

**The National Conference for
Community and Justice of the
Piedmont Triad, Inc.**

**FINANCIAL STATEMENTS
and Independent Auditor's Report**

June 30, 2018 and 2017



Leeper, Kean & Rumley, L.L.P.
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The National Conference for Community and Justice of the Piedmont Triad, Inc.
Greensboro, North Carolina

We have audited the accompanying financial statements of The National Conference for Community and Justice of the Piedmont Triad, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Conference for Community and Justice of the Piedmont Triad, Inc. as of June 30, 2018 and 2017, 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.

Leeper, Kean & Rumley, L.L.P.

Greensboro, NC
October 10, 2018

The National Conference for Community and Justice of the Piedmont Triad, Inc.

STATEMENTS OF FINANCIAL POSITION June 30, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Cash	\$ 389,067	354,192
Pledges receivable	66,878	50,842
Prepaid expenses and other current assets	<u>8,622</u>	<u>8,446</u>
Total current assets	<u>464,567</u>	<u>413,480</u>
Office furniture and equipment	39,614	39,819
Less accumulated depreciation	<u>(33,978)</u>	<u>(35,109)</u>
Net office furniture and equipment	<u>5,636</u>	<u>4,710</u>
Endowment fund (Note 4)	<u>74,150</u>	<u>67,075</u>
Total Assets	<u>\$ 544,353</u>	<u>485,265</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 48,702	36,071
Deferred revenues	<u>39,025</u>	<u>27,975</u>
Total current liabilities	<u>87,727</u>	<u>64,046</u>
Net assets:		
Unrestricted	382,476	354,144
Temporarily restricted	20,887	14,212
Permanently restricted	<u>53,263</u>	<u>52,863</u>
Total net assets	<u>456,626</u>	<u>421,219</u>
Total Liabilities and Net Assets	<u>\$ 544,353</u>	<u>485,265</u>

The National Conference for Community and Justice of the Piedmont Triad, Inc.

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2018 and 2017

	-----2018-----			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues (including in-kind):				
Campaigns and contributions:				
Citation Dinner, net of costs of direct benefit to donors of \$50,561	\$ 328,448	-	-	328,448
Campaigns	43,448	-	-	43,448
Grants and other contributions	11,940	-	-	11,940
Endowment contributions	-	2,516	400	2,916
Other income, net	8,040	5,134	-	13,174
Total campaigns and contributions	<u>391,876</u>	<u>7,650</u>	<u>400</u>	<u>399,926</u>
Program income:				
Anytown Programming	167,026	-	-	167,026
Youth Programming	74,445	-	-	74,445
Adult Programming	19,600	-	-	19,600
Total program income	<u>261,071</u>	<u>-</u>	<u>-</u>	<u>261,071</u>
Net assets released from restrictions	<u>975</u>	<u>(975)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>653,922</u>	<u>6,675</u>	<u>400</u>	<u>660,997</u>
Program expenses (including in-kind):				
Anytown Programming	204,002	-	-	204,002
Youth Programming	94,916	-	-	94,916
Adult Programming	174,595	-	-	174,595
Total program expenses	<u>473,513</u>	<u>-</u>	<u>-</u>	<u>473,513</u>
General and administrative	76,322	-	-	76,322
Fundraising (including in-kind)	75,755	-	-	75,755
Total expenses	<u>625,590</u>	<u>-</u>	<u>-</u>	<u>625,590</u>
Change in net assets	28,332	6,675	400	35,407
Net assets at beginning of year	<u>354,144</u>	<u>14,212</u>	<u>52,863</u>	<u>421,219</u>
Net assets at end of year	<u>\$ 382,476</u>	<u>20,887</u>	<u>53,263</u>	<u>456,626</u>

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The National Conference for Community and Justice of the Piedmont Triad, Inc.

STATEMENTS OF ACTIVITIES - CONTINUED For the Years Ended June 30, 2018 and 2017

	-----2017-----			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues (including in-kind):				
Campaigns and contributions:				
Citation Dinner, net of costs of direct benefit to donors of \$58,957	\$ 371,498			371,498
Campaigns	46,320	-	-	46,320
Grants and other contributions	6,160	-	-	6,160
Endowment contributions	-	-	350	350
Other income, net	6,802	9,280	-	16,082
Total campaigns and contributions	<u>430,780</u>	<u>9,280</u>	<u>350</u>	<u>440,410</u>
Program income:				
Anytown Programming	155,067	-	-	155,067
Youth Programming	39,830	-	-	39,830
Adult Programming	715	-	-	715
Total program income	<u>195,612</u>	<u>-</u>	<u>-</u>	<u>195,612</u>
Net assets released from restrictions	<u>3,395</u>	<u>(3,395)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>629,787</u>	<u>5,885</u>	<u>350</u>	<u>636,022</u>
Program expenses (including in-kind):				
Anytown Programming	204,737	-	-	204,737
Youth Programming	88,536	-	-	88,536
Adult Programming	141,852	-	-	141,852
Total program expenses	<u>435,125</u>	<u>-</u>	<u>-</u>	<u>435,125</u>
General and administrative	57,613	-	-	57,613
Fundraising (including in-kind)	68,504	-	-	68,504
Total expenses	<u>561,242</u>	<u>-</u>	<u>-</u>	<u>561,242</u>
Change in net assets	68,545	5,885	350	74,780
Net assets at beginning of year	<u>285,599</u>	<u>8,327</u>	<u>52,513</u>	<u>346,439</u>
Net assets at end of year	<u>\$ 354,144</u>	<u>14,212</u>	<u>52,863</u>	<u>421,219</u>

The National Conference for Community and Justice of the Piedmont Triad, Inc.

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2018 and 2017

	<u>Increase (Decrease) in Cash</u>	
	<u>2018</u>	<u>2017</u>
Operating activities:		
Change in net assets	\$ 35,407	74,780
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,294	2,852
Net unrealized gains on endowment fund	(4,159)	(8,404)
Loss on disposal of equipment	-	64
Increase in related assets:		
Pledges receivable	(16,036)	(2,900)
Prepaid expenses and other current assets	(176)	(2,785)
Increase in related liabilities:		
Accounts payable and accrued expenses	12,631	3,632
Deferred revenues	11,050	1,025
Net cash provided by operating activities	<u>40,011</u>	<u>68,264</u>
Investing activities:		
Purchases of office furniture and equipment	(2,220)	(4,464)
Distribution from endowment fund	-	2,519
Contributions to endowment fund	(2,916)	(350)
Net cash used in investing activities	<u>(5,136)</u>	<u>(2,295)</u>
Net increase in cash	34,875	65,969
Cash at beginning of year	<u>354,192</u>	<u>288,223</u>
Cash at end of year	<u>\$ 389,067</u>	<u>354,192</u>

The National Conference for Community and Justice of the Piedmont Triad, Inc.

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2018 and 2017

(1) Nature of Operations

The National Conference for Community and Justice of the Piedmont Triad, Inc. ("NCCJ") was incorporated on August 3, 2005 as a nonprofit human relations organization dedicated to fighting bias, bigotry and racism. NCCJ promotes understanding and respect among all races, religions and cultures through advocacy, dialogue and education in North Carolina.

(2) Summary of Significant Accounting Policies

(a) **Method of Accounting** - NCCJ uses the accrual method of accounting whereby revenues are recorded when earned or awarded, and expenses are recorded as incurred. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on donor imposed restrictions, if any.

(b) **Revenues** - Campaigns, grants and contributions of cash and other assets are reported as temporarily or permanently restricted net assets if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time 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. Contributions received with donor restrictions that are satisfied in the same year as received are classified as unrestricted assets in the statements of activities.

Unconditional promises, or pledges, to give (contributions) are recognized as revenues in the year received and as assets or decreases of liabilities, depending on the form of the benefits received. Donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

(c) **Cash** - NCCJ maintains its cash at two financial institutions. The accounts at these institutions are insured by the Federal Deposit Corporation up to \$250,000. Whenever cash balances exceed the amount insured, there is a risk of monetary loss.

(d) **Pledges Receivable** - Pledges receivable represent valid pledges and are reported at their estimated net realizable value. The majority of pledges receivable are due from corporations, foundations and individuals who, historically, have reliable giving histories with NCCJ. Due to the uncertainties in the current economy, it is at least reasonably possible that all pledges will not be collected and if certain amounts are deemed uncollectible by management, they would be charged to expense when that determination is made. No allowance for uncollectible pledges has been provided based on management's evaluation of potential uncollectible pledges receivable at June 30, 2018 and 2017.

(e) **Deferred Revenues** - Deferred revenues are income for the annual Citation Dinner, Anytown camp fees and other school fees and are recognized in the period to which the expenses relate.

The National Conference for Community and Justice of the Piedmont Triad, Inc.

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2018 and 2017

- (f) **Office Furniture and Equipment** - Office furniture and equipment are stated at cost unless contributed in-kind, then an estimate of fair value is determined. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, generally five to ten years. All replacements, maintenance and repairs and minor renewals and betterments less than \$500 are expensed. Major renewals and betterments are charged to office furniture and equipment. Upon disposition or retirement of an asset, the cost and accumulated depreciation is removed from the accounts and any gain or loss is reflected in the statements of activities.
- (g) **Donations In-Kind** - If services, supplies and other assets are donated they are recognized at their estimated fair market value and are capitalized if necessary or expensed as utilized. Such amounts, which are included in the accompanying statements of activities, totaled \$83,079 and \$71,728 for the years ended June 30, 2018 and 2017, respectively.

The donated services, supplies and other assets were allocated among the following categories:

	<u>2018</u>	<u>2017</u>
Citation Dinner	\$ 48,250	42,706
Anytown	32,709	27,568
Adult Programming	1,600	14
Youth Programming	520	1,400
General and administrative	<u>-</u>	<u>40</u>
Total	<u>\$ 83,079</u>	<u>71,728</u>

A substantial number of unpaid volunteers have made significant contributions of their time to NCCJ's programs and supporting services. The value of this donated time is not reflected in the financial statements since it is not susceptible to objective valuation.

- (h) **Functional Allocation of Expenses** - The costs of programs and supporting services are reported on a functional basis in the statements of activities. This requires the allocation of indirect costs among the various programs and supporting services based on estimates made by management.
- (i) **Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The National Conference for Community and Justice of the Piedmont Triad, Inc.

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2018 and 2017

- (j) **Income Taxes** - NCCJ is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by NCCJ and recognize a tax liability or asset if NCCJ has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. NCCJ is not currently under examination for any tax periods. NCCJ, by expiration of the statute of limitations, is generally no longer subject to examination by taxing authorities for the fiscal years ending June 30, 2014 or earlier.

(3) Fair Value Measurements

NCCJ utilizes fair value measurements to record certain assets and liabilities and to determine fair value disclosures. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date. Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable and Level 3 inputs have the lowest priority and are unobservable inputs of market activity.

The endowment fund is invested in marketable securities and its value is determined based on quoted market prices in active markets. However, the endowment fund is held by a third party, the Community Foundation of Greater Greensboro ("CFGG"), and is included in investment pools with other funds held by CFGG. Since the value of the underlying investments is not readily available to NCCJ, which is the trustee, the endowment fund has been classified as a Level 2 asset.

(4) Endowment Fund

NCCJ follows the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as enacted by the State of North Carolina on March 19, 2009 ("SPMIFA") and its own governing documents.

The Board of Directors of NCCJ has interpreted the enacted versions of SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, NCCJ classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The National Conference for Community and Justice of the Piedmont Triad, Inc.

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2018 and 2017

Under the terms of the agreement, CFGG manages the fund to protect the value of the principal. The endowment was established with permanent restrictions to ensure that resources would be available to provide for the purposes of NCCJ in perpetuity. On an annual basis, CFGG makes a distribution calculated by multiplying the target payout percentage, as determined by CFGG, times the average of the fair market value of the endowment on the following five dates: the first business day of the year and the last business day of each quarter. The distributions are unrestricted and available for NCCJ's discretion. NCCJ can withdraw all or a portion of the endowment provided that a majority of the governing boards of NCCJ and CFGG approve of the withdrawal.

Changes in endowment fund net assets for the years ended June 30, 2018 and 2017 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, June 30, 2016	\$ 8,327	52,513	60,840
Investment returns:			
Interest and dividends	1,418	-	1,418
Net realized and unrealized gains	7,862	-	7,862
Total investment returns	9,280	-	9,280
Contributions	-	350	350
Distributions	(2,519)	-	(2,519)
Investment fees	(876)	-	(876)
Endowment fund net assets, June 30, 2017	14,212	52,863	67,075
Investment returns:			
Interest and dividends	1,777	-	1,777
Net realized and unrealized gains	3,357	-	3,357
Total investment returns	5,134	-	5,134
Contributions	2,516	400	2,916
Investment fees	(975)	-	(975)
Endowment fund net assets, June 30, 2018	\$ 20,887	53,263	74,150

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires NCCJ to retain as a fund of perpetual duration. These deficiencies result primarily from unfavorable market fluctuations that occur during the year.

The value, liquidity and related income of the securities held by the endowment fund is sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

The National Conference for Community and Justice of the Piedmont Triad, Inc.

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2018 and 2017

(5) Retirement Plan

NCCJ has a Simple IRA plan which covers all employees meeting certain eligibility requirements. The plan provides that NCCJ will match dollar for dollar an employee's contribution to the plan at the rate of up to 3% of an employee's compensation. NCCJ contributed \$6,988 and \$5,298 to the plan for the years ended June 30, 2018 and 2017, respectively.

(6) Lease Commitments

NCCJ had a non-cancelable lease for office space which expired May 2018. The lease is in the renegotiation process and NCCJ is making payments of \$1,578 on a month-to-month basis. NCCJ also has an operating lease for office equipment and services for \$318 per month through April 1, 2020. Estimated future minimum lease payments are \$3,816 and \$2,862 as of June 30, 2019 and 2020, respectively. Total rent expense for the years ended June 30, 2018 and 2017 was \$23,176 and \$23,233, respectively.

(7) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. This ASU eliminates the distinction between resources with permanent and temporary restrictions from the face of financial statements. Instead, the ASU requires presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. The update also requires enhanced disclosures for a number of areas. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early application of the amendments permitted. Management is currently assessing the impact of this update on NCCJ's financial statements.

(8) Subsequent Events

NCCJ has evaluated subsequent events through October 10, 2018, the date which the financial statements were available to be issued.