

Greensboro Urban Ministry

Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Directors
Greensboro Urban Ministry
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Greensboro Urban Ministry which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows 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 Greensboro Urban Ministry as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Greensboro Urban Ministry's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

Greensboro, North Carolina
October 8, 2015

Greensboro Urban Ministry

Statement of Financial Position

June 30, 2015

(With Comparative Totals for June 30, 2014)

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 1,284,517	\$ 374,473
Accounts and Pledges Receivable	36,591	35,793
Inventory and Contributed Goods	129,458	57,277
Prepaid Expenses	20,611	24,530
Beneficial Interest in Endowment	4,297,481	6,045,522
Note Receivable	125,000	125,000
Property Held for Sale	6,800	6,800
Investment in Related Entity	144,145	144,145
Property and Equipment, Net of Accumulated Depreciation	3,964,671	4,177,772
	<u>\$ 10,009,274</u>	<u>\$ 10,991,312</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 39,225	\$ 10,019
Accrued expenses	116,381	92,705
Other liabilities	30,000	-
	<u>185,606</u>	<u>102,724</u>
Net Assets		
Unrestricted	7,311,001	7,605,963
Temporarily restricted	1,395,669	2,165,627
Permanently restricted	1,116,998	1,116,998
	<u>9,823,668</u>	<u>10,888,588</u>
	<u>\$ 10,009,274</u>	<u>\$ 10,991,312</u>

See Notes to Financial Statements.

Greensboro Urban Ministry

**Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue					
Contributions and bequests	\$ 2,879,875	\$ 752,230	\$ -	\$ 3,632,105	\$ 4,492,098
Food bank donations	1,512,092	-	-	1,512,092	1,676,294
Government grants	104,037	-	-	104,037	241,650
Investment income	27,943	5,570	-	33,513	804,132
Other revenues	1,953	-	-	1,953	39,521
	4,525,900	757,800	-	5,283,700	7,253,695
Net Assets Released From Restrictions					
	1,527,758	(1,527,758)	-	-	-
Total revenue	6,053,658	(769,958)	-	5,283,700	7,253,695
Expenses					
Functional expenses:					
Program services	5,775,915	-	-	5,775,915	5,745,033
Management and general	258,629	-	-	258,629	211,141
Fund raising expenses	267,179	-	-	267,179	257,482
Total functional expenses	6,301,723	-	-	6,301,723	6,213,656
Rental property expenses, net	46,897	-	-	46,897	46,896
Total expenses	6,348,620	-	-	6,348,620	6,260,552
Change in net assets	(294,962)	(769,958)	-	(1,064,920)	993,143
Net Assets					
Beginning of year	7,605,963	2,165,627	1,116,998	10,888,588	9,895,445
End of year	\$ 7,311,001	\$ 1,395,669	\$ 1,116,998	\$ 9,823,668	\$ 10,888,588

See Notes to Financial Statements.

Greensboro Urban Ministry

Statement of Functional Expenses

Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services					
	Emergency Assistance	Food Bank	Potters House	Pathways	Beyond GUM	Weaver House / Winter Emergency
Direct Assistance	\$ 120,691	\$ 1,475,669	\$ 158,669	\$ 10,367	\$ 278,004	\$ 104,545
Personnel						
Salaries	171,208	116,685	103,461	225,869	326,847	320,370
Employee benefits	42,870	33,829	18,018	35,684	62,411	53,533
Payroll taxes	13,123	8,790	7,879	17,607	25,150	24,648
Contract labor	-	1,374	-	-	-	-
Allocation – personnel expenses	53,923	39,446	29,951	75,433	104,681	107,025
Office Expenses						
Supplies and postage	2,304	1,225	111	3,187	3,693	2,088
Equipment rental and maintenance	2,384	1,804	-	10,432	8,085	1,804
Telephone	2,448	3,078	2,778	3,604	5,871	3,309
Legal and accounting	-	-	-	25	-	-
Miscellaneous office expenses	312	765	83	1,156	9,357	1,111
Allocation – office expenses	18,084	18,084	18,084	7,231	18,084	18,084
Building						
Utilities	-	-	-	30,083	-	-
Maintenance and repairs	289	3,469	12,378	53,043	73	16,325
Insurance	3,443	1,426	1,808	1,752	3,955	3,020
Security	-	-	37,594	-	-	75,061
Allocation – building expenses	28,291	41,900	56,583	-	4,244	137,751
Utility Assistance Fund	613,142	11,186	-	-	31,063	-
	<u>1,072,512</u>	<u>1,758,730</u>	<u>447,397</u>	<u>475,473</u>	<u>881,518</u>	<u>868,674</u>
Depreciation	15,822	30,878	25,469	37,867	15,447	53,013
Total expenses	<u><u>\$ 1,088,334</u></u>	<u><u>\$ 1,789,608</u></u>	<u><u>\$ 472,866</u></u>	<u><u>\$ 513,340</u></u>	<u><u>\$ 896,965</u></u>	<u><u>\$ 921,687</u></u>

See Notes to Financial Statements.

<u>Program Services</u>		<u>Supporting Services</u>			<u>Total Functional Expenses</u>	
Chaplaincy	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2015	2014
\$ 1,729	\$ 2,149,674	\$ 2,511	\$ -	\$ 2,511	\$ 2,152,185	\$ 2,294,197
-	1,264,440	504,923	24,258	529,181	1,793,621	1,662,507
-	246,345	74,944	16,701	91,645	337,990	319,872
-	97,197	30,165	1,856	32,021	129,218	118,283
88,016	89,390	-	-	-	89,390	90,712
100	410,559	(410,559)	-	(410,559)	-	-
1,252	13,860	25,648	142,679	168,327	182,187	253,952
-	24,509	39,155	-	39,155	63,664	74,469
-	21,088	3,018	150	3,168	24,256	21,701
-	25	45,857	25	45,882	45,907	24,581
-	12,784	21,620	80,147	101,767	114,551	24,465
100	97,751	(97,751)	-	(97,751)	-	-
-	30,083	77,327	-	77,327	107,410	107,417
-	85,577	195,271	337	195,608	281,185	317,810
352	15,756	5,302	1,026	6,328	22,084	20,079
-	112,655	463	-	463	113,118	118,019
100	268,869	(268,869)	-	(268,869)	-	-
-	655,391	-	-	-	655,391	579,312
91,649	5,595,953	249,025	267,179	516,204	6,112,157	6,027,376
1,466	179,962	9,604	-	9,604	189,566	186,280
\$ 93,115	\$ 5,775,915	\$ 258,629	\$ 267,179	\$ 525,808	\$ 6,301,723	\$ 6,213,656

Greensboro Urban Ministry

Statement of Cash Flows

Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (1,064,920)	\$ 993,143
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	236,464	233,178
Loss (gain) on sale of property and equipment	170	(1,612)
Loss (gain) on beneficial interests in endowment funds	29,970	(665,434)
Changes in assets and liabilities:		
Accounts receivable	(10,864)	(750)
Pledge receivable	10,066	54,269
Inventory	(72,181)	(29,318)
Prepaid expenses	3,919	19,982
Accounts payable	29,206	(44,949)
Accrued expenses	23,676	40,533
Other liabilities	30,000	(27,500)
Net cash provided by (used in) operating activities	(784,494)	571,542
Cash Flows From Investing Activities		
Transfers to endowment funds	(120,654)	(1,336,721)
Distributions from endowment funds	1,838,725	229,567
Proceeds from sale of property and equipment	-	1,800
Purchase of property and equipment	(23,533)	(48,043)
Net cash provided by (used in) investing activities	1,694,538	(1,153,397)
Net increase (decrease) in cash and cash equivalents	910,044	(581,855)
Cash and Cash Equivalents		
Beginning of year	374,473	956,328
End of year	\$ 1,284,517	\$ 374,473

See Notes to Financial Statements.

Greensboro Urban Ministry

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Greensboro Urban Ministry (the Organization) is a not-for-profit organization which provides food, shelter and emergency assistance for families and individuals in and around Greensboro, North Carolina. The Organization's services are provided under the following programs:

Emergency assistance: Works with families and individuals in crisis to prevent homelessness. Emergency Assistance provides food and financial assistance to individuals and families in need.

Food bank: Redistributes donated and surplus food from grocers, wholesalers, organizations and individuals to families and individuals who need food assistance.

Potters House: A community kitchen that serves free, well-balanced meals on a daily basis to the needy in the community and the guests at the Weaver House.

Shelter: Shelter is provided through the following programs:

Pathways Family Shelter: Offers a temporary home to 16 homeless families.

Beyond GUM: Assists individuals and families with obtaining and sustaining housing with financial assistance and case management services. In July 2014, Partnership Village combined with Beyond GUM allowing it to focus on rapid re-housing. Partnership Village has changed to permanent housing with supportive services and case management.

Weaver House Night Shelter: Offers temporary shelter to homeless adults.

WE! Shelter: During the winter months, emergency shelter is provided at various sites for homeless single adults.

Chaplaincy: Offers a ministry of presence, counseling, volunteer service, prayer and worship.

A summary of the Organization's significant accounting policies follows:

Presentation: Accounting principles generally accepted in the United States of America (GAAP) require that not-for-profit organizations classify and report net assets in three groups of net assets based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. In accordance with GAAP, the Organization classifies and reports its net assets as unrestricted, temporarily restricted, and permanently restricted:

Unrestricted net assets: Resources related to the Organization's regular activities that are available at the discretion of the Board of Directors.

Temporarily restricted net assets: Resources that carry a donor-imposed restriction. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. As those restrictions are met, the contributions are released from temporarily restricted net assets and are transferred to unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted support and as net assets released from restrictions.

Permanently restricted net assets: Contributions that carry donor-imposed restrictions on the use of the funds, which mandate that the principal be maintained in perpetuity. The principal is reported as a permanently restricted net asset. Earnings, gains and losses on permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure.

Greensboro Urban Ministry

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers investments with an original maturity of three months or less to be cash equivalents. The Organization has demand deposit accounts in which the balances, at times, exceed federally insured amounts. The Organization has not experienced any losses on these deposits and does not believe it is exposed to significant credit risk on cash and cash equivalents.

Receivables: The Organization records receivables at total unpaid balances, which approximate estimated fair values, net of allowances for doubtful accounts. The Organization determines past-due status of individual receivables based on contractual terms and generally does not charge interest on any past-due amounts. The Organization estimates its allowance for doubtful accounts based on a combination of factors, including the Organization's historical loss experience and any anticipated effects related to current economic conditions. Receivables that management believes to be ultimately not collectible are written off upon such determination.

Inventory: Inventory consists primarily of food contributed to the Organization. The inventory is recorded at its estimated fair value per pound.

Property and equipment: Property and equipment are stated at cost, unless donated. Donated property is recorded at fair market value on the date of the gift. Depreciation is provided on the straight-line method over estimated useful lives of the respective assets. Expenditures for maintenance and repairs that do not improve or extend the life of an asset are charged to expense as incurred; major renewals and betterments are capitalized to the property accounts. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from property accounts, and any gain or loss is recorded. It is the policy of the Organization to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Beneficial interests in endowment funds: Beneficial interests in endowment funds are recorded at estimated fair value as reported by the foundations holding the endowment funds.

Revenue recognition: The Organization recognizes unconditional promises to give in the period the contributions are received or promised, whichever is earlier.

Donated material and services: The Organization receives a significant amount of donated material and services which do not meet the recognition criteria under GAAP. Accordingly, the value of these materials and services has not been determined and is not reflected in the accompanying financial statements.

Estimates: The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status: The Organization is a nonprofit organization that is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Greensboro Urban Ministry

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Subsequent events: All the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Organization does not recognize subsequent events that provide evidence about conditions that did not exist at the financial statement date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading.

The Organization has evaluated its subsequent events (occurring after June 30, 2015) through October 8, 2015, which represents the date the financial statements were available to be issued.

Recent accounting pronouncements: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016. Any impact of adopting this Update have not been evaluated by the Organization's management.

Note 2. Inventory and Contributed Goods

Contributions to the Food Bank are recorded as contribution income in the statement of activities. Items received are primarily food that is charged to expense as served or distributed. A summary of inventory and contributed goods as of and for the year ended June 30, 2015, is as follows:

Beginning inventory	\$ 57,277
Contributions received	1,512,092
Amount served or distributed	<u>(1,439,911)</u>
Ending inventory	<u>\$ 129,458</u>

Note 3. Beneficial Interest in Endowment Funds

The Organization has made organizational endowment contributions to The Community Foundation of Greater Greensboro (the Foundation). The Organization has recorded its beneficial interest in these endowment funds in the accompanying statement of financial position in accordance with GAAP. Management currently expects to accept distributions recommended by the Foundation and may request additional distributions, but not donor-restricted principal, of these funds. Unless approved by both the Foundation and the Organization, endowment assets will be returned to the Organization only in the event of dissolution of the Foundation or if the Foundation fails to meet certain requirements of the IRC. No variance power was specifically granted to the Foundation unless the Organization ever ceases to meet certain requirements of the IRC. However, these assets are administered under the provisions of the governing documents of the Foundation, which generally provide for the transfer of variance power in many cases to the Foundation. The estimated fair value of beneficial interests in these endowment funds as reported by the Foundation was \$4,297,481 at June 30, 2015.

Greensboro Urban Ministry

Notes to Financial Statements

Note 4. Note Receivable

The Organization has made a loan in the amount of \$125,000 to Greenbriar Housing, LLC. The note bears interest at the rate of 2% and is due March 15, 2029.

Note 5. Investment in Greenbriar Housing II, LLC

In 1998, the Organization exchanged land carried on the books at \$144,145 for an interest in Greenbriar Housing II, LLC that constructed and manages an affordable housing project on the property, which is used by the Partnership Village program. The Organization is a special member with an interest in the proceeds from the sale and/or refinancing of the housing project, up to the amount of the investment.

Note 6. Property and Equipment

A summary of property and equipment is as follows:

Building and improvements	\$ 5,574,875
Vehicles	45,407
Furniture and equipment	580,096
Computer software	35,274
Total depreciable property and equipment	<u>6,235,652</u>
Accumulated depreciation	<u>(3,106,311)</u>
Depreciable property and equipment, net	<u>3,129,341</u>
Land	835,330
Total	<u><u>\$ 3,964,671</u></u>

Included in property and equipment are buildings leased to others with a cost of \$1,859,039 and accumulated depreciation of \$773,496 as of June 30, 2015.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015, are available for the following purposes:

Emergency assistance	\$ 183,945
Partnership Village Campaign	280,840
Building maintenance	242,356
Unappropriated endowment earnings (see Note 9)	688,528
	<u>688,528</u>
	<u><u>\$ 1,395,669</u></u>

Greensboro Urban Ministry

Notes to Financial Statements

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support program or supporting services. A summary of permanently restricted net assets at June 30, 2015, is as follows:

Undesignated	
Bryan endowment	\$ 500,000
Snipes endowment	337,893
Stern endowment	10,000
Campbell endowment	5,000
Peterson endowment	100,000
Mullin endowment	52,158
	<hr/>
	1,005,051
Designated for the Food Bank and Potters House	
Eagle Fund endowment	111,947
	<hr/>
	<u>\$ 1,116,998</u>

Note 9. Endowment Fund

The Organization's endowment consists of a single fund established to support general activities and special projects. The endowment consists of funds designated by the Board of Directors (BOD) and donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The BOD of the Organization has interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund
- (b) The purposes of the Organization and the donor-restricted endowment fund
- (c) General economic conditions
- (d) The possible effects of inflation and deflation
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the Organization
- (g) The investment policies of the Organization

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015.

Greensboro Urban Ministry

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

Return objective and risk parameters: The Organization's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Organization recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization will appropriate for expenditure in its annual budget a maximum of 5% of the prior year's ending market value of the endowment assets. There may be times when the Organization may opt not to take the maximum spending rate, but rather reinvest some of the annual return. This spending rate is based on the long-term assumption of an average annual total return (net of fees) of at least 5% plus inflation.

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

Description	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 688,528	\$ 1,116,998	\$ 1,805,526
Board-designated	2,491,955	-	-	2,491,955
	<u>\$ 2,491,955</u>	<u>\$ 688,528</u>	<u>\$ 1,116,998</u>	<u>\$ 4,297,481</u>

Changes in endowment net assets for the fiscal year ended June 30, 2015, are as follows:

Description	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 4,181,094	\$ 747,430	\$ 1,116,998	\$ 6,045,522
Investment income (loss)				
Dividends	75,847	44,808	-	120,655
Unrealized appreciation	(12,871)	(17,099)	-	(29,970)
Management fees	(37,737)	(22,139)	-	(59,876)
Total investment income	<u>25,239</u>	<u>5,570</u>	<u>-</u>	<u>30,809</u>
Contributions	-	-	-	-
Appropriations for expenditures	(1,714,378)	(64,472)	-	(1,778,850)
Endowment net assets, June 30, 2015	<u>\$ 2,491,955</u>	<u>\$ 688,528</u>	<u>\$ 1,116,998</u>	<u>\$ 4,297,481</u>

Greensboro Urban Ministry

Notes to Financial Statements

Note 10. Fair Value Measurements

GAAP establish a framework for measuring fair value. That framework provides 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 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Beneficial interest in endowment: Fair value is based on the Organization's share of the value of the underlying investments in the pool as reported by the community foundation holding the funds. The underlying investments in the pool consist primarily of marketable equity and debt securities.

The following table sets forth, by level within the fair value hierarchy, the Organization's assets measured at fair value subsequent to initial recognition on a recurring basis.

Description	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment	\$ -	\$ -	\$ 4,297,481	\$ 4,297,481

Greensboro Urban Ministry

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2015.

	<u>Beneficial Interest In Endowment</u>
Balance at July 1, 2014	\$ 6,045,522
Investment income	120,655
Unrealized appreciation	(29,970)
Contributions	-
Distributions	(1,838,726)
Balance at June 30, 2015	<u><u>\$ 4,297,481</u></u>

The following table sets forth attributes related to the nature and risk of investment funds whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2015.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Restrictions</u>	<u>Notice Period</u>
Beneficial interest in endowment (a)	<u>\$ 4,297,481</u>	\$0	Monthly	None	None

(a) The investment objective of the fund is to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Investment targets are 70% equities and 30% fixed income. The investment, excluding donor-restricted principal, can be redeemed monthly at the current net asset value.

Note 11. Retirement Plan

The Organization has a defined contribution retirement plan covering all eligible employees. The Organization matches employee contributions up to a maximum of 3% of salaries. Total matching contributions were approximately \$28,000 for the year ended June 30, 2015.

Note 12. Rental Property

The Organization owns and leases two buildings under bargain lease agreements as follows:

A 9,270-square-foot building leased to Triad Adult and Pediatric Medicine, Inc., a nonprofit organization that provides medical and pharmaceutical needs to individuals. Lease payments are \$1 per year, and the lease term is one year with automatic renewals, unless terminated, for consecutive one-year terms beginning each October 1.

A 13,618-square-foot building leased to United Child Development Services, Inc., a nonprofit organization that provides child care and child development programs to the community. Lease payments are \$1 per year, and the lease term is one year with automatic renewals, unless terminated, for consecutive one-year terms beginning each May 1.

Greensboro Urban Ministry

Notes to Financial Statements

Note 12. Rental Property (Continued)

Rental income and expenses, presented net on the statement of activities, consist of the following for the year ended June 30, 2015:

Rental income	\$	1
Depreciation expense on rental buildings		<u>(46,898)</u>
Rental property expenses, net	\$	<u>(46,897)</u>

Note 13. Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.