

**SAMARITAN MINISTRIES**  
**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2020 and 2019



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Samaritan Ministries  
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Samaritan Ministries (a nonprofit organization) which comprise the statements 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.

### **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 Samaritan Ministries 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.

*Cannon & Company, L.L.P.*

November 12, 2020

**SAMARITAN MINISTRIES, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,728,636	\$ 1,194,492
Restricted cash and cash equivalents	40,001	-
Investments	667,665	586,630
Accounts receivable	4,306	22,208
Prepaid expenses	<u>21,726</u>	<u>15,580</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,462,334</u>	<u>1,818,910</u>
<b>NONCURRENT ASSETS</b>		
Property and equipment	3,055,959	3,143,912
Beneficial interest in assets held by others	<u>400,884</u>	<u>265,040</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>3,456,843</u>	<u>3,408,952</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,919,177</u></u>	<u><u>\$ 5,227,862</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 351	\$ 12,401
Accrued payroll and pension	35,022	61,593
Deferred sponsorship	<u>6,790</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	42,163	73,994
<b>NONCURRENT LIABILITIES</b>		
Notes payable	<u>1,038,753</u>	<u>845,722</u>
<b>TOTAL LIABILITIES</b>	<u>1,080,916</u>	<u>919,716</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Net assets invested in property and equipment	2,210,237	2,298,190
Undesignated	1,802,800	1,423,326
With donor restrictions	<u>825,224</u>	<u>586,630</u>
<b>TOTAL NET ASSETS</b>	<u>4,838,261</u>	<u>4,308,146</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,919,177</u></u>	<u><u>\$ 5,227,862</u></u>

See accompanying notes.

**SAMARITAN MINISTRIES, INC**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2020 and 2019

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2020</b>	<b>2019</b>
<b>SUPPORT AND REVENUE</b>		
Churches and individuals	\$ 945,876	\$ 760,411
Government grants	157,728	113,141
Businesses, foundations and other	384,889	281,438
Estate bequests	100,100	-
Fundraisers	310,682	263,527
Interest income	25,602	-
Investment income (loss)	(8,486)	14,738
Gain (loss) on sale of fixed assets	6,108	(1,591)
Miscellaneous income	43,496	12,905
	<u>1,965,995</u>	<u>1,444,569</u>
Net assets released from restrictions	-	5,897
Reclassification of net assets	<u>(64,193)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u><b>1,901,802</b></u>	<u><b>1,450,466</b></u>
<b>EXPENSES</b>		
Program:		
Shelter	851,889	789,455
Soup kitchen	446,836	442,132
Project Cornerstone	99,077	121,377
Supporting services:		
Management and general	42,098	41,396
Fundraising	<u>170,381</u>	<u>175,779</u>
<b>TOTAL EXPENSES</b>	<u><b>1,610,281</b></u>	<u><b>1,570,139</b></u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u><b>291,521</b></u>	<u><b>(119,673)</b></u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Kurosky Cornerstone endowment	163,142	-
Investment income	11,259	(14,500)
Net assets released from restrictions	-	(5,897)
Reclassification of net assets	<u>64,193</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u><b>238,594</b></u>	<u><b>(20,397)</b></u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>530,115</b>	<b>(140,070)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u><b>4,308,146</b></u>	<u><b>4,448,216</b></u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u><b>\$ 4,838,261</b></u></u>	<u><u><b>\$ 4,308,146</b></u></u>

See accompanying notes.

**SAMARITAN MINISTRIES, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2020

	Programs			Supporting Services		
	Shelter	Soup Kitchen	Project Cornerstone	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 535,061	\$ 292,966	\$ 84,171	\$ 34,429	\$ 113,550	\$ 1,060,177
Food, supplies, linen, laundry and client services	67,457	36,935	10,612	4,341	14,316	133,661
Services and professional fees	11,444	6,266	1,800	736	2,429	22,675
Office, printing and postage	13,410	7,343	2,110	863	2,846	26,572
Occupancy	130,994	60,159	-	927	927	193,007
Depreciation	91,080	41,829	-	645	645	134,199
Fundraising	-	-	-	-	35,149	35,149
Miscellaneous	2,443	1,338	384	157	519	4,841
<b>TOTAL EXPENSES</b>	<b>\$ 851,889</b>	<b>\$ 446,836</b>	<b>\$ 99,077</b>	<b>\$ 42,098</b>	<b>\$ 170,381</b>	<b>\$ 1,610,281</b>

See accompanying notes.

**SAMARITAN MINISTRIES, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2019

	Programs			Supporting Services		
	Shelter	Soup Kitchen	Project Cornerstone	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 493,306	\$ 294,163	\$ 103,132	\$ 33,917	\$ 108,288	\$ 1,032,806
Food, supplies, linen, laundry and client services	50,062	29,852	10,466	3,443	10,989	104,812
Services and professional fees	10,293	6,138	2,151	708	2,259	21,549
Office, printing and postage	13,291	7,926	2,779	913	2,918	27,827
Occupancy	103,580	47,570	-	733	733	152,616
Depreciation	105,295	48,357	-	745	745	155,142
Fundraising	-	-	-	-	46,855	46,855
Miscellaneous	13,628	8,126	2,849	937	2,992	28,532
<b>TOTAL EXPENSES</b>	<b>\$ 789,455</b>	<b>\$ 442,132</b>	<b>\$ 121,377</b>	<b>\$ 41,396</b>	<b>\$ 175,779</b>	<b>\$ 1,570,139</b>

See accompanying notes.

**SAMARITAN MINISTRIES, INC**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 530,115	\$ (140,070)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	134,198	155,142
(Gain) loss on sale of fixed assets	(6,108)	1,591
Realized loss on sale of investments	8,210	9,667
Unrealized loss on investments	13,058	18,723
Changes in:		
Accounts receivable	17,902	(15,700)
Prepaid expenses	(6,146)	(798)
Accounts payable	(12,050)	(4,053)
Accrued payroll and pension	(26,571)	47,463
Deferred sponsorship	6,790	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>659,398</u>	<u>71,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	6,108	-
Purchases of property and equipment	(46,245)	-
Purchases of investments	(283,995)	(115,443)
Investments contributed	-	5,000
Proceeds from sales of investments	204,431	101,450
Grants received from beneficial interest in assets held by other	10,682	10,568
Increase in beneficial interest in assets held by others	(169,265)	(1,528)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(278,284)</u>	<u>47</u>

See accompanying notes.



**SAMARITAN MINISTRIES, INC**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	<u>193,031</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>193,031</u>	<u>-</u>
NET INCREASE IN CASH	574,145	72,012
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,194,492</u>	<u>1,122,480</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,768,637</u></u>	<u><u>\$ 1,194,492</u></u>
 Cash and cash equivalents without restrictions	 \$ 1,728,636	 \$ 1,194,492
Restricted cash and cash equivalents	<u>40,001</u>	<u>-</u>
Total cash and cash equivalents	<u><u>\$ 1,768,637</u></u>	<u><u>\$ 1,194,492</u></u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash stock contributions	<u><u>\$ -</u></u>	<u><u>\$ 5,000</u></u>

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Samaritan Ministries (the "Organization") is a not-for-profit charitable organization established to provide physical nourishment, temporary shelter, and other basic necessities to the poor, and to increase public awareness of the needs of the poor. The Organization maintains a soup kitchen and a homeless shelter in Winston-Salem, North Carolina. The Organization is supported primarily by contributions from churches, individuals, businesses, foundations and government grants. Approximately 7% of the Organization's total support is provided by government grants for its emergency shelter and other programs. If these grants were reduced or eliminated, the Organization's finances could be materially affected.

A summary of Samaritan Ministries' significant accounting policies follows:

Financial Statement Presentation

The Organization reports financial information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired

Net assets with donor restrictions contain donor-imposed restrictions as follows:

- Contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- Contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all cash investments with a purchased maturity of three months or less to be cash equivalents.

Investments

Investments consist of publicly traded marketable securities and two agency endowment funds administered by the Winston-Salem Foundation. The Organization carries investments with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities, in general, are subject to various risks such as interest rate, credit and overall market volatility. It is reasonably possible that changes in the value of investments will occur in the near term which could materially affect the amounts reported in the financial statements. The Organization attempts to limit risk through diversification of its investments.

Grants Receivable

Grants receivable, consisting of amounts due from government and other non-government organizations and reimbursements under grant contracts, are considered by management to be fully collectible.

Property and Equipment

The Organization capitalizes expenditures for property and equipment greater than \$500. Property and equipment are recorded at cost if purchased or, if donated, at the estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Expense Allocation

The costs of providing programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of personnel resources devoted to the functional activities of the Organization. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The programs of the Organization include:

Soup Kitchen provides anyone in need with free, nutritionally-balanced lunches, seven days a week.

Shelter provides homeless men with a safe, supportive environment to rest from 7 P.M. to 7:30 A.M., seven nights a week.

Project Cornerstone provides a long-term recovery program for homeless men.

Liquidity

The Organization has \$2,462,334 of financial assets available to meet cash needs for general expenditures within one year of the Statement of Financial Position date, as noted in the current assets section of the statement. \$667,665 of the current financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

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, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs, solicitations, and various committee assignments.

Income Taxes

Samaritan Ministries is an exempt organization under Section 501(c)(3) of the United States Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Top 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Reclassification

Certain amounts for 2019 have been reclassified where appropriate to conform with 2020 classifications.

Subsequent Events

Management has evaluated subsequent events through the report date, the date the financial statements were available to be issued.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at June 30, 2019:

	2020	2019
Checking	\$ 51,042	\$ 40,802
NCHFA savings	40,001	-
Money market	1,597,639	1,009,195
Petty cash	-	200
Cash equivalents in investment funds	79,955	144,295
	<u>\$ 1,768,637</u>	<u>\$ 1,194,492</u>

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2020, the Organization had bank deposits which exceeded federally-insured limits.

The NCHFA savings account is restricted as a replacement reserve for \$6,000 each year to assure the availability of funds for extraordinary repairs and replacement of capital equipment and structural systems used at Samaritan Ministries' shelter.

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE C - INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

Investments and beneficial interest in assets held by others are stated at fair value and consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cost of securities	\$ 1,091,779	\$ 861,842
Unrealized loss	<u>(23,230)</u>	<u>(10,172)</u>
Fair value	<u>\$ 1,068,549</u>	<u>\$ 851,670</u>

The fair value is stated on the balance sheet as follows for the years ending June 30:

	<u>2020</u>	<u>2019</u>
Investments	\$ 667,665	\$ 586,630
Beneficial interest in assets held by others	<u>400,884</u>	<u>265,040</u>
Fair value	<u>\$ 1,068,549</u>	<u>\$ 851,670</u>

**SAMARITAN MINISTRIES**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

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**NOTE C - INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS  
(CONTINUED)**

Investment return is summarized as follows:

	2020		
	Not Donor Restricted	Donor Restricted	Total
<b>INVESTMENTS</b>			
Investment income	\$ -	\$ 14,842	\$ 14,842
Net realized loss on sales	-	(8,210)	(8,210)
Net unrealized gains	-	9,681	9,681
	<u>\$ -</u>	<u>\$ 16,313</u>	<u>\$ 16,313</u>
<b>BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS</b>			
Investment income	\$ 7,436	\$ 1,763	\$ 9,199
Net realized gain on sales	-	-	-
Net unrealized losses	(15,922)	(6,817)	(22,739)
	<u>\$ (8,486)</u>	<u>\$ (5,054)</u>	<u>\$ (13,540)</u>
<b>COMBINED</b>			
Investment income	7,436	\$ 16,605	\$ 24,041
Net realized losses on sales	-	(8,210)	(8,210)
Net unrealized gains (losses)	(15,922)	2,864	(13,058)
	<u>\$ (8,486)</u>	<u>\$ 11,259</u>	<u>\$ 2,773</u>



**SAMARITAN MINISTRIES**  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE C - INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS  
(CONTINUED)**

	2019		
	Not Donor Restricted	Donor Restricted	Total
INVESTMENTS			
Investment income	\$ -	\$ 15,859	\$ 15,859
Net realized loss on sales	-	(9,667)	(9,667)
Net unrealized losses	-	(20,692)	(20,692)
	<u>\$ -</u>	<u>\$ (14,500)</u>	<u>\$ (14,500)</u>
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS			
Investment income	\$ 12,769	\$ -	\$ 12,769
Net realized gain on sales	-	-	-
Net unrealized gains	1,969	-	1,969
	<u>\$ 14,738</u>	<u>\$ -</u>	<u>\$ 14,738</u>
COMBINED			
Investment income	12,769	\$ 15,859	\$ 28,628
Net realized losses on sales	-	(9,667)	(9,667)
Net unrealized gains (losses)	1,969	(20,692)	(18,723)
	<u>\$ 14,738</u>	<u>\$ (14,500)</u>	<u>\$ 238</u>

**SAMARITAN MINISTRIES**  
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June 30, 2020 and 2019

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**NOTE D - FAIR VALUE MEASUREMENTS**

The Organization's investments, reported at fair value, have been categorized based upon a fair value hierarchy as described below.

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

Fair value assets measured on a recurring basis at June 30, 2020 were as follows:

	Fair Value Total	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
INVESTMENTS				
Stocks	\$ 206,622	\$ 206,622	\$ -	\$ -
Exchange traded funds	331,233	331,233	-	-
Mutual funds	129,810	129,810	-	-
Beneficial interest in assets held by others	400,884	-	-	400,884
	<u>\$ 1,068,549</u>	<u>\$ 667,665</u>	<u>\$ -</u>	<u>\$ 400,884</u>

**SAMARITAN MINISTRIES**  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair value assets measured on a recurring basis at June 30, 2019 were as follows:

	Fair Value Total	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
INVESTMENTS				
Stocks	\$ 131,452	\$ 131,452	\$ -	\$ -
Exchange traded funds	298,187	298,187	-	-
Mutual funds	156,991	156,991	-	-
Beneficial interest in assets held by others	265,040	-	-	265,040
	<u>\$ 851,670</u>	<u>\$ 586,630</u>	<u>\$ -</u>	<u>\$ 265,040</u>

The following table sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2020 and 2019:

Beneficial Interest in Assets Held by Others	2020	2019
Balance, beginning of year	\$ 265,040	\$ 274,080
Contributions	163,142	-
Investment return earned by trustee	(13,540)	4,171
Distribution to the Organization	(10,682)	(10,568)
Administrative fee	<u>(3,076)</u>	<u>(2,643)</u>
Balance, end of year	<u>\$ 400,884</u>	<u>\$ 265,040</u>

**SAMARITAN MINISTRIES**  
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June 30, 2020 and 2019

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**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Land	\$ 101,459	\$ 101,459
Building	3,271,939	3,271,939
Office furniture and equipment	552,663	530,733
Automobile	24,315	20,000
	3,950,376	3,924,131
Accumulated depreciation	(894,417)	(780,219)
	<u>\$ 3,055,959</u>	<u>\$ 3,143,912</u>

Depreciation expense for the periods ended June 30, 2020 and 2019 amounted to \$134,198 and \$155,142, respectively.

**NOTE F - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Winston-Salem Foundation holds and manages funds under an unrestricted trust agreement for the benefit of the Organization. The transfer is reflected as a beneficial interest in assets held by others. The Foundation provides the Organization, in December of each year, the amount of income that will be available based upon the spending policy. If the Organization does not use the entire amount, the remaining balance shall be reinvested as principal. The principal of this trust may not be granted, loaned or distributed except pursuant to the provisions of the Master Trust of the Foundation; provided, however, that upon written request by the Organization, any part of the principal may be distributed to the Organization. Investment policies for the fund are determined by the Foundation.

The Winston-Salem Foundation also holds and manages funds under a restricted trust agreement for the benefit of the Organization. The transfer is reflected as a beneficial interest in assets held by others. The purpose of this fund is to provide a permanent fund, income from which may be used by the Organization to support the Cornerstone Project, a residential long-term care recovery program for former substance abusers, as determined by the Organization's Board of Directors. Should the Cornerstone Project cease to exist or should income from the fund be needed for other programs or for operating support, income from the fund will be used as determined by the Organization's Board of Directors. The distributable amount shall be deemed to be the income of the fund and the remainder of the assets of this fund shall be deemed to be the principal. The principal of this fund may not be granted, loaned, or distributed except pursuant to provisions of the Master Trust.

**SAMARITAN MINISTRIES**  
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**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods as of June 30:

	<u>2020</u>	<u>2019</u>
Donor-managed investment accounts (principal and income maintained in investment accounts managed by donors; up to 5% of the value of the account at year end may, upon thirty days written notice from the Board of Directors, be released for operating purposes)	\$ 667,665	\$ 586,630
Donor-restricted gift with principal required to be maintained in perpetuity for Cornerstone Project	<u>157,559</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 825,224</u>	<u>\$ 586,630</u>

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**NOTE H – NET ASSETS RELEASED FROM RESTRICTIONS**

	<u>2020</u>	<u>2019</u>
Subject to purpose restrictions:		
Donor-managed investment accounts (principal and income maintained in investment accounts managed by donors; up to 5% of the value of the account at year end may, upon thirty days written notice from the Board of Directors, be released for operating purposes) - release for operating purposes	\$ -	\$ 4,897
Donation to be applied to the 2019 Sam and Eggs event	<u>-</u>	<u>1,000</u>
Total net assets released from restrictions	<u><u>\$ -</u></u>	<u><u>\$ 5,897</u></u>

**NOTE I - CONTINGENCIES**

Certain grantors reserve the right to review expenditures and request refunds of amounts determined to be disallowed under the grant agreement. These financial statements do not reflect a liability for amounts which may be determined to be refundable, as such amounts, if any, are not readily determinable.

**NOTE J - PENSION PLAN**

Effective March 1, 2010, the Organization adopted a 403(b) plan to provide retirement benefits to its employees. Under the 403(b) plan, qualified employees may contribute a percentage of their salaries up to \$17,000. In addition, the Organization may make discretionary contributions. Pension expense totaled \$34,245 and \$43,246 for the years ended June 30, 2020 and 2019, respectively.

**NOTE K – INTEREST FREE DEFERRED LOANS**

During the year ended June 30, 2015, the Organization obtained a non-amortizing, deferred, interest-free loan from the City of Winston-Salem for \$249,000 for use in the construction of its new facility. At the end of the twenty-year term, the loan will be forgiven as long as the Organization maintains its ministry and non-profit status. The loan is secured by a deed of trust on the Organization's property

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**NOTE K – INTEREST FREE DEFERRED LOANS (CONTINUED)**

In November of 2015, \$596,722 was received from another government agency in the form of a non-amortizing deferred, interest-free loan. The proceeds of this loan were used to pay off bank lines of credit obtained for the construction of the current operations facility. This loan has a term of thirty years at which time the unpaid principal shall be due in one balloon payment. The loan is secured by a deed of trust on the Organization's property.

As of June 30, 2020 and 2019, the Organization had an outstanding balance of \$845,722 in notes payable.

**NOTE L – PAYCHECK PROTECTION PROGRAM (PPP)**

The Organization received a loan of \$193,031 in April 2020 under the Paycheck Protection Program (PPP) to provide immediate assistance due to the COVID-19 emergency. The Organization expects the full loan to qualify for forgiveness. The stated terms of the note if not forgiven include principal and interest payments of \$10,862 that are payable each month beginning at the date that the lender deems the amount is not forgiven. Thus far, the forgiveness period has continued to be extended by the government.

**NOTE M – SUBSEQUENT EVENT**

The Organization's operations may be affected by the recent and ongoing outbreak by the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain at this time.