

LAFAYETTE URBAN MINISTRY, INC.

CONSOLIDATED AUDITED
FINANCIAL STATEMENTS

DECEMBER 31, 2010



LAFAYETTE URBAN MINISTRY, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Lafayette Urban Ministry, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Urban Ministry, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lafayette, Indiana
May 23, 2011

LAFAYETTE URBAN MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 327,623	\$ 228,713
Certificates of deposit	-	130,520
Accrued income receivable	852	-
Grants receivable	451,364	547,298
Prepaid expenses	2,980	2,980
Pledges receivable	871,928	658,122
less allowance for uncollectible receivables	(26,158)	(19,744)
Property, plant and equipment	2,697,829	2,183,721
less accumulated depreciation	(801,481)	(644,478)
Long-term investments at market	166,263	14,691
Trust held by others - temporarily restricted	1,242,142	1,176,984
Closing cost	3,649	3,649
less accumulated amortization	(794)	(552)
Total Current Assets	\$ 4,936,197	\$ 4,281,904
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,132	\$ 60,963
Accrued liabilities	-	4,609
Deposits	-	5,175
Accrued scholarships	-	8,050
Mortgage payable	607,348	625,000
Total Liabilities	608,480	703,797
NET ASSETS		
Unrestricted	3,688,525	1,268,589
Temporarily restricted	639,192	2,297,743
Permanently restricted	-	11,775
Total Net Assets	4,327,717	3,578,107
Total Liabilities and Net Assets	\$ 4,936,197	\$ 4,281,904

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

LAFAYETTE URBAN MINISTRIES, INC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND SUPPORT								
Contributions	\$ 470,693	\$ 982,658	\$ -	\$ 1,453,351	\$ 245,211	\$ 984,843	\$ -	\$ 1,230,054
Bequest	-	-	-	-	31,384	-	-	31,384
Grants	-	122,327	-	122,327	-	655,997	-	655,997
Fees	-	-	-	-	4,971	-	-	4,971
Fund raisers	95,134	-	-	95,134	-	-	-	-
Investment income	20,497	-	-	20,497	5,821	-	-	5,821
Net realized/unrealized gains (losses)	20,568	-	-	20,568	(3,538)	55,749	-	52,211
Rent	-	-	-	-	16,425	-	-	16,425
Miscellaneous	375	-	-	375	-	-	-	-
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfied program restriction	2,775,311	(2,763,536)	(11,775)	-	634,255	(634,255)	-	-
Total Revenue and Support	3,382,578	(1,658,551)	(11,775)	1,712,252	934,529	1,062,334	-	1,996,863
EXPENSES								
Program	\$ 422,250	\$ -	\$ -	\$ 422,250	\$ 532,653	\$ -	\$ -	\$ 532,653
Administration and facility	252,769	-	-	252,769	195,261	-	-	195,261
Fundraising	90,450	-	-	90,450	105,830	-	-	105,830
Interest expense	39,929	-	-	39,929	42,187	-	-	42,187
Depreciation and amortization	157,244	-	-	157,244	58,894	-	-	58,894
Total expenses	962,642	-	-	962,642	934,825	-	-	934,825
Increase (Decrease) in Net Assets	2,419,936	(1,658,551)	(11,775)	749,610	(296)	1,062,334	-	1,062,038
Net Assets Beginning of Year	1,268,589	2,297,743	11,775	3,578,107	1,268,885	1,235,409	11,775	2,516,069
Net Assets End of Year	\$ 3,688,525	\$ 639,192	\$ -	\$ 4,327,717	\$ 1,268,589	\$ 2,297,743	\$ 11,775	\$ 3,578,107

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

LAFAYETTE URBAN MINISTRY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2010

2010

	SHELTER	AFTER SCHOOL	JUBILEE	CAMP	CENTRALIZED EMERGENCY	COMMUNITY THANKSGIVING	TAX ASSISTANCE	SOCIAL JUSTICE	ACHIEVE	OTHER	TOTAL
Salaries	\$ 50,331	\$ 25,847	\$ 20,875	\$ 18,647	\$ -	\$ 8,520	\$ 21,002	\$ 12,494	\$ 7,937	\$ 40,360	\$ 206,013
Benefits	7,773	4,079	3,530	1,550	-	1,501	3,147	2,038	1,825	7,192	32,635
FICA	372	207	146	131	-	56	-	93	-	232	1,237
Client assistance	-	-	-	-	85,930	-	-	-	-	-	85,930
Supplies	2,388	246	-	528	-	-	-	-	-	-	3,162
Telephone	1,799	451	-	-	-	-	-	-	-	-	2,250
Postage	373	-	-	-	-	-	-	-	-	-	373
Insurance	4,700	2,743	-	175	-	-	-	-	-	-	7,618
Utilities	9,811	-	-	-	-	-	-	-	-	-	9,811
Repairs and maintenance	2,994	-	-	-	-	-	-	-	-	-	2,994
Transportation	-	1,548	-	1,194	-	-	-	-	-	2,659	5,401
Printing	1,364	100	-	1,708	-	-	-	-	-	-	3,172
Program expense	-	620	-	905	-	-	-	-	-	9,203	10,728
Hanging rock	-	-	-	17,723	-	-	-	-	-	-	17,723
Miscellaneous	701	115	28,359	1,567	-	553	798	669	368	73	33,203
	<u>\$ 82,606</u>	<u>\$ 35,956</u>	<u>\$ 52,910</u>	<u>\$ 44,128</u>	<u>\$ 85,930</u>	<u>\$ 10,630</u>	<u>\$ 24,947</u>	<u>\$ 15,294</u>	<u>\$ 10,130</u>	<u>\$ 59,719</u>	<u>\$ 422,250</u>

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

LAFAYETTE URBAN MINISTRY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - SUPPORT SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2010

	2010		
	ADMIN	FACILITY	TOTAL
Salaries	\$ 126,273	\$ -	\$ 126,273
Benefits	29,525	-	29,525
FICA	29,124	-	29,124
Professional fees	6,500	-	6,500
Supplies	5,896	-	5,896
Telephone	2,852	-	2,852
Postage	2,029	-	2,029
Insurance	7,898	-	7,898
Utilities	228	7,137	7,365
Repairs and service contracts	7,124	3,077	10,201
Staff development	190	-	190
Transportation and travel	865	-	865
Miscellaneous	1,209	-	1,209
Credit card fees	2,372	-	2,372
Board committees	366	-	366
Equipment	-	5,920	5,920
Furnishings	-	7,628	7,628
Property tax	-	6,556	6,556
	<u>\$ 222,451</u>	<u>\$ 30,318</u>	<u>\$ 252,769</u>

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

LAFAYETTE URBAN MINISTRY, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
INCREASE (DECREASE) IN NET ASSETS	\$ 749,610	\$ 1,062,038
Adjustments to reconcile Increase (Decrease) in net assets to net cash provided by (used in) operations:		
Depreciation and amortization	157,245	58,893
Net unrealized and realized (gain) loss on investments	20,568	(52,211)
(Increase) decrease in distribution receivable	-	14,934
(Increase) decrease in grants receivable	95,934	(544,768)
(Increase) decrease in prepaid expenses	-	415
(Increase) decrease in pledges receivable	(213,806)	(453,508)
Increase (decrease) in accounts payable	(59,831)	56,167
Increase (decrease) in accrued liabilities	(4,609)	2,991
Increase (decrease) in deferred rent & deposits	(5,175)	(125)
Increase (decrease) in accrued scholarships	(8,050)	-
NET CASH USED BY OPERATING ACTIVITIES	\$ 731,886	\$ 144,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	(514,108)	(227,374)
Purchase of and Proceeds from investments - net	(101,216)	16,646.00
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(615,324)	(210,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of mortgage payable	(17,652)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	(17,652)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,910	(65,902)
Cash and cash equivalents at beginning of year	228,713	294,615
Cash and cash equivalents at end of year	\$ 327,623	\$ 228,713

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

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

1. NATURE OF THE ORGANIZATION

Lafayette Urban Ministry, Inc. (the Organization) serves the underprivileged citizens of Tippecanoe County by providing assistance and shelter. The Organization is supported primarily through donor contributions.

The Organization is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. The financial statements are presented in accordance with the provisions of FASB Statements No. 116, Accounting for Contributions Received and Contributions Made and No. 117, Financial Statement of Not-for-Profit Organizations, and the AICPA Audit and Accounting Guide for Not-for-Profit Organizations (the “Guide”).

Under the provision of FASB Statements 116 and 117 and the Guide, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions, accordingly, the net assets of the Ministry and charges therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. 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 stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents held in the Trust are not considered cash and cash equivalents for the purposes of cash flows.

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. However, this does not include the cash and cash equivalents held and managed by the Trust.

Long-term investments: The fair values of the investments are based on quoted market prices for those instruments.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Restricted Contributions

Contributions are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor's time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributed Services

Individuals volunteered hours of their time to perform a variety of tasks that assist the Organization in achieving the goals of its programs. None of these services meet the requirements of specialized skills to be recorded.

Property

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Assets with a useful life of more than 5 years are capitalized at cost.

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

Depreciation

Building and equipment are being depreciated over estimated useful lives of five to thirty-one years using a straight- line method, with a half of a year's depreciation recognized in the years of acquisition and disposal.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. PRIOR YEAR PRESENTATION AND RECLASSIFICATION

The amounts for the year ended December 31, 2009 are presented in this report for comparative purposes only. Certain accounts in the prior year financial statements have been reclassified for comparative purposes and to conform to the presentation of the current year financial statements.

4. DEFINED CONTRIBUTION PLAN

The Organization has a defined contribution plan (the Plan) covering all employees, who can elect to make contributions to the Plan. The Organization does not contribute to the Plan.

5. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at various financial institutions located in Lafayette, Indiana. The Federal Deposit Insurance Corporation insures accounts up to \$250,000 at each institution. At December 31, 2010 and 2009, the organization's uninsured cash balance total \$77,623.

The Organization also has significant investments in money market accounts, stocks, bonds, and mutual funds and is therefore subject to concentrations of credit risk. Investments are under the direction of the Organization's executive council and the full board of directors, which establishes the investment policies. Though the investment market value is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

	2010		2009	
	Carrying Amount	Unrealized Appreciation (Depreciation)	Carrying Amount	Unrealized Appreciation (Depreciation)
Financial Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 228,713	\$ -
Certificate of deposit	-	-	130,520	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,233</u>	<u>\$ -</u>
Investment accounts				
Equities	<u>166,263</u>	<u>-</u>	<u>14,691</u>	<u>(491)</u>
Trust held by others				
Cash equivalents	\$ 57,934	\$ -	\$ 203,738	\$ -
Equities	639,928	111,268	431,924	53,211
Other assetss	73,818	2,936	5,672	279
Fixed income	470,462	14,565	535,650	25,988
	<u>\$ 1,242,142</u>	<u>\$ 128,769</u>	<u>\$ 1,176,984</u>	<u>\$ 79,478</u>

7. PROPERTY

Major classifications of property and equipment and their respective depreciable lives are summarized below:

	Depreciable Lives	Amount	
		2010	2009
Land		\$ 392,737	\$ 392,737
Building	31.5	1,892,177	1,614,363
Furniture & Fixtures	5	257,279	135,785
Vehicles	5	155,636	40,836
		<u>2,697,829</u>	<u>2,183,721</u>
Accumulated Depreciation		<u>801,481</u>	<u>644,478</u>
		<u>\$ 1,896,348</u>	<u>\$ 1,539,243</u>

Depreciation expense amounted to \$58,894 in 2010 and \$58,894 in 2009

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

8. PLEDGES RECEIVABLE

Pledges receivable net of a present value rate of 2.26%, and allowance for doubtful accounts are due to be collected as follows:

	<u>2010</u>
Gross amounts due in:	
One year	\$ 151,552
One to five years	<u>720,376</u>
	871,928
Less discounted to present value	<u>(19,706)</u>
	852,222
Less allowance for doubtful accounts	<u>(26,158)</u>
	<u>\$ 826,064</u>
Future gross amounts due as of the year ended December 31,	
	2011 \$ 151,552
	2012 109,273
	2013 -
	2014 -
	2015 -
	Thereafter <u>565,239</u>
	<u>\$ 826,064</u>

9. MORTGAGE PAYABLE

A note payable for \$625,000 was signed October 26, 2007 to purchase a building. Monthly-accrued interest payments are to be made until October 26, 2010, then monthly interest only payments of \$6,344 with a 6.75% annual interest rate. On June 11, 2011 this note was re-financed with the following terms. Monthly principal and interest payments of \$6,206 with a stated interest rate of 6.35% until October 26, 2022, when the unpaid balance is due. This note is secured by a mortgage dated October 26, 2007 on the purchased building.

Subsequent to year end, on May 19, 2011 the Organization has paid this mortgage in full.

Future maturities as of the year ended December 31,

	2011 \$ 35,411
	2012 37,876
	2013 40,513
	2014 43,334
	2015 5,673
	Thereafter <u>444,541</u>
	<u>\$ 607,348</u>

Interest expense totaled \$39,929 in 2009 and \$42,187 in 2009.

Closing costs on this mortgage of \$3,649 are being amortized over the life of the mortgage.

Amortization expense totaled \$248 in 2010 and \$248 in 2009.

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

10. GRANTS

The source and program schedule of grants is as follows:

Source	CFDA NUMBER	PROGRAM	PASS THROUGH AGENCY	2010 GRANT	2009 GRANT
FEDERAL PASSED THROUGH:					
Dept of HUD	14.218	Shelter	Indiana	\$ 20,037	\$ 28,239
Dept of HUD	14.218	Shelter (CDBG)	Lafayette	17,611	16,284
Dept of HUD	14.218	Shelter (CDBG)	West Lafayette	7,125	6,370
FEMA	14.218	Emergency Assistance	Local board	-	-
VITA		Tax Assistance Program		37,500	-
Non Federal Grants				40,054	605,104
				\$ 122,327	\$ 655,997

11. RESTRICTED NET ASSETS

Net assets restricted as of December 31:

	2010
	Temporarily
Future campaign	\$ 176,053
Grants receivable	451,364
Long term investments	11,775
	\$ 639,192

LAFAYETTE URBAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

12. FAIR VALUE MEASUREMENTS

During the year ended December 31, 2008, the organization implemented FASB 157 Fair Value Measurements. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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 inputs that are both significant to the fair value measurement and unobservable.

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

INV	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 639,928	\$ 639,928	\$ -	\$ -
Fixed Income	470,462	470,462		
Other	73,818	73,818	-	-
	<u>\$ 713,746</u>	<u>\$ 713,746</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.