

CHURCHES UNITED IN MINISTRY

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

CHURCHES UNITED IN MINISTRY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



MAHONEY
ULBRICH
CHRISTIANSEN
RUSS P.A.
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

To the Board of Directors
Churches United in Ministry
Duluth, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Churches United in Ministry as of June 30, 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Churches United in Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Churches United in Ministry's 2008 financial statements and, in our report dated September 4, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Churches United in Ministry as of June 30, 2009, 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
September 15, 2009

CHURCHES UNITED IN MINISTRY

STATEMENT OF FINANCIAL POSITION

June 30, 2009
(With Comparative Totals for 2008)

	2009	2008
ASSETS		
Cash	\$ 6,858	\$ 34,676
Investments - board designated	305,751	355,167
Accounts and grants receivable	114,437	64,673
Contributions receivable	218,000	311,446
Inventory	50,900	49,276
Prepaid expenses	14,588	9,080
Due from CHUM Works, less allowance of \$32,700 in 2008	-	86,934
Property and equipment, net	1,315,802	1,374,148
	<u>\$ 2,026,336</u>	<u>\$ 2,285,400</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 43,213	\$ 47,803
Accrued payroll and related	80,206	74,633
Line of credit	66,000	-
	<u>189,419</u>	<u>122,436</u>
Net assets:		
Unrestricted	1,199,961	1,419,485
Board designated - operating reserve	353,165	352,439
Board designated - capital reserve	65,791	50,165
Board designated - program development reserve	-	10,495
Total unrestricted	<u>1,618,917</u>	<u>1,832,584</u>
Temporarily restricted	218,000	330,380
	<u>1,836,917</u>	<u>2,162,964</u>
Total net assets	<u>\$ 1,836,917</u>	<u>\$ 2,162,964</u>
Total liabilities and net assets	<u>\$ 2,026,336</u>	<u>\$ 2,285,400</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Contributions	\$ 394,906	\$ -	\$ 394,906	\$ 396,093
Bequests	-	-	-	5,267
Contributions - in kind	193,348	-	193,348	185,219
Foundation grants	80,321	60,000	140,321	399,858
Contributions from member churches	92,155	-	92,155	85,101
Contributions from nonmember churches	26,150	-	26,150	67,731
United Way of Greater Duluth	4,611	44,000	48,611	42,851
Grants from government agencies	400,328	-	400,328	288,355
Rental income RUAH	34,769	-	34,769	19,540
Program service fees	4,669	-	4,669	10,467
Interest income	13,501	-	13,501	9,731
Unrealized loss on investments	(62,856)	-	(62,856)	(35,599)
Net assets released from restriction				
upon expiration of time and usage	216,380	(216,380)	-	-
Total revenues and other support	<u>1,398,282</u>	<u>(112,380)</u>	<u>1,285,902</u>	<u>1,474,614</u>
Expenses:				
Program services:				
Food Shelf	360,602	-	360,602	356,794
Drop In Center	331,512	-	331,512	341,071
Emergency Shelter	273,495	-	273,495	262,372
Telecare - Friends	9,228	-	9,228	10,224
Building operations	77,370	-	77,370	79,675
CHUM Church	21,436	-	21,436	20,787
Volunteer Services	539	-	539	792
Health & Wellness	29,136	-	29,136	28,695
RUAH Transitional Housing	27,485	-	27,485	31,552
Employment services	62,964	-	62,964	55,116
Church Outreach	122,454	-	122,454	142,953
Total program services	<u>1,316,221</u>	<u>-</u>	<u>1,316,221</u>	<u>1,330,031</u>
Management and general	210,436	-	210,436	100,025
Fund raising	85,292	-	85,292	80,226
Total expenses	<u>1,611,949</u>	<u>-</u>	<u>1,611,949</u>	<u>1,510,282</u>
Change in net assets	(213,667)	(112,380)	(326,047)	(35,668)
Net assets, beginning of year	<u>1,832,584</u>	<u>330,380</u>	<u>2,162,964</u>	<u>2,198,632</u>
Net assets, end of year	<u>\$ 1,618,917</u>	<u>\$ 218,000</u>	<u>\$ 1,836,917</u>	<u>\$ 2,162,964</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

	2009			Total	2008
	Programs	Management and general	Fund raising		
Salaries	\$ 650,170	\$ 65,749	\$ 48,386	\$ 764,305	\$ 757,892
Payroll taxes	65,411	5,632	4,293	75,336	69,230
Employee benefits	139,376	13,434	10,193	163,003	157,999
Total salaries and benefits	854,957	84,815	62,872	1,002,644	985,121
Professional fees	20,298	4,324	990	25,612	38,606
Supplies	16,401	657	1,049	18,107	19,368
Telephone	14,633	1,098	358	16,089	15,309
Postage and shipping	1,015	1,091	4,097	6,203	8,257
Printing and publication	361	899	7,005	8,265	12,971
Occupancy:					
Insurance	16,325	1,853	57	18,235	18,210
Electricity	15,370	-	-	15,370	11,339
Gas	17,493	-	-	17,493	14,793
Other	50,986	-	-	50,986	56,305
Depreciation	64,714	-	1,437	66,151	61,683
Program costs	4,846	8,601	1,425	14,872	12,441
Food	22,267	536	60	22,863	24,422
Equipment supplies and maintenance	10,162	4,558	285	15,005	23,914
Travel	5,482	-	243	5,725	7,046
Professional training development	4,441	100	101	4,642	2,692
Transportation	3,554	-	-	3,554	5,240
Write-off of advances to CHUM Works	-	98,709	-	98,709	-
Miscellaneous expenses	-	3,195	4,881	8,076	6,427
In Kind:					
Food	185,788	-	-	185,788	178,578
Free rent - Food Shelf	7,128	-	432	7,560	7,560
Total expenses	<u>\$ 1,316,221</u>	<u>\$ 210,436</u>	<u>\$ 85,292</u>	<u>\$ 1,611,949</u>	<u>\$ 1,510,282</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

Increase (Decrease) in Cash

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (326,047)	\$ (35,668)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	66,151	61,683
Loss on investments	62,856	35,599
Write-off of CHUM Works advances	86,934	-
Reinvestment of interest income	(13,440)	(9,535)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(49,764)	30,683
Contributions receivable	93,446	(145,066)
Inventory	(1,624)	919
Prepaid expenses	(5,508)	4,496
Accounts payable	(4,590)	21,272
Accrued payroll and related	5,573	(2,896)
Net cash from operating activities	<u>(86,013)</u>	<u>(38,513)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(7,805)	(24,054)
Proceeds from sale of investments	-	124,701
Advances on CHUM Works - line of credit, net	-	(42,165)
Net cash from investing activities	<u>(7,805)</u>	<u>58,482</u>
Cash flows from financing activities:		
Advances on line of credit, net	<u>66,000</u>	<u>-</u>
Net cash from financing activities	<u>66,000</u>	<u>-</u>
Net increase (decrease) in cash	(27,818)	19,969
Cash, beginning of year	<u>34,676</u>	<u>14,707</u>
Cash, end of year	<u>\$ 6,858</u>	<u>\$ 34,676</u>
Cash paid for interest expense	<u>\$ 1,384</u>	<u>\$ 306</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

1. ORGANIZATION

Churches United in Ministry (CHUM) is a cooperative social ministry sponsored by a coalition of member congregations. CHUM was formed in 1973 as a way for congregations in Duluth, Minnesota's Central Hillside, to more effectively respond to the needs of their neighbors. CHUM mission is people of faith working together to provide basic necessities, foster stable lives and organize for a just and compassionate community.

CHUM's programs are supported by contributions from individuals, congregations, businesses, foundations and the United Way of Greater Duluth, as well as government grants.

CHUM has grown in response to changing community needs and now involves forty member congregations that guide and oversee CHUM's programs. Over 6,000 individuals (unaudited) in Duluth received assistance from CHUM through its programs in the past year. These programs include: Emergency Shelter (for both families and single adults), Emergency Food Shelf (East & West sites), Supportive Services for Employment, Nurse's Clinic, Stabilization Services for families & single adults, Permanent Housing with Supportive Services, Transitional Housing, Community Organizing, Congregational Outreach and CHUM Church. Program delivery is coordinated to provide a broad range of supportive services to families and individuals in crisis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation - The accompanying financial statements have been prepared using the accrual basis of accounting.

Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Unrestricted net assets are available for programs and supporting services at the discretion of management and the board of directors.
- Temporarily restricted net assets are restricted by donors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. CHUM has no permanently restricted net assets.

(Continued)

CHURCHES UNITED IN MINISTRY
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Credit Risk – CHUM’s cash is deposited with one financial institution. Cash balances at June 30, 2009, were not in excess of the insured amount. CHUM has not experienced any losses on its cash deposits in the past.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the risk associated with investments it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could materially affect the amounts reported on the statement of financial position.

Investments - Investments in debt and equity securities are held at a brokerage firm. Investments are recorded at fair value. Investment income or loss, including gains and losses on investments, interest, and dividends, are included in the statement of activities as increases in unrestricted net assets unless the income or loss is restricted by the donor. Cash included in the investment account is not considered a cash equivalent for cash flow purposes.

Inventory - Inventory consists of food on hand for the Food Shelf. Donated food is valued at \$1 per pound.

Property and Equipment - Property and equipment are carried at cost, with the exception of donated equipment, which is recorded at fair market value when received. The buildings are depreciated over estimated useful lives of 30 or 31.5 years using the straight-line method. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of 5 to 7 years. Maintenance and repairs are charged to income as incurred; significant renewals or betterments are capitalized. Management assesses for impairment losses when conditions warrant.

Grant Revenues – Revenue from government contracts and grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred. Revenue recognized in excess of cash received is reported as grants receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Contributions with donor-imposed conditions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time conditions expire, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported on the statement of activities. Contributions with donor-imposed restrictions that expire in the fiscal year the contribution is recognized, are reported as unrestricted net assets.

Contributed Services – Volunteers have made significant contributions of time to CHUM’s programs. The value of this contributed time does not meet the accounting standard’s criteria for recognition as contributed revenue and expense and, according, is not reflected in the accompanying financial statements.

(Continued)

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Materials and Facilities - Contributed materials and facilities are recorded at fair value when received. Contributed materials consist of food (\$185,788) and free rent (\$7,560) for the food shelf in 2009.

Functional Expenses -- The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services based on payroll as determined by management.

Fair Value of Financial Instruments -- The carrying amount of CHUM's cash, accounts, grants and contributions receivable, accounts payable, accrued payroll and line of credit approximates fair value primarily because of the short maturity of these instruments. CHUM's investments are recorded at fair value using quoted market prices (Level 1 inputs).

The Financial Accounting Standards Board (FASB) issued Statement 157 (FAS 157), *Fair Value Measurements*. FAS 157 provides guidance for using fair value accounting and the related disclosures. Fair value is the price that would be received or paid in an orderly transaction between market participants. FAS 157 establishes methods of determining fair values, giving highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs), quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable (Level 2 inputs) and lowest priority to unobservable data (Level 3 inputs). FAS 157 is effective in 2008 for financial assets and liabilities (the application to nonfinancial assets and liabilities is effective January 1, 2009).

Financial instruments are defined to include: cash, investments, receivables, accounts payable, accrued expenses, notes payable.

Comparative Total Column - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CHUM's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Income Taxes - CHUM is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code and is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code and is subject to income taxes only on net unrelated business income. CHUM did not have any unrelated business income in 2009 or 2008.

(Continued)

CHURCHES UNITED IN MINISTRY
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

3. **INVESTMENTS**

Investments consist of the following:

	2009	2008
Stock mutual funds	\$ 139,943	\$ 200,895
Corporate notes and bonds	77,630	150,764
Cash money market fund	88,178	3,508
Total investments	\$ 305,751	\$ 355,167

The 2009 loss on investments includes investment fees of \$2,000.

4. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due in the following years:

2010	\$ 143,000
2011	50,000
2012	25,000
	\$ 218,000

5. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2009	2008
Land	\$ 37,700	\$ 37,700
Buildings	1,862,785	1,862,785
Furniture and equipment	75,296	67,491
	1,975,781	1,967,976
Less accumulated depreciation	(659,979)	(593,828)
	\$ 1,315,802	\$ 1,374,148

(Continued)

CHURCHES UNITED IN MINISTRY
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

6. **LINE OF CREDIT**

CHUM has a \$100,000 line of credit with a bank which matures on September 24, 2009. Interest on outstanding balances is at the prime rate (3.25% at June 30, 2009). The outstanding balance was \$66,000 at June 30, 2009. The line of credit is secured by the investments.

7. **NET ASSETS**

Board designated - The CHUM Board has designated funds for the following:

Operating reserve - The operating reserve is to address shortfalls in the annual operating budget. The operating reserve amount is to equal three months of the annual operating budget.

Capital reserve - The capital reserve is to meet major capital repair and replacement costs in excess of the amount budgeted in the annual operating budget. The floor for the capital reserve is set at 5% of book value of fixed assets.

Program development reserve - The program development reserve is available for implementation of new programs or for the preservation and enhancement of existing programs where funding for these initiatives is not available or has been delayed. The balance of this reserve was used in 2009 for CHUM Works advances.

Temporarily restricted - Temporarily restricted net assets consist of the following:

	2009	2008
Pledges for program support	\$ 218,000	\$ 311,446
Contributions for program support	-	18,934
	\$ 218,000	\$ 330,380

8. **RETIREMENT PLAN**

CHUM has a defined contribution retirement plan which provides for voluntary pre-tax employee contributions and discretionary employer contributions and is intended to satisfy the requirements of Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees who work over 1,000 hours per year and have been employed for one year. CHUM's cash contributions to the plan were \$17,456 and \$18,994 in 2009 and 2008, respectively.

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

9. **DONOR CONCENTRATIONS**

During 2008, CHUM received \$200,000 from one donor to be used for the Drop In Center and Emergency Shelter programs.

10. **COMMITMENTS AND CONTINGENCIES**

Government Grants - Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

Drop-In Center Building Restriction - CHUM completed construction of an addition to its Drop In Center in 1999. The addition was partially financed by government grants that impose operating restrictions on the property. These government grants require the property to be operated as a supportive housing program for various periods ranging from 5 to 20 years beginning in May of 1999. The grants are repayable if CHUM is not in compliance during the term of the grant. At June 30, 2009 two grants aggregating \$375,000 remain subject to the compliance restrictions.

These grants have been included in unrestricted net assets because it is management's intention to maintain compliance during the term of these agreements.

11. **CHUM WORKS**

CHUM Works operated as a program of CHUM through July 2000, at which time it began operating on its own. The board of directors of CHUM were the only members of CHUM Works. The CHUM board elected the CHUM Works board. One half minus one of the CHUM Works board members are CHUM board members.

During 2009, CHUM Works went out of business. CHUM wrote off its receivable of \$98,940 from CHUM Works during 2009.

12. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 15, 2009, the date which the financial statements were available for issue.