CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

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JUNE 30, 2018

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") 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.

Cherry Bekaert LLP

Charlotte, North Carolina
October 15, 2018

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 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

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	$ 1,946,951	$ 1,483,083	$ 3,430,034
Grant revenue	1,400,646	95,792	1,496,438
Investment income	76,540	164,494	241,034
Rental income	1,058,162	-	1,058,162
Other income	5,491	-	5,491
Net assets released from restrictions	2,445,750	(2,445,750)	-
Total Support and Revenue	6,933,540	(702,381)	6,231,159
Expenses:			
Program services	5,716,359	-	5,716,359
Management and general	343,719	-	343,719
Fundraising	607,141	-	607,141
Total Expenses	6,667,219	-	6,667,219
Change in net assets	266,321	(702,381)	(436,060)
Net assets, beginning of year	9,019,141	8,766,009	17,785,150
Net assets, end of year	$ 9,285,462	$ 8,063,628	$ 17,349,090

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services							
	Scattered Site	Moore Place	Neighbor Services	Other Programs	Total Program Services	Management and General	Fundraising	Totals
Salaries and Benefits:								
Salaries	$ 982,965	$ 452,545	$ 603,464	$ 442,786	$ 2,481,760	$ 177,412	$ 356,725	$ 3,015,897
Payroll taxes	72,608	33,982	46,010	32,621	185,221	14,214	26,991	226,426
Benefits	149,333	65,450	101,216	74,452	390,451	12,736	34,477	437,664
Contract staff	22,663	650	57,203	55,188	135,704	855	5,228	141,787
Total Salaries and Benefits	1,227,569	552,627	807,893	605,047	3,193,136	205,217	423,421	3,821,774
Other Expenses:								
Rent subsidies	675,278	-	1,182	-	676,460	-	-	676,460
Client services	127,580	15,973	101,304	68,846	313,703	378	303	314,384
Professional services	32,854	17,454	14,044	10,634	74,986	18,579	9,894	103,459
Office expenses	86,623	22,273	25,121	6,678	140,695	77,933	42,319	260,947
Food and supplies	4,328	2,636	24,039	4,960	35,963	71	6,967	43,001
Security	-	208,125	83,210	-	291,335	-	-	291,335
Maintenance	48,809	161,777	50,864	13,376	274,826	6,027	5,966	286,819
Utilities	30,976	141,092	45,331	10,055	227,454	9,818	9,174	246,446
Insurance	24,413	23,859	16,696	11,408	76,376	4,995	4,882	86,253
Special events	-	-	-	-	-	-	83,514	83,514
Total Other Expenses	1,030,861	593,189	361,791	125,957	2,111,798	117,801	163,019	2,392,618
Noncash Expenses:								
Depreciation	41,402	269,115	49,683	12,421	372,621	20,701	20,701	414,023
Interest	-	38,804	-	-	38,804	-	-	38,804
Total Noncash Expenses	41,402	307,919	49,683	12,421	411,425	20,701	20,701	452,827
Total Expenses	$ 2,299,832	$ 1,453,735	$ 1,219,367	$ 743,425	$ 5,716,359	$ 343,719	$ 607,141	$ 6,667,219

CHARLOTTE CENTER FOR URBAN MINISTRY, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

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 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.

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:

Years Ended June 30:	
2019	$ 177,584
2020	42,400
2021	35,850
2022	25,697
Total	281,531
Less estimated allowance for doubtful accounts	(56,097)
Less present value discount	(15,987)
	209,447
Less promises to give, net - current portion	(177,584)
Promises to give, net - noncurrent portion	$ 31,863

Note 4—Investments

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

Cash and money market funds	$	257,445
Mutual funds - fixed income		451,103
Mutual funds - alternatives		233,108
Equity securities		3,970,914
Fixed income		1,190,206
Real estate investment trust		258,104
Total investments	$	6,360,880

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:

Interest and dividend income	$	147,062
Net realized and unrealized gains		93,972
Net investment income	$	241,034

Note 5—Property and equipment

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

Buildings and improvements	$	9,281,556
Land and improvements		2,379,434
Furniture and fixtures		536,923
Equipment		310,671
Vehicles		223,212
		12,731,796
Less accumulated depreciation		(2,725,536)
Property and equipment, net	$	10,006,260

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:

	Principal Balnce	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	$ (885,599)	$ 814,401
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	(643,113)	456,887
	$ 2,800,000	$ (1,528,712)	$ 1,271,288

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:

Moore Place Sustainability Fund	$	4,624,951
Unamortized discount on notes payable		1,528,712
Housing expansion projects		1,500,000
Moore Place		116,301
Housing First		49,988
Future promises to give		209,447
Other		34,229
Total	$	8,063,628

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:

Distribution from Moore Place Sustainability Fund	$	180,000
Satisfaction of purpose restriction		1,387,644
Expiration of time restriction		839,302
Amortization of discount on note payable		38,804
Total	$	2,445,750

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 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:

	Fair Value Measurements at June 30, 2018 Using:			
	Level 1	**Level 2**	**Level 3**	**Total**
Measurement on a Recurring Basis:				
Investments:				
Cash and money funds	$ 257,445	$ -	$ -	$ 257,445
Mutual funds - fixed income	451,103	-	-	451,103
Mutual funds - alternatives	233,108	-	-	233,108
Equity securities	3,970,914	-	-	3,970,914
Fixed income	-	1,190,206	-	1,190,206
	$ 4,912,570	$ 1,190,206	$ -	6,102,776
Real estate investment trust (*)				258,104
Total investments				$ 6,360,880

(*) 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:

Years Ended June 30:		
2019	$	469,151
2020		6,675
Total	$	475,826

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:		
2019	$	7,542
2020		1,848
Total	$	9,390

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.