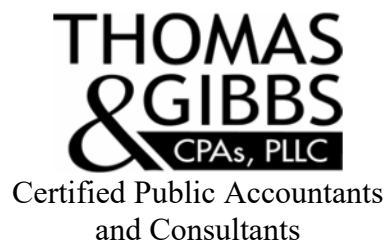


URBAN MINISTRIES OF DURHAM, INC.
Durham, North Carolina

Audited Financial Statements

Years Ended June 30, 2022 and 2021



URBAN MINISTRIES OF DURHAM, INC.
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Years Ended June 30, 2022 and 2021

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Urban Ministries of Durham, Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

James S. Gibbs CA, PLLC

Durham, North Carolina
November 21, 2022

URBAN MINISTRIES OF DURHAM, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 1,895,524	\$ 1,457,092
Grants and contracts receivable (note 5)	531,017	206,532
Accounts receivable	7,168	8,071
Pledges receivable, net (note 4)	-	1,999
Sales tax receivable	10,281	12,441
Prepaid expenses	7,558	10,715
Certificates of deposit (note 3)	138,625	138,072
Other current assets	3,386	4,257
Total current assets	2,593,559	1,839,179
Non-current assets		
Cash restricted to long term purposes (note 2)	251,000	251,000
Property and equipment, net (note 6)	1,786,385	1,843,339
Total non-current assets	2,037,385	2,094,339
Total assets	\$ 4,630,944	\$ 3,933,518
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 106,313	\$ 109,149
Accrued payroll liabilities	55,160	63,700
Accrued paid time off (note 7)	67,249	50,643
Obligation under capital lease - current portion (note 13)	1,391	4,632
Note payable - current portion (note 8)	5,369	5,200
Total current liabilities	235,482	233,324
Non-current liabilities		
Note payable (note 8)	14,976	20,191
Obligation under capital leases (note 13)	-	1,092
Total non-current liabilities	14,976	21,283
Total liabilities	250,458	254,607
Net assets		
Without donor restrictions		
Board designated (note 9)	622,664	622,038
Undesignated	3,506,822	2,793,541
With donor restrictions (note 10)	251,000	263,332
Total net assets	4,380,486	3,678,911
Total liabilities and net assets	\$ 4,630,944	\$ 3,933,518

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
In-kind support	\$ 1,126,725	\$ -	\$ 1,126,725
Contributions	1,617,405	-	1,617,405
Grants	2,668,746	-	2,668,746
Fundraising events, net of expenses:			
(Peripheral and incidental)	14,657	-	14,657
Federated campaigns	35,192	-	35,192
Other income	12,251	-	12,251
Total support and revenue	5,474,976	-	5,474,976
Net assets released from restrictions (note 11)	12,332	(12,332)	-
Total support and revenue	5,487,308	(12,332)	5,474,976
Expenses			
Program services			
Community Shelter	1,876,153	-	1,876,153
Community Kitchen	1,430,756	-	1,430,756
Mission Society	72,910	-	72,910
Community Outreach	185,735	-	185,735
FreshStart	172,215	-	172,215
Sponsorships	124,305	-	124,305
Cost of direct benefits to donors	133,657	-	133,657
Total program services	3,995,730	-	3,995,730
Supporting services			
Management and general	483,842	-	483,842
Fundraising	294,566	-	294,566
Total supporting services	778,409	-	778,409
Total expenses	4,774,139	-	4,774,139
Non-operating activities:			
Interest income	738	-	738
Total non-operating revenue	738	-	738
Change in net assets	713,907	(12,332)	701,575
Net assets, beginning of year	3,415,579	263,332	3,678,911
Net assets, end of year	\$ 4,129,486	\$ 251,000	\$ 4,380,486

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			
In-kind support	\$ 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
Endowment contribution	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	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 FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services						Support Services		Total Expenses	
	Community Shelter	Community Kitchen	Mission Society	Community Outreach	Fresh Start	Job Development	Journey Programs	Management and General		Fundraising
Salaries and related benefits	\$ 913,131	\$ 137,293	\$ 38,559	\$ 149,814	\$ 69,435	\$ 105,501	\$ 133,657	\$ 333,995	\$ 170,038	\$ 2,051,423
Food, clothing and kitchen expense	146,621	1,092,232	435	826	-	-	-	345	-	1,240,460
Contract security	250,731	86,598	-	-	-	-	-	-	-	337,329
Client financial assistance	170,215	2,036	-	1,498	102,254	7,361	-	-	-	283,364
Rent	190,668	-	-	-	-	-	-	-	-	190,668
Depreciation and amortization	26,089	26,089	24,543	26,089	-	-	-	26,088	24,530	153,427
Repairs and maintenance	71,858	48,301	493	356	178	251	-	1,314	344	123,095
Office supplies and expense	44,885	2,936	257	399	109	2,400	-	9,613	23,399	83,998
Equipment rental	1,799	5,468	-	-	-	-	-	22,798	22,717	52,782
Utilities	27,928	16,000	2,586	71	-	-	-	2,450	2,379	51,414
Community outreach and education	9,039	5,709	-	-	-	-	-	2,401	22,368	39,517
Legal and professional services	-	-	-	-	-	8,425	-	23,105	-	31,530
Telephone	10,764	648	648	772	-	-	-	12,638	1,949	27,419
Other	-	49	-	-	-	-	-	23,471	1,475	24,994
Insurance	7,254	5,882	1,568	1,568	-	-	-	4,022	980	21,275
Staff and volunteer development	2,693	367	3,658	4,104	-	367	-	7,187	-	18,376
Printing	627	26	151	151	-	-	-	416	15,821	17,192
Dues and subscriptions	815	50	-	-	-	-	-	10,819	1,483	13,167
Postage and shipping	161	11	11	-	239	-	-	1,487	7,081	8,988
Interest expense	-	-	-	-	-	-	-	1,680	-	1,680
Travel	340	644	-	86	-	-	-	14	4	1,088
Client/resident life supplies	534	419	-	-	-	-	-	-	-	953
Totals	\$ 1,876,153	\$ 1,430,756	\$ 72,910	\$ 185,735	\$ 172,215	\$ 124,305	\$ 133,657	\$ 483,842	\$ 294,566	\$ 4,774,139

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				Support Services		Total Expenses
	Community Shelter	Community Kitchen	Mission Society	Community Outreach	Management and General	Fundraising	
Salaries and related benefits	\$1,169,325	\$ 149,525	\$ 57,521	\$ 121,629	\$ 290,618	\$ 179,182	\$ 1,967,800
Food, clothing and kitchen expense	50,769	122,259	407,942	409,056	-	-	990,026
Contract security	198,393	84,621	-	-	-	-	283,014
Client financial assistance	270,458	14	110	1,344	199	-	272,125
Rent	190,668	-	-	-	-	-	190,668
Depreciation and amortization	24,975	24,975	23,494	24,975	24,975	23,482	146,876
Repairs and maintenance	36,888	26,252	432	269	998	169	65,008
Legal and professional services	-	-	-	-	52,845	-	52,845
Equipment rental	2,615	5,969	370	129	12,634	29,185	50,902
Utilities	24,871	13,674	2,510	60	2,229	2,189	45,533
Office supplies and expense	7,943	1,248	375	748	3,314	25,405	39,033
Community outreach and education	6,983	1,283	-	-	-	18,443	26,709
Insurance	4,782	3,689	984	984	7,295	615	18,349
Telephone	11,640	682	682	842	2,215	2,047	18,108
Printing	324	-	95	95	1,039	15,755	17,308
Staff and volunteer development	3,736	622	1	2,206	7,699	285	14,549
Other	69	-	-	-	14,376	-	14,445
Postage and shipping	247	189	9	-	356	6,304	7,105
Dues and subscriptions	1,535	10	1	1	3,704	1,113	6,364
Client/resident life supplies	1,405	960	98	1	6	7	2,477
Interest expense	-	-	-	-	1,836	-	1,836
Travel	999	-	-	-	-	-	999
Totals	\$2,008,625	\$ 435,972	\$ 494,624	\$ 562,339	\$ 426,338	\$ 304,181	\$ 4,232,079

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

URBAN MINISTRIES OF DURHAM, INC.
STATEMENT OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Change in net assets	\$ 701,575	\$ 726,580
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	337,329	283,014
Cancellation of debt income	-	-
Contributions restricted for endowment	-	(314,200)
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	(324,485)	36,808
Accounts and pledges receivable	5,062	4,789
Prepaid expenses	4,028	(2,807)
Accounts payable	(11,376)	43,938
Accrued payroll liabilities	16,606	-
Net cash provided (used) by operating activities	728,739	778,122
Cash flows from investing activities		
Cash paid for purchases of fixed assets	(96,473)	(153,534)
Proceeds from certificate of deposit	138,072	136,325
Purchase of certificate of deposit	(138,625)	(138,072)
Net cash used by investing activities	(97,026)	(155,281)
Cash flows from financing activities		
Payments on capital leases	(4,333)	(4,333)
Principal payments on notes payable	(5,046)	(4,987)
Net cash provided by financing activities	(9,379)	(9,320)
Net increase in cash and cash equivalents	622,334	613,521
Cash and cash equivalents, beginning of year	1,708,092	1,230,709
Cash and cash equivalents, end of year	\$ 2,330,426	\$ 1,844,230
Supplemental disclosures:		
Cash paid for interest	\$ 1,680	\$ 1,836
Composition of cash and cash equivalents		
Cash	\$ 1,895,524	\$ 1,457,092
Cash restricted for long term purposes	251,000	251,000
Total cash and cash equivalents	\$ 2,146,524	\$ 1,708,092

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, 2022 and 2021

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.

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

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.

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.

Net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions, Accordingly, net assets and changes therein are classified and reported as follows:

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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

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

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.

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.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2022 and 2021 totaled \$6,200 and \$4,768, respectively.

In-kind support – In-kind support in the form of 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 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.

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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

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

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, 2023. 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, 2022 and 2021:

	2022	2021
Non-interest bearing checking accounts	\$ 1,405,223	\$ 966,864
Interest bearing savings account	735,089	735,016
Money market	2,826	2,826
Undeposited funds	3,386	3,386
Subtotal	2,146,524	1,708,092
Less: Restricted endowment funds	251,000	251,000
	\$ 1,895,524	\$ 1,457,092

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 plus accrued interest, which approximates fair value under level 1 of the fair value hierarchy. As of June 30, 2022 and 2021, the certificate of deposit was valued at \$138,625 and \$138,072, respectively.

Note 4 – 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
Less: Allowance	-	(14,035)
	\$ -	\$ 2,001

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

Note 5 – Grants and contracts receivable

Grants and contracts receivable relate to the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
County of Durham	\$ 40,848.00	\$ -
Kenan Charitable Trust	320,000	-
CDBG	31,750	53,263
The Forest at Duke	25,000	-
EFSP United Way	28,620	15,975
HUD-LOCCs	84,799	61,616
State of North Carolina	-	75,678
	<u>\$ 531,017</u>	<u>\$ 206,532</u>

Note 6 – Property and equipment

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings & improvements	\$ 3,502,908	\$ 3,467,451
Equipment & software	694,611	654,797
Furniture & fixtures	130,034	121,316
Total property and equipment	4,327,553	4,243,564
Less accumulated depreciation	<u>(2,541,168)</u>	<u>(2,400,225)</u>
Property and equipment, net	<u>\$ 1,786,385</u>	<u>\$ 1,843,339</u>

The Organization recognized depreciation expense of \$153,427 and \$146,876 for the years ended June 30, 2022 and 2021, respectively.

Note 7 – 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 \$67,249 as of June 30, 2022 and 2021.

Note 8 – Note payable

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended June 30, 2022 and 2021

The Organization has a note payable to a financial institution.. The note bears interest at a rate equal to the lending institution’s “prime rate” which was 3.25% and 4.5% as of June 30, 2022 and 2021, respectively. Monthly payments, including interest, are approximately \$496 through April 2026. The note had a principal balance of \$25,392 and \$30,378, as of June 30, 2022 and 2021, respectively and is collateralized by substantially all assets of the Organization and the land leased to it by a related party.

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

Year	Amount
2023	\$ 5,369
2024	5,544
2025	5,724
Thereafter	3,708
	20,345
Less: current portion	(5,369)
Long term portion	\$ 14,976

Note 9 – Board designated net assets

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

	2021	2020
Sustaining fund	\$ 471,664	\$ 471,038
UMD Endowment	151,000	151,000
	\$ 622,664	\$ 622,038

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, 2022 and 2021

Note 10 – Net assets with donor restrictions

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

	2022	2021
Purpose restricted:		
Café renovation	\$ -	\$ 12,332
Time restricted:		
Endowment	251,000	251,000
Total net assets with donor restrictions	\$ 251,000	\$ 263,332

Note 11 – Net assets released from restrictions

During the years ended June 30, 2022 and 2021, net assets released from donor restrictions consisted of the following:

Net assets released from donor restrictions		
	2022	2021
Clinical placement	\$ -	\$ 2,400
Café renovation	12,332	12,950
	\$ 12,332	\$ 15,350

Note 12 – 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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 12 – Endowment funds (continued)

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, 2022 and 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	\$ 151,000	\$ 251,000	\$ 402,000

There were no contributions to endowment net assets in 2022 or 2021.

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.

URBAN MINISTRIES OF DURHAM, INC.
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Note 12 – Endowment funds (continued)

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 13 – Obligations under capital lease

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	<u>(17,779)</u>
	<u><u>\$ 4,445</u></u>

Future minimum payments of \$1,391 are required in 2023 to satisfy the capital lease obligation.

Note 14 – 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 \$1,611,654 and \$1,261,074 at June 30, 2022 and 2021, 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, 2022 and 2021.

Note 15 – 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 \$0 and \$6,745 for the years ended June 30, 2022 and 2021, respectively.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

Note 16 – Concentrations

The Organization received approximately 31% and 27% of its support from government agencies and 18% and 16% from private foundations for the years ended June 30, 2022 and 2021, respectively. Also, the Organization received approximately 21% and 5% of its revenue from in-kind contributions for the years ended June 30, 2022 and 2021, 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.

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 – In-kind support

During the year ended June 30, 2022, the Organization was provided a donated use of space consists of the building that houses the Community Café and is recognized at its estimated market value. Food and clothing received was distributed through the Organizations 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. 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	<u>\$ 1,023,530</u>	<u>\$ 1,011,695</u>

Note 19 – 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.

URBAN MINISTRIES OF DURHAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

Note 19 – Liquidity (continued)

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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 2,146,524	\$ 1,708,092
Grants and contracts receivable	531,017	206,532
Accounts receivable	7,168	(5,966)
Pledges receivable	-	16,036
Sales tax receivable	10,281	12,441
Prepaid expenses	7,558	10,715
Certificate of deposit	138,625	138,072
Other current assets	3,386	4,257
Total financial assets	2,844,559	2,090,179
Less restricted assets:		
Donor restricted endowment	(251,000)	(251,000)
Purpose restricted net assets	-	(12,332)
	(251,000)	(263,332)
Add: Assets expected to be released from restrictions before 6/30/21	-	12,332
Total financial assets available for use within the next year	\$ 2,593,559	\$ 1,839,179

Note 20 – 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, 2021 through June 30, 2022, 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-fragile individuals at high risk for COVID-related complications. All residents are admitted via referral from Durham County Coordinated Entry.

URBAN MINISTRIES OF DURHAM, INC.
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Note 19 – Description of program services (continued)

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 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, 2022 and 2021 were \$36,542 and \$34,849, respectively.

Note 22 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2022 through November 21, 2022, which is the date the financial statements were available to be issued.