

ABCUSA MATTHEW 25 GRANT APPLICATION

A generous donor has given a sum of money through American Baptist Churches USA to be used for programs that address "housing, feeding, education and health with regard to the less fortunate." The donor's primary concern is to help ameliorate poverty. ABCUSA will distribute grants of up to \$5,000 semi-annually as long as the generosity of this donor continues. A panel will select recipients largely based on the degree to which the funds will be used to directly assist persons in poverty. Ministries must be in relationship with American Baptist Churches USA to be eligible to apply.

1. General Information:

Organization Name: CHUM (Churches United in Ministry)
Affiliation with ABCUSA: The United Baptist Christian Church is a founding member of CHUM and its pastor, Rev. Tab Baumgartner, serves on the CHUM Board of Directors.
Address: 102 W. Second Street, Duluth, MN 55802
Phone: 218-720-6521 Federal Tax ID#: 41-1227969
Contact person: Lee Stuart email: lstuart@chumduluth.org

2. Please submit with your application a copy of:

- Your mission statement
- Your most recent annual report or audited financial statement

3. How do you plan to use the requested funds? How will the funds specifically assist individuals battling poverty and its effects? (Please submit on separate sheet. Maximum of one page.)

4. Total cost of the project \$21,500

• Amount being requested from the ABCUSA Matthew 25 Grant \$5,000

5. Your other funding source(s) contributions from churches and individuals

I certify that all the information submitted with this application is true and correct, and that we will use any granted funds as described. We will supply a 1-page report on the use of the funds and a photo within six months of receipt of the grant.

(Signed) Lee Stuart Date 8/20/13

Printed Name/Title Lee Stuart/Executive Director

Please note:

- Incomplete applications will not be considered.
- Recipients agree to share their stories via the ABCUSA website.
- Application deadline is March 1 for grants distributed on April 15; Sept. 1 for grants distributed on Oct. 15
- Completed applications should be sent to:
Mission Resource Development
American Baptist Churches USA
P.O. Box 851
Valley Forge, PA 19482-0851
Or emailed to: Beth.Fogg@abc-usa.org



PROPOSAL TO ABCUSA MATTHEW 25 GRANT PROGRAM

Organizational Background: CHUM is a 501(c)(3) organization formed in 1973 through the cooperative efforts of 10 Central and East Hillside churches. United Christian Baptist Church, an American Baptist Church, was one of the founding congregations and has been a faithful member of CHUM for 40 years. CHUM's membership has since grown to 38 congregations located throughout Duluth and attended by over 10,000 people. CHUM's mission is "People of faith working together to provide basic necessities, foster stable lives and organize for a just and compassionate community." CHUM serves the members of the Duluth community with the lowest incomes, particularly those who are homeless.

CHUM is the primary shelter and service delivery site for people who are homeless in the Duluth area. Five CHUM social workers and a registered nurse work with CHUM guests. We have 44 beds in our shelter, and also provide locker space, voice mail services, internet access, laundry and shower facilities, hygiene supplies, a mailing address, and meals several times a week both for shelter guests and the larger low-income and precariously housed residents of Duluth. In 2012, CHUM served 1,081 guests in our shelters, 6,000 people in our food shelves, and over 3,000 others used CHUM Center services.

Request: CHUM is requesting \$5,000 for our direct cash assistance programs for homeless people and for supplies for CHUM chaplains ministering to people in Duluth's jails:

- **Supplies for basic survival (\$2,000):** CHUM's outreach workers visit and build trusting relationships with homeless people who are camping or living in the woods. We hope that with trust, these people will come in to the CHUM shelter where we can provide more comprehensive services. Basic survival is the issue for the campers, particularly in Duluth's winters. We would use funds from the Matthew 25 Fund to help us supply coats, sleeping bags and pads, tents, gloves, hats, food, water, socks, boots and tarps to our campers.
- **Co-pays and pharmaceutical expenses (\$2,000):** CHUM's clinic operates four days a week, staffed by a registered nurse who helps guests identify health care needs, make health care decisions and access appropriate health care providers. The CHUM nurse provides first-aid, basic care, and assistance with health care decisions, doctor's appointments and prescriptions. CHUM would use funds from the Matthew 25 Fund to help approximately 200 homeless people with pharmacy co-pays and, for those without insurance, purchase of medications, helping them avoid unnecessary and expensive repeat trips to clinics or emergency rooms.
- **Supplies for prison chaplains (\$1,000):** CHUM provides chaplaincy services to the St. Louis County Jail, Arrowhead Juvenile Center and the Northeast Regional Corrections Center. We would use funds from the Matthew 25 Fund to help purchase Bibles, prayer books, journals, and other supplies for the chaplains to use in their ministry to incarcerated people.

CHURCHES UNITED IN MINISTRY

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2012**

CHURCHES UNITED IN MINISTRY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Churches United in Ministry as of June 30, 2012, 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 2011 financial statements and, in our report dated October 4, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, 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 of America.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
October 22, 2012

CHURCHES UNITED IN MINISTRY

STATEMENT OF FINANCIAL POSITION

June 30, 2012
(With Comparative Totals for 2011)

	2012	2011
ASSETS		
Cash	\$ 5,149	\$ 32,080
Investments - board designated	357,103	373,738
Accounts and grants receivable	87,242	96,027
Contributions receivable	147,811	118,384
Inventory	37,024	49,694
Prepaid expenses	39,747	18,172
Property and equipment, net	1,159,860	1,224,564
Total assets	<u>\$ 1,833,936</u>	<u>\$ 1,912,659</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 29,458	\$ 33,009
Accrued payroll and related	73,156	99,804
Line of credit	106,000	100,000
Total liabilities	<u>208,614</u>	<u>232,813</u>
Net assets:		
Unrestricted	1,007,545	1,128,667
Board designated - operating reserve	367,384	367,384
Board designated - capital reserve	65,791	65,791
Total unrestricted	1,440,720	1,561,842
Temporarily restricted	184,602	118,004
Total net assets	<u>1,625,322</u>	<u>1,679,846</u>
Total liabilities and net assets	<u>\$ 1,833,936</u>	<u>\$ 1,912,659</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, 2012
(With Comparative Totals for 2011)

	2012			2011
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Contributions	\$ 492,826	\$ 311	\$ 493,137	\$ 465,549
Bequests	-	-	-	6,403
Contributions - in kind	191,876	-	191,876	180,167
Foundation grants	129,571	130,000	259,571	189,302
Contributions from member churches	101,134	-	101,134	100,586
Contributions from nonmember churches	23,716	-	23,716	12,878
United Way of Greater Duluth	4,369	46,000	50,369	39,108
Grants from government agencies	378,368	-	378,368	451,235
Rental income RUAH	37,272	-	37,272	26,997
Program service fees	6,568	-	6,568	9,458
Interest income	8,122	-	8,122	9,576
Unrealized gain (loss) on investments	(16,791)	-	(16,791)	47,206
Net assets released upon expiration of time and usage restrictions	166,004	(166,004)	-	-
Total revenues and other support	1,523,035	10,307	1,533,342	1,538,465
Expenses:				
Program services:				
Stabilization services	925,550	-	925,550	892,195
Distributive services	378,380	-	378,380	354,453
Outreach and organizing	121,205	-	121,205	138,055
Total program services	1,425,135	-	1,425,135	1,384,703
Management and general	122,551	-	122,551	127,086
Fund raising	92,726	-	92,726	94,880
Total expenses	1,640,412	-	1,640,412	1,606,669
Change in net assets before capital campaign activity	(117,377)	10,307	(107,070)	(68,204)
Capital campaign contributions	-	56,291	56,291	-
Capital campaign fund raising expenses	(3,745)	-	(3,745)	-
	(121,122)	66,598	(54,524)	(68,204)
Net assets, beginning of year	1,561,842	118,004	1,679,846	1,748,050
Net assets, end of year	\$ 1,440,720	\$ 184,602	\$ 1,625,322	\$ 1,679,846

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

	2012						
	Stabilization services	Distributive services	Outreach and organizing	Management and general	Fund raising	Total	2011
Salaries	\$ 496,197	\$ 65,582	\$ 70,621	\$ 68,763	\$ 46,195	\$ 747,358	\$ 777,575
Payroll taxes	70,799	8,449	10,584	7,781	7,051	104,664	82,324
Employee benefits	122,169	26,686	11,939	17,285	13,648	191,727	184,739
Total salaries and benefits	689,165	100,717	93,144	93,829	66,894	1,043,749	1,044,638
Professional fees	28,505	264	3,419	9,798	9,009	50,995	25,425
Supplies	18,798	5,426	363	1,189	1,216	26,992	26,451
Telephone	9,608	1,627	2,973	1,258	788	16,254	16,172
Postage and shipping	384	489	387	904	4,110	6,274	6,652
Printing and publication	14	587	204	214	7,267	8,286	8,158
Occupancy:							
Insurance	13,759	877	986	1,846	48	17,516	18,447
Electricity	17,441	2,821	-	-	-	20,262	18,320
Gas	10,185	2,466	-	-	-	12,651	12,922
Maintenance and repairs	58,556	4,510	132	-	-	63,198	57,908
Internal occupancy charge	(12,360)	10,200	-	1,728	432	-	-
Depreciation	66,793	-	-	2,899	287	69,979	69,358
Direct program costs	813	14,348	13,688	-	-	28,849	44,730
Food for Food Shelf	3,288	39,284	-	-	-	42,572	23,276
Equipment supplies and maintenance	13,246	2,688	2,581	1,519	215	20,249	24,242
Travel	4,085	-	1,808	210	392	6,495	7,583
Professional training and development	645	-	690	-	60	1,395	1,400
Transportation	2,374	200	800	-	-	3,374	4,847
Interest expense	-	-	-	4,490	-	4,490	5,136
Miscellaneous expenses	251	-	30	2,667	5,753	8,701	10,837
In Kind:							
Food for Food Shelf	-	184,316	-	-	-	184,316	172,607
Free rent - Food Shelf	-	7,560	-	-	-	7,560	7,560
	925,550	378,380	121,205	122,551	96,471	1,644,157	1,606,669
Less capital campaign expenses	-	-	-	-	(3,745)	(3,745)	-
	<u>\$ 925,550</u>	<u>\$ 378,380</u>	<u>\$ 121,205</u>	<u>\$ 122,551</u>	<u>\$ 92,726</u>	<u>\$ 1,640,412</u>	<u>\$ 1,606,669</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

Increase (Decrease) in Cash

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (54,524)	\$ (68,204)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	69,979	69,358
(Gain) loss on investments	16,791	(47,206)
Reinvestment of interest income	(8,115)	(9,545)
Contributions - in kind computer donation	-	(4,379)
Capital campaign contributions, net	(52,546)	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	8,785	3,803
Contributions receivable	73	50,201
Inventory	12,670	2,321
Prepaid expenses	(21,575)	(2,045)
Accounts payable	(3,551)	321
Accrued payroll and related	(26,648)	14,880
Net cash from operating activities	<u>(58,661)</u>	<u>9,505</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,275)	(25,310)
Proceeds from sale of investments	7,959	7,816
Net cash from investing activities	<u>2,684</u>	<u>(17,494)</u>
Cash flows from financing activities:		
Advances on line of credit, net	6,000	20,000
Capital campaign contributions, net	23,046	-
Net cash from financing activities	<u>29,046</u>	<u>20,000</u>
Net increase (decrease) in cash	(26,931)	12,011
Cash, beginning of year	<u>32,080</u>	<u>20,069</u>
Cash, end of year	<u>\$ 5,149</u>	<u>\$ 32,080</u>
Cash paid for interest expense	<u>\$ 4,490</u>	<u>\$ 5,136</u>

See accompanying notes to financial statements.

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

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 to pool resources to assist low-income people in Duluth.

Goals are to provide basic needs services for homeless and marginalized members of our community while working to effect changes which will eliminate the need for our services.

CHUM provides core social safety net programs which include emergency food, shelter, advocacy, and outreach to over 7,000 hungry, homeless and low-income people each year (unaudited). Housing Advocates and Street Case Managers provide stabilization services through case management programs for homeless or imminently homeless families and single adults. CHUM's congregational outreach and community organizing efforts center on social justice issues around homelessness, poverty and employment.

CHUM's programs are divided into the following areas:

Stabilization Services: include CHUM's Drop-In Center, Nurses Clinic, Emergency Shelter for adults and families, Transitional and Permanent Supportive Housing, Case Management for housing guests, Homeless Outreach, Income Evaluation Services and CHUM Employment Services.

Distributive Services: provided through Emergency Food Shelves in downtown Duluth and West Duluth and include the distribution of food, contributed household goods and the distribution of backpacks at the start of each school year.

Outreach and Organizing Services: includes Congregational Outreach and the CHUM Church inclusive ministry program, Community Organizing and an emergency financial assistance program. These programs provide concrete, grass roots opportunities for congregations to partner with the greater community to address systemic barriers affecting community members living on the margins.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(Continued)

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

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

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-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 same fiscal year the contribution is recognized, are reported as unrestricted net assets.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. CHUM has no permanently restricted net assets.

Investments - Investments are recorded at fair value. Realized and unrealized gains and losses are reported as changes in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Cash held in the investment account is not considered a cash equivalent for statement of cash flows purposes.

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.

Receivables - Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial.

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.

(Continued)

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants and Contracts - Revenue from government grants and contracts 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 restricted for property and equipment are released from restriction at the time property or equipment is placed into service.

Contributed Services - Contributed services are recorded as contributions if the service creates or enhances a nonfinancial asset or if the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased. A substantial number of unpaid volunteers have made contributions of their time to CHUM's programs. No amounts have been recognized as these services do not meet the criteria described.

Contributed Materials and Facilities - Contributed materials and facilities are recorded at fair value when received. Contributed materials consist of food (\$184,316) and free rent (\$7,560) for the Food Shelf in 2012.

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 Measurements - CHUM determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Investments are valued using Level 1 inputs based on quoted market prices.

Prior Year Summarized Information - The financial statements include certain prior-year summarized 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, 2011, from which the summarized information was derived.

(Continued)

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

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

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, 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. Management believes CHUM did not have any unrelated business income in 2012 or 2011.

Federal and state tax authorities generally have the right to examine the current and previous three years of income tax returns. CHUM is not currently under examination by any taxing jurisdiction. Any interest or penalties associated with tax positions are reported as such within the management and general expense category. There were no penalties or interest during 2012 and 2011.

3. **INVESTMENTS**

Investments consist of the following:

	<u>2012</u>	<u>2011</u>
Equity mutual funds	\$ 216,535	\$ 227,668
Fixed income mutual funds	29,336	39,746
Corporate notes and bonds	104,264	105,977
Cash money market fund	<u>6,968</u>	<u>347</u>
Total investments	<u>\$ 357,103</u>	<u>\$ 373,738</u>

The gain or losses on investments includes investment fees of \$2,074 in 2012 and \$2,020 in 2011.

4. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of \$136,811 due in 2013, with \$6,000 due in 2014 and \$5,000 due in 2015.

(Continued)

CHURCHES UNITED IN MINISTRY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2012	2011
Land	\$ 37,700	\$ 37,700
Buildings	1,898,284	1,893,008
Furniture and equipment	83,518	83,518
	<u>2,021,514</u>	<u>2,016,237</u>
Less accumulated depreciation	<u>(859,642)</u>	<u>(789,662)</u>
	<u>\$ 1,159,860</u>	<u>\$ 1,224,564</u>

6. LINE OF CREDIT

CHUM has a \$150,000 line of credit which matures on September 30, 2012 (CHUM is in the process of renewing the line of credit). Interest on the outstanding balance accrues at the prime rate or 5%, whichever is higher (5% at June 30, 2012). The line of credit is secured by investments (Note 3) held by CHUM.

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 property and equipment.

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

	2012	2011
Drop In Center and Emergency Shelter	\$ 48,000	\$ 23,004
General operations	70,311	95,000
Equipment	10,000	-
Capital campaign	<u>56,291</u>	<u>-</u>
	<u>\$ 184,602</u>	<u>\$ 118,004</u>

CHUM is in the planning stages of a capital campaign to raise money for the future development of a new supportive housing building (Note 9).

(Continued)

CHURCHES UNITED IN MINISTRY
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

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 contributions to the plan were \$18,810 and \$18,944 in 2012 and 2011, respectively.

9. **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 - A 1999 addition to the Drop-in Center 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, 2012 two grants aggregating \$315,000 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.

Future Development - CHUM has entered into an agreement with two other non-profit organizations. The organizations are in the preliminary planning stages to develop a supportive housing building with approximately 40 - 50 units of affordable housing in Duluth. Construction is expected to begin in 2013.

10. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 22, 2012, the date which the financial statements were available for issue, and identified no significant events or transactions to disclose.