Greensboro Urban Ministry

Financial Report
June 30, 2018
## Contents

### Independent auditor's report

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Report on Summarized Comparative Information
We have previously audited Greensboro Urban Ministry's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

Pepin Smith, LLP
Greensboro, North Carolina
September 26, 2018
Greensboro Urban Ministry

Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2018 Total</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and bequests</td>
<td>$ 2,652,679</td>
<td>$ 2,244,935</td>
<td>$ -</td>
<td>$ 4,897,614</td>
<td>$ 3,668,617</td>
</tr>
<tr>
<td>Food bank donations</td>
<td>2,157,262</td>
<td>-</td>
<td>-</td>
<td>2,157,262</td>
<td>2,009,080</td>
</tr>
<tr>
<td>Government grants</td>
<td>114,075</td>
<td>-</td>
<td>-</td>
<td>114,075</td>
<td>120,446</td>
</tr>
<tr>
<td>Investment income</td>
<td>44,744</td>
<td>123,873</td>
<td>-</td>
<td>168,617</td>
<td>381,559</td>
</tr>
<tr>
<td>Other revenues</td>
<td>256</td>
<td>-</td>
<td>256</td>
<td>256</td>
<td>308</td>
</tr>
<tr>
<td></td>
<td>4,969,016</td>
<td>2,368,808</td>
<td>-</td>
<td>7,337,824</td>
<td>6,180,010</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>907,913</td>
<td>(907,913)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>5,876,929</td>
<td>1,460,895</td>
<td>-</td>
<td>7,337,824</td>
<td>6,180,010</td>
</tr>
</tbody>
</table>

Expenses:
Functional expenses:
  Program services        | 5,325,562    | -                      | -                      | 5,325,562  | 6,125,011  |
  Management and general  | 217,268      | -                      | -                      | 217,268    | 182,569    |
  Fundraising expenses    | 250,487      | -                      | 250,487                |            | 248,086    |
| Total functional expenses| 5,793,317    | -                      | 5,793,317              | 6,555,666  |

Rental property expenses, net | 46,898       | -                      | 46,898                 |            | 46,897     |

Total expenses            | 5,840,215    | -                      | 5,840,215              | 6,602,563  |

Change in net assets      | 36,714       | 1,460,895              | -                      | 1,497,609  | (422,553)  |

Net assets:
Beginning of year         | 5,134,008    | 1,225,636              | 1,269,498              | 7,629,142  | 8,051,695  |

End of year               | $ 5,170,722  | $ 2,686,531            | $ 1,269,498            | $ 9,126,751 | $ 7,629,142 |

See notes to financial statements.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Total Functional Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chaplaincy</td>
<td>Management</td>
<td>General</td>
</tr>
<tr>
<td></td>
<td>Fundraising</td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>3,228</td>
<td>2,675,085</td>
<td></td>
</tr>
<tr>
<td></td>
<td>150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,675,235</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,242,027</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>966,110</td>
<td>559,361</td>
<td>31,625</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>209,379</td>
<td>123,762</td>
<td>9,095</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71,637</td>
<td>40,671</td>
<td>2,167</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59,054</td>
<td>60,440</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,200</td>
<td>557,725</td>
<td>(557,725)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,069</td>
<td>15,961</td>
<td>15,863</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27,541</td>
<td>56,114</td>
<td>1,944</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17,277</td>
<td>6,533</td>
<td>480</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>22,006</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,611</td>
<td>46,938</td>
<td>108,201</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,200</td>
<td>111,220</td>
<td>(111,220)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35,180</td>
<td>74,782</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>91,107</td>
<td>163,131</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>331</td>
<td>16,513</td>
<td>994</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>126,994</td>
<td>1,457</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,200</td>
<td>229,938</td>
<td>(229,938)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67,314</td>
<td>5,297,783</td>
<td>212,222</td>
</tr>
<tr>
<td></td>
<td></td>
<td>250,487</td>
</tr>
<tr>
<td></td>
<td></td>
<td>462,709</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,670,492</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,410,181</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,486</td>
<td>117,779</td>
<td>5,046</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,046</td>
</tr>
<tr>
<td></td>
<td></td>
<td>122,825</td>
</tr>
<tr>
<td></td>
<td></td>
<td>145,485</td>
</tr>
<tr>
<td>$</td>
<td>68,780</td>
<td>5,325,562</td>
</tr>
<tr>
<td></td>
<td>217,268</td>
<td>250,487</td>
</tr>
<tr>
<td></td>
<td>467,755</td>
<td>5,795,317</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>6,555,666</td>
</tr>
</tbody>
</table>
Greensboro Urban Ministry

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$1,497,609</td>
<td>$(422,553)</td>
</tr>
<tr>
<td>Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>169,722</td>
<td>192,383</td>
</tr>
<tr>
<td>Gain on sale of property and equipment</td>
<td>(257)</td>
<td>(300)</td>
</tr>
<tr>
<td>Income on beneficial interests in endowment funds</td>
<td>(158,511)</td>
<td>(378,931)</td>
</tr>
<tr>
<td>Noncash program expense</td>
<td>-</td>
<td>269,145</td>
</tr>
<tr>
<td>Contributions restricted for endowment</td>
<td>-</td>
<td>(152,500)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(3,993)</td>
<td>(2,494)</td>
</tr>
<tr>
<td>Pledge receivable</td>
<td>37,419</td>
<td>17,521</td>
</tr>
<tr>
<td>Inventory and contributed goods</td>
<td>(165,153)</td>
<td>7,768</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(4,899)</td>
<td>6,594</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>23,738</td>
<td>(1,520)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(18,252)</td>
<td>7,259</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,300</td>
<td>(5,550)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td><strong>1,385,723</strong></td>
<td><strong>(483,178)</strong></td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributions from endowment funds</td>
<td>874,494</td>
<td>654,016</td>
</tr>
<tr>
<td>Additions to endowment funds</td>
<td>-</td>
<td>(152,500)</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>800</td>
<td>300</td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(6,925)</td>
<td>(46,884)</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td><strong>868,369</strong></td>
<td><strong>454,952</strong></td>
</tr>
</tbody>
</table>

Cash provided by financing activities:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions restricted for endowment</td>
<td>-</td>
<td>152,500</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td><strong>2,254,092</strong></td>
<td><strong>144,274</strong></td>
</tr>
</tbody>
</table>

Cash and cash equivalents:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>$3,462,436</td>
<td>$1,208,344</td>
</tr>
</tbody>
</table>

See 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 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, 2018, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory</td>
<td>$129,347</td>
</tr>
<tr>
<td>Contributions received</td>
<td>2,157,262</td>
</tr>
<tr>
<td>Amount served or distributed</td>
<td>(1,992,109)</td>
</tr>
<tr>
<td>Ending inventory</td>
<td>$294,500</td>
</tr>
</tbody>
</table>

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 $2,029,764 at June 30, 2018.

Note 4. Property and Equipment

A summary of property and equipment is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>$5,592,808</td>
</tr>
<tr>
<td>Vehicles</td>
<td>32,147</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>602,721</td>
</tr>
<tr>
<td>Computer software</td>
<td>35,274</td>
</tr>
<tr>
<td><strong>Total depreciable property and equipment</strong></td>
<td><strong>6,262,950</strong></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3,656,109)</td>
</tr>
<tr>
<td>Depreciable property and equipment, net</td>
<td>2,606,841</td>
</tr>
<tr>
<td>Land</td>
<td>835,330</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,442,171</strong></td>
</tr>
</tbody>
</table>

Included in property and equipment are buildings leased to others with a cost of $1,859,039 and accumulated depreciation of $914,191 as of June 30, 2018.

Note 5. Line of Credit

The Organization has entered into a line of credit agreement allowing it to borrow up to $1,000,000. The line of credit carries a variable interest rate based on the Pinnacle Base Rate plus 1.00% (6% as of June 30, 2018), except the rate cannot be less than 5.25%. There were no borrowings outstanding on the line of credit as of June 30, 2018. The loan agreement contains a liquidity and other covenants and expires December 31, 2018.
Greensboro Urban Ministry

Notes to Financial Statements

Note 8. Endowment Fund (Continued)

(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, 2018.

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, 2018, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted</td>
<td>$</td>
<td>-</td>
<td>$760,266</td>
<td>$1,269,498</td>
</tr>
</tbody>
</table>
Note 9.  Fair Value Measurements (Continued)

Beneficial interest in endowment: Fair value is the value of the organizational funds established with the Foundation for which the Foundation is obligated to use for the benefit of the Organization. The Foundation invests organizational funds in a diversified portfolio consisting of equity securities, fixed income securities and alternative investments. The Foundation provides the Organization with a value that is periodically adjusted for investment income allocations made by the Foundation.

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial interest in endowment</td>
<td>$</td>
<td>-</td>
<td>$ 2,029,764</td>
<td>$ 2,029,764</td>
</tr>
</tbody>
</table>

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, 2018.

<table>
<thead>
<tr>
<th></th>
<th>Beneficial Interest in Endowment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at July 1, 2017</td>
<td>$ 2,745,747</td>
</tr>
<tr>
<td>Investment income</td>
<td>56,124</td>
</tr>
<tr>
<td>Unrealized appreciation</td>
<td>130,582</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
</tr>
<tr>
<td>Management fees</td>
<td>(28,195)</td>
</tr>
<tr>
<td>Distributions</td>
<td>(874,494)</td>
</tr>
<tr>
<td>Balance at June 30, 2018</td>
<td>$ 2,029,764</td>
</tr>
</tbody>
</table>

Note 10. 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 $26,800 for the year ended June 30, 2018.

Note 11. 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.
Note 11. Rental Property (Continued)
Rental income and expenses, presented net on the statement of activities, consist of the following for the year ended June 30, 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental income</td>
<td>$</td>
</tr>
<tr>
<td>Depreciation expense on rental buildings</td>
<td>(46,898)</td>
</tr>
<tr>
<td>Rental property expenses, net</td>
<td>$</td>
</tr>
</tbody>
</table>

Note 12. 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.