go meals have been provided to hotel and community clients; our dining room re-opened in July for on-campus residents with staggered seating, Plexiglass dividers on all tables and increased cleaning between shifts. Volunteers have the option to keep their originally scheduled dates to provide dinner at UMD in a modified format. Groups can continue to prepare meals in our kitchen while wearing PPE provided by UMD or they can make meals off-site.

Food Pantry and Clothing Closet: The Food Pantry and Clothing Closet provide food, clothing, and hygiene items to low-resource community members, shelter residents and homeless persons living on the street—serving over 500 households each month. Due to the pandemic, we had to suspend both operations in March but resumed food distributions in mid-August. UMD is providing a combination of fresh and shelf-stable items sourced from the Food Bank of Central & Eastern North Carolina, Sankofa Farms and our own food pantry. Contactless distribution takes place weekly in a neighboring parking lot, serving up to 150 households. We are working on how best to resume clothing distributions but will find a way to adapt.

Workforce Development: These services are integrated into our case management program. UMD clients in need of income from a job can receive assistance from our workforce team to create resumes, search for and apply for jobs, and obtain referrals to our partner agencies for workforce training and other needs. Our staff provides regular support to clients balancing work or the need to secure employment with overcoming homelessness. When the pandemic hit, many current and former UMD clients either lost their jobs, had their hours cut, or suddenly found themselves grappling with the immense pressure (and opportunities) of being an essential worker. Workforce helped clients navigate the backlogged unemployment system, assisted qualifying workers to track and obtain their stimulus checks, write and re-submit resumes, and coordinate transportation.

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.

URBAN MINISTRIES OF DURHAM, INC.
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Note 19 – Prior period adjustment

During the year ended June 30, 2021, the Organization noted that a grant payment earned in 2020 was not recognized until July 2020. Prior period net assets have been restated to reflect an additional \$31,853 of grant revenue as of June 30, 2020.

Note 20 – 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. Through the first 16 months of the pandemic, the Organization has successfully adapted its operations to the constraints necessitated by COVID-19 and has obtained funding to support those operations. The Organization continues to work to maintain operational capacity and marshal the necessary resources to successfully continue their mission.

Note 21 – 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, 2021 and 2020 were \$34,849 and \$29,530, respectively.

Note 22 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2021 through December 1, 2021, which is the date the financial statements were available to be issued.