

FAYETTEVILLE URBAN MINISTRY, INC.

FINANCIAL STATEMENTS

for the year ended June 30, 2024

FAYETTEVILLE URBAN MINISTRY, INC.

INDEX TO FINANCIAL STATEMENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fayetteville Urban Ministry, Inc.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Fayetteville Urban Ministry, Inc. (the "Ministry"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects on the statements of activities, functional expenses, and cash flows of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Ministry as of June 30, 2024 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.

Basis for Qualified Opinion

We did not observe the physical inventory (stated at \$13,942) as of June 30, 2023, since that date was prior to our initial engagement as auditors for the Ministry, and the Ministry's records do not permit adequate retroactive tests of inventory quantities. Consequently, we were unable to determine whether any adjustments were necessary in the statements of activities, functional expenses, and cash flows.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Ministry 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 qualified audit opinion.

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 Ministry'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 generally accepted auditing 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.

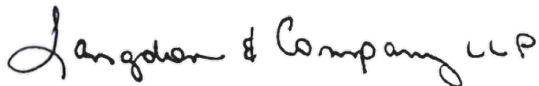
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Ministry'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 Ministry'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.

Report on Summarized Comparative Information

We have previously audited the Ministry's 2023 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated February 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Garner, North Carolina
January 20, 2025

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF FINANCIAL POSITION

as of June 30, 2024

with comparative totals as of June 30, 2023

ASSETS	2024	2023
Current assets:		
Cash and cash equivalents	\$ 392,791	\$ 519,209
Grants and contributions receivable	203,161	180,366
Inventory	35,682	13,942
Total current assets	<u>631,634</u>	<u>713,517</u>
Property and equipment:		
Buildings	1,269,611	1,269,611
Land	243,965	243,965
Furniture and equipment	380,301	362,301
Vehicles	331,995	284,852
	<u>2,225,872</u>	<u>2,160,729</u>
Less accumulated depreciation and amortization	984,234	893,083
Net property and equipment	<u>1,241,638</u>	<u>1,267,646</u>
Other assets:		
Beneficial interest in assets held by Cumberland Community Foundation	99,284	90,048
Total assets	<u>\$ 1,972,556</u>	<u>\$ 2,071,211</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 51,797	\$ 99,479
Accrued payroll and related liabilities	27,500	34,105
Current portion of financing lease	6,901	6,581
Total current liabilities	<u>86,198</u>	<u>140,165</u>
Noncurrent liabilities:		
Long-term portion of financing lease	8,475	15,376
Total liabilities	<u>94,673</u>	<u>155,541</u>
Net assets:		
Without donor restrictions	<u>1,593,510</u>	<u>1,814,252</u>
With donor restrictions:		
Purpose restricted	185,089	11,370
Perpetual in nature	84,450	84,450
Accumulated gains on beneficial interest	14,834	5,598
	<u>284,373</u>	<u>101,418</u>
Total net assets	<u>1,877,883</u>	<u>1,915,670</u>
Total liabilities and net assets	<u>\$ 1,972,556</u>	<u>\$ 2,071,211</u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF ACTIVITIES for the year ended June 30, 2024 with comparative totals for 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support:				
Contributions	\$ 219,105	\$ 175,390	\$ 394,495	\$ 397,501
Grants:				
Federal	551,200	9,699	560,899	1,178,296
State and local	213,317	-	213,317	129,833
Foundations	255,997	-	255,997	133,390
United Way	50,379	-	50,379	51,113
Special events:				
Special event income	105,065	-	105,065	84,305
Less: Costs of direct benefits to donors	(6,760)	-	(6,760)	(5,206)
Net revenue from special events	98,305	-	98,305	79,099
In-kind contributions	936,724	-	936,724	2,261,823
Total public support	2,325,027	185,089	2,510,116	4,231,055
Revenue:				
Distributions from and changes in fair value of beneficial interest asset, net of fees	-	9,236	9,236	4,733
Interest income	15,219	-	15,219	5,565
Employee retention credit (Note 8)	-	-	-	301,141
Miscellaneous	13,743	-	13,743	8,896
Total revenue	28,962	9,236	38,198	320,335
Net assets released from restrictions	11,370	(11,370)	-	-
Total public support and revenue	2,365,359	182,955	2,548,314	4,551,390
Expenses:				
Program Services:				
Adult Literacy & Education Center	176,952	-	176,952	156,629
Emergency Assistance	1,239,147	-	1,239,147	2,819,765
Find-A-Friend	521,816	-	521,816	520,752
Nehemiah	324,762	-	324,762	730,134
Total program services	2,262,677	-	2,262,677	4,227,280
Supporting Services:				
Management and general	218,225	-	218,225	191,917
Fundraising	105,199	-	105,199	98,787
Total supporting services	323,424	-	323,424	290,704
Total expenses	2,586,101	-	2,586,101	4,517,984
Change in net assets	(220,742)	182,955	(37,787)	33,406
Net assets at beginning of year	1,814,252	101,418	1,915,670	1,882,264
Net assets at end of year	\$ 1,593,510	\$ 284,373	\$ 1,877,883	\$ 1,915,670

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

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2024

with comparative totals for 2023

	2024									2023
	Program Services					Supporting Services				
	Adult Literacy & Education Center	Emergency Assistance	Find-A-Friend	Nehemiah	Total	Management and General	Fundraising	Total	Grand Total	2023
Salaries	\$ 96,519	\$ 144,861	\$ 289,642	\$ 96,519	\$ 627,541	\$ 120,731	\$ 72,472	\$ 193,203	\$ 820,744	\$ 770,045
Payroll taxes	7,501	11,258	22,508	7,501	48,768	9,382	5,632	15,014	63,782	61,266
Employee benefits	2,260	3,392	6,783	2,260	14,695	2,827	1,697	4,524	19,219	34,093
Training and travel	3,810	5,718	16,574	3,810	29,912	4,766	2,861	7,627	37,539	43,719
Computer services	842	1,264	2,526	842	5,474	1,053	632	1,685	7,159	6,709
Find-A-Friend - food and supplies	-	-	30,140	-	30,140	-	-	-	30,140	68,170
Donated goods	-	914,985	-	-	914,985	-	-	-	914,985	2,285,701
Depreciation and amortization	10,719	16,088	32,167	10,719	69,693	13,410	8,049	21,459	91,152	87,276
Insurance	7,038	10,145	13,950	1,369	32,502	8,636	771	9,407	41,909	36,761
Interest	-	-	-	-	-	901	-	901	901	1,332
Financial services fees	-	390	15	-	405	12,207	916	13,123	13,528	5,846
Miscellaneous	15,540	2,241	6,603	620	25,004	8,132	448	8,580	33,584	22,299
Occupancy	11,139	15,943	20,139	635	47,856	13,623	-	13,623	61,479	46,526
Postage	461	692	1,383	461	2,997	577	346	923	3,920	4,396
Printing and publications	1,500	2,250	4,501	1,500	9,751	1,876	1,126	3,002	12,753	15,417
Professional fees	12,834	17,461	41,286	11,635	83,216	14,552	8,735	23,287	106,503	39,609
Repairs and maintenance	4,773	8,251	23,378	542	36,944	2,877	-	2,877	39,821	40,670
Supplies and materials	1,082	3,638	7,417	1,082	13,219	1,505	812	2,317	15,536	48,665
Emergency assistance	-	79,168	-	-	79,168	-	-	-	79,168	296,533
Nehemiah - labor and materials	-	-	-	184,333	184,333	-	-	-	184,333	598,164
Telephone	934	1,402	2,804	934	6,074	1,170	702	1,872	7,946	4,787
Total expenses	<u>\$ 176,952</u>	<u>\$ 1,239,147</u>	<u>\$ 521,816</u>	<u>\$ 324,762</u>	<u>\$ 2,262,677</u>	<u>\$ 218,225</u>	<u>\$ 105,199</u>	<u>\$ 323,424</u>	<u>\$ 2,586,101</u>	<u>\$ 4,517,984</u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF CASH FLOWS for the year ended June 30, 2024 with comparative totals for 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from grantors, contributors, and special events	\$ 1,579,558	\$ 2,024,385
Cash received from employee retention credit (Note 8)	-	301,141
Cash paid to employees and suppliers	(1,633,352)	(2,119,709)
Interest paid	<u>(901)</u>	<u>(1,332)</u>
Net cash (used in) provided by operating activities	<u>(54,695)</u>	<u>204,485</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(65,142)</u>	<u>(68,852)</u>
Net cash used in investing activities	<u>(65,142)</u>	<u>(68,852)</u>
Cash flows from financing activities:		
Transfers to Cumberland Community Foundation	-	(15,000)
Payments on line of credit	-	(12,500)
Repayment of finance lease	<u>(6,581)</u>	<u>(6,276)</u>
Net cash used in financing activities	<u>(6,581)</u>	<u>(33,776)</u>
Net (decrease) increase in cash	(126,418)	101,857
Cash and cash equivalents at beginning of year	<u>519,209</u>	<u>417,352</u>
Cash and cash equivalents at end of year	<u><u>\$ 392,791</u></u>	<u><u>\$ 519,209</u></u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Fayetteville Urban Ministry, Inc. (the Ministry) is a nonprofit community service corporation organized under the laws of the state of North Carolina. The purpose of the ministry is to channel resources and funding from various groups to the members of its community by providing emergency and financial assistance, educational advancement, youth development and the rehabilitation of affordable-housing. The Ministry focuses its work on the following programs:

Adult Literacy & Education Center (ALEC) – The mission of the Adult Literacy & Education Center is to facilitate intentional learning, academic growth, economic empowerment, and workforce preparedness.

Emergency Assistance Program (EA) – The mission of the Emergency Assistance Program is to address the widespread needs of individuals and families suffering through crisis situations by providing food, clothing, limited financial assistance and case management.

Find-A-Friend Program (FAF) – The mission of the Find-A-Friend Program is to deter youth ages 6-18 from adjudication or further court involvement by improving behavior, enhancing academic achievements, and building positive relationships within the community.

Nehemiah Project (NEH) – The mission of the Nehemiah Project is to preserve and improve housing for low-to-moderate income homeowners by providing emergency repairs that are beyond the ability of a homeowner to pay, but otherwise do not require comprehensive rehabilitation.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Ministry considers cash in the bank, all cash held on hand, and all highly liquid short-term investments with an original maturity of three months or less to be cash and cash equivalents. The Ministry maintains its cash accounts with financial institutions, which at times, may exceed federally insured limits. The Ministry has not experienced any losses in such accounts.

Inventory

Inventory consists of donated food, clothing and shoes, household and hygiene items. Donated items are recorded at estimated fair value at the date of donation.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed Assets

Fixed assets are recorded at cost at the date of acquisition or at the approximate fair market value at date of donation in the case of gifts. Fixed assets with an initial cost of \$3,000 or more are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Fixed assets are depreciated using the straight-line method over the following useful lives:

Buildings	39.5 years
Furniture and equipment	3-10 years
Vehicles	5 years

Leases

The Ministry determines if an arrangement is a lease at inception. Finance leases are included in property and equipment and financing lease liabilities in the statement of financial position.

Right-of-use assets represent the Ministry's right to use an underlying asset for the lease term and lease liabilities represent the Ministry's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Ministry will exercise that option.

The Ministry has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Ministry has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liability. In addition, the Ministry has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Receivables

Contributions, Grants, and Special Events

Contributions, grants, and receipts from special events received by the Ministry are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor/grantor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire, that is, the stipulated time restrictions end or a purpose restriction is accomplished, in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Ministry will use those funds with donor restrictions first.

Approximately 24% of total public support reflected in the statement of activities for the years ended June 30, 2024 was from City of Fayetteville and NCDPS. Approximately 21% of total public support reflected in the statement of activities for the year ended June 30, 2023 was from City of Fayetteville.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value using a risk adjusted discount rate. The Ministry considers all grants and contributions receivable to be fully collectible at June 30, 2024 and 2023; therefore, no allowance for doubtful accounts is required.

The Ministry received funding through various grantors for the years ended June 30, 2024 and 2023 which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Ministry has incurred expenditures in compliance with specific contract and grant provisions. The Ministry's grant commitments that are conditional upon incurring allowable expenditures in the agreements are \$75,515 and \$225,347 as of June 30, 2024 and June 30, 2023, respectively.

Donated Goods

The Ministry received the following donated goods for the years ended June 30, 2024 and 2023:

	2024	2023
Clothing and shoes	\$ 518,462	\$ 1,195,680
Food	348,869	755,040
Household and hygiene items	69,393	311,103
	<u>\$ 936,724</u>	<u>\$ 2,261,823</u>

Donated food, clothing and shoes, household and hygiene items are utilized in the Ministry's programs and are valued through the fair market value provided by the donor. If the donor does not provide a fair market value, the donations are valued by researching the price of similar items.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue Recognition and Receivables *(Continued)*

Donated Goods (Continued)

From time to time, the Ministry receives donations of marketable securities, which are monetized promptly upon receipt.

The Ministry recognizes the fair value of contributed labor and services received if such services a) create or enhance a nonfinancial asset or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Ministry receives services from a large number of volunteers who give significant amounts of their time to the Ministry's programs, but which do not meet the above criteria for financial statement recognition.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation based on a reasonable basis that is consistently applied.

Allocated expenses include all expenses listed on the statements of functional expense with the exception of financial services fees, donated goods, emergency assistance, Find-A-Friend, and Nehemiah. Allocated expenses are allocated based on estimates of time and effort as well as square footage.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Management considers the estimates of the valuation of donated goods to be critical accounting policies requiring extensive subjective judgments. The valuation policies of such items are noted in the Donated Goods section of Note 1 to the financial statements. Actual results could differ from these estimates under different assumptions or conditions.

Income Taxes

The Ministry is exempt from income tax under Internal Revenue Code Section 501(c)(3) and is classified as a publicly supported organization. During the years ended June 30, 2024 and 2023, the Ministry did not have income subject to taxation as unrelated business income.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Ministry evaluates any uncertain tax positions. Accordingly, the Ministry's policy is to record a liability for any tax position taken that is beneficial to the Ministry, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of June 30, 2024 and 2023.

Reclassifications

Certain amounts included in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Change in net assets of the Ministry previously reported for 2023 was not affected by these reclassifications.

2. LIQUIDITY AND AVAILABILITY

The Ministry's working capital and cash flows vary throughout the year due to timing of cash receipts for grants and contributions, which the Ministry is primarily supported by and, most of which, are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Ministry must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Ministry'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. The Ministry invests cash in excess of daily requirements into a savings account. Finally, to help manage unanticipated liquidity needs, the Ministry maintains a \$100,000 line of credit (see Note 6), of which \$100,000 remained available at June 30, 2024 and 2023.

The following reflects the Ministry's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 392,791	\$ 519,209
Grants and contributions receivable	203,161	180,366
Total financial assets	<u>595,952</u>	<u>699,575</u>
Less amounts not available to be used within one year:		
Donor-restricted for purpose	<u>185,089</u>	<u>11,370</u>
Financial assets available to meet general expenditures within one year	<u>\$ 410,863</u>	<u>\$ 688,205</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring the fair value 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – valuations based on unadjusted quoted prices within active markets for identical assets and liabilities at the reporting date.

Level 2 – valuations based on inputs that are observable, either directly or indirectly, for the assets or liabilities other than quoted prices included in level 1.

Level 3 – valuations based on inputs that are unobservable and apply only when there is little or no market activity for the asset or liability.

The Ministry recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2024 and 2023.

Fair values for assets measured on a recurring basis at June 30, 2024 and 2023 are as follows:

<u>Fair Value Measurements at Reporting Date Using</u>				
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2024</u>				
Beneficial Interest in endowment held by Cumberland Community Foundation	<u>\$ 99,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,284</u>
<u>June 30, 2023</u>				
Beneficial Interest in endowment held by Cumberland Community Foundation	<u>\$ 90,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,048</u>

The following schedule summarizes the investment earnings for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 1,500	\$ 1,638
Net realized and unrealized gains	8,787	3,988
Investment fees	(1,051)	(893)
Total	<u>\$ 9,236</u>	<u>\$ 4,733</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

4. BENEFICIAL INTEREST

In 1992, the Ministry established an endowment that is perpetual in nature at Cumberland Community Foundation (the “Foundation”). The Ministry granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the Foundation’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for the Ministry’s benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statements of activities.

The endowment was established for the support of the mission of the Ministry. As required by U.S. 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 Board of Directors of the Ministry has interpreted the North Carolina Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor-stipulations to the contrary. As a result of this interpretation, the Ministry retains in perpetuity (a) the original value of the gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Ministry in a manner consistent with the standard of prudence described by the Act.

In accordance with the Act, the Ministry considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Ministry 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 Ministry, and (7) the Ministry’s investment policies.

The Board of Directors of the Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if in the sole judgment of the Board of Directors (without the necessity of the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served.

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Ministry must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, the Ministry 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).

Spending Policy. The Ministry has a policy of accepting as distribution each year the amount recommended by the Foundation from endowment assets. Currently, the distribution is 4% of the asset value.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

4. BENEFICIAL INTEREST (Continued)

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 the Act (underwater endowments) requires the Ministry to retain as a fund of perpetual duration. There were no deficiencies of this nature to report as of June 30, 2024 or 2023.

Endowment net asset composition as of June 30, 2024 and June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2022	<u>\$ -</u>	<u>\$ 70,315</u>	<u>\$ 70,315</u>
Transfers to Cumberland Community Foundation	-	15,000	15,000
Change in fair value of beneficial interest assets, net of fees	-	6,783	6,783
Amounts appropriated for expenditure	-	(2,050)	(2,050)
Endowment Net Assets, June 30, 2023	<u>\$ -</u>	<u>\$ 90,048</u>	<u>\$ 90,048</u>
Change in fair value of beneficial interest assets, net of fees	-	11,446	11,446
Amounts appropriated for expenditure	-	(2,210)	(2,210)
Endowment Net Assets, June 30, 2024	<u>\$ -</u>	<u>\$ 99,284</u>	<u>\$ 99,284</u>

The changes in endowment net assets for the years ended June 30, 2024 and June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>June 30, 2024</u>			
Endowment Fund			
Cumberland Community Foundation			
endowment fund	\$ -	\$ 84,450	\$ 84,450
Accumulated investment gains	-	14,834	14,834
Total Endowment Funds	<u>\$ -</u>	<u>\$ 99,284</u>	<u>\$ 99,284</u>
<u>June 30, 2023</u>			
Endowment Fund			
Cumberland Community Foundation			
endowment fund	\$ -	\$ 84,450	\$ 84,450
Accumulated investment gains	-	5,598	5,598
Total Endowment Funds	<u>\$ -</u>	<u>\$ 90,048</u>	<u>\$ 90,048</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

5. LEASE

The Ministry entered into a 5-year financing lease agreement commencing on September 22, 2021 for copiers. This lease is included in property and equipment and finance lease liability in the statement of financial position.

Additional information about the Ministry's financing lease for the year ended June 30, 2024 and June 30, 2023 is as follows:

<u>Lease Cost</u>	<u>2024</u>	<u>2023</u>
Finance lease cost:		
Amortization of financing right-of-use asset, included in depreciation and amortization	\$ 6,581	\$ 6,276
Interest on lease liability, which is included in interest expense	\$ 901	\$ 1,206
<u>Other Information</u>		
Cash paid for amounts included in measuring financing lease liability:		
Operating cash flows from financing lease	\$ 901	\$ 1,206
Financing cash flows from financing lease	\$ 6,581	\$ 6,276
Remaining lease term	2.17	3.17
Discount rate	4.75%	4.75%

Future minimum lease payments under the non-cancellable financing lease are as follows:

Fiscal Year ending June 30,	
2025	\$ 7,482
2026	7,482
2027	1,247
Total lease payments	16,211
Less interest	835
Present value of lease liability	<u>\$ 15,376</u>

The property and equipment and related accumulated amortization, which are included in property and equipment, net on the statement of financial position as of June 30, 2024, and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 33,241	\$ 33,241
Less accumulated amortization	(17,556)	(11,284)
	<u>\$ 15,685</u>	<u>\$ 21,957</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

6. LINE OF CREDIT

The Ministry has a \$100,000 revolving line of credit which will mature in March 2025. The line of credit carries an interest rate at the bank's prime rate (8.50% and 8.25% on June 30, 2024 and 2023, respectively). Interest is payable on the line of credit monthly. The credit line is unsecured and is payable on demand. There was no balance due on the line of credit for June 30, 2024 and 2023.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2024 and June 30, 2023:

	2024	2023
Restricted for for purpose:		
Adult Literacy and Education Center	\$ 41,604	\$ -
Emergency Assistance	36,843	11,370
Find-A-Friend	26,630	-
Nehemiah	1,863	-
HVAC & Signage Assistance	70,367	-
Building Renovations	7,782	-
	<u>185,089</u>	<u>11,370</u>
Restricted in perpetuity - endowment	84,450	84,450
Accumulated gains on endowment funds	14,834	5,598
	<u>\$ 284,373</u>	<u>\$ 101,418</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors totaled \$11,370 and \$36,817 for the years ended June 30, 2024 and 2023, respectively.

8. EMPLOYEE RETENTION CREDIT

The Ministry received funds related to the Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages. This program was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. The Ministry received \$301,141 during the year ended June 30, 2023.

9. RETIREMENT PLAN

The Ministry adopted a Simple IRA Plan for its employees effective September 2016. Employees are eligible to participate in the plan on the entry date immediately following their date of hire. The plan allows for a matching contribution of up to 3% by the Ministry. The Ministry made contributions of \$8,932 and \$8,502 for the years ended June 30, 2024 and 2023, respectively.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO THE FINANCIAL STATEMENTS

10. CONTINGENCIES

The Ministry has received proceeds from federal and state grants. These grants require the fulfillment of certain conditions as set forth in the respective grant agreements. Failure to fulfil conditions could result in the refund of grant monies to the grantor agencies. Although that is a possibility, the Ministry deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Ministry to the provisions of the grants.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2025, the date which the financial statements are available for issue.