



**UNITED
COMMUNITY
MINISTRIES**

At the Heart of Community

UNITED COMMUNITY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, and the related statements of activities and changes in net assets, functional expenses, 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, 2019, 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.



To the Board of Directors
United Community Ministries, Inc.

Emphasis of Matter

As discussed in Note 3 of the financial statements, United Community Ministries, Inc., adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retroactively to all periods presented. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
February 13, 2020

Certified Public Accountants

UNITED COMMUNITY MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 293,965
Investments	899,210
Grants Receivable	374,065
Accounts Receivable	54,140
Pledges Receivable	65,700
Prepaid Expenses	41,731
Inventory	17,463
	<hr/>
Total Current Assets	1,746,274
Property and Equipment, at Cost	584,253
Less Accumulated Depreciation	(333,513)
	<hr/>
Property and Equipment, Net	250,740
Other Assets	
Security Deposits	18,054
	<hr/>
Total Assets	\$ 2,015,068
	<hr/>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 46,141
Accrued Payroll	280,269
Line of Credit Payable	145,869
Deferred Rent, Current	8,742
	<hr/>
Total Current Liabilities	481,021
Other Liabilities	
Deferred Rent, Net of Current Portion	2,464
	<hr/>
Total Liabilities	483,485
Net Assets	
Without Donor Restrictions	1,312,893
With Donor Restrictions	
Purpose Restricted	74,590
Endowment Funds	144,100
	<hr/>
Total With Donor Restrictions	218,690
	<hr/>
Total Net Assets	1,531,583
	<hr/>
Total Liabilities and Net Assets	\$ 2,015,068
	<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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 966,061	\$ 189,953	\$ 1,156,014
Government Grants	1,707,010	-	1,707,010
In-Kind Contributions			
Rent	506,038	-	506,038
Food	533,081	-	533,081
Household Goods and Supplies	373,650	-	373,650
Program Fees	915,410	-	915,410
Sales Thrift Store	284,512	-	284,512
Special Events	287,854	-	287,854
Investment Income	42,023	-	42,023
Other Income	22,483	-	22,483
Net Assets Released from Restrictions	<u>611,575</u>	<u>(611,575)</u>	<u>-</u>
 Total Revenue	 6,249,697	 (421,622)	 5,828,075
Expenses			
Program Services			
Early Learning Center	962,027	-	962,027
Social Services	1,498,863	-	1,498,863
Employment and Literacy	378,985	-	378,985
Community Development	836,080	-	836,080
Thrift Store	<u>642,818</u>	<u>-</u>	<u>642,818</u>
 Total Program Services	 4,318,773	 -	 4,318,773
Supporting Services			
Management and General	759,718	-	759,718
Fundraising	<u>546,081</u>	<u>-</u>	<u>546,081</u>
 Total Supporting Services	 1,305,799	 -	 1,305,799
 Total Expenses	 <u>5,624,572</u>	 <u>-</u>	 <u>5,624,572</u>
 Change in Net Assets	 625,125	 (421,622)	 203,503
 Net Assets, Beginning of Year	 <u>687,768</u>	 <u>640,312</u>	 <u>1,328,080</u>
 Net Assets, End of Year	 <u>\$ 1,312,893</u>	 <u>\$ 218,690</u>	 <u>\$ 1,531,583</u>

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services					Supporting Services				
	Early Learning Center	Social Services	Employment and Literacy	Community Development	Thrift Store	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Payroll Expenses										
Salaries	\$ 594,059	\$ 579,933	\$ 137,620	\$ 485,891	\$ 138,098	\$ 1,935,601	\$ 214,610	\$ 274,363	\$ 488,973	\$ 2,424,574
Benefits	77,836	79,118	18,470	62,039	22,222	259,685	25,975	37,413	63,388	323,073
Payroll Taxes	47,984	46,929	11,042	39,180	10,635	155,770	16,977	22,247	39,224	194,994
Total Payroll Expenses	719,879	705,980	167,132	587,110	170,955	2,351,056	257,562	334,023	591,585	2,942,641
Other Expenses										
Advertising				280		280		2,314	2,314	2,594
Bank Fees							27,586		27,586	27,586
Communications	1,524	4,785	2,301	1,364	1,733	11,707	7,623	538	8,161	19,868
Cost of Goods Sold Thrift Store					284,529	284,529				284,529
Depreciation	4,000	6,600	1,980	1,288	34,100	47,968	4,993	5,000	9,993	57,961
Dues	69		2,060		60	2,189	9,924	4,628	14,552	16,741
Equipment and Maintenance	4,950	28,244	1,390		2,224	36,808	7,957	5,410	13,367	50,175
Events								71,368	71,368	71,368
Insurance	1,550	3,792	1,772	1,912	2,346	11,372	45,237	2,155	47,392	58,764
Interest Expense										
Occupancy	17,160	13,002	10,908	21,522	143,602	206,194	17,594	3,881	21,475	11,971
Occupancy In-Kind	103,292	78,268	65,661	129,550		376,771	105,907	23,359	129,266	227,669
Other Expenses										506,037
Postage and Shipping	51	5	43			99			12,087	12,087
Printing and Publications	1,323	1,310	500	225	644	4,002	2,636	6,452	9,088	9,187
Professional Fees	3,124	9,989	5,054	18,173	25	36,365	6,881	19,156	26,037	30,039
Program Supplies	93,748	1,156	1,637	15,179	1,207	112,927	230,761	61,447	292,208	328,573
Specific Assistance	4,480	94,211	118,228	7,950		224,869	8,205	3,386	11,591	124,518
Specific Assistance Donated Food										224,869
Staff Development	2,484	5,197	139	4,249		533,081				533,081
Training	3,988	500		44,034		48,522	582	1,207	1,789	13,858
Travel	142	12,743	180	3,244	1,393	17,702	184	1,008	1,192	48,522
Volunteer/Employee Appreciation	263					263	2,028	749	2,777	18,894
Total Other Expenses	242,148	792,883	211,853	248,970	471,863	1,967,717	502,156	212,058	714,214	2,681,931
Total Expenses	\$ 962,027	\$ 1,498,863	\$ 378,985	\$ 836,080	\$ 642,818	\$ 4,318,773	\$ 759,718	\$ 546,081	\$ 1,305,799	\$ 5,624,572

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 203,503
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	57,961
Net Realized and Unrealized Investment Gain	(46,593)
<u>(Increase) Decrease in Assets</u>	
Grants Receivable	(122,730)
Accounts Receivable	(52,612)
Pledges Receivable	(65,700)
Inventory	6,643
Prepaid Expenses	(16,621)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	6,433
Accrued Payroll	5,302
Deferred Rent	(17,238)
	(41,652)
Net Cash Used in Operating Activities	(41,652)
Cash Flows from Investing Activities	
Purchases of Equipment	(6,493)
Sales of Investments	83,552
	77,059
Net Cash Provided by Investing Activities	77,059
Cash Flows from Financing Activities	
Principal Payments on Line of Credit	(46,831)
	(46,831)
Net Cash Used in Financing Activities	(46,831)
Net Decrease in Cash	(11,424)
Cash, Beginning of Year	305,389
	293,965
Cash, End of Year	\$ 293,965
Supplementary Disclosure of Cash Flow Information	
Cash Paid during the Year for Interest	\$ 11,971

See accompanying Notes to Financial Statements.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 based on quotations obtained from national security exchanges.

Accounts Receivable

Accounts receivable, grants receivable, and pledges 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, 2019, the Organization's allowance for doubtful accounts was \$-0-. The Organization had no bad debt expense for the year ended June 30, 2019.

Property and Equipment

Property 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 shorter of terms of the leases or useful life. The Organization capitalizes property and equipment with a cost basis of \$1,000 or more.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of thrift store merchandise on hand as of June 30, 2019, received as in-kind contributions. Donated inventory is valued at estimated fair market value based on historical data and current market conditions.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donate assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes.

Donated services are recorded at fair value when an unconditional commitment is received and are recognized as revenue and expense in the accompanying financial statements.

Classes of Net Assets

The Organization is required to report its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Income Taxes

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.

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.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include most indirect operating costs that support various programs and functions. The basis of the allocations is direct salary costs which have been allocated to program and supporting functions based on documentation of employee time and effort.

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.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's cash flows have seasonal variations due to the timing of contributions, program revenues, and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general operating expenditure within one year:

Financial Assets

Cash and Cash Equivalents	\$ 219,375
Investments	755,110
Receivables	428,205
Total Financial Assets	<u>\$ 1,402,690</u>

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5. INVESTMENTS

Investments at June 30, 2019, consisted of the following:

Open End Mutual Funds	\$ 492,881
Stock and Exchange Traded Funds	186,259
Money Market Sweep Accounts	220,070
Total Investments	<u>\$ 899,210</u>

The components of investment income consisted of the following:

Interest and Dividends	\$ 9,266
Unrealized/Realized Gains	32,757
Net Investment Income	<u>\$ 42,023</u>

For the year ended June 30, 2019, the Organization paid \$3,172 in investment fees.

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 to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

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

	Fair Value	Level 1	Level 2	Level 3
Open End Mutual Funds	\$ 492,881	\$ 492,881	\$ -	\$ -
Stocks and Exchange Traded Funds	186,259	186,259	-	-
Money Market Sweep Accounts	220,070	220,070	-	-
Total	<u>\$ 899,210</u>	<u>\$ 899,210</u>	<u>\$ -</u>	<u>\$ -</u>

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

7. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019, consisted of the following:

Computer and Office Equipment	\$ 200,709
Leasehold Improvements	314,736
Vehicles	68,808
Total Property and Equipment	584,253
Less Accumulated Depreciation and Amortization	(333,513)
Property and Equipment, Net	\$ 250,740

Depreciation and amortization expense was \$57,961 for the year ended June 30, 2019.

8. LINE OF CREDIT

The Organization has available a \$300,000 line of credit from a bank secured by substantially all assets of the Organization. Interest is payable monthly at the rate of 5%. The line of credit has a maturity date of October 17, 2020. At June 30, 2019, the balance of the line of credit was \$145,869.

9. OPERATING LEASE

As of June 30, 2019, the Organization leased office space under various lease agreements that extend to October 31, 2021. 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.

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

For the Years Ending June 30,

2020	\$ 30,000
2021	10,000
Total	\$ 40,000

For the year ended June 30, 2019, total rent expense for all operating leases was \$733,706 of which \$506,038 was recognized as in-kind donated facilities (See Note 12).

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, net assets with donor restrictions were available for the following programs.

Employment and Literacy	\$ 9,250
Social Services	6,890
Community Development	58,450
Total	\$ 74,590

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The endowment funds are funds held in perpetuity, the income from which is expendable to support the Organization's programs. The 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. At June 30, 2019, the balance of restricted endowments was \$144,100.

Changes in endowment net assets are as follows as of June 30, 2019:

Endowment Assets, Beginning of Year	\$ 144,100
Contributions	-
Investment Return	7,651
Distribution from Board Designated Endowment Pursuant to Distribution Policy	<u>(7,651)</u>
Endowment Assets, End of Year	<u>\$ 144,100</u>

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, 2019, 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, 2019, the total value of these in-kind contributions was \$373,650.

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, 2019, the Organization distributed 216,063 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 2019 where as one pound of donated produce was valued at \$.64 during 2019. The total dollar amount of food and groceries donated to the Organization and then distributed to families was \$533,081 and is included in in-kind contributions in the accompanying statement of activities and changes in net assets.

UNITED COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

12. RETIREMENT PLAN

The Organization has available a discretionary 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, 2019, the Organization's retirement plan contribution was \$27,824.

13. CONCENTRATION OF RISK AND CONTINGENCIES

For the year ended June 30, 2019, the Organization received approximately 24.24% of its revenue, including in-kind donated facilities, from the Fairfax County government.

14. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 13, 2020, which was the date the financial statements were available to be issued.