Salama Urban Ministries, Inc.

Financial Statements
December 31, 2014

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Independent Auditor's Report

To the Board of Directors of
Salama Urban Ministries, Inc.
Nashville, TN

Report on the Financial Statements

We have audited the accompanying financial statements of Salama Urban Ministries, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Auditor's report continued on next page)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salama Urban Ministries, Inc. as of December 31, 2014, 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.

McKerley & Noonan

McKerley & Noonan, P.C.
October 23, 2015

Salama Urban Ministries, Inc.
Statement of Financial Position
December 31, 2014

Assets

Current Assets	
Cash	$ 151,204
Receivables & Other Current Assets	350
Total Current Assets	151,554
Fixed Assets:	
Buildings	418,967
Leasehold Improvements	730,437
Equipment	212,503
Furniture & Fixtures	68,598
Vehicles	69,000
Costumes	16,175
Software	64,254
Accumulated Depreciation	(746,538)
Net Fixed Assets	833,396
Total Assets	$ 984,950

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable & Accrued Expenses	$ 30,949
Total Current Liabilities:	30,949
Long-Term Liabilities:	
Lines of Credit	523,000
Total Long-Term Liabilities:	523,000
Total Liabilities	553,949
Net Assets:	
Unrestricted Net Assets	401,926
Temporarily Restricted Net Assets	29,075
Total Net Assets	431,001
Total Liabilities and Net Assets	$ 984,950

See Notes to the Financial Statements

Salama Urban Ministries, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and Support:			
Contributions	$ 466,183	$ 43,085	$ 509,268
In-Kind Contributions	150,000	-	150,000
Grant Revenue	197,900	18,100	216,000
Fundraising Events	213,514	-	213,514
Tuition Revenue	20,712	-	20,712
Other Revenue	10,757	-	10,757
Net assets released from Restriction	32,110	(32,110)	-
Total Revenues and Support	1,091,176	29,075	1,120,251
Expenses:			
Program Services	664,914	-	664,914
Fundraising	295,771	-	295,771
General and Administrative	213,510	-	213,510
Total Expenses	1,174,195	-	1,174,195
Change in Net Assets	(83,019)	29,075	(53,944)
Net Assets, Beginning of the Year	484,945	-	484,945
Net Assets, End of the Year	$ 401,926	$ 29,075	$ 431,001

Salama Urban Ministries, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities:		
Change in Net Assets	$	(53,944)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		34,347
In-Kind Contributions		
Changes in Assets and Liabilities:		
Increase in Receivables & Other Current Assets		(300)
Decrease in Accounts Payable & Accrued Expenses		(55,046)
Decrease in Deferred Revenue		(86,125)
Total Adjustments		(107,124)
Net Cash Used by Operating Activities		(161,068)
Cash Flows from Investing Activities		
Purchase of Fixed Assets		(2,750)
Net Cash Used for Investing Activities		(2,750)
Cash Flows from Financing Activities		
Borrowings on Lines of Credit		84,391
Payments on Lines of Credit		(6,391)
Net Cash Provided by Financing Activities		78,000
Net Decrease in Cash		(85,818)
Cash, Beginning of the Year		237,022
Cash, End of Year	$	151,204
Supplemental Cash Flow Information:		
Interest Paid	$	18,011

Salama Urban Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising	Total
Salaries, Wages & Benefits	$ 326,098	$ 172,323	$ 179,934	$ 678,355
Rent	135,126	7,500	7,500	150,126
Special Events	-	-	84,050	84,050
Depreciation Expense	30,913	1,717	1,717	34,347
Utilities	27,030	1,946	-	28,976
Vehicles & Transportation	21,662	1,281	-	22,943
Professional Fees	15,122	4,547	-	19,669
Interest Expense	17,097	914	-	18,011
Repairs & Maintenance	14,376	1,640	-	16,016
Office Expenses	13,924	344	401	14,669
Janitorial	10,352	3,358	-	13,710
Other Expenses	3,403	7,188	2,955	13,546
Food Expenses	13,252	-	17	13,269
Software & IT	6,300	1,769	3,150	11,219
Promotion	239	-	8,844	9,083
Benevolence	8,816	-	-	8,816
Staff Development	2,013	4,364	230	6,607
Insurance	4,021	2,559	-	6,580
Telephone & Communications	6,055	124	-	6,179
Dues & Subscriptions	1,177	232	2,465	3,874
Printing	-		3,638	3,638
Equipment Rental	2,559	85	-	2,644
Postage	1,543	102	601	2,246
Music	2,230	-	-	2,230
Hospitality	46	1,360	269	1,675
Kitchen Expenses	1,272	157	-	1,429
Curriculum	288	-	-	288
Total Functional Expenses	$ 664,914	$ 213,510	$ 295,771	$ 1,174,195

Salama Urban Ministries, Inc.

Notes to Financial Statements

December 31, 2014

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

For more than 20 years, Salama (Swahili for peace) (the Organization) has served Nashville families and youth through providing life-changing programs that both equip youth with skills needed for success in life and nurture lives of integrity and hope through the foundation of faith.

The Salama Institute, established by the Organization in 2007, is a program that develops value guided leaders through offering a year-round, five-day-per-week experience for youth Pre-K through grade twelve. The program focuses on skill development in the areas of academics, the arts and leadership, all from a faith-based perspective.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Tuition Revenues

Tuition revenue is recognized in the period in which the related educational instruction is performed. The average monthly enrollment of the Salama Institute averages approximately 70 students. Approximately 2% of instruction and administration expenses of the Institute are paid by tuition. The remaining costs are funded with contributions from various donors, in addition to financial aid and tuition discounts granted by the Organization.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2014, there were $29,075 of temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations 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 any related investments for general or specific purposes. As of December 31, 2014, there were no permanently restricted net assets.

Donated Goods & Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

The Organization leases space from Christ Presbyterian Church for $1 per year. The estimated fair market rental value amounting to $150,000 is reflected in the Statement of Activities. See also Note 4 – Related Party Transactions.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line and various accelerated methods based on the following estimated useful lives of the assets:

Description	Estimated Useful Life
Building & Leasehold Improvements	7 – 39 years
Furniture & Fixtures	5 - 7 years
Equipment & Vehicles	5 years
Costumes	5 years
Software	3 years

Depreciation expense for the year ended December 31, 2014 amounted to $34,347. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization has adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the year ended December 31, 2014.

NOTE 3 – CREDIT RISK & CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of $250,000.

The Organization's major source of revenue is derived from Christ Presbyterian Church (see Note 4), as well as from other individuals in the Nashville area.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Organization operated as a ministry of Christ Presbyterian Church for several years until it organized as a separate non-profit 501(c)(3) organization in 1993.

The Organization maintains a lease agreement with Christ Presbyterian Church, which owns the building occupied by the Organization. The rental agreement between the parties calls for annual rental payments by Salama Urban Ministries, Inc. of $1. All leasehold improvements are paid for by the Organization and are included in the balance sheet as "Leasehold Improvements".

The Organization also received contributions from Christ Presbyterian Church in the amount of $293,333 which includes $150,000 of an in-kind contribution (See Note 2) during the year ended December 31, 2014. Additionally, Christ Presbyterian Church has guaranteed debt in the name of the Organization (See Note 5).

NOTE 5 – LINES OF CREDIT

Effective December 31, 2012, the Organization refinanced a promissory note with an unsecured line of credit in the amount of $430,000. Interest is paid monthly at the the lender's base rate rounded to the nearest 0.125% with a floor of 3.95%. The rate was 4.95% as of December 31, 2014. The principal balance, together with all accrued and unpaid interest, is due in 2016. On February 26, 2015, the line of credit was extended under the same terms until February 26, 2016. Total borrowings on this line of credit were $430,000 as of December 31, 2014. This line of credit is guaranteed by Christ Presbyterian Church (See Note 4).

The Organization maintains an unsecured line of credit agreement with a lending institution in the amount of $100,000. The line of credit accrues interest at the prime rate of the lender plus .75% with a floor of 4.75%. The rate was 4.95% as of December 31, 2014. Interest is due monthly and the note matures in 2016. Total borrowings on this line of credit were $93,000 as of December 31, 2014.

NOTE 6 – EMPLOYEE POST-RETIREMENT BENEFIT PLAN

The Organization participates in the PCA Retirement plan which is a defined contribution plan. The Organization matches 50% of employee contributions up to 3% of the employee's salary. Employees are eligible to participate in the plan after 1 year of employment. During the year ended December 31, 2014, the Organization incurred $5,815 of expense related to matching contributions.

NOTE 7 - LEASES

The Organization has operating leases for several pieces of office equipment. Lease expense for the year ended December 31, 2014 totaled $5,727. Future minimum lease payments for the leases are as follows:

2015	2016	2017	2018	2019	Thereafter	Total
7,169	5,275	2,833	2,833	1,842	411	20,363

NOTE 8 – SUBSEQUENT EVENTS

Effective July 1, 2015, Christ Presbyterian Church is no longer making contributions to the Organization.

Management has evaluated subsequent events through October 23, 2015, the date that the financial statements were available to be issued.