



Salama Urban Ministries, Inc.

Financial Statements
June 30, 2017

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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 June 30, 2017, 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)

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 June 30, 2017, 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.

A handwritten signature in black ink that reads "McKerley + Noonan". The script is cursive and fluid, with the plus sign clearly visible between the two names.

McKerley & Noonan, P.C.
February 8, 2018

Salama Urban Ministries, Inc.
Statement of Financial Position
June 30, 2017

Assets

Current Assets

Cash	\$ 101,744
Receivables & Other Current Assets	52,413
Total Current Assets	<u>154,157</u>

Fixed Assets:

Buildings	418,967
Leasehold Improvements	730,437
Equipment	216,326
Furniture & Fixtures	68,598
Vehicles	69,000
Costumes	16,175
Software	64,254
Accumulated Depreciation	(822,571)
Net Fixed Assets	<u>761,186</u>

Total Assets	<u><u>\$ 915,343</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable & Accrued Expenses	\$ 28,503
Lines of Credit	503,218
Total Current Liabilities:	<u>531,721</u>

Total Liabilities	<u>531,721</u>
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Net Assets:

Unrestricted Net Assets	374,297
Temporarily Restricted Net Assets	9,325
Total Net Assets	<u>383,622</u>

Total Liabilities and Net Assets	<u><u>\$ 915,343</u></u>
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Salama Urban Ministries, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 314,629	\$ 8,000	\$ 322,629
In-Kind Contributions	150,000	-	150,000
Government and Foundation Grant Revenue	292,675	11,723	304,398
Fundraising Events	140,361	-	140,361
Tuition Revenue	25,584	-	25,584
Other Revenue	2,500	-	2,500
Net assets released from Restriction	10,398	(10,398)	-
Total Revenues and Support	<u>936,147</u>	<u>9,325</u>	<u>945,472</u>
Expenses:			
Program Services	646,341	-	646,341
Fundraising	151,847	-	151,847
General and Administrative	148,741	-	148,741
Total Expenses	<u>946,929</u>	<u>-</u>	<u>946,929</u>
Change in Net Assets	(10,782)	9,325	(1,457)
Net Assets, Beginning of the Year	<u>385,079</u>	<u>-</u>	<u>385,079</u>
Net Assets, End of the Year	<u><u>\$ 374,297</u></u>	<u><u>\$ 9,325</u></u>	<u><u>\$ 383,622</u></u>

Salama Urban Ministries, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows from Operating Activities:

Change in Net Assets	\$ (1,457)
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Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation	30,545
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Changes in Assets and Liabilities:

Increase in Receivables & Other Current Assets	(15,363)
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Increase in Accounts Payable & Accrued Expenses	11,486
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Total Adjustments	<u>26,668</u>
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Net Cash Provided by Operating Activities	25,211
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Cash Flows from Investing Activities

Purchase of Fixed Assets	<u>(3,823)</u>
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Net Cash Used by Investing Activities	(3,823)
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Cash Flows from Financing Activities

Payments on Lines of Credit	<u>(9,747)</u>
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Net Cash Provided by Financing Activities	<u>(9,747)</u>
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Net Increase in Cash	11,641
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Cash, Beginning of the Year	<u>90,103</u>
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Cash, End of Year	<u><u>\$ 101,744</u></u>
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Supplemental Cash Flow Information:

Interest Paid	\$ 23,677
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Salama Urban Ministries, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	General and Administrative	Fundraising	Total
Salaries, Wages & Benefits	\$ 317,556	\$ 76,269	\$ 75,790	\$ 469,615
Rent	135,091	7,505	7,505	150,101
Special Events	-	-	46,407	46,407
Depreciation Expense	27,491	1,527	1,527	30,545
Utilities	25,981	1,115	-	27,096
Vehicles & Transportation	25,198	410	-	25,608
Professional Fees	14,155	16,417	-	30,572
Interest Expense	20,430	3,247	-	23,677
Repairs & Maintenance	3,076	7,528	-	10,604
Office Expenses	14,418	2,434	167	17,019
Janitorial	14,745	1,990	-	16,735
Other Expenses	1,374	10,851	3,106	15,331
Food Expenses	24,272	-	108	24,380
Software & IT	-	11,636	9,825	21,461
Promotion	-	-	4,294	4,294
Benevolence	2,358	-	-	2,358
Staff Development	1,065	991	-	2,056
Insurance	2,327	2,367	-	4,694
Telephone & Communications	7,524	301	-	7,825
Dues & Subscriptions	525	1,083	1,684	3,292
Printing	-	-	454	454
Equipment Rental	3,335	113	-	3,448
Postage	388	140	707	1,235
Hospitality	-	1,169	273	1,442
Kitchen Expenses	813	1,648	-	2,461
Curriculum	4,219	-	-	4,219
Total Functional Expenses	\$ 646,341	\$ 148,741	\$ 151,847	\$ 946,929

Salama Urban Ministries, Inc.

Notes to Financial Statements June 30, 2017

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 June 30, 2017, there were \$9,325 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 June 30, 2017, 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 June 30, 2017 amounted to \$30,545. 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 June 30, 2017.

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.

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 an in-kind contribution of free rent from Christ Presbyterian Church in the amount of \$150,000 (See Note 2) during the year ended June 30, 2017. 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 lender's base rate rounded to the nearest 0.125% with a floor of 3.95%. The rate was 5.0% as of June 30, 2017. The principal balance, together with all accrued and unpaid interest, is due in April, 2018. Total borrowings on this line of credit were \$427,362 as of June 30, 2017. This line of credit is guaranteed by Christ Presbyterian Church (See Note 4). Subsequent to year end this line of credit was paid off with proceeds from the sale of land and buildings (See Note 8).

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 7.45% as of June 30, 2017. Interest is due monthly and the note matures in November 2017. Total borrowings on this line of credit were \$75,856 as of June 30, 2017. Subsequent to year end this line of credit was paid off with proceeds from the sale of land and buildings (See Note 8).

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 fiscal year ended June 30, 2017, the Organization incurred \$2,940 of expense related to matching contributions.

NOTE 7 - LEASES

The Organization has operating leases for several pieces of office equipment. Lease expense for the fiscal year ended June 30, 2017 totaled \$3,448. Future minimum lease payments for the leases are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
9,373	8,977	7,773	545	26,123

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to year end, the Organization and Christ Presbyterian Church jointly marketed and sold the land and buildings owned by both Organizations to a third party developer for an amount in excess of \$3 million. The Organization's split on the proceeds was 67%. The Organization used the proceeds to pay off both lines of credit mentioned in Note 5 and has invested the remaining funds in marketable securities. The Organization has also entered into a lease agreement with the developer that allows the Organization to continue leasing the existing buildings.

Management has evaluated subsequent events through February 8, 2018, the date that the financial statements were available to be issued.