Greensboro Urban Ministry

Financial Report
June 30, 2018

Contents

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.

RSM US 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)

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

Program Services		Supporting Services			Total Functional Expenses	
Chaplaincy	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018	2017
$ 3,228	$ 2,675,085	$ 150	$ -	$ 150	$ 2,675,235	$ 3,242,027
-	966,110	559,361	31,625	590,986	1,557,096	1,736,938
-	209,379	123,762	9,095	132,857	342,236	352,075
-	71,637	40,671	2,167	42,838	114,475	133,328
59,064	60,440	-	-	-	60,440	58,697
1,200	557,725	(557,725)	-	(557,725)	-	-
1,069	15,961	15,863	94,818	110,681	126,642	126,252
-	27,541	56,114	1,944	58,058	85,599	96,312
-	17,277	6,533	480	7,013	24,290	30,449
-	65	22,806	700	23,506	23,571	14,550
-	5,611	46,938	108,201	155,139	160,750	127,293
1,200	111,220	(111,220)	-	(111,220)	-	-
-	35,180	74,782	-	74,782	109,962	105,029
22	81,107	163,131	-	163,131	244,238	249,535
331	16,513	994	1,457	2,451	18,964	20,614
-	126,994	-	-	-	126,994	117,082
1,200	229,938	(229,938)	-	(229,938)	-	-
67,314	5,207,783	212,222	250,487	462,709	5,670,492	6,410,181
1,466	117,779	5,046	-	5,046	122,825	145,485
$ 68,780	$ 5,325,562	$ 217,268	$ 250,487	$ 467,755	$ 5,793,317	$ 6,555,666

Greensboro Urban Ministry

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

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,497,609	$ (422,553)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	169,722	192,383
Gain on sale of property and equipment	(257)	(300)
Income on beneficial interests in endowment funds	(158,511)	(378,931)
Noncash program expense	-	269,145
Contributions restricted for endowment	-	(152,500)
Changes in assets and liabilities:		
Accounts receivable	(3,993)	(2,494)
Pledge receivable	37,419	17,521
Inventory and contributed goods	(165,153)	7,768
Prepaid expenses	(4,899)	6,594
Accounts payable	23,738	(1,520)
Accrued expenses	(18,252)	7,259
Other liabilities	8,300	(5,550)
Net cash provided by (used in) operating activities	1,385,723	(463,178)
Cash flows from investing activities:		
Distributions from endowment funds	874,494	654,016
Additions to endowment funds	-	(152,500)
Proceeds from sale of property and equipment	800	300
Purchase of property and equipment	(6,925)	(46,864)
Net cash provided by investing activities	868,369	454,952
Cash provided by financing activities:		
Contributions restricted for endowment	-	152,500
Net increase in cash and cash equivalents	2,254,092	144,274
Cash and cash equivalents:		
Beginning of year	1,208,344	1,064,070
End of year	$ 3,462,436	$ 1,208,344

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.

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:

Beginning inventory	$	129,347
Contributions received		2,157,262
Amount served or distributed		(1,992,109)
Ending inventory	$	294,500

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:

Building and improvements	$	5,592,808
Vehicles		32,147
Furniture and equipment		602,721
Computer software		35,274
Total depreciable property and equipment		6,262,950
Accumulated depreciation		(3,656,109)
Depreciable property and equipment, net		2,606,841
Land		835,330
Total	$	3,442,171

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.

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:

Description	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 760,266	$ 1,269,498	$ 2,029,764

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.

	Assets at Fair Value as of June 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment	$ -	$ -	$ 2,029,764	$ 2,029,764

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.

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

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:

Rental income	$	-
Depreciation expense on rental buildings		(46,898)
Rental property expenses, net	$	(46,898)

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.