

# **Greensboro Urban Ministry**

Financial Report  
Year Ended June 30, 2011

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## Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Greensboro Urban Ministry (the "Organization") as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Organization's 2010 financial statements that were audited by other auditors, whose report, dated October 15, 2010, expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Greensboro Urban Ministry as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the Organization restated beginning net assets to correct an error in previously issued financial statements in accounting for donor restricted endowments. We have also audited the adjustments described in Note 14 that were applied to restate beginning net assets. In our opinion, such adjustments are appropriate and have been properly applied.

*McGladrey & Pullen, LLP*

Greensboro, North Carolina  
September 15, 2011

**Greensboro Urban Ministry**

**Statement of Financial Position**

**June 30, 2011**

**(With Comparative Totals for June 30, 2010)**

	<b>2011</b>	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 1,039,124	\$ 1,080,505
Investments	-	168,864
Accounts receivable	80,243	18,645
Inventory and contributed goods	104,237	100,485
Prepaid expenses	14,837	25,801
Beneficial interest in endowment	4,022,486	3,303,412
Note receivable	125,000	125,000
Property held for sale	6,800	6,800
Investment in related entity	144,145	144,145
Property and equipment, net of accumulated depreciation	4,486,354	4,608,017
	<u>\$ 10,023,226</u>	<u>\$ 9,581,674</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 25,754	\$ 45,625
Accrued expenses	39,070	18,853
Other liabilities	13,900	57,492
	<u>78,724</u>	<u>121,970</u>
Net assets:		
Unrestricted	7,334,539	7,316,374
Temporarily restricted	1,502,965	1,036,332
Permanently restricted	1,106,998	1,106,998
	<u>9,944,502</u>	<u>9,459,704</u>
	<u>\$ 10,023,226</u>	<u>\$ 9,581,674</u>

See Notes to Financial Statements.

**Greensboro Urban Ministry**

**Statement of Activities**

**Year Ended June 30, 2011**

**(With Comparative Totals for Year Ended June 30, 2010)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Revenue:					
Contributions and bequests	\$ 2,063,426	\$ 590,964	\$ -	\$ 2,654,390	\$ 2,479,234
Food bank donations	1,568,014	-	-	1,568,014	1,986,038
Government grants	218,343	-	-	218,343	252,094
Special events:					
Crop Walk	83,834	-	-	83,834	48,274
Honor cards	269,444	-	-	269,444	230,271
Investment income	344,447	278,248	-	622,695	263,077
Other revenues	52,597	-	-	52,597	97,458
	<b>4,600,105</b>	<b>869,212</b>	<b>-</b>	<b>5,469,317</b>	<b>5,356,446</b>
Net assets released from restrictions	542,556	(542,556)	-	-	-
<b>Total revenue</b>	<b>5,142,661</b>	<b>326,656</b>	<b>-</b>	<b>5,469,317</b>	<b>5,356,446</b>
Expenses:					
Functional expenses:					
Program services	4,554,788	-	-	4,554,788	4,871,101
Management and general	206,570	-	-	206,570	289,989
Fund raising expenses	97,655	-	-	97,655	143,218
<b>Total functional expenses</b>	<b>4,859,013</b>	<b>-</b>	<b>-</b>	<b>4,859,013</b>	<b>5,304,308</b>
Direct expenses for special events	79,406	-	-	79,406	24,493
Rental property expenses, net	46,100	-	-	46,100	46,100
<b>Total expenses</b>	<b>4,984,519</b>	<b>-</b>	<b>-</b>	<b>4,984,519</b>	<b>5,374,901</b>
<b>Change in net assets</b>	<b>158,142</b>	<b>326,656</b>	<b>-</b>	<b>484,798</b>	<b>(18,455)</b>
Net assets:					
Beginning of year:					
As previously stated	7,316,374	1,036,332	1,106,998	9,459,704	9,478,159
Prior-period adjustment	(139,977)	139,977	-	-	-
As restated	7,176,397	1,176,309	1,106,998	9,459,704	9,478,159
End of year	<b>\$ 7,334,539</b>	<b>\$ 1,502,965</b>	<b>\$ 1,106,998</b>	<b>\$ 9,944,502</b>	<b>\$ 9,459,704</b>

See Notes to Financial Statements.

**Greensboro Urban Ministry**

**Statement of Functional Expenses**

**Year Ended June 30, 2011**

**(With Comparative Totals for Year Ended June 30, 2010)**

	Program Services					
	Emergency Assistance	Food Bank	Potters House	Pathways / Beyond Pathways	Weaver House / Winter Emergency	Partnership Village
Direct assistance	\$ 164,010	\$ 1,583,895	\$ 119,634	\$ 48,714	\$ 134,532	\$ 115,000
Personnel						
Salaries	82,700	101,402	94,635	254,636	248,479	107,993
Employee benefits	19,930	19,485	11,287	33,767	34,342	18,526
Payroll taxes	6,267	7,642	7,174	18,438	19,538	8,032
Contract labor	-	1,636	-	-	-	-
Allocation - personnel expenses	67,755	67,755	67,755	67,755	67,755	67,755
Office Expenses						
Supplies and postage	-	-	-	727	-	2,336
Equipment rental and maintenance	-	-	-	4,055	-	5,011
Telephone	2,405	2,449	2,405	5,272	2,605	1,831
Legal and accounting	-	-	-	-	-	-
Miscellaneous office expenses	-	-	-	388	1,300	650
Allocation - office expenses	15,017	15,017	15,003	15,017	15,017	15,017
Transportation	-	13,326	-	-	2,233	-
Building						
Utilities	-	-	-	32,778	-	-
Maintenance and repairs	44	2,983	9,584	48,592	654	-
Insurance	3,288	3,501	3,075	6,515	8,919	1,887
Security	-	-	26,450	-	52,511	-
Allocation - building expenses	28,723	33,519	23,953	-	119,738	-
Utility assistance fund	157,921	-	-	-	-	-
Building maintenance fund	-	-	-	-	-	-
	<b>548,060</b>	<b>1,852,610</b>	<b>380,955</b>	<b>536,654</b>	<b>707,623</b>	<b>344,038</b>
Depreciation	9,566	11,420	11,614	35,901	37,917	-
<b>Total expenses</b>	<b>\$ 557,626</b>	<b>\$ 1,864,030</b>	<b>\$ 392,569</b>	<b>\$ 572,555</b>	<b>\$ 745,540</b>	<b>\$ 344,038</b>

See Notes to Financial Statements.

Chaplaincy	Supporting Services				Total Functional Expenses	
	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2011	2010
\$ 1,667	\$ 2,167,452	\$ 154	\$ -	\$ 154	\$ 2,167,606	\$ 2,622,799
-	889,845	398,923	11,140	410,063	1,299,908	1,234,521
-	137,337	95,617	-	95,617	232,954	248,801
-	67,091	23,495	871	24,366	91,457	89,198
73,163	74,799	18,013	348	18,361	93,160	76,167
1,200	407,730	(407,730)	-	(407,730)	-	-
-	3,063	44,373	82,547	126,920	129,983	161,274
-	9,066	41,625	947	42,572	51,638	49,449
-	16,967	3,734	249	3,983	20,950	23,437
-	-	16,500	-	16,500	16,500	16,500
-	2,338	1,287	1,340	2,627	4,965	3,839
1,200	91,288	(91,288)	-	(91,288)	-	1
-	15,559	-	-	-	15,559	20,865
-	32,778	83,047	-	83,047	115,825	122,652
-	61,857	147,533	-	147,533	209,390	167,334
-	27,185	3,044	213	3,257	30,442	30,859
-	78,961	-	-	-	78,961	47,721
1,200	207,133	(207,133)	-	(207,133)	-	-
-	157,921	1,770	-	1,770	159,691	197,841
-	-	18,766	-	18,766	18,766	50,016
78,430	4,448,370	191,730	97,655	289,385	4,737,755	5,163,274
-	106,418	14,840	-	14,840	121,258	141,034
\$ 78,430	\$ 4,554,788	\$ 206,570	\$ 97,655	\$ 304,225	\$ 4,859,013	\$ 5,304,308

**Greensboro Urban Ministry**

**Statement of Cash Flows**

**Year Ended June 30, 2011**

**(With Comparative Totals for Year Ended June 30, 2010)**

	2011	2010
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 484,798	\$ (18,455)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	167,358	187,134
Loss on sale of property and equipment	349	-
Loss on investments	-	83
(Gains) on beneficial interests in endowment funds	(621,859)	(254,756)
Changes in assets and liabilities:		
Accounts receivable	(61,598)	7,118
Inventory	(3,752)	39,152
Prepaid expenses	10,964	(2,240)
Accounts payable	(19,871)	8,003
Accrued expenses	20,217	(1,080)
Other liabilities	(43,592)	(1,229)
<b>Net cash used in operating activities</b>	<b>(66,986)</b>	<b>(36,270)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	168,864	76,425
Transfers to endowment funds	(114,535)	(557,911)
Distributions from endowment funds	17,320	189,479
Proceeds from sale of property and equipment	800	-
Purchase of property and equipment	(46,844)	(74,359)
<b>Net cash provided by (used in) investing activities</b>	<b>25,605</b>	<b>(366,366)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(41,381)</b>	<b>(402,636)</b>
<b>Cash and cash equivalents:</b>		
Beginning	1,080,505	1,483,141
Ending	<b>\$ 1,039,124</b>	<b>\$ 1,080,505</b>

See Notes to Financial Statements.

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

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

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

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

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

**Shelter:** Shelter is provided through the following programs:

- **Pathways Family Shelter:** Offers a temporary home to 16 homeless families.
- **Beyond Pathways and Beyond GUM:** Assists individuals and families with obtaining and sustaining housing with financial assistance and case management services.
- **Weaver House Night Shelter:** Offers temporary shelter to homeless adults.
- **Winter Emergency:** During the winter months emergency shelter is provided at various sites for homeless single adults.
- **Partnership Village:** Provides transitional housing for individuals and families with supportive services and case management focused on obtaining permanent housing within two years.

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

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

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

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

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

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

**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.

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

**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.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**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.

**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 Section 501(c) (3). Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal tax authorities for years before 2008.

**Subsequent events:** The Organization has evaluated its subsequent events occurring after June 30, 2011 through September 15, 2011, which represents the date the financial statements were available to be issued.

**Reclassifications:** The Organization's policy is to reclassify certain amounts reported in the prior year's financial statements when necessary for conformity with classifications adopted in the current year. These classifications have no effect on net assets or change in net assets.

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### 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, 2011 is as follows:

Beginning inventory	\$	100,485
Contributions received		1,568,014
Amount used		(1,564,262)
Ending inventory	\$	<u>104,237</u>

#### Note 3. Beneficial Interest in Endowment Funds

The Organization has made organizational endowment contributions to The Community Foundation of Greater Greensboro (the "Foundation"). The Organization has recorded its beneficial interest in these endowment funds in the accompanying statement of financial position in accordance with GAAP. Management currently expects to accept distributions recommended by the Foundation and may request additional distributions, but not donor restricted principal, of these funds. Unless approved by both the Foundation and the Organization, endowment assets will be returned to the Organization only in the event of dissolution of the Foundation or if the Foundation fails to meet certain requirements of the Internal Revenue Code ("IRC"). No variance power was specifically granted to the Foundation unless the Organization ever ceases to meet certain requirements of the IRC. However, these assets are administered under the provisions of the governing documents of the Foundation, which generally provide for the transfer of variance power in many cases to the Foundation. The estimated fair value of beneficial interests in these endowment funds as reported by the Foundation was \$4,022,486 at June 30, 2011.

#### Note 4. Note Receivable

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

#### Note 5. Investment in Greenbriar Housing II, LLC

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

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 6. Property and Equipment

A summary of property and equipment is as follows:

Building and improvements	\$ 5,556,985
Vehicles	55,785
Furniture and equipment	511,536
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	6,124,306
Accumulated depreciation	(2,473,282)
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	3,651,024
Land	835,330
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	\$ 4,486,354
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Included in property and equipment is buildings leased to others with a cost of \$1,859,039 and accumulated depreciation of \$585,903 as of June 30, 2011.

#### Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

Utility assistance	\$ 376,826
Winter Fund	3,196
Beyond Pathways	125,660
Partnership Village Campaign	336,703
Building maintenance	242,356
Unappropriated endowment earnings (see Note 9)	418,224
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	\$ 1,502,965
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#### Note 8. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support program or supporting services. A summary of permanently restricted net assets at June 30, 2011 is as follows:

Undesignated:

Bryan endowment	\$ 500,000
Snipes endowment	337,893
Stern endowment	10,000
Campbell endowment	5,000
Peterson endowment	100,000
Mullin endowment	52,158
	<hr/>
	1,005,051

Designated for the Food Bank and Potters House:

Eagle Fund endowment	101,947
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	\$ 1,106,998
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## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 9. Endowment Fund

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

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

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

**Funds with deficiencies:** From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011.

**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 5.0% 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.

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 9. Endowment Fund (Continued)

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 418,224	\$ 1,106,998	\$ 1,525,222
Board-designated	2,497,264	-	-	2,497,264
	<u>\$ 2,497,264</u>	<u>\$ 418,224</u>	<u>\$ 1,106,998</u>	<u>\$ 4,022,486</u>

Changes in endowment net assets for the fiscal year ended June 30, 2011 are as follows:

Description	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2010, as restated	\$ 2,056,438	\$ 139,977	\$ 1,106,998	\$ 3,303,413
Investment income (loss):				
Dividends	53,390	34,481	-	87,871
Net appreciation	313,751	261,374	-	575,125
Management fees	(23,529)	(17,608)	-	(41,137)
<b>Total investment gains</b>	<u>343,612</u>	<u>278,247</u>	<u>-</u>	<u>621,859</u>
Contributions	-	-	-	-
Transfers to endowments	114,534	-	-	114,534
Appropriations for expenditures	(17,320)	-	-	(17,320)
Endowment net assets, June 30, 2011	<u>\$ 2,497,264</u>	<u>\$ 418,224</u>	<u>\$ 1,106,998</u>	<u>\$ 4,022,486</u>

#### Note 10. Fair Value Measurements

GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

**Level 2:** Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 10. Fair Value Measurements (Continued)

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

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

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

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

Description	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment	\$ -	\$ -	\$ 4,022,486	\$ 4,022,486

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, 2011.

	Beneficial Interest in Endowment
Balance at July 1, 2010	\$ 3,303,412
Investment income	46,736
Realized gains	-
Unrealized gains	575,125
Transfers in	114,533
Transfers out	(17,320)
Balance at June 30, 2011	\$ 4,022,486

#### Note 11. Retirement Plan

The Organization has a defined contribution retirement plan covering all eligible employees. The Organization matches employee contributions up to a maximum of 3% of salaries. Total matching contributions were approximately \$17,000 for the year ended June 30, 2011.

## Greensboro Urban Ministry

### Notes to Financial Statements

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#### Note 12. Rental Property

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

A 9,270 square foot building leased to Triad Adult and Pediatric Medicine, Inc., a nonprofit organization that provides medical and pharmaceutical needs to individuals. Lease payments are \$1 per year and the lease term is one year with automatic renewals, unless terminated, for consecutive one-year terms beginning each October 1. Prior to January 1, 2011, the building was leased to Healthserve Ministry, a nonprofit organization that provided the same services, for \$8,215 per month. The Organization contributed the \$8,215 back to Healthserve Ministry each month to use for operations.

A 13,618 square foot building leased to Guilford Child Development, 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.

Rental income and expenses, presented net on the statement of activities, consists of the following for the year ended June 30, 2011:

Rental income	\$	49,290
Rental income contributed back to lessee		(49,290)
Depreciation expense on rental buildings		(46,100)
Rental property expenses, net	\$	<u>(46,100)</u>

#### Note 13. Functional Expenses

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

#### Note 14. Prior-Period Adjustment

The June 30, 2010 financial statements included a classification error between unrestricted net assets and temporarily restricted net assets for investment earnings on donor-restricted endowments. The error has been corrected and has the following effect on beginning net assets for the year ended June 30, 2011: increase temporarily restricted net assets by \$139,977 and decrease unrestricted net assets by \$139,977. There was no effect on the change in net assets for the year ended June 30, 2010 as a result of the error.