CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

As of and for the Eighteen-Month Period Ended June 30, 2017

And Report of Independent Auditor

Cherry Bekaert LLP

CPAs & Advisors

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Charlotte Center for Urban Ministry, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Center for Urban Ministry, Inc., ("UMC") a nonprofit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the eighteen-month period 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.

Auditor's 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 of 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 auditor's 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 auditor considers 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 in the first paragraph present fairly, in all material respects, the financial position of Charlotte Center for Urban Ministry, Inc., as of June 30, 2017, and the changes in its net assets and its cash flows for the eighteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Reclassification and Adjustment

As described in Note 14, management has determined that a reclassification between the beginning unrestricted and temporarily restricted net assets as of January 1, 2016 was required. Additionally, management has also determined that an adjustment to beginning unrestricted restricted net assets as of January 1, 2016 was required. Our opinion is not modified with respect to this matter.

Supplementary Schedule

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The statement of functional expenses on page 18 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly statement in all material respects in relation to the financial statements as a whole.

Cherry Bekaert LLP

Charlotte, North Carolina
November 7, 2017

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,360,767
Accounts receivable	210,453
Pledges receivables, net - current portion	163,823
Prepaid expense and other current assets	6,390
Total Current Assets	1,741,433
Noncurrent Assets:	
Pledges receivable, net	148,693
Replacement reserve	101,129
Investments	6,799,854
Property and equipment, net	10,349,205
Total Noncurrent Assets	17,398,881
Total Assets	$ 19,140,314
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable and accrued expenses	$ 92,901
Other current liabilities	29,779
Total Current Liabilities	122,680
Long-Term Liabilities:	
Notes payable, net of discount	1,232,484
Total Liabilities	1,355,164
Net Assets:	
Unrestricted:	
Undesignated	1,368,807
Designated for replacement reserve	101,129
Invested in property and equipment, net of debt	7,549,205
Total Unrestricted	9,019,141
Temporarily restricted	8,766,009
Total Net Assets	17,785,150
Total Liabilities and Net Assets	$ 19,140,314

The accompanying notes to the financial statements are an integral part of this statement.

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.
STATEMENT OF ACTIVITIES

EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	$ 2,773,653	$ 1,304,416	$ 4,078,069
Grant revenue	3,178,536	-	3,178,536
Fundraising income	1,064,636	117,838	1,182,474
Investment income	198,208	486,098	684,306
Rental income	1,160,989	-	1,160,989
Other income	11,970	-	11,970
Net assets released from restrictions	1,514,384	(1,514,384)	-
Total Support and Revenue	9,902,376	393,968	10,296,344
Expenses:			
Program services	7,870,367	-	7,870,367
Management and general	461,871	-	461,871
Fundraising	774,678	-	774,678
Total Expenses	9,106,916	-	9,106,916
Change in net assets	795,460	393,968	1,189,428
Net assets, beginning of period, before reclassification and adjustment	11,733,775	4,065,937	15,799,712
Reclassification and adjustment (Note 14)	(3,510,094)	4,306,104	796,010
Net assets, beginning of period, after reclassification and adjustment	8,223,681	8,372,041	16,595,722
Net assets, end of period	$ 9,019,141	$ 8,766,009	$ 17,785,150

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

STATEMENT OF CASH FLOWS

EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2017

Cash flows from operating activities:	
Change in net assets	$ 1,189,428
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	564,523
Amortization of loan discount	45,061
Realized and unrealized gain on investments	(399,687)
Change in provision for allowance	67,308
Net present value adjustment	6,657
Contributions restricted for long-term purposes	(574,469)
Decrease in operating assets:	
Accounts receivable	35,137
Pledges receivable, net	107,048
Prepaid expense and other current assets	94,166
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(117,965)
Other liabilities	19,494
Net cash flows from operating activities	1,036,701
Cash flows from investing activities:	
Net purchases of investments	(14,589)
Net deposits to replacement reserve	(27,860)
Purchase of property and equipment	(2,463,762)
Net cash flows from investing activities	(2,506,211)
Cash flows from financing activities:	
Proceeds from notes payable	600,000
Cash receipts restricted to long-term purposes	230,887
Net cash flows from financing activities	830,887
Net change in cash and cash equivalents	(638,623)
Cash and cash equivalents, beginning of period	1,999,390
Cash and cash equivalents, end of period	$ 1,360,767

Note 1—Nature of operations

Nature of Organization – Charlotte Center for Urban Ministry, Inc. (the "UMC") is an interfaith, not-for-profit organization whose mission is to bring the community together to end homelessness, one life at a time. Funding sources include individuals, congregations, foundations, corporations, and public entities. UMC relies on the talents and commitment of approximately 5,000 volunteers in various capacities throughout the year.

UMC provides the following key programs and services:

Basic Services and Soup Kitchen – UMC provides basic services for approximately 500 people each day including a hot lunch seven days per week; showers, laundry, and restrooms; phone and fax service; van rides and bus passes; one-on-one counseling for employment, referrals, ID, and other needs; medical care including an on-site nurse, physician referrals, prescription assistance, and a monthly dental van.

Room in the Inn ("RITI") – Partnering with 150 congregations, colleges, and community organizations, UMC provides emergency winter shelter for approximately 1,400 men, women and children from December 1 - March 31. Medical services are offered by volunteer physicians and medical staff. Over 5,000 volunteers support RITI.

Substance Abuse Treatment Program with Housing ("SABER") – The SABER treatment program combines intensive group and individual therapy with supportive housing. The completion rate of SABER is three times the national average and one third of the cost.

Housing Programs:

Moore Place – Moore Place is a 120-unit apartment building, owned by UMC that provides single room occupancy, permanent supportive housing units to the chronically homeless.

Scattered-Site Apartments – UMC holds multiple lease agreements for apartments throughout Charlotte to assist chronically homeless individuals identify safe, decent, and affordable housing.

MeckFUSE – MeckFUSE is a Mecklenburg County funded program facilitated by UMC that provides up to 50 community-based apartments for homeless men and women with health issues who have been frequent users of the County's jail, street camps, and shelters. The program subsidizes rent and works with clients to remain safe and housed.

Outreach and Engagement – UMC's Outreach and Engagement team searches the streets, under bridges, and in camps to identify the most vulnerable of chronically homeless individuals and connect them with permanent supportive housing and supportive services.

Community Works – More than 100 individuals each year participate in innovative programs such as music, art, and sports to learn life skills such as goal setting and time management.

Community Education – Educational programs help interested community members understand the complexity of homelessness in our community and learn how they can help end homelessness. More than 5,000 individuals participate in these educational programs each year.

Note 2—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Unrestricted Net Assets* – Net assets that both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operations of UMC and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amount to be utilized or invested to meet specific objectives of UMC. Such amounts would be reflected as board-designated net assets.
>
> *Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of UMC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restriction.
>
> *Permanently Restricted Net Assets* – Net assets that are subject to donor-imposed stipulations that they be maintained permanently by UMC. UMC had no permanently restricted net assets during the eighteen-month period ending June 30, 2017.

Revenue Recognition– Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expenses are recorded as decreases in unrestricted net assets.

Contributions – All unconditional contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of long-lived assets are reported at fair value as unrestricted revenue, unless otherwise stipulated by the donor. Contributions restricted for the acquisition or construction of long-lived assets is reported as unrestricted net assets when the asset is placed in service.

Grant Revenues – Grants are received primarily from Mecklenburg County. Grants which qualify as exchange transactions are recognized as revenue when the conditions under the grant are met.

Rental Income – Tenant rents are recognized as income during the period in which it is earned. Rents received related to the subsequent year are shown as deferred revenue.

Donated Services and Goods – Donated services, if significant, are reported as revenue and expense when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in revenue and expense at estimated fair value. No donated services or goods were reported during the eighteen-month period ending June 30, 2017.

In addition, UMC receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under GAAP.

Note 2—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – Cash and cash equivalents include all financial institution checking accounts and money market funds, except those short-term investment managed as part of UMC's investment management strategies.

Accounts Receivable – Accounts receivable consists primarily of receivables from tenants and reimbursements from grantors for which UMC has incurred expenses. Accounts receivable is stated at cost less an allowance for doubtful accounts, when necessary. Management's determination of the allowance for doubtful account is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risk factors. At June 30, 2017, UMC determined that no allowance for doubtful accounts is necessary.

Pledges Receivable – Pledges receivable consist primarily of unconditional capital and True Blessing promises to give. Pledges receivable due in the next year are recorded at their net realizable value. Pledges receivable due in subsequent years are recorded at the present value of their net realizable value, using credit risk adjusted interest rates applicable to the years in which the pledges are received. Amortization of the resulting discount is taken into income as a contribution in subsequent years. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as prior collection history and the nature of the fund-raising activity. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for uncollectible pledges receivable. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Replacement Reserve – In compliance with the Regulatory and Operating Agreement with Charlotte Housing Authority ("CHA") (the "Agreement"), UMC is required to fund a replacement reserve annually. UMC is required to deposit $206 per year for each unit occupied in a separate bank account. The required deposits increase three percent annually. UMC retains ownership of the account; however, upon disposition of Moore Place, all funds in the account must be transferred to the new owner. Any disbursements made from the account must be pre-approved by CHA. As of June 30, 2017, UMC had $101,129 in the replacement reserve that is included on the statement of financial position.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair market value of investments are reflected as investment income in the accompanying statement of activities.

Contributions of marketable securities are recorded at their fair value based upon quoted market prices at the date such securities are received. Contributed investments of other than marketable securities are recorded at their estimated fair value at the date received, and adjusted for any subsequent impairment of value that is not considered to be temporary.

Property and Equipment, Net – Property and equipment are stated at cost for purchased items and at estimated fair value at the date received for donated items. Renovations and significant improvements to existing structures are capitalized. Minor replacements and repairs of $500 or less are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Long-lived assets held and used by UMC are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Note 2—Summary of significant accounting policies (continued)

Property and Equipment, Net (continued)

The following is a summary of the estimated useful lives used in computing depreciation:

Vehicles	3 - 5 years
Equipment	3 - 7 years
Furniture and fixtures	7 years
Land improvements	15 years
Buildings and improvements	40 years

Compensated Absences – Compensated absences for personal time has not been accrued since they cannot be reasonably estimated. UMC's policy is to recognize these costs when actually paid.

Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses – Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent, square footage and other various allocation methods appropriate to the type of expense.

Income Taxes – UMC is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and is classified as other than a private foundation as defined by Section 509(a) of the IRC. Management believes that UMC continues to satisfy the requirements of a tax-exempt organization and is not subject to unrelated business income tax. Accordingly, no provision has been made for income taxes have been reflected in the accompanying financial statements.

New Pronouncements – In May 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The amendments in the ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share or its equivalent. Instead, the amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. UMC has early adopted ASU 2015-07 and has removed all investments from the fair value hierarchy for which fair value is measured using net asset per share (or its equivalent).

In May 2014, the FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitles in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of this standard on UMC's financial statements.

Note 2—Summary of significant accounting policies (continued)

New Pronouncements (continued) – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact the pending adoption will have on UMC's financial statements.

In August of 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes include a decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, allowing preparers to choose between the direct method and indirect method for presenting operating cash flows, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, requiring reporting of expenses by function and nature, and enhancing disclosures related to endowments. This standard is effective for all fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of this standard on UMC's financial statements.

Note 3—Pledges receivable, net

Pledges receivable are recorded after discounting to the present value the future cash flows using a discount rate of 1.55%. Unconditional pledges are expected to be collected in the following periods at June 30, 2017:

Years Ended June 30:	
2018	$ 243,633
2019	69,650
2020	36,850
2021	34,350
2022	24,447
Total	408,930
Less estimated allowance for doubtful accounts	(81,978)
Less present value discount	(14,436)
	312,516
Less promises to give, net - current portion	(163,823)
Promises to give, net - noncurrent portion	$ 148,693

Note 4—Investments

Investments consist of the following as of June 30, 2017:

Cash and money funds	$ 425,759
Mutual funds	2,120,185
Equity securities	4,012,988
Real estate investment trust	240,922
Total investments	$ 6,799,854

UMC's investments are exposed to various risks such as interest rates, market, liquidity, and credit risks. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materiality affect the reported investment values in the accompanying statement of financial position.

Investment income for the eighteen-month period ended June 30, 2017 is comprised of the following:

Interest and dividend income	$ 284,619
Net realized and unrealized gains	399,687
Net investment income	$ 684,306

Note 5—Property and equipment

Property and equipment consist of the following as of June 30, 2017:

Buildings and improvements	$ 9,271,456
Land and improvements	2,402,275
Furniture and fixtures	514,082
Equipment	310,671
Vehicles	162,234
	12,660,718
Less accumulated depreciation	(2,311,513)
Property and equipment, net	$ 10,349,205

UMC completed an expansion project at Moore Place which included the construction of an additional 35 single unit apartments attached to the existing 85-unit structure. As of June 30, 2017, UMC had capitalized the related construction and expansion costs totaling approximately $3,000,000. These costs were primarily funded by an additional $600,000 advance from the North Carolina Housing Finance Agency loan, a new $500,000 forgivable note payable (see Note 7) from the Federal Home Loan Bank, and a $1,000,000 construction grant from the City of Charlotte.

Total depreciation expense for the eighteen-month period ended June 30, 2017 was $564,523.

Note 6—Line of credit

At June 30, 2017, UMC has a $400,000 revolving line of credit with a financial institution providing for interest payable monthly at the greater of the Prime Rate plus 0.50% (4.25% at June 30, 2017) or Floor Rate of 4.00%. All outstanding principal plus all unpaid accrued interest is payable at maturity on January 15, 2018. At June 30, 2017, UMC had no outstanding balance on the line of credit.

Note 7—Notes payable

Notes payable consists of the following as of June 30, 2017:

	Principal Balance	Unamortized Discount	Net Liability
30-year, nonrecourse, non-interest bearing note payable to the Charlotte Housing Authority, secured by a deed of trust, assignment of rents and leases, and security agreement. All outstanding principal and interest, if any, is due on January 31, 2042. The present value of the unamortized discount was computed using a discount rate of 3.125% at the date of the loan.	$ 1,700,000	$ (910,651)	$ 789,349
30-year, nonrecourse, non-interest bearing note payable to the North Carolina Housing Finance Agency, secured by a deed of trust, assignment of rents and leases, and security agreement. All outstanding principal and interest, if any, is due on March 31, 2047. The option of applying to refinance the loan is available on the maturity date. The present value of the unamortized discount was computed using a discount of 3.060% at the date of the amended loan.	1,100,000	(656,865)	443,135
	$ 2,800,000	$ (1,567,516)	$ 1,232,484

The notes payable are non-interest bearing notes that reported at fair value based on the present value of future payments discounted using imputed interest rates. Amortization of the discount totaling $45,062 is included as interest expense for the eighteen-month period ended June 30, 2017.

UMC also has two notes payable to the Federal Home Loan Bank that are forgivable on May 1, 2027 as long as UMC does not sell the Moore Place (the “property”) or cease to use the property in accordance with the terms and conditions set forth in the Agreement. UMC has recorded the advances from these loans as revenue in the period received as the possibility of the conditions not being met is remote.

Note 8—Net assets

Temporarily restricted net assets consist of the following as of June 30, 2017:

Moore Place Sustainability Fund	$ 4,640,467
Unamortized discount on notes payable	1,567,516
Housing expansion projects	2,000,000
Moore Place	161,988
Housing First	88,886
Future promises to give	166,496
Future special events	117,838
Other	22,818
Total	$ 8,766,009

The Moore Place Sustainability Fund (the "Fund") represents assets that have been invested and are restricted by donors to help fund future supportive services at Moore Place. The investment objectives of the Fund are to preserve capital by achieving consistent, stable returns with a low to medium risk tolerance. The distribution policy states that $45,000 be withdrawn each quarter to contribute to Moore Place's expenses; however, there may be periods in which the Fund will be expected to contribute more or less than the above-mentioned amount.

UMC will maintain at least $1,000,000 in the Fund as an operating reserve required by the Agreement. UMC retains ownership of these funds; however, upon disposition of Moore Place, all funds plus any related investment earnings on the account must be transferred to the new owner. UMC believes the possibility of the dissolution of Moore Place to be remote.

Net assets were released from restriction during the eighteen-month period ended June 30, 2017 by incurring expenses satisfying the restricted purpose, passage of time, or by the occurrence of other events specified by donors:

Distribution from Moore Place Sustainability Fund	$ 270,000
Satisfaction of purpose restriction	945,143
Acquisition of property and equipment	176,628
Expiration of time restriction	77,551
Discount on note payable	45,062
Total	$ 1,514,384

Note 9—Fair value measurements

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that UMC would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between 1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and 2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

The inputs are summarized in the three broad levels listed below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3: Prices or valuations that requires using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgement or estimation by the investment manager.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position. There were no changes in methodologies in the eighteen-month period ended June 30, 2017.

Cash and Money Funds: Cash and money funds are valued at their net asset value of $1.00 per unit because of the ability to transact at will at that stable net asset value.

Mutual Funds: Valued at the closing net asset value of shares held at fiscal year-end. If the mutual fund makes its net asset values publicly available daily to set the price for purchases and redemptions the following day, the mutual fund is categorized with Level 1.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Real Estate Investment Trust: Valued at the closing net asset value of shares held at fiscal year-end.

Notes Payable, Net: Valued using the income approach which consists of calculating the present value of estimated future cash flows, adjusted as appropriate for credit, market and/or other risk factors.

Note 9—Fair value measurements (continued)

The following table summarizes the valuation of UMC's financial instruments measured at fair value on a recurring basis based on the level of input utilized to measure fair value:

	Fair Value Measurements at June 30, 2017 Using:			
	Level 1	Level 2	Level 3	Total
Measurement on a Recurring Basis:				
Investments:				
Cash and money funds	$ 425,759	$ -	$ -	$ 425,759
Mutual funds- equities	787,748	-	-	787,748
Mutual funds - fixed income	1,332,437	-	-	1,332,437
Equity securities	4,012,988	-	-	4,012,988
	$ 6,558,932	$ -	$ -	6,558,932
Real estate investment trust (*)				240,922
Total investments				$ 6,799,854
Notes payable, net	$ -	$ -	$ 1,232,484	$ 1,232,484

(*) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

For the real estate investment trust ("Trust") that calculates NAV per share (or its equivalent), there is a probability that the investments may be sold at amounts different from the NAV at June 30, 2017. The Trust requires a $10,000 minimum initial investment and UMC has no additional funding requirements. After an initial one-year holding period, which has passed for UMC, shareholders can request on a daily basis that the Trust repurchase all or a portion of their shares; however, share repurchases are limited to 5% of the total NAV each calendar quarter due to the majority of the Trust's assets consisting of properties that cannot generally be liquidated quickly. The Trust seeks current income and long-term capital appreciation from selected commercial real estate investments diversified across property type, geographic region and tenant industries.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table provides a reconciliation of beginning and ending balances for the eighteen-month period ended June 30, 2017.

	Notes Payable, Net
Beginning balance	$ 992,463
Proceeds from notes payable	600,000
Addition of unamortized discount	(405,041)
Amortization of discount	45,062
	$ 1,232,484

Note 10—Retirement plan

UMC maintains a SIMPLE IRA plan (the "Plan") for the benefit of its employees. The Plan covers substantially all employees. UMC currently makes matching contributions of 100 of the employee contributions not exceeding 3%. Participants are immediately vested in their salary deferral and employer matching contributions, plus the actual earnings thereon. During the eighteen-month period ended June 30, 2017, UMC's matching contributions totaled $71,480. UMC also contributes 12% of the earnings of the Executive Director to a 403(b)(9) retirement plan maintained by GuideStone Financial Resources. During the eighteen-month period ended June 30, 2017, UMC's contributions totaled $23,252.

Note 11—Leases

UMC leases certain apartments from third party lessors in order to provide affordable housing to certain tenants. UMC is reimbursed for subsidized rent through various grants from Mecklenburg County. These leases expire at various dates through April 2019. Future minimum payments under these lease agreements are as follows:

Years Ended June 30:	
2018	$ 245,095
2019	21,622
Total	$ 266,717

UMC has three leases for office equipment with fixed monthly rates ranging from $110 to $462, expiring in 2020. Future minimum payments under these lease agreements are as follows:

Years Ended June 30:	
2018	$ 8,208
2019	7,542
2020	1,848
Total	$ 17,598

Lease expense for the eighteen-month period ended June 30, 2017 was $20,293.

Note 12—Related parties

UMC receives significant contributions from members of the Board of Trustees, including their respective employers. Contribution revenue from current Board members was approximately $270,000 for the eighteen-month period ended June 30, 2017. Pledges receivable from current Board members totaled $28,000 at June 30, 2017.

In addition, approximately $22,000 was paid to a company for Moore Place capital improvements for which a current Board member is the president and approximately $24,000 was paid to a company for Moore Place project management services for which a former Board member is the owner. Management believes these transactions have been conducted on an arms-length basis and no preferential treatment has been afforded UMC or the vendors.

Note 13—Concentrations of risk

Financial instruments that potentially subject UMC to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivables.

UMC places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. UMC from time to time may have had amounts on deposit in excess of the insured limits.

UMC has also recognized pledges receivable from organization and individuals that are due in future years. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions and payments to UMC.

Note 14—Prior period reclassification and adjustment

During the eighteen-month period ended June 30, 2017, UMC determined a reclassification was necessary to restrict the Moore Place Sustainability Fund that was previously released into unrestricted net assets based on a clarification of donor intent through review of the 2012 Moore Place campaign material. The effect of the reclassification on net assets as of January 1, 2016 was a decrease in unrestricted net assets with a corresponding increase in temporarily restricted net assets totaling $4,306,104 million, respectively. The reclassification had no effect on total net assets as of January 1, 2017. Also during the eighteen-month period ended June 30, 2017, UMC determined an adjustment was necessary to reduce the note payable liability and increase unrestricted net assets by $796,010 for the advance from the Federal Home Loan Bank (Note 7) as the possibility of the conditions not being met in order for the debt to be forgiven was deemed to be remote.

The reclassification affected net assets as of January 1, 2016 as follows:

	Previously Reported	Adjustment	As Adjusted
Unrestricted net assets	$ 11,733,775	$ (3,510,094)	$ 8,223,681
Temporarily restricted net assets	$ 4,065,937	$ 4,306,104	$ 8,372,041
Total net assets	$ 15,799,712	$ 796,010	$ 16,595,722

Note 15—Subsequent events

UMC has evaluated subsequent events through November 7, 2017, the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures required.

SUPPLEMENTAL SCHEDULE

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2017

	Program Services							
	Scattered Site	Moore Place	Neighbor Services	Other Programs	Total Program Services	Management and General	Fundraising	Totals
Salaries and Benefits:								
Salaries	$ 1,052,202	$ 732,647	$ 832,362	$ 1,010,865	$ 3,628,076	$ 261,147	$ 363,172	$ 4,252,395
Payroll taxes	79,342	55,246	62,984	76,551	274,123	20,026	29,252	323,401
Benefits	154,055	103,708	105,630	136,905	500,298	45,664	25,564	571,526
Contract staff	-	1,650	72,664	140,729	215,043	6,959	15,106	237,108
Total Salaries and Benefits	1,285,599	893,251	1,073,640	1,365,050	4,617,540	333,796	433,094	5,384,430
Other Expenses:								
Rent subsidies	581,255	-	5,258	262	586,775	-	-	586,775
Client services	131,749	21,852	145,386	147,768	446,755	-	-	446,755
Professional services	24,798	30,094	12,767	68,333	135,992	5,051	5,426	146,469
Communications	31,081	17,719	11,503	14,613	74,916	2,802	4,011	81,729
Office expense	38,115	30,655	19,118	50,769	138,657	27,809	20,129	186,595
Food and supplies	12,663	32,649	104,296	32,261	181,869	16,420	38,698	236,987
Security	-	308,834	118,120	-	426,954	-	-	426,954
Maintenance	56,390	193,802	85,649	36,615	372,456	10,411	17,145	400,012
Utilities	237	203,014	48,009	2,699	253,959	6,546	10,324	270,829
Insurance	30,127	30,874	8,485	25,423	94,909	18,786	2,661	116,356
Special events	-	-	-	-	-	-	104,766	104,766
Total Other Expenses	906,415	869,493	558,591	378,743	2,713,242	87,825	203,160	3,004,227
Noncash Expenses:								
Depreciation	42,023	373,500	64,500	14,500	494,523	40,250	29,750	564,523
Interest	-	45,062	-	-	45,062	-	-	45,062
Bad debt	-	-	-	-	-	-	108,674	108,674
Total Noncash Expenses	42,023	418,562	64,500	14,500	539,585	40,250	138,424	718,259
Total Expenses	$ 2,234,037	$ 2,181,306	$ 1,696,731	$ 1,758,293	$ 7,870,367	$ 461,871	$ 774,678	$ 9,106,916