

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY

Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information	
Consolidated Schedule of Functional Expenses	12



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Methodist Ministry with Children and Families, Inc.
and Subsidiary
Jackson, Mississippi

We have audited the accompanying consolidated financial statements of United Methodist Ministry with Children and Families, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Ministry with Children and Families, Inc. and Subsidiary, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America..

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ridgeland, Mississippi
February 18, 2020

Watkins Ward and Stafford, PLLC

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position
December 31, 2017

Assets

Current Assets	
Cash and cash equivalents	\$ 1,706,158
Due from Department of Human Services	264,681
Contributions receivable	61,502
Miscellaneous receivables due from others	5,862
Prepaid insurance	85,735
Total Current Assets	2,123,938
Land, buildings and equipment, net of accumulated depreciation and amortization	2,667,995
Other Assets	
Restricted cash funds	903,786
Investments	1,207,504
Charitable remainder trust	58,683
Miscellaneous other assets	8,091
Total Other Assets	2,178,064
Total Assets	\$ 6,969,997

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 219,687
Deferred revenue	22,037
Accrued expenses	18,882
Total Current Liabilities	260,606
Net Assets	
Unrestricted	5,746,922
Temporarily restricted	366,957
Permanently restricted	595,512
Total Net Assets	6,709,391
Total Liabilities and Net Assets	\$ 6,969,997

The accompanying notes to financial statements are an integral part of these financial statements.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	\$ 842,271	\$ 130,627	\$ 3,888	\$ 976,786
Wills and bequests	10,000	907	-	10,907
Department of Human Services	2,705,970	-	-	2,705,970
Other care-providing fees	344,997	-	-	344,997
Interest and dividends	47,518	15,993	-	63,511
Fundraising revenue	88,507	-	-	88,507
Rental income	121,136	-	-	121,136
Miscellaneous income	2,493	-	-	2,493
Gain on disposal of vehicles	5,057	-	-	5,057
Gain on sale of investments	15,612	-	-	15,612
Net unrealized loss on investments	(26,538)	-	-	(26,538)
	<u>4,157,023</u>	<u>147,527</u>	<u>3,888</u>	<u>4,308,438</u>
Net assets released from restrictions	<u>118,014</u>	<u>(118,014)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,275,037</u>	<u>29,513</u>	<u>3,888</u>	<u>4,308,438</u>
Expenses				
Program Services				
Foster family care	810,172	-	-	810,172
Group homes	2,355,932	-	-	2,355,932
Community care	565,388	-	-	565,388
Total Program Services	<u>3,731,492</u>	<u>-</u>	<u>-</u>	<u>3,731,492</u>
Supporting Services				
Fundraising and development	289,545	-	-	289,545
General and administrative	328,800	-	-	328,800
Total Supporting Services	<u>618,345</u>	<u>-</u>	<u>-</u>	<u>618,345</u>
Total Expenses	<u>4,349,837</u>	<u>-</u>	<u>-</u>	<u>4,349,837</u>
Increase (Decrease) in Net Assets	(74,800)	29,513	3,888	(41,399)
Net Assets, Beginning of Year	<u>5,821,722</u>	<u>337,444</u>	<u>591,624</u>	<u>6,750,790</u>
Net Assets, End of Year	<u>\$ 5,746,922</u>	<u>\$ 366,957</u>	<u>\$ 595,512</u>	<u>\$ 6,709,391</u>

The accompanying notes to financial statements are an integral part of these financial statements.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:	
Decrease in net assets	\$ (41,399)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	306,122
Net unrealized loss on investments	26,538
Gain on sale of investments	(15,612)
Gain on sale of disposal of vehicles	(5,057)
Decrease in due from Mississippi Annual Conference	23,124
(Increase) in due from others	(2,393)
(Increase) in due from Department of Human Services	(631)
(Increase) in prepaid insurance	(47,707)
Decrease in miscellaneous other assets	214
Increase in accounts payable	154,377
Increase in accrued expenses	1,163
Increase in deferred revenue	22,037
Net cash provided by operating activities	<u>420,776</u>
Cash flows from investing activities:	
Purchase of equipment and improvements	(228,079)
Proceeds from sale of vehicles	5,057
Purchase of investments	(132,674)
Proceeds from sale of investments	<u>31,952</u>
Net cash (used) by investing activities	<u>(323,744)</u>
Net increase in cash and cash equivalents	97,032
Beginning of year cash and cash equivalents	<u>2,512,912</u>
End of year cash and cash equivalents	<u>\$ 2,609,944</u>
Recap of cash and cash equivalents	
Cash and cash equivalents-unrestricted	\$ 1,706,158
Restricted cash funds	<u>903,786</u>
Total cash and cash equivalents	<u>\$ 2,609,944</u>

The accompanying notes to financial statements are an integral part of these financial statements.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 1 - ORGANIZATION

The United Methodist Ministry with Children and Families, Inc. and Subsidiary (the Organization) is an organization whose principal activity consists of providing children with a safe place in which they can heal and thrive through provision, guidance and counseling. Sources of revenue are primarily from contributions and funds received from the Mississippi Department of Human Resources as per diem payments towards the children's support. The Organization is a non-profit organization in good standing incorporated under the laws of the state of Mississippi.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are presentations of the Organization which is responsible for their integrity and objectivity.

Principles of Consolidation

The accompanying consolidated statement of financial position and statements of activities and cash flows, include the accounts of United Methodist Ministry with Children and Families, Inc. and United Methodist Children's Homes of Mississippi, LLC, which is a 100% owned subsidiary of the United Methodist Ministry with Children and Families, Inc. and is considered a disregarded entity for tax and reporting purposes.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting for the year ended December 31, 2017.

Basis of presentation of net assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified in three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed restrictions. Unrestricted net assets may also include discretionary designations made by management.

Temporarily restricted net assets - Net assets subject to donor imposed restrictions that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor restrictions that require the principal contribution be maintained by the Organization with the income earned on any related investments being distributed in accordance with donor imposed restriction.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions to the Organization are recorded in the period received. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donated marketable securities and other noncash donations are recorded at their estimated fair value at the date of the donation.

Cash and cash equivalents

For purposes of these financial statements, cash and cash equivalents are included with current assets and consist of cash held in bank checking accounts, accounts with the Mississippi United Methodist Foundation, and certificates of deposit.

Receivables

Receivables are shown at their net realizable value. An allowance for uncollectible receivables is provided when determined by management to be necessary based on its analysis of amounts and nature of outstanding accounts. As of December 31, 2017, management has determined that no allowance is necessary and amounts are fully collectible.

Investments

Investments in shares of mutual funds are stated at fair value based on available market quotations.

Land, buildings and equipment

The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$5,000 at cost. Depreciation is provided over the estimated useful lives on a straight-line basis. No provision is made for depreciation on properties carried as investments.

Compensated absences

The Organization allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued, but are expensed as incurred. The Organization does not consider the accrued compensation, at year end, to be material to the financial statements.

Estimates

The process of preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain reported amounts and disclosures. Accordingly, upon settlement, actual results may differ from those estimated amounts.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 3 - DONATED SERVICES

The United Methodist Ministry with Children and Families, Inc. and Subsidiary (the Organization) receives a substantial amount of donated time from a number of volunteers which does not meet the recognition criteria of Financial Accounting Standards Board ASC 958-605, which states that contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated. Accordingly, the value of this donated time has not been determined and is not reflected in the accompanying financial statements.

NOTE 4 - INCOME TAXES

The Organization is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes has been made in the accompanying financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at December 31, 2017:

Land	\$ 37,397
Buildings and improvements	3,984,782
Equipment	136,201
Transportation equipment	272,698
Furniture and fixtures	<u>70,376</u>
	4,501,454
Less accumulated depreciation and amortization	<u>(1,833,459)</u>
	<u>\$ 2,667,995</u>

Depreciation expense charged to operations was \$306,122 for the year ended December 31, 2017.

NOTE 6 - INVESTMENTS

The following is a summary of investments at December 31, 2017:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Equity mutual funds	<u>\$ 1,010,000</u>	<u>\$ 1,207,504</u>	<u>\$ 197,504</u>

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 7 - FAIR VALUE OF INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, estimated prices are based on available historical data and near term pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

Fair value of assets measured on a recurring basis at December 31, 2017, are as follows:

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 1,207,504	\$ -	\$ -	\$ 1,207,504

Equity mutual funds

Fair value of shares held in equity mutual funds securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 8 - CHARITABLE REMAINDER TRUST

As of December 31, 2017, the Organization had received an unconditional promise to give from an estate in the amount of \$752,000. The Organization will receive the funds after all beneficiaries are deceased. The present value of the unconditional promise was estimated at \$58,683 at December 31, 2017. The unamortized discount using the federal rate will be recognized over the remaining lives of the beneficiaries, estimated at 48 years.

NOTE 9 - DEFERRED REVENUE

Deferred revenue represents amounts received in advance for expenses that will be incurred during 2018.

NOTE 10 – EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. The Consolidated Schedule of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, which is allocated on the basis of usage of the related buildings and equipment, as well as personnel costs, which are allocated on the basis of time and effort. Directly identifiable expenses are charged to specific programs and supporting services.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 11 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were restricted according to the following designations at December 31, 2017:

Asbury Foundation	\$ 84,578
Gene Still Kirk Thornton Fund	1,713
Wilson Price Trust	7,844
Velma Rogers Scholarship Fund	13,765
Dr. H.F. Magee Fund	17,538
Lee and Beulah Rogers Fund	11,692
Frank Youngblood Fund	1,205
Holland Family Endowment	2,724
Elmo and Pearl McClain Fund	116,914
William and Kate Cook Fund	29,229
R.B. Fulcher Memorial Fund	1,000
Hattie Coleman Fund	1,000
Northwest Campaign Endowment	6,430
Dr. James Donald Duggar Champion Fund	12,642
Remainder interest in Dupuy Charitable Remainder Trust	<u>58,683</u>
	<u>\$ 366,957</u>

The principal balance of permanently restricted net assets which cannot be expended were restricted according to the following designations at December 31, 2017:

Streater Endowment	\$ 46,822
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Crossgates UMC MCH Endowmen	<u>38,690</u>
	<u>\$ 595,512</u>

NOTE 12 - RETIREMENT PLAN

The Organization participates in the defined contribution pension plan of the United Methodist Church. Qualifying full time employees become eligible to participate in the plan after one year of service. Participants can make voluntary deferrals to the plan subject to a certain allowable portion of their salary after becoming eligible to participate. Voluntary deferrals for the year ended December 31, 2017 were \$14,017. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$12,162 in matching contributions to the plan during 2017.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Financial Statements

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization has \$1,125,093 in accounts at the Mississippi United Methodist Foundation, Inc. as of December 31, 2017, \$221,307 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$903,786 of these funds are restricted and are included in others assets and shown as part of restricted cash funds.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Organization has funds on deposit in financial institutions, which may at times, exceed amounts covered by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses and believes it is not exposed to any significant credit risk to cash. The Organization also has funds in accounts at the United Methodist Foundation of Mississippi. The Organization monitors the financial condition of the funds which are held in cash and cash equivalent securities.

NOTE 15 - CONCENTRATION OF RISK AND ECONOMIC DEPENDENCY

The Organization receives a significant amount of funds from the Mississippi Department of Human Services. The amount received during 2017 represents 63% of total revenue. The Organization's dependency on this source of revenue exposes it to the risks that exist due to concentration of revenue from one source.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. The Organization has evaluated subsequent events through February 18, 2020, the date which the consolidated financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the consolidated financial statements.

UNITED METHODIST MINISTRY
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Schedule of Functional Expenses
For the Year Ended December 31, 2017

	Program Services			Supporting Services		Total
	Foster family care	Group homes	Community care	Fundraising and development	General and administrative	
Salaries	\$ 325,710	\$1,299,367	\$ 418,190	\$ 172,793	\$ 69,105	\$ 2,285,165
Employee benefits	21,374	115,497	24,940	10,306	4,875	176,992
Payroll taxes	<u>24,055</u>	<u>95,247</u>	<u>30,418</u>	<u>12,337</u>	<u>5,126</u>	<u>167,183</u>
	371,139	1,510,111	473,548	195,436	79,106	2,629,340
Advertising	955	-	-	9,170	240	10,365
Allowances	-	20,484	-	-	-	20,484
Auto	2,001	23,387	1,109	-	1,426	27,923
Dues and subscriptions	-	-	-	2,393	5,642	8,035
Food and clothing	655	93,808	2,460	-	120	97,043
Foster care payments	359,480	-	-	-	-	359,480
Gifts	546	12,055	600	-	-	13,201
Insurance	18,193	122,554	24,457	5,865	67,808	238,877
Maintenance and repairs	759	63,960	5,729	52	45,156	115,656
Medical	27	528	132	-	-	687
Miscellaneous	2,193	3,458	626	-	-	6,277
Office and program supplies	2,485	19,394	4,853	52,198	27,968	106,898
Professional fees	77	4,596	1,677	-	32,560	38,910
Records management	4,905	14,607	4,125	-	1,785	25,422
Recreation	2,329	22,395	-	-	-	24,724
Startup and training	13,285	25,660	7,105	13,090	21,222	80,362
Travel	4,737	776	293	2,326	763	8,895
Utilities and telephone	<u>3,447</u>	<u>188,567</u>	<u>23,368</u>	<u>1,362</u>	<u>14,392</u>	<u>231,136</u>
	787,213	2,126,340	550,082	281,892	298,188	4,043,715
Depreciation and amortization	<u>22,959</u>	<u>229,592</u>	<u>15,306</u>	<u>7,653</u>	<u>30,612</u>	<u>306,122</u>
	<u>\$ 810,172</u>	<u>\$2,355,932</u>	<u>\$ 565,388</u>	<u>\$ 289,545</u>	<u>\$ 328,800</u>	<u>\$ 4,349,837</u>

The accompanying notes to financial statements are an integral part of these financial statements.