

*Financial Statements*

**LAFAYETTE URBAN MINISTRY, INC.**

**DECEMBER 31, 2021**

**LAFAYETTE URBAN MINISTRY, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

### Qualified Opinion

We have audited the accompanying financial statements of Lafayette Urban Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lafayette Urban Ministry, Inc. as of December 31, 2021, and the changes 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.

### Basis for Qualified Opinion

Due to the lack of an inadequate internal controls system surrounding checks written for the Good Samaritan Fund, we were unable to opine on the Good Samaritan Fund expenses totaling \$196,198.

Lafayette Urban Ministry, Inc. has not properly recorded a value for contributions of nonfinancial assets (in-kind contributions). Accounting principles generally accepted in the United States of America require that contributions of nonfinancial assets be recorded at fair value as of the gift date. The effects on the accompanying financial statements for the failure to record contributions of nonfinancial assets have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Lafayette Urban Ministry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lafayette Urban Ministry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lafayette Urban Ministry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lafayette Urban Ministry, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

**We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.**

*Huth Thompson LLP*

**September 12, 2022**  
**Lafayette, Indiana**

**LAFAYETTE URBAN MINISTRY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 907,272
Certificates of Deposit--Short Term	8,400
Accounts Receivable	200
Contributions Receivable	37,174
Grants Receivable	27,491
Investments	299,195
Prepaid Expenses	<u>4,820</u>

**TOTAL CURRENT ASSETS** 1,284,552

**PROPERTY AND EQUIPMENT**

Buildings and Improvements	2,205,668
Vehicles	184,075
Equipment	108,080
Construction in Progress	<u>75,000</u>

2,572,823

Accumulated Depreciation (1,265,503)

1,307,320

Land 392,737

1,700,057

**OTHER ASSETS**

Beneficial Interest in Assets Held by a Trust 1,427,020

\$ 4,411,629

See Notes to Financial Statement.

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$ 46,179
Accrued Wages and Vacation	14,543
Accrued Property Tax	2,704
Current Portion--Capital Lease Obligation	<u>3,959</u>

**TOTAL CURRENT LIABILITIES** 67,385

**LONG-TERM LIABILITIES**

Capital Lease Obligation, Less Current Portion	<u>2,650</u>
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**TOTAL LIABILITIES** 70,035

**NET ASSETS**

**Net Assets Without Donor Restrictions**

Undesignated Net Assets	1,406,186
Board Designated	<u>816,297</u>
	<u>2,222,483</u>

**Net Assets With Donor Restrictions** 2,119,111

**TOTAL NET ASSETS** 4,341,594

\$ 4,411,629

LAFAYETTE URBAN MINISTRY, INC.

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS
<b>SUPPORT AND REVENUE</b>			
Public Support			
Contributions	\$ 786,027	\$ 404,370	\$ 381,657
Grants	205,063	46,545	158,518
	<u>991,090</u>	<u>450,915</u>	<u>540,175</u>
Program Services			
Program Service Fees	89,700	89,700	-
Rental Income	40,203	40,203	-
	<u>129,903</u>	<u>129,903</u>	<u>-</u>
Other Income			
Special Events	251,780	251,780	-
Investment Income	8,699	8,699	-
Change in Beneficial Interest in Assets Held by a Trust	151,112	70,949	80,163
Unrealized (Loss)	(634)	(634)	-
Gain on Asset Disposal	20,734	20,734	-
Miscellaneous Income	4,243	4,243	-
	<u>435,934</u>	<u>355,771</u>	<u>80,163</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>546,171</u>	<u>(546,171)</u>
TOTAL SUPPORT AND REVENUE	1,556,927	1,482,760	74,167
<b>EXPENSES</b>			
Program Services	1,309,116	1,309,116	-
Management and General	145,122	145,122	-
Fundraising	57,886	57,886	-
TOTAL EXPENSES	<u>1,512,124</u>	<u>1,512,124</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	44,803	(29,364)	74,167
NET ASSETS--Beginning of Year	<u>4,296,791</u>	<u>2,251,847</u>	<u>2,044,944</u>
NET ASSETS--End of Year	<u>\$ 4,341,594</u>	<u>\$ 2,222,483</u>	<u>\$ 2,119,111</u>

**LAFAYETTE URBAN MINISTRY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>
Salaries and Wages	\$ 611,175	\$ 533,283	\$ 54,813	\$ 23,079
Payroll Taxes	56,623	49,262	5,096	2,265
Employee Benefits/Taxes	128,872	109,121	11,851	7,900
Legal and Accounting	17,847	-	17,847	-
Repairs and Maintenance	42,359	34,023	8,336	-
Utilities	15,830	15,427	403	-
Telephone	5,006	3,754	751	501
Insurance	26,781	21,424	5,357	-
Supplies	13,426	10,741	2,685	-
Printing	6,228	4,982	1,246	-
Travel and Mileage	55	44	11	-
Training	1,396	1,396	-	-
Dues and Subscriptions	857	857	-	-
Taxes and Penalties	14,528	12,860	1,001	667
Feasibility Study	18,500	13,875	2,775	1,850
Interest Expense	1,486	1,189	297	-
Program Expenses	295,708	295,378	282	48
Special Events	132,345	109,494	13,273	9,578
Board Expense	85	-	85	-
Depreciation	80,611	66,916	13,695	-
Fundraising Expenses	11,998	-	-	11,998
Rebranding Costs	27,878	25,090	2,788	-
Miscellaneous	2,530	-	2,530	-
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,512,124</u></b>	<b><u>\$ 1,309,116</u></b>	<b><u>\$ 145,122</u></b>	<b><u>\$ 57,886</u></b>

**LAFAYETTE URBAN MINISTRY, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 44,803
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities--	
Depreciation	80,611
Unrealized Loss on Investments	634
Unrealized (Gain) in Beneficial Interest	(97,975)
(Gain) on Disposal of Property and Equipment	(20,734)
(Increase) Decrease in Assets--	
Certificates of Deposit	154,578
Accounts Receivable	(200)
Grants Receivable	(21,880)
Contribution Receivable	82,756
Prepaid Expenses	12,369
Increase (Decrease) in Liabilities--	
Accounts Payable	38,812
Accrued Wages and Vacation	3,052
Accrued Property Tax	<u>(523)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	276,303
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(299,829)
Proceeds from Sale of Property and Equipment	125,014
Purchases of Property and Equipment	<u>(99,980)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(274,795)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Capital Lease Obligation	<u>(3,326)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(3,326)</u>
(DECREASE) IN CASH	(1,818)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>909,090</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 907,272</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash Paid During the Year For Interest	\$ 1,486

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**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 statements 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 statements 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 statements, 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 and Revenue Recognition**--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 STATEMENTS**

**December 31, 2021**

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

- E) Contributions and Revenue Recognition (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.**

**Program service fee revenue is recognized when control of promised services is transferred to clients, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Program service fee revenue is derived primarily from youth after school programs. 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.**

- 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 \$80,611 for the year ended December 31, 2021.**

LAFAYETTE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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.

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 2018 through 2021 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.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

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

- I) **Advertising**--The Organization expenses advertising as incurred. For the year ended December 31, 2021, advertising costs totaled \$196.
- J) **Nonfinancial Assets**--The Organization receives various types of nonfinancial assets including property and equipment, professional services, and materials. Property and equipment donated is capitalized on the basis explained in Note 1F. 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. However, the Organization, as noted in the Qualified Audit Opinion has not recorded any nonfinancial assets for the year ended December 31, 2021.

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.

- K) **Accounting Pronouncement**--In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides guidance on the recognition, measurement, presentation, and disclosure of leases. This new accounting standard requires that an entity recognizes the right to use the leased assets and a liability for the corresponding lease obligation on its statement of financial position for leases in excess of one year that were previously classified as operating leases under U.S. GAAP. The standard also requires entities to disclose information about the amount, timing, and uncertainty for the payments made for the lease agreements in the footnotes to the financial statements. This guidance will be effective for the Organization's reporting period beginning January 1, 2022.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**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:

<b>Financial assets at year end--</b>	
<b>Cash</b>	<b>\$ 907,272</b>
<b>Certificate of Deposits--Short Term</b>	<b>8,400</b>
<b>Accounts Receivable</b>	<b>200</b>
<b>Contribution Receivable</b>	<b>37,174</b>
<b>Grants Receivable</b>	<b>27,491</b>
<b>Investments</b>	<b><u>299,195</u></b>
	<b>1,279,732</b>
<b>Less amounts not available to be used within one year--</b>	
<b>Board designated net assets (without board release)</b>	<b>816,297</b>
<b>Net assets with donor restrictions prohibited from     being utilized within one year</b>	<b><u>8,400</u></b>
	<b><u>824,697</u></b>
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b><u>\$ 455,035</u></b>

The Organization 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 the Organization'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, the Organization invests cash in excess of daily liquidity requirements in money market accounts and short term and long-term investments. Based on these factors, the Organization believes it has sufficient liquidity to continue operations.

LAFAYETTE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: CASH

Cash consisted of the following at December 31, 2021:

Checking	\$	93,299
Money Market		711,749
Petty Cash		100
Cash Equivalents		<u>102,124</u>
	\$	<u>907,272</u>

NOTE 4: 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 years end was \$287,307 as of December 31, 2021.

NOTE 5: CERTIFICATES OF DEPOSIT

At December 31, 2021, the Organization had a certificate of deposit totaling \$8,400 that matures March 2022 with an interest rate of 2.47%.

NOTE 6: CONTRIBUTION RECEIVABLE

The Organization was named beneficiary of an estate. As of December 31, 2021, the portion of the estate unconditionally promised to the Organization is recorded as a contribution receivable totaling \$37,174.

NOTE 7: INVESTMENTS

Investments are stated at fair market value. Investments consisted of the following at December 31, 2021:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized (Loss)</u>
Mutual Funds	\$ 299,829	\$ 299,195	\$ (634)

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 7: INVESTMENTS (Continued)**

Investment income consisted of the following for the year ended December 31, 2021:

Interest and Dividends	\$	8,699
Unrealized (Loss)		<u>(634)</u>
	\$	<u>8,065</u>

**NOTE 8: 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 \$1,427,020 for the year ended December 31, 2021.

**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 \$8,610 as of December 31, 2021.

**NOTE 10: 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, 2021, depreciation expense was \$3,200. Accumulated depreciation was \$11,200 for the year ended December 31, 2021. The lease is payable in monthly installments of \$401 per month. The discount rate on the capital lease is 17.57%.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 10: CAPITAL LEASE OBLIGATIONS (Continued)**

Minimum future lease payments under the capital lease as of December 31, 2021 are as follows:

2022	\$	3,959
2023		<u>2,650</u>
Total Obligation Under Capital Leases		6,609
Less Current Portion		<u>(3,959)</u>
	\$	<u>2,650</u>

**NOTE 11: RESTRICTED NET ASSETS**

Board Designated net assets consisted of the following at December 31, 2021:

Winebrenner	\$	9,265
Board Reserve		600,000
Maintenance Reserve		25,000
Good Samaritan Fund		60,056
Haelterman Estate		45,096
Gibson/Veldman		20,000
Wilma Life Estate		47,430
Year End Reserve		<u>9,450</u>
	\$	<u>816,297</u>

LAFAYETTE URBAN MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 11: RESTRICTED NET ASSETS (Continued)

Net assets with donor restrictions subject to purpose restrictions, consisted of the following at December 31, 2021:

Purpose Restriction--	
5th Quarter Scholarships	\$ 8,400
Susan Lisack Fund	190,087
Ebby Glockner Fund for Children	10,000
Campaign for the Future	54,294
Campaign for the Future--Programs	176,600
Campaign for the Future--Opportunity	30,309
Campaign for the Future--Achieve	91,561
Community Foundation	7,454
Good Samaritan Fund - Gibson/Veldman	5,611
Good Samaritan Fund - MA Kickstart	6,718
Good Samaritan Fund	1,457
iLEAD Grant	27,380
Dream Team	17,368
Marchall Bus Passes	1,240
Covid 19	8,255
Immigration/Social Justice	10,000
Food Pantry	22,742
	<u>\$ 669,476</u>

Net assets with donor restrictions not subject to appropriation or expenditure, consisted of the following at December 31, 2021:

Cook Endowment	\$ 47,458
Avery Trust	<u>1,402,177</u>
	<u>\$ 1,449,635</u>

The Cook contribution of \$47,458 was used to purchase rental properties (see Note 12). All income generated by the rental property is without donor restrictions.

Included in cash, fixed assets, and beneficial interest are board designated and donor restricted funds of \$2,935,408 as of December 31, 2021.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 12: 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 STATEMENTS

December 31, 2021

NOTE 12: 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, 2021, the Organization had the following donor-restricted endowment related activities:

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	<u>\$ 47,458</u>
Endowment Net Assets, End of Year	<u>\$ 47,458</u>

There were no underwater endowment funds as of December 31, 2021.

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**NOTE 13: FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 820, Fair Value Measurements and Disclosures, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

**Level 1 Inputs--Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.**

**Level 2 Inputs--Quoted prices from similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.**

As of December 31, 2021, the assets noted below are reported at fair value on a recurring and nonrecurring basis. Carrying values of non-derivative financial instruments, including cash, receivables, payables, etc. approximate their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the year ended December 31, 2021.

	Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2
<b>Recurring Fair Value Measurements--</b>			
Equities	\$ 189,211	\$ 189,211	\$ -
Fixed Income	109,984	109,984	-
Beneficial Interest in Assets Held by Trust	1,427,020	-	1,427,020
<b>Nonrecurring Fair Value Measurements--</b>			
Contributions Receivable	37,174	-	37,174
<b>TOTAL:</b>	<b>\$ 1,763,389</b>	<b>\$ 299,195</b>	<b>\$ 1,464,194</b>

**LAFAYETTE URBAN MINISTRY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 14: FUNCTIONAL ALLOCATION OF EXPENSES**

The Organization's financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses have been allocated between program, management and general, and fundraising based on management's estimates of time and usage.

**NOTE 15: COVID-19**

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of many Organizations. While disruptions are 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.

**NOTE 16: SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through September 12, 2022, the date which the financial statement was available to be issued.