



UNITED COMMUNITY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

UNITED COMMUNITY MINISTRIES, INC.

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Independent Auditors' Report

To the Board of Directors
United Community Ministries, Inc.

We have audited the accompanying financial statements of United Community Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, and cash flows for the year 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.

Auditors' 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 auditors' 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 auditors consider 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 United Community Ministries, Inc., as of June 30, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
February 26, 2019

Certified Public Accountants

UNITED COMMUNITY MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 305,389
Investments	936,169
Contributions Receivable	-
Grants Receivable	251,335
Accounts Receivable	1,528
Prepaid Expenses	25,110
Inventory	24,106
	<hr/>
Total Current Assets	1,543,637
Property and Equipment, at Cost	
Furniture and Equipment	577,760
Less Accumulated Depreciation	(275,552)
	<hr/>
Property and Equipment, Net	302,208
Other Assets	
Security Deposits	18,054
	<hr/>
Total Assets	\$ 1,863,899
	<hr/> <hr/>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 39,708
Accrued Payroll	274,967
Line of Credit Payable	192,700
Deferred Rent, Current	8,742
	<hr/>
Total Current Liabilities	516,117
Other Liabilities	
Deferred Rent, Net of Current Portion	19,702
	<hr/>
Total Liabilities	535,819
Net Assets	
Unrestricted	687,768
Temporarily Restricted	496,212
Permanently Restricted	144,100
	<hr/>
Total Net Assets	1,328,080
	<hr/>
Total Liabilities and Net Assets	\$ 1,863,899
	<hr/> <hr/>

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 574,929	\$ 165,946	\$ -	\$ 740,875
Government Grants	1,652,510	-	-	1,652,510
In Kind Contributions				
Rent	506,038	-	-	506,038
Food	369,308	-	-	369,308
Household Goods and Supplies	372,824	-	-	372,824
Program Fees	834,699	-	-	834,699
Sales Thrift Store	273,028	-	-	273,028
Special Events	216,505	-	-	216,505
Investment Income	32,335	-	-	32,335
Other Income	35,832	-	-	35,832
Net Assets Released from Restrictions	<u>183,700</u>	<u>(183,700)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>5,051,708</u>	<u>(17,754)</u>	<u>-</u>	<u>5,033,954</u>
Expenses				
Program Services				
Early Learning Center	1,182,646	-	-	1,182,646
Social Services	1,238,493	-	-	1,238,493
Employment and Literacy	416,196	-	-	416,196
Housing	135,939	-	-	135,939
Community Development	668,117	-	-	668,117
Thrift Store	<u>737,282</u>	<u>-</u>	<u>-</u>	<u>737,282</u>
Total Program Services	<u>4,378,673</u>	<u>-</u>	<u>-</u>	<u>4,378,673</u>
Supporting Services				
Management and General	292,749	-	-	292,749
Fundraising	<u>333,265</u>	<u>-</u>	<u>-</u>	<u>333,265</u>
Total Supporting Services	<u>626,014</u>	<u>-</u>	<u>-</u>	<u>626,014</u>
Total Expenses	<u>5,004,687</u>	<u>-</u>	<u>-</u>	<u>5,004,687</u>
Change in Net Assets	47,021	(17,754)	-	29,267
Net Assets, Beginning of Year	<u>640,747</u>	<u>513,966</u>	<u>144,100</u>	<u>1,298,813</u>
Net Assets, End of Year	<u>\$ 687,768</u>	<u>\$ 496,212</u>	<u>\$ 144,100</u>	<u>\$ 1,328,080</u>

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services						Supporting Services				Total Expenses
	Early Learning Center	Social Services	Employment and Literacy	Housing	Community Development	Thrift Store	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Payroll Expenses											
Salaries	\$ 634,637	\$ 469,127	\$ 131,601	\$ 67,742	\$ 323,786	\$ 173,951	\$ 1,800,844	\$ 222,736	\$ 176,278	\$ 399,014	\$ 2,199,858
Benefits	79,600	57,052	17,493	8,978	42,053	21,680	226,856	63,653	32,789	96,442	323,298
Payroll Taxes	49,851	37,105	10,423	5,348	25,166	13,714	141,607	19,534	14,100	33,634	175,241
Total Payroll Expenses	<u>764,088</u>	<u>563,284</u>	<u>159,517</u>	<u>82,068</u>	<u>391,005</u>	<u>209,345</u>	<u>2,169,307</u>	<u>305,923</u>	<u>223,167</u>	<u>529,090</u>	<u>2,698,397</u>
Other Expenses											
Bank Fees	-	-	-	-	-	-	-	26,208	-	26,208	26,208
Communications	1,776	3,996	2,141	553	2,137	2,294	12,897	6,530	128	6,658	19,555
Cost of Goods Sold Thrift Store	-	-	-	-	-	-	273,028	-	-	-	273,028
Depreciation	4,511	7,346	-	-	1,602	31,891	45,350	204	3,031	3,235	48,585
Dues	135	-	169	-	743	-	1,047	4,114	1,557	5,671	6,718
Equipment and Maintenance	8,305	8,045	4,013	1,061	6,082	4,559	32,065	9,637	7,534	17,171	49,236
Events	-	-	-	-	-	-	-	-	50,928	50,928	50,928
Insurance	3,148	1,900	519	268	1,253	879	7,967	39,590	4,652	44,242	52,209
Interest Expense	-	-	-	-	-	-	-	8,257	-	8,257	8,257
Occupancy	120,279	101,510	76,872	37	147,991	140,631	587,320	96,994	22,249	119,243	706,563
Office Expense	-	-	-	-	-	-	-	24,747	-	24,747	24,747
Postage and Shipping	3	14	14	125	200	-	356	483	4,040	4,523	4,879
Printing and Publications	445	-	162	-	181	164	952	3,665	12,725	16,390	17,342
Professional Fees	3,585	8,322	5,078	1,543	4,052	-	22,580	159,044	-	159,044	181,624
Program Activities	1,314	718	97	-	46,798	-	48,927	21	533	554	49,481
Program Supplies	110,062	1,957	6,808	-	-	716	119,543	-	-	-	119,543
Specific Assistance	6,458	430,438	131,632	41,863	6,037	152	616,580	3,738	594	4,332	620,912
Staff Development	2,643	8,381	2,160	1,562	1,735	-	16,481	6,296	892	7,188	23,669
Travel	158	11,870	3,061	537	694	1,850	18,170	1,083	1,192	2,275	20,445
Volunteer/Employee Appreciation	10	-	-	-	-	-	10	2,308	43	2,351	2,361
Total Other Expenses	<u>262,832</u>	<u>584,497</u>	<u>232,726</u>	<u>47,549</u>	<u>219,505</u>	<u>456,164</u>	<u>1,803,273</u>	<u>392,919</u>	<u>110,098</u>	<u>503,017</u>	<u>2,306,290</u>
Total Direct Expenses	<u>1,026,920</u>	<u>1,147,781</u>	<u>392,243</u>	<u>129,617</u>	<u>610,510</u>	<u>665,509</u>	<u>3,972,580</u>	<u>698,842</u>	<u>333,265</u>	<u>1,032,107</u>	<u>5,004,687</u>
Overhead Allocation	155,726	90,712	23,953	6,322	57,607	71,773	406,093	(406,093)	-	(406,093)	-
Total Expenses	<u>\$ 1,182,646</u>	<u>\$ 1,238,493</u>	<u>\$ 416,196</u>	<u>\$ 135,939</u>	<u>\$ 668,117</u>	<u>\$ 737,282</u>	<u>\$ 4,378,673</u>	<u>\$ 292,749</u>	<u>\$ 333,265</u>	<u>\$ 626,014</u>	<u>\$ 5,004,687</u>

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 29,267
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	48,585
Net Realized and Unrealized Investment Gain	(27,454)
<u>(Increase) Decrease in Assets</u>	
Contributions Receivable	12,311
Grants Receivable	2,976
Accounts Receivable	11,965
Inventory	1,199
Prepaid Expenses and Other Current Assets	17,871
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	(73,201)
Accrued Payroll	132,445
Deferred Rent	(66,577)
	89,387
 Cash Flows from Investing Activities	
Purchase of Equipment	(80,799)
Purchase of Investments/Reinvestment of Investment Income	(21,532)
Sale of Investments	41,312
	(61,019)
 Cash Flows from Financing Activities	
Payments on Capital Leases	(1,238)
Principal Proceeds on Line of Credit	262,794
Principal Payments on Line of Credit	(113,595)
	147,961
Net Increase in Cash	176,329
Cash, Beginning of Year	129,060
	\$ 305,389
 Supplementary Disclosure of Cash Flow Information	
Cash Paid during the Year for Interest	\$ 8,257

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. ORGANIZATION

United Community Ministries, Inc. (the Organization), is a not for profit corporation that works in the Fairfax County Virginia “South County” area to mobilize community, individual, and church resources for community service. Special emphasis is placed on the area bound by the west bank of the Potomac River, the north boundary of Fort Belvoir, Telegraph Road, and I-95 (Beltway). The Organization intervenes in crises involving housing, financial, nutritional, medical, and transportation needs. Families and individuals are assisted through direct services, counseling, job training, and referral or any combination of these. The Organization also provides legal and educational services benefitting the immigrant community. Direct services include food, clothing, financial assistance, furniture, rental and utility assistance, medical care, and transportation assistance. The Organization’s major sources of income are donations, thrift store sales, child care fees, and contributions from Fairfax County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents included in cash.

The Organization’s demand deposits with financial institutions at times exceeded federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risks.

Investment

Investments are recorded at fair market value.

Accounts and Contributions Receivable

Accounts and contributions receivable are recorded at the amount the Organization expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors amounts receivable and charges off any balances that are determined to be uncollectible. As of June 30, 2018, the Organization’s allowance for doubtful accounts was \$-0-. The Organization had no bad debt expense for the year ended June 30, 2018.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is calculated on a straight-line basis over a five or ten year estimated useful life. Leasehold improvements and property under the capital lease are amortized over the terms of the leases.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of thrift store merchandise on hand as of June 30, 2018, received as in-kind contributions. Donated inventory is valued at estimated fair market value based on historical data and current market conditions.

Classes of Net Assets

The Organization is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are net assets without a donor-imposed time and/or program restriction. The funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire, or the funds are used for their restricted purposes and are reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received.

Permanently restricted net assets must be maintained by the Organization in perpetuity.

Accounting for Uncertainty in Income Taxes

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification 740-10, *Income Taxes*, which prescribes measurements and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax positions. It is management's belief that the Organization does not hold any uncertain tax positions.

Functional Allocation of Expenses

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

Use of 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.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. TAX STATUS

The Organization has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation.

4. INVESTMENTS

Investments at June 30, 2018, consisted of the following:

Open End Mutual Funds	\$ 438,716
Stock and Exchange Traded Funds	201,990
Money Market Sweep Accounts	295,463
Total Investments	<u>\$ 936,169</u>

The components of investment income (loss) consisted of the following:

Interest and Dividends	\$ 4,881
Unrealized/Realized Gains	27,454
Net Investment Income	<u>\$ 32,335</u>

For the year ended June 30, 2018, the Organization paid \$1,669 in investment fees.

5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018, consisted of the following:

Computer and Office Equipment	\$ 194,216
Leasehold Improvements	314,736
Vehicles	68,808
Total Property and Equipment	577,760
Less Accumulated Depreciation and Amortization	(275,552)
Property and Equipment, Net	<u>\$ 302,208</u>

Depreciation and amortization expense was \$48,585 for the year ended June 30, 2018.

6. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with FASB ASC 820-10, fair value is defined as the price that the Organization would receive to sell an investment or to pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability.

The FASB ASC 820-10 hierarchy consists of three broad levels:

Level 1 - inputs consist of unadjusted quoted prices in active markets for identical assets that the Organization had the access to at the measurement date and have the highest priority.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - inputs consist of observable inputs other than quoted prices for identical assets.

Level 3 - inputs are unobservable inputs for the asset and have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments, as below:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Open End Mutual Funds	\$ 438,716	\$ 438,716	\$ -	\$ -
Stocks				
and Exchange Traded Funds	201,990	201,990	-	-
Money Market Sweep Accounts	295,463	295,463	-	-
Total	<u>\$ 936,169</u>	<u>\$ 936,169</u>	<u>\$ -</u>	<u>\$ -</u>

7. LINE OF CREDIT

The Organization has available a \$300,000 line of credit from a bank secured by furniture, equipment, and accounts receivable. Interest is payable monthly at the rate of 5%. The line of credit has a maturity date of October 17, 2019. At June 30, 2018, the balance of the line of credit was \$192,700.

8. OPERATING LEASE

On December 26, 2013, the Organization entered into a 120-month (10 year) office lease agreement, which commenced on January 1, 2014 and is set to terminate on December 31, 2023. The lease agreement calls for annual “base” rent which is scheduled to increase approximately two and a half percent each year. The lease also calls for “additional” rent which includes the Organization’s pro rata share of real estate taxes and building operating expenses. The terms of the lease included provisions for rent abatement, also known as “free rent allowance” for the first eight months of base rent and additional rent payments.

On July 21, 2017, the Organization entered into a verbal agreement with the landlord for its leased space. Under the agreement, the landlord agreed to reduce the monthly rent and operating charges by 50% beginning October 1, 2017. The Organization agreed to pay its share of various utility costs. The agreement also provided that if a new tenant was not secured by October 2019, the landlord would release the Organization from any further lease commitments with a payment of \$100,000.

Under accounting principles generally accepted in the United States of America (GAAP), the rent abatement is amortized over the life of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. OPERATING LEASE (CONTINUED)

The following is a schedule of future minimum lease payments under this operating lease:

For the Years Ending June 30,

2019	\$ 138,361
2020	138,361
2021	51,500
Total	<u>\$ 328,222</u>

For the year ended June 30, 2018, total rent expense for all operating leases was \$706,562 of which \$506,038 was recognized as in-kind donated facilities (See Note 11).

9. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018, temporarily restricted net assets were available for the following programs.

Employment and Literacy	\$ 231,294
Social Services	244,918
Community Development	20,000
Total	<u>\$ 496,212</u>

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are funds held in perpetuity, the income from which is expendable to support the Organization's programs. Permanently restricted net assets are maintained in the Organization's investment accounts. The Organization's investment policy is to provide financial stability and a source of funds to meet future needs. The balance of permanently restricted net assets at June 30, 2018, was \$144,100.

11. IN-KIND CONTRIBUTIONS

The Organization records various types of in-kind support including contributed facilities, household goods, food, holiday gifts, and back to school supplies.

Donated facilities in which the contributor retains legal title are recognized as unrestricted support in the period received and as an expense in the period used. The Organization uses various donated facilities in Alexandria, Virginia, for its main headquarters location and other locations to carry out its exempt program activities. The Fairfax County Government has donated the facilities. At June 30, 2018, the value of in-kind rent was \$506,038.

The Organization receives contributed clothing, household items, holiday gifts, and back to school supplies. These donations are recorded at fair market value. Clothing and household items not given directly for client assistance purposes are sold by the thrift store to provide operating funds. For the year ended June 30, 2018, the total value of these in-kind contributions was \$372,824.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

11. IN-KIND CONTRIBUTIONS (CONTINUED)

The Organization reports the fair value of donated food and grocery products it receives as unrestricted public support and, shortly thereafter, as expenses when granted to individuals and families in need. During the year ended June 30, 2018, the Organization distributed 197,846 pounds of food product. Based on the annual study performed by Feeding America (the nation's leading domestic hunger-relief charity) the approximate average value of one pound of donated nonperishable food was determined to be \$1.73 during 2018 where as one pound of donated produce was valued at \$.64 during 2018. The total dollar amount of food and groceries donated to UCM and then distributed to families was \$369,308 and is included in in-kind contributions in the accompanying statement of activities and changes in net assets.

12. RETIREMENT PLAN

The Organization has available a SIMPLE IRA retirement plan (the Plan) for employees who meet specific age and eligibility requirements. All employees earning at least \$5,000 in the current plan year may contribute to the Plan through elective deferrals of salary up to the limitation specified by the Plan. The Organization may choose to contribute a 100% match on the first 3% deferred or a 2% non-elective contribution on behalf of all eligible employees. For the year ended June 30, 2018, the Organization's retirement plan contribution was \$18,313.

13. CONCENTRATION OF RISK AND CONTINGENCIES

For the year ended June 30, 2018, the Organization received approximately 32.82% of its revenue, including in-kind donated facilities, from the Fairfax County government.

As discussed in Note 8, the Organization has a verbal nonbinding agreement with its landlord to terminate its operating lease that had an original end date of December 31, 2023, on October 31, 2019. Rent payments have also been reduced. The agreement remains in effect as of February 26, 2019, which was the date the financial statements were available to be issued.

14. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 26, 2019, which was the date the financial statements were available to be issued.