

*Financial Statement*

**LAFAYETTE URBAN MINISTRY, INC.**

**DECEMBER 31, 2019**

**LAFAYETTE URBAN MINISTRY, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Lafayette Urban Ministry, Inc.  
Lafayette, Indiana**

**We have audited the accompanying statement of financial position of Lafayette Urban Ministry, Inc. (the Organization) as of December 31, 2019, and the related notes.**

### **Management's Responsibility for the Financial Statement**

**Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.**

### **Auditor's Responsibility**

**Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.**

**An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.**

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

**INDEPENDENT AUDITOR'S REPORT--CONTINUED**

**Opinion**

**In our opinion, the statement of financial position referred to above presents fairly, in all material respects, the financial position of Lafayette Urban Ministry, Inc. as of December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.**

*Huth Thompson LLP*

**October 19, 2020**  
**Lafayette, Indiana**

**LAFAYETTE URBAN MINISTRY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 492,857
Certificates of Deposit--Short Term	114,016
Accounts Receivable	40
Contributions Receivable	13,000
Grants Receivable	4,726
Accrued Interest	8,347
Prepaid Expenses	<u>3,204</u>
<b>TOTAL CURRENT ASSETS</b>	<b>636,190</b>

**PROPERTY AND EQUIPMENT**

Buildings and Improvements	2,302,766
Vehicles	184,075
Equipment	<u>144,658</u>
	2,631,499
Accumulated Depreciation	<u>(1,148,962)</u>
	1,482,537
Land	<u>392,737</u>
	1,875,274

**OTHER ASSETS**

Certificates of Deposit--Long-Term	162,754
Beneficial Interest in Assets Held by a Trust	<u>1,260,689</u>
	<u>1,423,443</u>

**\$ 3,934,907**

See Notes to Financial Statement.

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$ 11,992
Accrued Wages and Vacation	9,182
Accrued Property Tax	3,098
Current Portion--Capital Lease Obligation	<u>2,793</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,065</b>

**LONG-TERM LIABILITIES**

Capital Lease Obligation, Less Current Portion	<u>9,935</u>
<b>TOTAL LIABILITIES</b>	<b>37,000</b>

**NET ASSETS**

**Net Assets Without Donor Restrictions**

Undesignated Net Assets	1,814,580
Board Designated	<u>155,206</u>
	<b>1,969,786</b>

**Net Assets With Donor Restrictions**

	<u>1,928,121</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,897,907</u></b>

**\$ 3,934,907**

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of Lafayette Urban Ministry's, Inc. significant accounting policies consistently applied in the preparation of the accompanying financial statement are as follows:

- A) **Nature of Operations**--Lafayette Urban Ministry, Inc. (the Organization) is a non-profit organization incorporated in 1968. The Organization serves the underprivileged citizens of Tippecanoe County by providing assistance and shelter. The Organization is supported primarily through donor contributions.
- B) **Use of Estimates**--The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C) **Cash Equivalents**--The Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- D) **Receivables**--Accounts Receivable consists of fees charged for program related activities. Grants Receivable consists mainly of amounts due from state and local funding agencies. Uncollectible receivables are charged directly to expense when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.
- E) **Contributions**--The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

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

- E) Contributions (Continued)--**The Organization can have revenue derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Grants receivable from local sources amounted to \$4,726 as of December 31, 2019.
- F) Property and Equipment--**The Organization capitalizes all expenditures for property and equipment which have a useful life of more than one year. Property and equipment are stated at cost. If donated, the cost is the fair value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Maintenance, repairs, and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resulting gain or loss is charged to operations. Depreciation expense was \$83,779 for the year ended December 31, 2019.
- G) Basis of Presentation--**In accordance with FASB Accounting Standards Codification (Accounting Standards), the net assets of the Organization are reported in each of the following classes:
- (1) *Net Assets Without Donor Restrictions*--**Net assets that are not subject to donor-imposed stipulations.
  - (2) *Net Assets With Donor Restrictions*--**Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time, and not subject to appropriation or expenditure; and those that will be maintained in perpetuity.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other assets, including board designated amounts, are unrestricted and are reported as part of net assets without donor restrictions.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

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

- G) Basis of Presentation (Continued)--All donor-restricted contributions are recorded as increases in net assets with restrictions, depending on the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.**
- H) Income Taxes--The Organization is incorporated in the state of Indiana and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code. The Organization is classified as a publicly supported organization rather than a private foundation under Section 509(a)(1). Contributions to the Organization are deductible for income tax purposes. Accounting standards require entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years 2016 through 2019 remain open and are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and therefore has not recorded any unrecognized tax benefits or liabilities.**
- I) Advertising--The Organization expenses advertising as incurred. For the year ended December 31, 2019, advertising costs totaled \$139.**
- J) Donated Goods and Services--The Organization records various types of in-kind support including property and equipment, professional services, and materials. Property and equipment donated is capitalized on the basis explained on the previous page. Contributed professional services are recognized if the services either create or enhance long-lived assets, or require specialized skills and would typically need to be purchased if not provided by the donation. Contributions of supplies, space, and materials are recognized at fair market value when received.**

The Organization also receives significant donations of time from volunteers that do not meet the two recognized criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.

LAFAYETTE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

K) New Accounting Pronouncement--The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Note-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Additionally, the Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2019</u>
Financial assets at year end--	
Cash	\$ 492,857
Certificate of Deposits--Short Term	114,016
Accounts Receivable	40
Contribution Receivable	13,000
Grants Receivable	<u>4,726</u>
	624,639
Less amounts not available to be used within one year--	
Board designated net assets (without board release)	113,405
Net assets with donor restrictions	<u>259,287</u>
	<u>372,692</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 251,947</u>

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 2: LIQUIDITY AND AVAILABILITY (Continued)**

LUM develops an annual budget which is reviewed and approved by the Board. Monthly financial reports detail revenue and expenses for each program. Overall spending, as well as program spending, is closely monitored on a monthly basis. If spending is higher than anticipated or revenue is lower, then adjustments may be made to avoid a shortfall.

Most of LUM's revenue comes from donations, a good portion of which comes from program solicitation letters sent six times a year. If the amount received from a solicitation is lower than the amount budgeted, then the budget is carefully reviewed and adjusted, if needed, to avoid a shortfall.

Income from donor restricted funds are restricted for specific purposes and, therefore, are not available for general expenditure.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, LUM invests cash in excess of daily liquidity requirements in money market accounts and short term and long-term investments.

Based on these factors, LUM believes it has sufficient liquidity to continue operations.

**NOTE 3: CASH**

Cash consisted of the following at December 31, 2019:

Checking	\$ 71,476
Money Market	421,281
Petty Cash	<u>100</u>
	<u>\$ 492,857</u>

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 4: CERTIFICATES OF DEPOSIT**

At December 31, 2019, the Organization has various certificates of deposit totaling \$276,770 maturing between January 2020 and March 2022, and with interest rates ranging from 1.85% to 2.47%. The certificates of deposit are without donor restrictions. The Organization has recorded accrued interest of \$8,347 as of December 31, 2019. Certificates of deposit consisted of the following at December 31, 2019:

	<u>Maturity Date</u>	<u>Short-Term</u>	<u>Long-Term</u>
<b>Kansas State Bank</b>			
Certificate of Deposit	September 2021	\$ -	\$ 135,176
<b>First Internet Bank</b>			
Certificate of Deposit	January 2020	65,206	-
Certificate of Deposit	May 2021	-	10,778
<b>TIAA</b>			
Certificate of Deposit	March 2020	40,410	-
Certificate of Deposit	March 2020	8,400	-
Certificate of Deposit	March 2021	-	8,400
Certificate of Deposit	March 2022	-	8,400
		<u>\$ 114,016</u>	<u>\$ 162,754</u>

**NOTE 5: CONCENTRATION OF CREDIT RISK**

At certain times during the year, the Organization maintained cash deposits with various bank which exceeded the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The amount of cash over the FDIC limit at year end was \$-0- as of December 31, 2019.

**NOTE 6: CONTRIBUTION RECEIVABLE**

The Organization was named beneficiary of an estate. As of December 31, 2019, the portion of the estate unconditionally promised to the Organization and recorded as a contribution receivable totaled \$13,000. Management established this estimate based upon documentation from the estate's attorney. The gift is without donor restrictions.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 7: BENEFICIAL INTEREST IN ASSETS HELD BY A TRUST**

The Avery Trust (a Private Foundation) was established in March 1989 for the purpose of supporting the Organization's outreach program for those in need of assistance. The Trust is held by a third party, but the Organization is the sole beneficiary of the Trust. The income created by the Trust is without donor restrictions; however, the principal of the Trust has to be held in perpetuity. The Organization receives an annual distribution of income from the Trust. Total assets of the Trust were approximately \$1,260,689 for the year ended December 31, 2019

**NOTE 8: CAPITAL LEASE OBLIGATIONS**

The Organization has entered into a capital lease for a copier expiring July 2023. The asset and liability of the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of the related lease term or the estimated useful life. For year ended December 31, 2019, depreciation expense was \$3,200, and accumulated depreciation was \$4,800. The lease is payable in monthly installments of \$401 per month. The discount rate on the capital lease is 17.57%.

Minimum future lease payments under the capital lease as of December 31 are as follows:

2020	\$	2,793
2021		3,326
2020		3,959
2023		<u>2,650</u>
Total Obligation Under Capital Leases		12,728
Less Current Portion		<u>(2,793)</u>
	\$	<u>9,935</u>

**NOTE 9: ACCRUED VACATION**

Employees of the Organization are entitled to vacation time depending on length of service and other factors. The value of accumulated vacation accrual is estimated and has been accrued at \$5,430 as of December 31, 2019.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 10: RESTRICTED NET ASSETS**

Board Designated net assets consisted of the following at December 31, 2019:

Winbrenner	\$ 41,801
Virginia Miller Estate	71,874
Year End Reserve	<u>41,531</u>
	<u>\$ 155,206</u>

Net assets with donor restrictions subject to purpose restrictions, consisted of the following at December 31, 2019:

<b>Purpose Restriction--</b>	
5th Quarter Scholarships	\$ 25,200
Susan Lisack Fund	190,087
Ebby Glockner Fund for Children	62,097
Campaign for the Future	54,295
Campaign for the Future--Programs	176,600
Campaign for the Future--Opportunity	32,781
Campaign for the Future--Achieve	<u>91,561</u>
	<u>\$ 632,621</u>

Net assets with donor restrictions not subject to appropriation or expenditure, consisted of the following at December 31, 2019:

Cook Endowment	\$ 47,458
Avery Trust	<u>1,248,042</u>
	<u>\$ 1,295,500</u>

The Cook contribution of \$47,458 was used to purchase rental properties (see Note 11). All income generated by the rental property is without donor restrictions.

The Avery Trust principal portion of \$1,248,042 was established to support the Organization's outreach program (see Note 7). All income generated by the Avery Trust is without donor restrictions.

Included in cash, fixed assets, and beneficial interest are board designated and donor restricted funds of \$2,083,327 as of December 31, 2019.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 11: ENDOWMENT**

The Organization's endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reports based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted 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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of the 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 accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets without donor restrictions 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 considered 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 Organization 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 Organization
- (7) The investment policies of the Organization

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 11: ENDOWMENT (Continued)**

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to achieve real growth in the endowment fund's principal value after inflation and spending, to have the endowment fund participate in a diversified investment portfolio, to have equity and fixed income investments that are diversified among various asset classes in order to minimize the risk of large losses, and to maximize total return within reasonable and prudent levels or risk. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

*Strategies Employed for Achieving Objectives*

The Organization targets a diversified asset allocation that places a greater emphasis on a balanced portfolio of investments to achieve its long-term return objective within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

Income received from the Fund is without donor restrictions and shall be used as deemed necessary.

For the year ended December 31, 2019, the Organization had the following donor-restricted endowment related activities:

	Without Donor Restrictions	With Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ -	\$ 47,458
Endowment Net Assets, End of Year	\$ -	\$ 47,458

There were no underwater endowment funds as of December 31, 2019.

**NOTE 12: RESTATEMENT**

The following amounts were restated as of December 31, 2018 to correct restricted balances:

Account	As Originally Reported	Restatement	Restated Amounts
Net Assets Without Donor Restrictions	\$ 1,773,468	\$ 28,592	\$ 1,802,060
Net Assets With Donor Restrictions	1,964,805	(8,201)	1,956,604
Total	\$ 3,738,273	\$ 20,391	\$ 3,758,664

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENT**

**December 31, 2019**

**NOTE 13: SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many Organizations in 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Therefore, this matter may negatively impact operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In response to the above situation, the Organization applied for and was apportioned a Paycheck Protection Program loan for a total of \$130,125 in July 2020.

The Organization has evaluated subsequent events through October 19, 2020, the date which the financial statement was available to be issued.