

FAYETTEVILLE URBAN MINISTRY, INC.
FAYETTEVILLE, NORTH CAROLINA

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Fayetteville Urban Ministry, Inc.
Fayetteville, North Carolina

We have audited the accompanying statements of financial position of Fayetteville Urban Ministry, Inc. (a nonprofit organization) as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

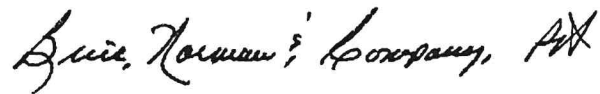
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville Urban Ministry, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 22 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our conclusion is not affected with respect to this matter.



BUIE, NORMAN & COMPANY, P.A.
Certified Public Accountants

October 8, 2020

Fayetteville, North Carolina

FAYETTEVILLE URBAN MINISTRY, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 379,118	\$ 193,670
Accounts Receivable	109,537	48,898
Total Current Assets	<u>488,655</u>	<u>242,568</u>
Property, Plant and Equipment:		
Building	1,263,818	1,263,818
Fixtures and equipment	461,979	392,711
Land	243,965	243,965
	<u>1,969,762</u>	<u>1,900,494</u>
Less: Accumulated Depreciation	687,709	628,624
Net Property, Plant and Equipment	<u>1,282,053</u>	<u>1,271,870</u>
Other Assets:		
Investments	<u>29,011</u>	<u>29,298</u>
Total Assets	<u><u>\$ 1,799,719</u></u>	<u><u>\$ 1,543,736</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 53,332	\$ 25,980
Accrued Payroll and Payroll Taxes	7,715	8,481
Current Maturities of Long-Term Debt	11,355	291,644
Total Current Liabilities	<u>72,402</u>	<u>326,105</u>
Long-Term Debt	<u>266,366</u>	<u>-</u>
Net Assets:		
Without donor restrictions		
Undesignated	317,794	124,869
Invested in property and equipment, net of related debt	<u>1,004,332</u>	<u>980,226</u>
	1,322,126	1,105,095
With donor restrictions	<u>138,825</u>	<u>112,536</u>
Total Net Assets	<u>1,460,951</u>	<u>1,217,631</u>
Total Liabilities and Net Assets	<u><u>\$ 1,799,719</u></u>	<u><u>\$ 1,543,736</u></u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Support:			
Contributions	\$ 323,934	\$ 151,892	\$ 475,826
Endowment Contribution	16,950	-	16,950
Payroll Protection Plan	98,284	-	98,284
Grants	638,937	-	638,937
United Way	100,263	-	100,263
Donated Goods	916,771	-	916,771
Re-Store Contributions	30,000	-	30,000
Assets Released from Restrictions	126,763	(126,763)	-
Total Public Support	<u>2,251,902</u>	<u>25,129</u>	<u>2,277,031</u>
Revenue:			
Interest	21	1,353	1,374
Special Events	14,936	-	14,936
Miscellaneous	23,361	-	23,361
Total Revenue	<u>38,318</u>	<u>1,353</u>	<u>39,671</u>
Total Public Support and Revenue	<u>2,290,220</u>	<u>26,482</u>	<u>2,316,702</u>
<u>EXPENSES</u>			
Program services expense			
Nehemiah	215,289	-	215,289
Find-a-friend	476,270	-	476,270
Emergency Assistance	1,115,171	-	1,115,171
Other Mission Services	118,061	-	118,061
Total program expenses	<u>1,924,791</u>	<u>-</u>	<u>1,924,791</u>
Supporting Services:			
Management and General	146,959	-	146,959
Fundraising	1,439	-	1,439
Total supporting services expenses	<u>148,398</u>	<u>-</u>	<u>148,398</u>
Total Expenses	<u>2,073,189</u>	<u>-</u>	<u>2,073,189</u>
Other Support and Revenue (Expenses)			
Endowment Unrealized Gains (Losses)	<u>-</u>	<u>(193)</u>	<u>(193)</u>
Change in Net Assets	217,031	26,289	243,320
Net Assets:			
Beginning of Year	1,105,095	112,536	1,217,631
End of Year	<u>\$ 1,322,126</u>	<u>\$ 138,825</u>	<u>\$ 1,460,951</u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Support:			
Contributions	\$ 284,377	\$ 129,472	\$ 413,849
Endowment Contribution	14,040	-	14,040
Grants	436,274	-	436,274
United Way	84,801	-	84,801
Find A Friend Building	-	195,575	195,575
Donated Goods	1,013,990	-	1,013,990
Re-Store Contributions	39,500	-	39,500
Assets Released from Restrictions	653,855	(653,855)	-
Total Public Support	<u>2,526,837</u>	<u>(328,808)</u>	<u>2,198,029</u>
Revenue:			
Interest	33	2,137	2,170
Special Events	54,931	-	54,931
Miscellaneous	1,306	-	1,306
Total Revenue	<u>56,270</u>	<u>2,137</u>	<u>58,407</u>
Total Public Support and Revenue	<u>2,583,107</u>	<u>(326,671)</u>	<u>2,256,436</u>
<u>EXPENSES</u>			
Program services expense			
Nehmiah	201,487	-	201,487
Find-a-friend	441,780	-	441,780
Emergency Assistance	1,163,454	-	1,163,454
Other Mission Services	104,568	-	104,568
Total program expenses	<u>1,911,289</u>	<u>-</u>	<u>1,911,289</u>
Supporting Services:			
Management and General	132,623	-	132,623
Fundraising	8,099	-	8,099
Total supporting services expenses	<u>140,722</u>	<u>-</u>	<u>140,722</u>
Total Expenses	<u>2,052,011</u>	<u>-</u>	<u>2,052,011</u>
Other Support and Revenue (Expenses)			
Endowment Unrealized Gains (Losses)	<u>-</u>	<u>(1,055)</u>	<u>(1,055)</u>
Change in Net Assets	531,096	(327,726)	203,370
Net Assets:			
Beginning of Year	573,999	440,262	1,014,261
End of Year	<u>\$ 1,105,095</u>	<u>\$ 112,536</u>	<u>\$ 1,217,631</u>

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

FAYETTEVILLE URBAN MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services					Supporting Services		Total Expenses
	Nehemiah	Find-a-Friend	Emergency Assistance	Other mission services	Total	Management and General	Fundraising	
Expenses:								
Computer Services	\$ 681	\$ 681	\$ 682	\$ 682	\$ 2,726	\$ 681	\$ -	\$ 3,407
Depreciation	11,817	11,817	11,817	11,817	47,268	11,817	-	59,085
Donated Goods	-	-	916,771	-	916,771	-	-	916,771
Emergency Assistance	-	-	75,482	-	75,482	-	-	75,482
Find-A-Friend Activities	-	63,100	-	-	63,100	-	-	63,100
Find-A-Friend Building Expense	-	3,203	-	-	3,203	-	-	3,203
Fundraising	-	-	-	-	-	-	1,439	1,439
Insurance	2,832	18,409	4,815	2,266	28,322	3,147	-	31,469
Interest	-	-	-	-	-	14,120	-	14,120
Financial Services Fees	-	-	-	-	-	4,548	-	4,548
Miscellaneous	-	-	-	-	-	12,833	-	12,833
Nehemiah - Labor & Material	117,355	-	-	-	117,355	-	-	117,355
Occupancy	8,267	8,267	8,267	8,267	33,068	8,267	-	41,335
Postage	241	1,542	313	313	2,409	602	-	3,011
Printing & Publications	1,003	5,467	1,640	1,002	9,112	2,278	-	11,390
Professional Fees	-	-	-	-	-	10,045	-	10,045
Taxes & Licenses	653	1,097	444	418	-2,612	461	-	3,073
Repairs & Maintenance	7,651	10,767	5,100	4,817	28,335	7,084	-	35,419
Salaries	55,518	297,777	75,706	75,706	504,707	56,079	-	560,786
Supplies & Materials	2,795	14,990	3,811	3,811	25,407	6,352	-	31,759
Taxes - Payroll	4,214	22,601	5,746	5,745	38,306	4,256	-	42,562
Employee Benefits	1,001	5,369	1,365	1,365	9,100	1,011	-	10,111
Telephone	39	2,357	904	629	3,929	982	-	4,911
Training & Travel	1,222	8,826	2,308	1,223	13,579	2,396	-	15,975
Total expenses included in the functional categories on the Statement of Activities	\$ 215,289	\$ 476,270	\$ 1,115,171	\$ 118,061	\$ 1,924,791	\$ 146,959	\$ 1,439	\$ 2,073,189

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

FAYETTEVILLE URBAN MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services				Supporting Services		Total Expenses	
	Nehemiah	Find-a-Friend	Emergency Assistance	Other mission services	Total	Management and General		Fundraising
Expenses:								
Computer Services	\$ 828	\$ 827	\$ 828	\$ 827	\$ 3,310	\$ 828	\$ 4,138	
Depreciation	9,496	9,497	9,496	9,497	37,986	9,497	47,483	
Donated Goods	-	-	1,013,990	-	1,013,990	-	1,013,990	
Emergency Assistance	-	-	40,100	-	40,100	-	40,100	
Find-A-Friend Activities	-	57,407	-	-	57,407	-	57,407	
Find-A-Friend Building Expense	-	14,269	-	-	14,269	-	14,269	
Fundraising	-	-	-	-	-	-	8,099	
Insurance	2,742	18,009	4,801	2,116	27,668	3,074	30,742	
Interest	-	-	-	-	-	15,567	15,567	
Financial Services Fees	-	-	-	-	-	4,159	4,159	
Miscellaneous	-	-	-	-	-	10,410	10,410	
Nehemiah - Labor & Material	113,867	-	-	-	113,867	-	113,867	
Occupancy	8,267	8,267	8,267	8,267	33,068	8,267	41,335	
Postage	252	1,611	335	335	2,533	633	3,166	
Printing & Publications	761	4,083	1,200	712	6,756	1,689	8,445	
Professional Fees	-	-	-	-	-	9,537	9,537	
Taxes & Licenses	907	1,525	623	551	3,606	636	4,242	
Repairs & Maintenance	5,602	8,038	3,845	3,663	21,148	5,287	26,435	
Salaries	50,928	271,400	67,827	67,827	457,982	50,887	508,869	
Supplies & Materials	1,509	8,041	2,009	2,009	13,568	3,392	16,960	
Taxes - Payroll	3,937	20,979	5,243	5,243	35,402	3,934	39,336	
Employee Benefits	981	5,227	1,306	1,306	8,820	980	9,800	
Telephone	43	2,884	1,090	761	4,778	1,194	5,972	
Training & Travel	1,367	9,716	2,494	1,454	15,031	2,652	17,683	
Total expenses included in the functional categories on the Statement of Activities	\$ 201,487	\$ 441,780	\$ 1,163,454	\$ 104,568	\$ 1,911,289	\$ 132,623	\$ 2,052,011	

FAYETTEVILLE URBAN MINISTRY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 243,320	\$ 203,370
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	59,085	47,483
(Gain) Loss on Investments	193	1,055
(Increase) Decrease in:		
Accounts Receivable	(60,639)	3,198
Pledge Receivable		116,100
Increase (Decrease) in:		
Accounts Payable	27,352	(68,091)
Accrued Payroll and Payroll Taxes	<u>(766)</u>	<u>1,745</u>
Net Cash Provided By (Used In) Operating Activities	<u>268,545</u>	<u>304,860</u>
Cash Flows from Investing Activities:		
Purchase of Equipment	(69,268)	(24,379)
Construction	-	(432,204)
Sale of Investments	1,447	341
(Purchase) of Investments	<u>(1,353)</u>	<u>(1,046)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(69,174)</u>	<u>(457,288)</u>
Cash Flows from Financing Activities:		
Issuance of long-term debt	-	-
Payment of Principal on Long-Term Debt	<u>(13,923)</u>	<u>(31,637)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(13,923)</u>	<u>(31,637)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	185,448	(184,065)
Cash and Cash Equivalents:		
Beginning of Year	<u>193,670</u>	<u>377,735</u>
End of Year	<u><u>\$ 379,118</u></u>	<u><u>\$ 193,670</u></u>

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

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - ORGANIZATIONAL STRUCTURE AND PURPOSE

Fayetteville Urban Ministry, Inc. (the Ministry) is a not-for-profit organization incorporated under the laws of the State of North Carolina. The purpose of the organization is to channel the resources of various religious groups by providing emergency and financial assistance, pastoral counseling, and educational advancement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Fayetteville Urban Ministry, Inc. is presented to assist in understanding the Ministry's financial statements. The financial statements and notes are representations of the Ministry's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Revenue Recognition

The Ministry presents its financial statements using the accrual basis of accounting, recognizing revenue when earned and expenses when incurred. Program service fees, grants, and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Statement of Cash Flows and Cash and Cash Equivalents

The Ministry presents its cash flow statements using the indirect method. For purposes of cash flow presentation, the Ministry considers currency on hand, demand deposits with financial institutions, and all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature are excluded from this definition.

Accounts and Pledges Receivable

The Ministry considers accounts receivable to be fully collectible at June 30, 2020; therefore, no allowance for doubtful accounts is required.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Repairs and maintenance are expensed currently and betterments and improvements are capitalized. The Ministry employs the straight-line method of depreciation over the estimated useful lives of the assets. Any donated assets are recorded at the fair market value of the asset at the date of donation.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Fayetteville Urban Ministry, Inc. files Form 990, *Return of Organization Exempt from Income Tax*, on a fiscal year basis beginning July 1 and ending June 30. The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes is made in the accompanying financial statements. In addition, the Internal Revenue Service has determined that the Ministry is not a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income during the fiscal year.

On July 1, 2009, the Ministry adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Ministry has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Ministry believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Ministry's financial condition, results of operations or cash flows. Accordingly, the Ministry has not recorded any reserves, or related accruals for interest and penalties for income tax positions at June 30, 2020.

The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Ministry believes it is no longer subject to income tax examinations for years prior to 2016.

The Ministry's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Functional Expenses

The Ministry allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. Statistical bases include square footage and estimates of time and effort. Allocation bases include square-footage and estimates of time and effort.

Donations

The Ministry receives donations of goods and services. All donations are recorded at fair market value. The donated goods include clothes, food, firewood and building materials. The donated services include volunteer labor that supports the program services offered by the Ministry. The value of the donated goods for the years ended June 30, 2020 and 2019 totaled \$916,771 and \$1,013,990, respectively. Volunteer services do not meet the requirement for inclusion in the financial statements. These donations totaled \$90,662 and \$193,131 for the years ended June 30, 2020 and 2019, respectively. The donation of goods are included in public support income and the associated costs are included in the respective program service expenses for each audit year.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FINANCIAL STATEMENT PRESENTATION AND NET ASSETS

The Ministry employs Financial Statements of Not-for-Profit Entities. The Ministry presents a statement of cash flows. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows; Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) 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.

NOTE 4- LONG-TERM DEBT

Long-term debt at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Branch Bank & Trust:	\$ 277,721	\$ 291,644
Note payable in monthly installments of \$2,000 at 4.64% interest; with outstanding balance due on 8/12/19; secured by deed of trust.		
Branch Bank & Trust:	-	-
\$50,000 line of credit payable in monthly installments of interest at prime plus 1/2%; secured by deed of trust. Note matures on 6/07/22.		
	<u>277,721</u>	<u>291,644</u>
Less: current maturities	<u>(11,355)</u>	<u>(291,644)</u>
Total long-term debt	<u>\$ 266,366</u>	<u>\$ -</u>

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2021	\$ 11,355
2022	11,893
2023	<u>254,473</u>
TOTAL	<u>\$ 277,721</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - CONTRIBUTIONS

The Ministry employs *Accounting for Contributions Received and Contributions Made*. In accordance with *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as Without Donor Restrictions support or With Donor Restrictions support depending on the existence or nature of any donor restrictions. During the year ended June 30, 2020, there were With Donor Restriction donations of \$151,892.

NOTE 6 - GRANTS

Grants received during the year include the following:

	2020	2019
NC Dept. of Community Colleges "Literacy"	\$ -	\$ 29,718
U.S. Dept. of Housing and Urban Development	84,594	-
NC - DHHS	10,460	-
NC Governors Crime Commission	184,118	141,016
County of Cumberland:		
Juvenile Crime Prevention Council	202,010	109,094
NC Works	2,700	6,446
City of Fayetteville & County of Cumberland:		
Community Development Block Grant	155,055	150,000
Total Grants	<u>\$ 638,937</u>	<u>\$ 436,274</u>

NOTE 7 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest amounted to \$14,120 and \$15,567 during the years ended June 30, 2020 and 2019, respectively. All cash paid for interest was expensed as incurred.

NOTE 8 - COMPENSATED ABSENCES

The Ministry's vacation policy provides for accumulation of vacation and sick leave. The accumulated leave is not considered to be material; therefore, management chooses not to record an expenditure or liability in its financial statements.

NOTE 9 - LEASE COMMITMENTS AND RENTAL EXPENSE

The Ministry rents certain facilities for its operations. Total rental expense for the year ended June 30, 2020 was \$-0-. Future commitments on current lease agreements are as follows:

<u>Year ending June 30,</u>	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
	<u>\$ -</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - FAYETTEVILLE URBAN MINISTRY ENDOWMENT AND INVESTMENTS

Investments consist of an endowment in the Cumberland Community Foundation (CCF). It is presented in the financial statements at fair market value of \$29,011 at June 30, 2020.

The composition of With Donor Restrictions net assets and changes in net assets as of June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions (Accumulated investment gains)	With Donor Restrictions (Contributions in Perpetuity)	TOTAL
Balance at July 1, 2018		6,698	22,950	29,648
Contributions		-	-	-
Investment Income		2,137	-	2,137
Program Expenditures		(1,090)	-	(1,090)
Management Fees		(342)	-	(342)
Capital Gains/ (Losses)		(1,055)	-	(1,055)
Balance at June 30, 2019	\$ -	\$ 6,348	\$ 22,950	\$ 29,298
Contributions		-	-	-
Investment Income		1,353	-	1,353
Program Expenditures		(1,110)	-	(1,110)
Management Fees		(337)	-	(337)
Capital Gains/ (Losses)		(193)	-	(193)
Balance at June 30, 2020	\$ -	\$ 6,061	\$ 22,950	\$ 29,011

The Board of Directors of Cumberland Community Foundation, Inc. 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.

CCF carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes of net assets in the accompanying statement of activities.

Domestic and international capital markets may experience significant volatility with respect to certain securities. As a result, significant fluctuations in the fair value of investments may have occurred subsequent to June 30, 2020.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - FAIR VALUE MEASUREMENTS

The Ministry follows the Financial Accounting Standards Board ASC 820, Fair Value Measurements ("FASB ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). ASC 820 includes 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 and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Organization at the measurement date for identical assets and liabilities.

Level 2 - Inputs other than quoted market prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets and liabilities that are not active; (3) observable inputs other than quoted prices that are used in the valuation of assets or liabilities (e.g. interest rate and yield curve quotes at commonly quoted intervals); (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs for the assets or liabilities (i.e. supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodology in recent years.

Common Stocks: Valued at closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Ministry are open-end mutual funds that are registered with the Securities and Exchange Commission. The funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Ministry are deemed to be actively traded.

U.S. Government Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Ministry 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.

The following table sets forth by level, within the fair value hierarchy, the Ministry's assets at fair value as of June 30, 2020:

Level 2 Fair Value Measurements - Recurring basis

	Fair Value	Significant Other Observable Inputs (Level 2)
Cumberland Community Foundation - Endowment	\$ 29,011	\$ 29,011
	\$ 29,011	\$ 29,011

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - ENDOWMENT

The Ministry's endowment consists of one fund established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with UPMIFA, 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 and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Ministry
- (7) The investment policies of the Ministry.

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).

The Ministry has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

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 Ministry to retain as a fund of perpetual duration. There were no deficiencies of this nature to report as of June 30, 2019.

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

NOTE 13 - ECONOMIC DEPENDENCY

The Ministry receives approximately 35% of its support and revenue from governmental sources. Any significant change in funding from these governmental agencies could result in a material change in the Ministry's operations.

NOTE 14 - CONTINGENCIES

The Ministry has received proceeds from federal and state grants. These grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the 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 grant.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 15 - CREDIT CONCENTRATION, FINANCIAL INSTRUMENTS AND CREDIT RISK

Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk requires the Ministry to disclose significant concentrations of credit risk regardless of the degree of risk. At June 30, 2020, the Ministry maintained bank deposits in one bank located in Fayetteville, North Carolina. Accounts at each bank are secured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, bank deposits totaled \$424,083, \$174,083 of which was uninsured. The Ministry manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portion of the outstanding amounts are due from agencies supportive of our mission.

NOTE 16 - RETIREMENT PLAN

The Ministry participates in a Simple IRA Plan with Morgan Stanley. The plan is a Savings Incentive Match Plan for Employees. The plan allows for a matching of up to 3% by the Organization. The plan was established in September 2017. For the years ended June 30, 2020 and 2019, the contributions were \$4,872 and \$4,673, respectively.

NOTE 17- NET ASSETS WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose:

Building Program	\$ 34,982
Ministry Programs	74,832
	<u>109,814</u>

Endowments:

Subject to NFP endowment spending policy and appropriation:

Available for General use	<u>6,061</u>
Endowments (Contributions in Perpetuity)	<u>22,950</u>

Total Net Assets With Donor Restrictions	<u>\$ 138,825</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2020.

Satisfaction of purpose restrictions

Building Program	\$ 37,352
Ministry Programs	87,964
	<u>125,316</u>

Restricted-purpose spending-rate distributions and appropriations

General use	<u>1,447</u>
Total Released from Restrictions	<u>\$ 126,763</u>

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 18 - CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS FOR SPECIFIC PURPOSE

Beginning Net Assets With Donor Restrictions for Specific Purpose	\$ 83,238
Contributions	151,892
Assets Released from Restrictions	<u>(125,316)</u>
Ending Net Assets With Donor Restrictions for Specific Purpose	<u>\$ 109,814</u>

NOTE 19- LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following;

Cash	\$ 379,118
Accounts receivable	109,537
Less: Cash for restricted purposes	<u>(109,814)</u>
Total	<u>\$ 378,841</u>

The Ministry's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is available for general expenditure subject to the annual spending rate of 4% set by the Cumberland Community Foundation.

The Ministry receives contributions Without Donor Restrictions which are immediately available for payment of general expenditures. In addition the Ministry receives grant revenue available to pay specific expenses. The Ministry also receives contributions With Donor Restrictions which are used to pay expenditures for specific programs. It is the Ministry's policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 20- RECENT ACCOUNTING GUIDANCE

During the year ended June 30, 2019 the Ministry implemented ASU 2016-14, Financial Statements of Not-for-Profit Entities. Accordingly, the beginning balance of the donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, with donor restrictions. The ASU requires additional disclosures in the areas of liquidity and endowment funds, requires reclassification of investment expenses which are netted in investment return to include internal investment expenses. In addition, it requires any underwater portion of the Ministry's endowment funds to be adjusted from net assets without donor restrictions to net assets with donor restrictions. There were no deficiencies in endowment funds to be reclassified.

FAYETTEVILLE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 21- PAYROLL PROTECTION PROGRAM

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law on March 27th, 2020. The paycheck protection program (PPP), provides small businesses and Not-for-Profit Organizations with forgivable loans to be utilized for payroll costs, including benefits, and other allowable expenses such as interest on mortgages, rent, and utilities. Upon meeting certain criteria as defined in the PPP program and later clarified by lawmakers, these loans are eligible for partial or total forgiveness. The Ministry received \$98,284 from the program June 19, 2020. As of June 30, 2020 the Ministry anticipates to utilized all of their loan of \$98,284 for payroll and other allowed expenses. The Ministry will apply for the forgiveness by December 2020 and the full amount is expected to be forgiven.

NOTE 22- SUBSEQUENT EVENTS

Management and the Ministry have evaluated subsequent events for disclosure and/or recognition through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

The Organization's operations may be affected and may experience instability and estimates included in the financial statements may change due to current political and economical conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events effect the Organization's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.