

**UrbanPromise Ministries
Financial Statements
For the Years Ended
June 30, 2020 and 2019**

UrbanPromise Ministries, Inc.
Years Ended June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of UrbanPromise Ministries, Inc.
P.O. Box 1479
Camden, NJ 08105

We have audited the accompanying financial statements of UrbanPromise Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' 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 from 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UrbanPromise Ministries, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baratz & Associates, P.A.

BARATZ & ASSOCIATES, P.A.

October 27, 2020

Partners:

Raymond M. Guinta, CPA PFS
Mark L. Wander, CPA PFS ABV CFF AEP
Clifford Simmons, CPA CVA
Francis M. Mulroy, CPA CM&AA CGA
John Fekete, CPA
Richard Dougherty, CPA CVA
Sean Balliet, CPA CFP ®
Sukhvir S. Boparai, CPA MST

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Business Valuation
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Litigation Support
Mergers & Acquisitions
NPO and Union Services
Tax Planning

Urban Promise Ministries, Inc.
Statements of Financial Position
As of June 30, 2020 and 2019

	06/30/2020	06/30/2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,042,201	\$ 312,887
Childrens' direct benefit money market funds	6,963	6,963
Tuition and other receivables	11,419	20,433
Prepaid expenses	43,200	15,533
Contributions receivable	93,947	87,843
Grants receivable, current portion	278,217	471,212
Total Current Assets	1,475,947	914,871
Property and Equipment		
Land and improvements	91,219	91,219
Buildings and improvements	5,587,979	5,587,979
Vehicles	249,139	221,777
Furniture and equipment	327,679	327,679
	6,256,016	6,228,654
Less accumulated depreciation	(1,979,199)	(1,798,585)
Net Property and Equipment	4,276,817	4,430,069
Other Assets		
Grants receivable, less current portion	50,000	323,450
Total Assets	\$ 5,802,764	\$ 5,668,390
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 223,677	\$ 324,491
Current portion of long-term debt	108,245	109,687
Contract liabilities	26,416	18,125
Due to related organizations	-	32,686
PPP loan (contingent)	550,000	-
Total Current Liabilities	908,338	484,989
Long-Term Debt, Net of Current Portion	1,548,385	1,494,693
Total Liabilities	2,456,723	1,979,682
Net Assets		
Without Donor Restrictions	2,587,902	2,560,511
With Donor Restrictions	758,139	1,128,197
Total Net Assets	3,346,041	3,688,708
Total Liabilities and Net Assets	\$ 5,802,764	\$ 5,668,390

Urban Promise Ministries, Inc.
Statements of Activities
Years ended June 30, 2020 and 2019

	<u>06/30/2020</u>			<u>06/30/2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue						
Tuition and fees	\$ 120,951	\$ -	\$ 120,951	\$ 200,736	\$ -	\$ 200,736
Grants, contributions, and special events	3,590,028	194,662	3,784,690	4,245,546	870,447	5,115,993
Rental income	3,132	-	3,132	18,065	-	18,065
Contributed services and supplies	27,977	-	27,977	361,759	-	361,759
Investment income	130	-	130	1,101	-	1,101
Other revenue	29,888	-	29,888	59,369	-	59,369
Total revenue	<u>3,772,106</u>	<u>194,662</u>	<u>3,966,768</u>	<u>4,886,576</u>	<u>870,447</u>	<u>5,757,023</u>
Net Assets Released From Restriction	<u>564,720</u>	<u>(564,720)</u>	<u>-</u>	<u>321,107</u>	<u>(321,107)</u>	<u>-</u>
Total support and revenue	<u>4,336,826</u>	<u>(370,058)</u>	<u>3,966,768</u>	<u>5,207,683</u>	<u>549,340</u>	<u>5,757,023</u>
Expenses						
Program services	3,377,943	-	3,377,943	3,829,659	-	3,829,659
Management and general	435,103	-	435,103	406,031	-	406,031
Fundraising	496,389	-	496,389	511,267	-	511,267
Total expenses	<u>4,309,435</u>	<u>-</u>	<u>4,309,435</u>	<u>4,746,957</u>	<u>-</u>	<u>4,746,957</u>
Change in Net Assets For The Year	27,391	(370,058)	(342,667)	460,726	549,340	1,010,066
Net Assets at Beginning of Year	<u>2,560,511</u>	<u>1,128,197</u>	<u>3,688,708</u>	<u>2,099,785</u>	<u>578,857</u>	<u>2,678,642</u>
Net Assets at End of Year	<u>\$ 2,587,902</u>	<u>\$ 758,139</u>	<u>\$ 3,346,041</u>	<u>\$ 2,560,511</u>	<u>\$ 1,128,197</u>	<u>\$ 3,688,708</u>

The accompanying notes are an integral part of these financial statements

Urban Promise Ministries, Inc.
Statements of Functional Expenses
Years ended June 30, 2020 and 2019

	06/30/2020			06/30/2019				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,994,368	82,607	283,224	2,360,199	\$ 1,917,137	\$ 79,408	\$ 272,256	\$ 2,268,801
Employee Benefits	292,831	12,129	41,586	346,546	324,965	13,460	46,149	384,574
Payroll Taxes	165,003	6,834	23,432	195,269	182,653	7,565	25,939	216,157
	<u>2,452,202</u>	<u>101,570</u>	<u>348,242</u>	<u>2,902,014</u>	<u>2,424,755</u>	<u>100,433</u>	<u>344,344</u>	<u>2,869,532</u>
Advertising and marketing	-	-	-	-	580	111	4,835	5,526
In-kind contributions	24,541	859	2,577	27,977	318,307	11,133	33,400	362,840
Direct fundraising costs	-	-	47,341	47,341	7	-	484	491
Interest expense	-	102,420	-	102,420	-	77,544	-	77,544
Legal and accounting	-	110,873	-	110,873	-	72,979	-	72,979
Occupancy	362,938	41,479	10,370	414,787	348,607	39,841	9,960	398,408
Office expense	33,622	27,508	40,753	101,883	50,454	41,280	61,156	152,890
Other direct programming expense	242,638	4,784	11,198	258,620	442,576	8,748	20,412	471,736
Postage and printing	20,308	6,365	3,637	30,310	17,938	5,623	3,213	26,774
Professional fees	281	11,821	16,043	28,145	320	13,440	18,239	31,999
Telephone	11,634	3,814	3,623	19,071	11,638	3,816	3,625	19,079
Training and conferences	167	1,518	80	1,765	1,027	9,302	488	10,817
Transportation expense	76,090	418	7,107	83,615	61,564	338	5,750	67,652
	<u>772,219</u>	<u>311,859</u>	<u>142,729</u>	<u>1,226,807</u>	<u>1,253,018</u>	<u>284,155</u>	<u>161,562</u>	<u>1,698,735</u>
Depreciation	153,522	21,674	5,418	180,614	151,886	21,443	5,361	178,690
	<u>\$ 3,377,943</u>	<u>\$ 435,103</u>	<u>\$ 496,389</u>	<u>\$ 4,309,435</u>	<u>\$ 3,829,659</u>	<u>\$ 406,031</u>	<u>\$ 511,267</u>	<u>\$ 4,746,957</u>

The accompanying notes are an integral part of these financial statements

Urban Promise Ministries, Inc.
Statements of Cash Flows
Years ended June 30, 2020 and 2019

	06/30/2020	06/30/2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (342,667)	\$ 1,010,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180,614	178,690
Donation of building	-	(478,000)
Changes in assets and liabilities:		
Tuition and other receivables	9,014	108,561
Prepaid expenses	(27,667)	17,967
Contributions receivable	(6,104)	19,454
Grant receivable	466,445	(696,662)
Due from related organizations	-	12,291
Accounts payable and accrued expenses	(100,814)	31,878
Contract liabilities	8,291	12,363
Due to related organizations	(32,686)	7,474
Net cash provided by operating activities	154,426	224,082
Cash Flows from Investing Activities		
Purchase of property and equipment	(27,362)	(23,000)
Cash Flows from Financing Activities		
Net borrowings (repayments) on long-term debt	52,250	(91,562)
Proceeds from PPP loan	550,000	-
Net cash provided by (used in) financing activities	602,250	(91,562)
Net increase in cash and cash equivalents	729,314	109,520
Cash, Cash Equivalents, and Restricted Cash, Beginning	319,850	210,330
Cash, Cash Equivalents, and Restricted Cash, Ending	\$ 1,049,164	\$ 319,850

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

The significant accounting policies followed by UrbanPromise Ministries, Inc. (“UrbanPromise” or the “Organization”) are described below to enhance the usefulness of the accompanying financial statements. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

UrbanPromise is incorporated under the non-profit corporation laws of the State of New Jersey. UrbanPromise’s mission is to equip the City of Camden’s children and young adults with the skills necessary for academic achievement, life management, spiritual growth, and leadership. They strive to fulfill this mission through after-school programs, summer camps, two schools, experiential learning, job training, and a host of other programs that challenge youth to develop and realize their potential.

Basis of Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. They include gifts restricted by donors for specific programs and other operating purposes. And net assets subject to donor-imposed stipulations that are required to be maintained permanently, thereby restricting the use of principal. Normally, donor-imposed stipulations allow part or all of the income earned to be used currently.

Basis of Accounting

The Financial statement of UrbanPromise have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Use of Estimates

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

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Management believes that there are no material differences between the recorded book values of its financial instruments and their estimated fair value.

The Organization adopted on a prospective basis certain required provisions of the Fair Value Measurement topic of the FASB Accounting Standards Codification. These provisions define fair value, specify a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures, and expand related disclosure requirements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements; Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. Observable market data should be used when available. Many, but not all, of our financial instruments are carried at fair value. The adoption of these provisions did not have a significant impact on these financial statements.

Cash and Cash Equivalents

Cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$1,042,201	\$312,887
Cash-Children's Direct Benefit Fund	<u>6,963</u>	<u>6,963</u>
Total cash, cash equivalents, and restricted cash	<u>\$1,049,164</u>	<u>\$319,850</u>

For the purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Newly Adopted accounting policy - Revenue Recognition ASC 606

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, "Revenue from Contracts with Customers," which converges revenue recognition under Generally Accepted Accounting Principles. The new guidance supersedes most preexisting revenue recognition guidance and provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize 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. The Organization adopted this standard effective July 1, 2019 on a modified retrospective basis. The adoption of this principle did not have a significant impact on the Organization's existing revenue recognition policy and did not result in an adjustment of prior year balances. Out of all of the Organization's revenue streams, only tuition and fees are subject to the ASC 606 standard.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Receivables

Tuition, contributions and grants receivables include all receivables related to student transactions, contributions and grants, net of allowances as of June 30, 2020 and 2019, respectively. The Organization provides an allowance for losses on accounts receivable based on a review of the current status of existing receivables, historic bad debt experience and management's evaluation of periodic aging of the accounts. Amounts previously recognized as uncollectible are recorded as income if collected in the future. At June 30, 2020 and 2019 there was a reserve of \$8,000 and \$8,000, respectively.

Revenue Recognition - Student Tuition and Fees

The Organization recognizes revenue based on the five-step model; (i) identify the contract with the customer; (ii) identify the performance obligation in the contract (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If the Company determines that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

UrbanPromise Ministries, Inc. is an organization with the mission to equip the City of Camden's children and young adults with the skills necessary for academic achievement, life management, spiritual growth, and leadership. The Organization charges tuition to attend the school located in Camden, New Jersey. The service of providing education and school is generally satisfied over time. Management exercises judgement to determine when performance obligations have been satisfied. In making such judgments management typically relies on the passage of time for the school year. Revenue from contracts with customers for the year ended June 30, 2020 was \$120,951. For further information on the adoption of Topic 606, as well as their various streams of revenue, refer to "New Accounting Pronouncements" and Note 5, Revenue from Contracts with Customers, to the accompanying financial statements.

Property and Equipment

It is the Organization's policy to capitalize property and equipment at cost. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset. Buildings and related improvements are depreciated using the straight-line method over a period of 39 years. Depreciation on vehicles and office equipment is recorded using the straight-line method over the estimated useful lives of assets, generally five to seven years. UrbanPromise follows the practice of capitalizing, at cost, all expenditures for equipment and improvements in excess of \$1,000.

Impairment of Long-Lived Assets

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization assesses recoverability by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Contributions

In accordance with authoritative guidance, the Organization records certain promises to give as revenue when the promise is made. In addition, unconditional promises to give (pledges) are recorded as receivables and revenues and categorized in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as without donor restrictions operating revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using their net present value. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received. As of June 30, 2020 and 2019 UrbanPromise recognized \$27,977 and \$839,759 of noncash assets and donated services, respectively. For the year ended June 30, 2019 the Organization received The Fellowship House building with a fair value of \$475,000, which is being utilized for program activities, and the Organization also received capital improvements to the facilities, food donations for events and staff as well as other sundry items. For the year ended June 30, 2020 many of the in-kind services and items provided in previous years were greatly reduced from the effects of the COVID-19 pandemic. The pandemic restricted the number of events the Organization was able to hold as well as restricting access to the facilities for people to be able to donate their items and services.

Expenses

The Organization allocates expenses among its program, administrative services, and fundraising. Expenses that can be identified with a specific program, administrative service, or fundraising are charged directly. Other expenses that are common to several functions are allocated based on various statistical bases. The administrative expenses include costs related to real property, joint venture, and administrative functions.

Grants

Grants that represent unconditional promises to give are recognized as revenues when the promise is received. Grants are recorded at net realizable value. The Organization believes that grants receivable at June 30, 2020 and 2019 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Advertising Costs

The cost for advertising is expensed as incurred. The total advertising expense for the years ended June 30, 2020 and 2019 is \$0 and \$5,526, respectively.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Reclassification

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

Subsequent Events

The Organization evaluated events for recognition on disclosure through October 27, 2020, which is the date the financial statements were available to be issued.

2. Contributions Receivable

Contributions receivable to the Organization is due to be received as follows at June 30:

	<u>2020</u>	<u>2019</u>
Receivables in less than one year	\$93,947	\$87,843
Total unconditional promises to give	<u>\$93,947</u>	<u>\$87,843</u>

3. Grants Receivable

Grant receivable to the Organization is due to be received as follows:

Years ending June 30:	2021	\$ 278,217
	2022	25,000
	2023	<u>25,000</u>
		<u>\$ 328,217</u>

4. Property and Equipment

Property and Equipment as of June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Buildings	\$5,092,493	\$5,092,493
Buildings improvements	495,486	495,486
Land and land improvements	91,219	91,219
Vehicles	249,139	221,777
Office Equipment	<u>327,679</u>	<u>327,679</u>
	6,256,016	6,228,654
Accumulated depreciation	<u>(1,979,199)</u>	<u>(1,798,585)</u>
	<u>\$4,276,817</u>	<u>\$4,430,069</u>

Depreciation expense was \$180,614 and \$178,690 for the years ended June 30, 2020 and 2019, respectively.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

5. Revenue from Contracts with Customers

Revenue is recognized in one major service – school tuition. The comparative information has not been restated and continues to be reported under the legacy standard. The timing of revenue recognition for this product segment is:

Timing of Revenue Recognition	<u>06/30/2020</u>
Goods and services transferred over time	\$ <u>120,951</u>

The following economic factors affect the nature, amount, timing, and uncertainty of the Organization’s revenue and cash flows as indicated:

Type of customer:

All of the tuition services rendered by the organization is to school age children.

Geographical location of customers:

The organization’s customers are located in the Camden, New Jersey area.

Type of contract:

Tuition contracts are delivered over time.

The opening and closing balances of tuition receivables, contract assets, and contract liabilities from contracts with customers are as follows:

	<u>Tuition Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balance 7/1/19	\$ 20,433	\$ -	\$ 18,125
Balance 6/30/20	\$ 11,419	\$ -	\$ 26,416

Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes).

To determine the transaction price of a contract, the Organization considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that the goods or services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified. Most of the Organization’s contracts with customers have fixed transaction prices that are denominated in US. dollars and payable in cash.

The Organization does not adjust the transaction prices of contracts for collectability. At the end of each fiscal year, the Organization updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect any changes in transaction prices.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Performance Obligations

The Organization typically satisfies its performance obligations as services are rendered.

The Organization's tuition services are generally transferred over time. Customers obtain the benefits of the services over time. Therefore, the Organization satisfies its performance obligations as the services are rendered.

Payment for tuition services sold by the Organization is typically due by the first of the month for the upcoming month of school. The Organization does not offer discounts if the customer pays some or all of an invoiced amount prior to the due date.

None of the Organization's contracts have a significant financing component.

Contract Assets and Liabilities

The Organization bills customers prior to the start of the school year prior to the Organization meeting their performance obligation which result in contract liabilities until the obligation is met. Contract liabilities consist of deferred tuition which totaled \$26,416 and \$18,125 for the years ended June 30, 2020 and 2019, respectively.

6. Line of Credit

As of June 30, 2018 UrbanPromise had an outstanding balance of \$466,000 on its line of credit which had a maximum amount available of \$500,000 and was secured by the real property. On March 21, 2019 the Organization and the bank reached an agreement to restructure the outstanding balance on the line of credit of \$482,029. The entire outstanding balance was converted into a term note payable, with an original principal amount of \$482,029, see Note 7e for terms of the note.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

7. Long-Term Debt

	<u>2020</u>	<u>2019</u>
a. A mortgage payable to a private lender, for certain real property payable in monthly installments of \$1,287, inclusive of interest at 4.36% per annum. The mortgage matures on September 2019 and is secured by certain real property.	\$ -	\$3,833
b. A mortgage payable to a bank, for certain real property payable in monthly installments of \$840, inclusive of interest at 5.25% per annum. The mortgage matures on August 2027 and is secured by certain real property.	58,720	65,471
c. A mortgage payable to a bank, for certain real property, payable in monthly principal installments of \$5,745 plus monthly interest at 4.0% per annum. The mortgage matures on August 2034 and is secured by certain real property.	1,129,288	1,045,117
d. An equipment note payable in monthly installments of \$755, inclusive of interest at 5.99% per annum. The note matures in June 2021 and is collateralized by the equipment purchased.	9,062	17,047
e. A note payable in 59 monthly principal installments of \$3,960, inclusive of interest at 5.5% per annum. At June 30, 2019 the effective interest rate on the loan was 5.5%. The final balloon payment of approximately \$365,500 is due March 2024. The note is collateralized by real property.	<u>459,560</u>	<u>472,912</u>
	1,656,630	1,604,380
Current Maturities	<u>(108,245)</u>	<u>(109,687)</u>
Long Term Portion	<u>\$1,548,385</u>	<u>\$1,494,693</u>

Principal payments on the mortgage payable for the next five years are as follows:

Years Ending June 30:

2021	\$108,245
2022	100,870
2023	102,652
2024	463,706
2025	77,334
Thereafter	<u>803,823</u>
	<u>\$1,656,630</u>

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The following table reflects the Organization's financial assets (cash, cash equivalents, and grants receivable) as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year.

	2020	2019
Financial assets at year-end	\$ 1,377,381	\$ 1,114,512
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	758,139	1,128,197
Financial assets available to meet cash needs for general expenditure within one year	\$ 619,242	(\$ 13,685)

9. Children's Direct Benefit Money Market Funds

Net assets with donor restrictions as of June 30, 2020 and 2019 include funding that was received during the past several years for the direct benefit of certain children who live in Camden. Individual trust funds were established by the Organization and will be maintained for the education, health and welfare of the children.

10. Net Assets With Donor Restrictions

Funds classified as net assets with donor restrictions consist of the following as of June 30:

	2020	2019
Ambassador of Hope	\$10,000	\$10,619
Children's Direct Benefit Fund	9,500	6,963
Emergency Family Fund	19,902	26,515
Delaware Gardens Neighborhood Initiative	11,800	114,419
Capital Campaign	17,000	-
Street Leader Program	42,500	-
Donor 1	12,500	-
Donor 2	18,125	-
Donor 3	5,617	14,234
Donor 4	79,000	85,000
CFS	15,000	-
WELL	15,000	59,400
Administrative services	88,000	174,450
EXPL	295,695	603,597
UPA	-	1,500
Donor 5	118,500	31,500
Total	\$ 758,139	\$1,128,197

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

11. Related Party Transactions

Effective July 1, 2009, UrbanPromise formed a separately governed and operated charitable organization, UrbanPromise International, Inc. (“UPI”) based on the very successful UrbanPromise model. The two organizations share facilities and certain personnel. UPI reimburses such costs on a periodic basis. As of June 30, 2020 and 2019, the Organization owed UPI \$0 and \$32,686, respectively.

12. Lease Commitments

UrbanPromise regularly conducts youth programs at a variety of locations separate from its main campus in Camden. For those facilities that are not provided pro bono, the leases are on a month-to-month basis with no long term commitment. Rent expense included in occupancy for the years ended June 30, 2020 and 2019 was \$26,600 and \$19,400, respectively.

13. Retirement Plan

The Organization has a 403(b) defined contribution plan. Employees are encouraged to direct a percentage of their income to the plan. The Organization does not match employee contributions.

14. Concentration of Credit Risk

UrbanPromise maintains its cash accounts in various commercial banks. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time the Organization has exceeded the insured amount.

Grants receivable also exposes that Organization to credit risk. At June 30, 2020, 99% of the balance is receivable from two grantors. Management deems the full balance to be collectible and no allowance for doubtful accounts is necessary.

15. Income Taxes

UrbanPromise is a nonprofit corporation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the threshold for years ended June 30, 2020 and 2019.

Currently, the 2017, 2018, and 2019 tax years are open and subject to examination by the Internal Revenue Service and the New Jersey Department of Revenue. However, the Organization is not currently under audit nor has the Organization be contacted by these jurisdictions. There were no interest and penalties related to income taxes.

UrbanPromise Ministries, Inc.
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

16. Cash Flow Disclosures

Supplemental Disclosure of Cash Flow Information

<i>Cash paid: June 30,</i>	<i>2020</i>	<i>2019</i>
Interest	\$ 102,420	\$ 77,544

Noncash Financing Activities

During the year ended June 30, 2019 the Organization restructured an existing line of credit with a bank in the amount of \$482,029 into a long term note payable in the amount of \$482,029.

17. Contingency

The Organization received a Payroll Protection Program (PPP) loan in the amount of \$550,000 during the year ended June 30, 2020. There are certain requirements associated with the loan that if met would result in forgiveness of the loan. The Organization believes they have met the requirements to qualify for the loan forgiveness but have yet to apply because they are still within the 24-week period covered of the loan. This is a new program established by the 2020 U.S. Federal government Coronavirus Aid, Relief and Economic Security Act (CARES) to help certain businesses and organizations. Due to the uncertainties in the process of loan forgiveness for the program, the Organization has elected to record the entire loan as a liability as of June 30, 2020, it is at least reasonably possible that a portion or all of the loan will be forgiven within the next year.

18. COVID 19 Impact

During the first quarter of 2020, an outbreak of a novel coronavirus causing the disease COVID-19 evolved into a global pandemic. The global response to COVID-19 has evolved rapidly. New Jersey and surrounding state governments mandated restrictions on business operations and travel that have disrupted the operations of the Organization. The duration of this public health crisis, government mandated restriction, and future impact to the Organization's financial statements are currently unknown. The Organization applied for a PPP loan and was granted a loan in the amount of \$550,000 in April 2020, see note 17.