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JUNE 30, 2018

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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”) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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, 2018, 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.

Charlotte, North Carolina
October 15, 2018
### ASSETS

Current Assets:
- Cash and cash equivalents $1,642,122
- Accounts receivable 317,515
- Pledges receivables, net - current portion 177,584
- Prepaid expense and other current assets 90,401

Total Current Assets $2,227,622

Noncurrent Assets:
- Pledges receivable, net 31,863
- Replacement reserve 101,164
- Investments 6,360,880
- Property and equipment, net 10,006,260

Total Noncurrent Assets 16,500,167

**Total Assets** $18,727,789

### LIABILITIES AND NET ASSETS

Current Liabilities:
- Accounts payable and accrued expenses $83,211
- Other current liabilities 24,200

Total Current Liabilities 107,411

Long-Term Liabilities:
- Notes payable, net of discount 1,271,288

**Total Liabilities** 1,378,699

Net Assets:
- Unrestricted:
  - Undesignated 1,978,038
  - Designated for replacement reserve 101,164
  - Invested in property and equipment, net of debt 7,206,260

Total Unrestricted 9,285,462

- Temporarily restricted 8,063,628

**Total Net Assets** 17,349,090

**Total Liabilities and Net Assets** $18,727,789

The accompanying notes to the financial statements are an integral part of these statements.
The accompanying notes to the financial statements are an integral part of these statements.
CHARLOTTE CENTER FOR URBAN MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

The accompanying notes to the financial statements are an integral part of these statements.
Cash flows from operating activities:

Change in net assets $ (436,060)

Adjustments to reconcile change in net assets to net cash flows from operating activities:
  Depreciation 414,023
  Amortization of loan discount 38,804
  Realized and unrealized gain on investments (93,972)
  Change in provision for allowance (25,881)
  Net present value adjustment 1,551

Decrease in operating assets and operating liabilities:
  Accounts receivable (107,062)
  Pledges receivable, net 127,399
  Prepaid expense and other current assets (84,011)
  Accounts payable and accrued expenses (9,690)
  Other liabilities (5,579)

Net cash flows from operating activities (180,478)

Cash flows from investing activities:

Net sale of investments 532,946
Net deposits to replacement reserve (35)
Purchase of property and equipment (71,078)

Net cash flows from investing activities 461,833

Net change in cash and cash equivalents 281,355
Cash and cash equivalents, beginning of period 1,360,767
Cash and cash equivalents, end of period $ 1,642,122
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, identification, 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 to 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 year ended June 30, 2018.

_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 year ended June 30, 2018.

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 investments 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, 2018, UMC determined that no allowance for doubtful accounts is necessary.

Pledges Receivable – Pledges receivable consist primarily of unconditional capital and True Blessings 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, 2018, UMC had $101,164 in the replacement reserve that is included as cash and cash equivalents 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. Most minor replacements and repairs of $5,000 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)

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 the amount 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 and applicable state statutes under the provisions of Section 501(c)(3) of the Internal Revenue Code (“IRC”). GAAP requires UMC to evaluate tax positions taken and recognize a tax liability (or asset) if UMC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. UMC has analyzed the tax positions and concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. UMC is subject to audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Future Pronouncements** – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 entitled 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.

**New Pronouncements** – 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.
Note 2—Summary of significant accounting policies (continued)

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.

In November of 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This standard changes the classification and presentation of the statement of cash flows by requiring the inclusion of restricted cash in cash and cash equivalents. This standard is effective for all fiscal years beginning after December 15, 2017.

Management is currently evaluating the impact the pending adoption of these standards will have 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 2.63%. Unconditional pledges are expected to be collected in the following periods at June 30, 2018:

<table>
<thead>
<tr>
<th>Years Ended June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$177,584</td>
</tr>
<tr>
<td>2020</td>
<td>42,400</td>
</tr>
<tr>
<td>2021</td>
<td>35,850</td>
</tr>
<tr>
<td>2022</td>
<td>25,697</td>
</tr>
<tr>
<td>Total</td>
<td>281,531</td>
</tr>
<tr>
<td>Less estimated allowance for doubtful accounts</td>
<td>(56,097)</td>
</tr>
<tr>
<td>Less present value discount</td>
<td>(15,987)</td>
</tr>
<tr>
<td></td>
<td>209,447</td>
</tr>
<tr>
<td>Less promises to give, net - current portion</td>
<td>(177,584)</td>
</tr>
<tr>
<td>Promises to give, net - noncurrent portion</td>
<td>$31,863</td>
</tr>
</tbody>
</table>
Note 4—Investments

Investments consist of the following as of June 30, 2018:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and money market funds</td>
<td>$257,445</td>
</tr>
<tr>
<td>Mutual funds - fixed income</td>
<td>$451,103</td>
</tr>
<tr>
<td>Mutual funds - alternatives</td>
<td>$233,108</td>
</tr>
<tr>
<td>Equity securities</td>
<td>$3,970,914</td>
</tr>
<tr>
<td>Fixed income</td>
<td>$1,190,206</td>
</tr>
<tr>
<td>Real estate investment trust</td>
<td>$258,104</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$6,360,880</strong></td>
</tr>
</tbody>
</table>

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 year ended June 30, 2018 is comprised of the following:

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$147,062</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td>$93,972</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td><strong>$241,034</strong></td>
</tr>
</tbody>
</table>

Note 5—Property and equipment

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

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>$9,281,556</td>
</tr>
<tr>
<td>Land and improvements</td>
<td>$2,379,434</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>$536,923</td>
</tr>
<tr>
<td>Equipment</td>
<td>$310,671</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$223,212</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td><strong>(2,725,536)</strong></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$10,006,260</strong></td>
</tr>
</tbody>
</table>

Total depreciation expense for the year ended June 30, 2018 was $414,023.
Note 6—Line of credit

At June 30, 2018, 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% (5.00% at June 30, 2018) 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, 2018, UMC had no outstanding balance on the line of credit.

Note 7—Notes payable

Notes payable consist of the following as of June 30, 2018:

<table>
<thead>
<tr>
<th>Principal Balance</th>
<th>Unamortized Discount</th>
<th>Net Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>$1,700,000</td>
<td>$(885,599)</td>
</tr>
<tr>
<td>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.</td>
<td>$1,100,000</td>
<td>$(643,113)</td>
</tr>
<tr>
<td></td>
<td>$2,800,000</td>
<td>$(1,528,712)</td>
</tr>
</tbody>
</table>

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 $38,804 is included as interest expense for the year ended June 30, 2018.

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, 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moore Place Sustainability Fund</td>
<td>$4,624,951</td>
</tr>
<tr>
<td>Unamortized discount on notes payable</td>
<td>$1,528,712</td>
</tr>
<tr>
<td>Housing expansion projects</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Moore Place</td>
<td>$116,301</td>
</tr>
<tr>
<td>Housing First</td>
<td>$49,988</td>
</tr>
<tr>
<td>Future promises to give</td>
<td>$209,447</td>
</tr>
<tr>
<td>Other</td>
<td>$34,229</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,063,628</strong></td>
</tr>
</tbody>
</table>

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 year ended June 30, 2018 by incurring expenses satisfying the restricted purpose, passage of time, or by the occurrence of other events specified by donors:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution from Moore Place Sustainability Fund</td>
<td>$180,000</td>
</tr>
<tr>
<td>Satisfaction of purpose restriction</td>
<td>$1,387,644</td>
</tr>
<tr>
<td>Expiration of time restriction</td>
<td>$839,302</td>
</tr>
<tr>
<td>Amortization of discount on note payable</td>
<td>$38,804</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,445,750</strong></td>
</tr>
</tbody>
</table>
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 require 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 year ended June 30, 2018.

- **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:

<table>
<thead>
<tr>
<th>Measurement on a Recurring Basis:</th>
<th>Fair Value Measurements at June 30, 2018 Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td>Level 1</td>
</tr>
<tr>
<td>Cash and money funds</td>
<td>$257,445</td>
</tr>
<tr>
<td>Mutual funds - fixed income</td>
<td>451,103</td>
</tr>
<tr>
<td>Mutual funds - alternatives</td>
<td>233,108</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,970,914</td>
</tr>
<tr>
<td>Fixed income</td>
<td>-</td>
</tr>
<tr>
<td>Total investments (*)</td>
<td>$4,912,570</td>
</tr>
<tr>
<td>Real estate investment trust (*)</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$6,360,880</td>
</tr>
</tbody>
</table>

(*) 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, 2018. 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.

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 year ended June 30, 2018, UMC’s matching contributions totaled $54,892. 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 year ended June 30, 2018, UMC’s contributions totaled $15,255.
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 September 2019. Future minimum payments under these lease agreements are as follows:

<table>
<thead>
<tr>
<th>Years Ended June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$469,151</td>
</tr>
<tr>
<td>2020</td>
<td>6,675</td>
</tr>
<tr>
<td>Total</td>
<td>$475,826</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Years Ended June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$7,542</td>
</tr>
<tr>
<td>2020</td>
<td>1,848</td>
</tr>
<tr>
<td>Total</td>
<td>$9,390</td>
</tr>
</tbody>
</table>

Lease expense for the year ended June 30, 2018 was $17,405.

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 $200,000 for the year ended June 30, 2018. Pledges receivable from current Board members totaled $15,000 at June 30, 2018.

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—Subsequent events

UMC has evaluated subsequent events through October 15, 2018, the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures required.