

SAMARITAN MINISTRIES
FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020



cannon&company
Certified Public Accountants L.L.P.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Samaritan Ministries (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Samaritan Ministries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Samaritan Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cannon & Company, L.L.P.

Winston-Salem, NC

November 15, 2021

SAMARITAN MINISTRIES, INC
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,988,367	\$ 1,728,636
Restricted cash and cash equivalents	48,129	40,001
Accounts receivable	26,585	-
Sales tax receivable	7,305	4,306
Prepaid expenses	19,308	21,726
TOTAL CURRENT ASSETS	2,089,694	1,794,669
NONCURRENT ASSETS		
Property and equipment	2,978,825	3,055,959
Investments	838,723	667,665
Beneficial interest in assets held by others	622,318	400,884
TOTAL NONCURRENT ASSETS	4,439,866	4,124,508
TOTAL ASSETS	\$ 6,529,560	\$ 5,919,177
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,648	\$ 351
Accrued payroll and pension	28,378	35,022
Deferred income	4,200	6,790
TOTAL CURRENT LIABILITIES	36,226	42,163
NONCURRENT LIABILITIES		
Notes payable	845,722	1,038,753
TOTAL LIABILITIES	881,948	1,080,916
NET ASSETS		
Without donor restrictions		
Net assets invested in property and equipment	2,133,103	2,210,237
Undesignated	3,198,203	2,470,465
With donor restrictions	316,306	157,559
TOTAL NET ASSETS	5,647,612	4,838,261
TOTAL LIABILITIES AND NET ASSETS	\$ 6,529,560	\$ 5,919,177

See accompanying notes to financial statements.

SAMARITAN MINISTRIES, INC
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Churches and individuals	\$ 930,338	\$ 945,876
Government grants	237,743	157,728
Businesses, foundations and other	261,914	384,889
Estate bequests	1,901	100,100
Fundraisers	373,487	310,682
Interest income	27,345	25,602
Investment income (loss)	335,133	132
Gain on sale of fixed assets	-	6,108
Miscellaneous income	33,397	43,496
	<u>2,201,258</u>	<u>1,974,613</u>
Reclassification of net assets	-	(64,193)
	<u>2,201,258</u>	<u>1,910,420</u>
TOTAL SUPPORT AND REVENUE		
EXPENSES		
Program:		
Shelter	976,026	848,005
Soup kitchen	441,110	444,710
Project Cornerstone	97,448	98,466
Supporting services:		
Management and general	34,545	41,848
Fundraising	194,556	169,557
	<u>1,743,685</u>	<u>1,602,586</u>
TOTAL EXPENSES		
INCOME FROM OPERATIONS	457,573	307,834
OTHER INCOME		
Forgiveness of paycheck protection program loan	193,031	-
	<u>193,031</u>	<u>-</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>650,604</u>	<u>307,834</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Kurosky Cornerstone endowment	93,200	163,142
Investment income	65,547	(5,054)
Reclassification of net assets	-	64,193
	<u>-</u>	<u>64,193</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>158,747</u>	<u>222,281</u>

See accompanying notes to financial statements.

SAMARITAN MINISTRIES, INC
STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
INCREASE IN NET ASSETS	809,351	530,115
NET ASSETS AT BEGINNING OF YEAR	<u>4,838,261</u>	<u>4,308,146</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 5,647,612</u></u>	<u><u>\$ 4,838,261</u></u>

SAMARITAN MINISTRIES, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Programs				Supporting Services		
	Shelter	Soup Kitchen	Project Cornerstone	Total Programs	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 674,538	\$ 303,689	\$ 81,565	\$ 1,059,792	\$ 28,381	\$ 127,939	\$ 1,216,112
Food, supplies, linen, laundry and client services	80,895	36,420	9,782	127,097	3,404	15,343	145,844
Services and professional fees	15,608	7,027	1,887	24,522	658	2,960	28,140
Office, printing and postage	15,490	6,974	1,873	24,337	652	2,938	27,927
Occupancy	107,033	49,156	1,960	158,149	757	757	159,663
Depreciation	79,309	36,424	-	115,733	561	561	116,855
Fundraising	-	-	-	-	-	43,460	43,460
Miscellaneous	3,153	1,420	381	4,954	132	598	5,684
TOTAL EXPENSES	\$ 976,026	\$ 441,110	\$ 97,448	\$ 1,514,584	\$ 34,545	\$ 194,556	\$ 1,743,685

See accompanying notes to financial statements.

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

	Programs				Supporting Services		
	Shelter	Soup Kitchen	Project Cornerstone	Total Programs	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 535,061	\$ 292,966	\$ 84,171	\$ 912,198	\$ 34,429	\$ 113,550	\$ 1,060,177
Food, supplies, linen, laundry and client services	67,457	36,935	10,612	115,004	4,341	14,316	133,661
Services and professional fees	7,560	4,140	1,189	12,889	486	1,605	14,980
Office, printing and postage	13,410	7,343	2,110	22,863	863	2,846	26,572
Occupancy	130,994	60,159	-	191,153	927	927	193,007
Depreciation	91,080	41,829	-	132,909	645	645	134,199
Fundraising	-	-	-	-		35,149	35,149
Miscellaneous	2,443	1,338	384	4,165	157	519	4,841
TOTAL EXPENSES	\$ 848,005	\$ 444,710	\$ 98,466	\$ 1,391,181	\$ 41,848	\$ 169,557	\$ 1,602,586

See accompanying notes to financial statements.

SAMARITAN MINISTRIES, INC
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 809,351	\$ 530,115
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Forgiveness of paycheck protection program loan	(193,031)	-
Depreciation	116,855	134,198
Gain on sale of fixed assets	-	(6,108)
Realized (gain) loss on sale of investments	(11,341)	8,210
Unrealized (gain) loss on investments	(373,546)	13,058
Changes in:		
Accounts receivable	(26,585)	-
Sales tax receivable	(2,999)	17,902
Prepaid expenses	2,418	(6,146)
Accounts payable	3,297	(12,050)
Accrued payroll and pension	(6,644)	(26,571)
Deferred income	(2,590)	6,790
	<u>315,185</u>	<u>659,398</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	<u>315,185</u>	<u>659,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	6,108
Purchases of property and equipment	(39,721)	(46,245)
Purchases of investments	(82,553)	(283,995)
Proceeds from sales of investments	71,927	204,431
Grants received from beneficial interest in assets held by other	10,588	10,682
Increase in beneficial interest in assets held by others	(7,567)	(169,265)
	<u>(47,326)</u>	<u>(278,284)</u>
NET CASH USED BY INVESTING ACTIVITIES		
	<u>(47,326)</u>	<u>(278,284)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	<u>-</u>	<u>193,031</u>
	<u>-</u>	<u>193,031</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
	<u>-</u>	<u>193,031</u>
NET INCREASE IN CASH	267,859	574,145
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,768,637</u>	<u>1,194,492</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 2,036,496</u></u>	<u><u>\$ 1,768,637</u></u>

See accompanying notes to financial statements.

SAMARITAN MINISTRIES, INC
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents without restrictions	\$ 1,988,367	\$ 1,728,636
Cash and cash equivalents with restrictions	<u>48,129</u>	<u>40,001</u>
Total cash and cash equivalents	<u><u>\$ 2,036,496</u></u>	<u><u>\$ 1,768,637</u></u>
Schedules of Noncash Investing Activities		
Noncash stock contributions	<u><u>\$ 13,867</u></u>	<u><u>\$ 9,810</u></u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 10% 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, 2021 and 2020

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.

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 \$2,089,694 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. \$157,318 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, 2021 and 2020

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

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

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*, are subject to examination by the IRS, generally for three years after they were filed.

Reclassification

Certain amounts for 2020 have been reclassified where appropriate to conform with 2021 classifications.

Subsequent Events

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

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE B – CASH AND CASH EQUIVALENTS

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

	2021	2020
Checking	\$ 60,705	\$ 51,042
NCHFA savings	48,129	40,001
Money market	1,763,666	1,597,639
Cash equivalents in investment funds	163,996	79,955
	<u>\$ 2,036,496</u>	<u>\$ 1,768,637</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, 2021, 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.

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:

	2021	2020
Cost of securities	\$ 1,064,265	\$ 1,091,779
Unrealized gain (loss)	396,776	(23,230)
Fair value	<u>\$ 1,461,041</u>	<u>\$ 1,068,549</u>

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

	2021	2020
Investments	\$ 838,723	\$ 667,665
Beneficial interest in assets held by others	622,318	400,884
Fair value	<u>\$ 1,461,041</u>	<u>\$ 1,068,549</u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

Investment return is summarized as follows:

	2021		
	Not Donor Restricted	Donor Restricted	Total
INVESTMENTS			
Investment income	\$ 13,545	\$ -	\$ 13,545
Investment fees	(5,319)	-	(5,319)
Realized gains	11,341	-	11,341
Net unrealized gains	242,291	-	242,291
	<u>\$ 261,858</u>	<u>\$ -</u>	<u>\$ 261,858</u>
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS			
Investment income	\$ 6,802	\$ 5,697	\$ 12,499
Investment fees	(2,655)	(2,277)	(4,932)
Net unrealized gains	69,128	62,127	131,255
	<u>\$ 73,275</u>	<u>\$ 65,547</u>	<u>\$ 138,822</u>
COMBINED			
Investment income	20,347	\$ 5,697	\$ 26,044
Investment fees	(7,974)	(2,277)	(10,251)
Realized gains	11,341	-	11,341
Net unrealized gains	311,419	62,127	373,546
	<u>\$ 335,133</u>	<u>\$ 65,547</u>	<u>\$ 400,680</u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

	2020		
	Not Donor Restricted	Donor Restricted	Total
INVESTMENTS			
Investment income	\$ 14,842	\$ -	\$ 14,842
Investment fees	(7,695)	-	(7,695)
Net realized loss on sales	(8,210)	-	(8,210)
Net unrealized gains	9,681	-	9,681
	<u>\$ 8,618</u>	<u>\$ -</u>	<u>\$ 8,618</u>
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS			
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>
COMBINED			
Investment income	22,278	\$ 1,763	\$ 24,041
Investment fees	(7,695)	-	(7,695)
Net realized losses on sales	(8,210)	-	(8,210)
Net unrealized gains (losses)	(6,241)	(6,817)	(13,058)
	<u>\$ 132</u>	<u>\$ (5,054)</u>	<u>\$ (4,922)</u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 were as follows:

	Fair Value Total	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
INVESTMENTS				
Stocks	\$ 246,933	\$ 246,933	\$ -	\$ -
Exchange traded funds	172,293	172,293	-	-
Mutual funds	419,497	419,497	-	-
Beneficial interest in assets held by others	622,318	-	-	622,318
	<u>\$ 1,461,041</u>	<u>\$ 838,723</u>	<u>\$ -</u>	<u>\$ 622,318</u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

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>

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, 2021 and 2020:

Beneficial Interest in Assets Held by Others	2021	2020
Balance, beginning of year	\$ 400,884	\$ 265,040
Contributions	93,200	163,142
Investment return earned by trustee	143,754	(13,540)
Distribution to the Organization	(10,588)	(10,682)
Administrative fee	(4,932)	(3,076)
Balance, end of year	<u>\$ 622,318</u>	<u>\$ 400,884</u>

SAMARITAN MINISTRIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2021	2020
Land	\$ 101,459	\$ 101,459
Building	3,271,939	3,271,939
Office furniture and equipment	576,065	552,663
Automobile	24,315	24,315
	<u>3,973,778</u>	<u>3,950,376</u>
Accumulated depreciation	<u>(994,953)</u>	<u>(894,417)</u>
	<u>\$ 2,978,825</u>	<u>\$ 3,055,959</u>

Depreciation expense for the periods ended June 30, 2021 and 2020 amounted to \$116,855 and \$134,198, 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>2021</u>	<u>2020</u>
Donor-restricted gift with principal required to be maintained in perpetuity for Cornerstone Project	<u>\$ 316,306</u>	<u>\$ 157,559</u>
Total net assets with donor restrictions	<u><u>\$ 316,306</u></u>	<u><u>\$ 157,559</u></u>

NOTE H - 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 I - 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 \$32,520 and \$34,245 for the years ended June 30, 2021 and 2020, respectively.

NOTE J – 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

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, 2021 and 2020, the Organization had an outstanding balance of \$845,722 in notes payable.

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NOTE K – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

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 loan was included in the Organization's liabilities at June 30, 2020. The loan was approved for forgiveness on December 23, 2020 and the amount of the grant has been recognized as other operating income for the year ended June 30, 2021.

NOTE L – OPERATING LEASE

The Organization entered into an operating lease for equipment with monthly payments of \$282 through June 2022. Lease expense was \$3,390 for the years ended June 30, 2021 and 2020. Future commitments for the lease are \$3,390 for the year ended June 30, 2022.