

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

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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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control over financial reporting and compliance.

Ridgeland, Mississippi  
December 10, 2020

*Watkins Ward and Stafford, P.C.*

UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Consolidated Statement of Financial Position  
December 31, 2019

Assets

Current Assets	
Cash and cash equivalents	\$ 1,110,581
Due from Department of Human Services	385,367
Contributions receivable	48,121
Miscellaneous receivables due from others	36,492
Prepaid insurance	<u>128,043</u>
Total Current Assets	<u>1,708,604</u>
Land, buildings and equipment, net of accumulated depreciation and amortization	<u>2,373,876</u>
Other Assets	
Restricted cash funds	958,588
Investments	847,332
Charitable remainder trust	60,819
Miscellaneous other assets	<u>2,927</u>
Total Other Assets	<u>1,869,666</u>
Total Assets	<u>\$ 5,952,146</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 134,346
Accrued expenses	<u>13,155</u>
Total Current Liabilities	<u>147,501</u>
Net Assets	
Without donor restrictions	4,785,238
With donor restrictions	<u>1,019,407</u>
Total Net Assets	<u>5,804,645</u>
Total Liabilities and Net Assets	<u>\$ 5,952,146</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 Activities

Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	\$ 1,248,196	\$ 116,089	\$ 1,364,285
Department of Human Services	2,040,299	-	2,040,299
Other care-providing fees	733,431	-	733,431
USDA meal reimbursement and rebate	47,360	-	47,360
Interest and dividends	56,927	24,735	81,662
Rental income	134,025	-	134,025
Loss on sale of investments	(911)	-	(911)
Net unrealized gain on investments	86,416	-	86,416
	<u>4,345,743</u>	<u>140,824</u>	<u>4,486,567</u>
Net assets released from restrictions	<u>107,037</u>	<u>(107,037)</u>	<u>-</u>
Total Support and Revenue	<u>4,452,780</u>	<u>33,787</u>	<u>4,486,567</u>
Expenses			
Program Services			
Foster family care	515,627	-	515,627
Group homes	1,615,974	-	1,615,974
Community care	680,728	-	680,728
Total Program Services	<u>2,812,329</u>	<u>-</u>	<u>2,812,329</u>
Supporting Services			
Fundraising and development	285,846	-	285,846
General and administrative	1,990,903	-	1,990,903
Total Supporting Services	<u>2,276,749</u>	<u>-</u>	<u>2,276,749</u>
Total Expenses	<u>5,089,078</u>	<u>-</u>	<u>5,089,078</u>
Increase (Decrease) in Net Assets	(636,298)	33,787	(602,511)
Net Assets, Beginning of Year	<u>5,421,536</u>	<u>985,620</u>	<u>6,407,156</u>
Net Assets, End of Year	<u>\$ 4,785,238</u>	<u>\$ 1,019,407</u>	<u>\$ 5,804,645</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, 2019

Cash flows from operating activities:

Decrease in net assets	\$ (602,511)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	239,480
Net unrealized gain on investments	(86,416)
Loss on sale of investments	911
Decrease in contributions receivable	19,214
Increase in due from others	(22,452)
Decrease in due from Department of Human Services	246,149
Increase in prepaid insurance	(36,697)
Increase in charitable remainder trust	(768)
Decrease in miscellaneous other assets	5,032
Decrease in accounts payable	(22,944)
Decrease in accrued expenses	(9,487)
Decrease in deferred revenue	(4,667)
Net cash used by operating activities	<u>(275,156)</u>

Cash flows from investing activities:

Purchase of equipment and improvements	(62,821)
Purchase of investments	(49,935)
Proceeds from sale of investments	<u>187,016</u>
Net cash provided by investing activities	<u>74,260</u>

Net decrease in cash and cash equivalents (200,896)

Beginning of year cash and cash equivalents 2,270,065

End of year cash and cash equivalents \$ 2,069,169

Recap of cash and cash equivalents

Cash and cash equivalents-unrestricted	\$ 1,110,581
Restricted cash funds	<u>958,588</u>
Total cash and cash equivalents	<u>\$ 2,069,169</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, 2019.

*Basis of presentation of net assets*

The Organization reports net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Net assets without donor restrictions are available to be used in the general operations of the Organization. Net assets restricted by the donor for a particular purpose or a particular future period are considered net assets with restrictions. When the restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

*Contributions*

Donated marketable securities and other noncash donations are recorded at their estimated fair value at the date of the donation. Contributions are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

*Cash and cash equivalents*

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



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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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, 2019, 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.

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets as of December 31, 2019:

Cash and cash equivalents	\$ 1,110,581
Receivables	469,980
Restricted cash funds	958,588
Investments	<u>847,332</u>
	3,386,481
Less those unavailable for general expenditures:	
Restricted net assets of the Organization	<u>(1,019,407)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 2,367,074</u></u>

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

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets available to meet cash needs for general expenditure within one year, consists of \$2,367,074 held in cash and cash equivalents, receivables and investments in marketable equity securities which could cover in excess of one year of general expenditures.

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditure. The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 - 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 5 - 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 6 - LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at December 31, 2019:

Land	\$ 37,397
Buildings and improvements	4,105,682
Equipment	152,065
Transportation equipment	367,596
Furniture and fixtures	70,376
	<u>4,733,116</u>
Less accumulated depreciation and amortization	<u>(2,359,240)</u>
	<u>\$ 2,373,876</u>

Depreciation expense charged to operations was \$239,480 for the year ended December 31, 2019.

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

NOTE 7 - INVESTMENTS

The following is a summary of investments at December 31, 2019:

	Cost	Market	Unrealized Gain
Equity mutual funds	\$ 822,692	\$ 847,332	\$ 24,640

NOTE 8 - 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, 2019, are as follows:

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 847,332	\$ -	\$ -	\$ 847,332

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 9 - CHARITABLE REMAINDER TRUST

As of December 31, 2019, 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 \$60,819 at December 31, 2019. The unamortized discount using the federal rate will be recognized over the remaining lives of the beneficiaries, estimated at 47 years.

NOTE 10 – FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. 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  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Notes to Financial Statements

NOTE 10-FUNCTIONAL EXPENSES (CONTINUED)

	Program Services			Supporting Services		Total
	Foster family care	Group homes	Community care	Fundraising and development	General and administrative	
Salaries	\$ 282,625	\$1,117,231	\$ 496,664	\$ 120,976	\$ 882,038	\$ 2,899,534
Employee benefits	26,324	81,998	49,205	9,905	171,698	339,130
Payroll taxes	<u>19,893</u>	<u>82,256</u>	<u>35,768</u>	<u>8,811</u>	<u>61,166</u>	<u>207,894</u>
	328,842	1,281,485	581,637	139,692	1,114,902	3,446,558
Advertising	221	-	123	93,657	368	94,369
Allowances	-	10,912	-	-	-	10,912
Auto	3,950	18,989	2,581	-	3,363	28,883
Dues and subscriptions	-	-	-	114	27,887	28,001
Food and clothing	453	76,453	818	-	2,033	79,757
Foster care payments	116,371	-	-	-	-	116,371
Gifts	415	602	639	-	5,596	7,252
Insurance	112	974	112	793	165,969	167,960
Interest	-	-	-	-	3,393	3,393
Licenses and permits	-	-	-	-	20,804	20,804
Maintenance and repairs	7,557	46,844	7,864	-	110,537	172,802
Medical	30	2,021	-	-	307	2,358
Miscellaneous	450	1,325	674	507	71,493	74,449
Office and program supplies	1,862	11,946	2,206	16,592	87,816	120,422
Professional fees	15	72	-	-	68,493	68,580
Records management	600	1,800	14,065	-	-	16,465
Recreation	2,571	24,476	-	-	-	27,047
Startup and training	10,498	19,588	13,682	18,022	77,443	139,233
Travel	1,684	12	1,790	1,742	2,180	7,408
Utilities and telephone	<u>15,732</u>	<u>42,431</u>	<u>22,504</u>	<u>1,275</u>	<u>134,632</u>	<u>216,574</u>
	491,363	1,539,930	648,695	272,394	1,897,216	4,849,598
Depreciation and amortization	<u>24,264</u>	<u>76,044</u>	<u>32,033</u>	<u>13,452</u>	<u>93,687</u>	<u>239,480</u>
	<u>\$ 515,627</u>	<u>\$1,615,974</u>	<u>\$ 680,728</u>	<u>\$ 285,846</u>	<u>\$ 1,990,903</u>	<u>\$ 5,089,078</u>

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

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor imposed restriction, were restricted according to the following designations at December 31, 2019:

Spending of corpus allowed

Asbury Foundation	\$ 115,503
Gene Still Kirk Thornton Fund	1,803
Wilson Price Trust	8,259
Velma Rogers Scholarship Fund	14,493
Dr. H.F. Magee Fund	18,465
Lee and Beulah Rogers Fund	12,310
Frank Youngblood Fund	1,269
Holland Family Endowment	2,868
Elmo and Pearl McClain Fund	123,099
William and Kate Cook Fund	30,775
R.B. Fulcher Memorial Fund	1,000
Hattie Coleman Fund	1,000
Northwest Campaign Endowment	6,770
Dr. James Donald Duggar Champion Fund	13,008
Remainder interest in Dupuy Charitable Remainder Trust	60,819
	<u>411,441</u>

Corpus to be held in perpetuity

Streater Endowment	49,299
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Crossgates UMC MCH Endowment	48,667
	<u>607,966</u>

Total net assets with donor restrictions	<u>\$ 1,019,407</u>
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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, 2019 were \$15,695. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$10,318 in matching contributions to the plan during 2019.

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

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization has \$1,112,260 in accounts at the Mississippi United Methodist Foundation, Inc. As of December 31, 2019, \$153,672 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$958,588 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). At December 31, 2019, the Organization exceeded the insured limit by \$19,163. 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 2019 represents 46% 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 December 10, 2020, the date which the consolidated financial statements were available to be issued, and determined the following event required disclosures:

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the Organization's operations. As of December 10, 2020, the Organization reports no measurably adverse effects on revenue, workforce or related costs which can be attributed directly to COVID-19. The Organization currently has significant revenue and financial reserves to continue operations for the foreseeable future.



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**INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Methodist Ministry with Children and Families, Inc. and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 10, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered United Methodist Ministry with Children and Families, Inc. and Subsidiary’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Methodist Ministry with Children and Families, Inc. and Subsidiary’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Methodist Ministry with Children and Families, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Ridgeland, Mississippi  
December 10, 2020

*Watkins Ward and Stafford, P.C.*