

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Ministry with Children and Families, Inc. and Subsidiary, as of December 31, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Methodist Ministry with Children and Families, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Methodist Ministry with Children and Families, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 and *Government 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 United Methodist Ministry with Children and Families, Inc. and Subsidiary's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Methodist Ministry with Children and Families, Inc. and Subsidiary's 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025, 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 the effectiveness of United Methodist Ministry with Children and Families, Inc. and Subsidiary's 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.

Watkins Ward and Stafford, P.C.

Ridgeland, Mississippi

January 27, 2025

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position
December 31, 2023

Assets

Current Assets	
Cash and cash equivalents	\$ 206,040
Accounts receivable- DHS	1,184,920
Miscellaneous receivables due from others	177,529
Employee retention credit receivable	<u>1,572,915</u>
Total Current Assets	<u>3,141,404</u>
Land, buildings and equipment, net of accumulated depreciation	<u>1,802,654</u>
Other Assets	
Restricted cash funds	1,569,104
Investments	297,536
Charitable remainder trust	68,958
Miscellaneous other assets	<u>2,927</u>
Total Other Assets	<u>1,938,525</u>
Total Assets	<u>\$ 6,882,583</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 155,104
Deferred revenue	<u>560,010</u>
Total Liabilities	<u>715,114</u>
Net Assets	
Without donor restrictions	5,073,430
With donor restrictions	<u>1,094,039</u>
Total Net Assets	<u>6,167,469</u>
Total Liabilities and Net Assets	<u>\$ 6,882,583</u>

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

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

Consolidated Statement of Activities

Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 1,940,625	\$ 9,920	\$ 1,950,545
Grant revenue	239,990	-	239,990
Department of Human Services	3,269,185	-	3,269,185
Other care-providing fees	542,982	-	542,982
USDA meal reimbursement and rebate	52,900	-	52,900
Interest and dividends	8,376	59,335	67,711
Rental income	104,977	-	104,977
Gain on sale of land and vehicle	169,320	-	169,320
Gain on sale of investments	13,011	-	13,011
Net unrealized gain on investments	36,759	-	36,759
	<u>6,378,125</u>	<u>69,255</u>	<u>6,447,380</u>
Net assets released from restrictions	69,971	(69,971)	-
Total Revenue, Gains and Other Support	<u>6,448,096</u>	<u>(716)</u>	<u>6,447,380</u>
Expenses			
Program Services			
Foster family care	354,876	-	354,876
Group homes	1,745,565	-	1,745,565
Community care	2,382,222	-	2,382,222
Total Program Services	<u>4,482,663</u>	<u>-</u>	<u>4,482,663</u>
Supporting Services			
Fundraising and development	187,597	-	187,597
General and administrative	2,207,645	-	2,207,645
Total Supporting Services	<u>2,395,242</u>	<u>-</u>	<u>2,395,242</u>
Total Expenses	<u>6,877,905</u>	<u>-</u>	<u>6,877,905</u>
Change in Net Assets	(429,809)	(716)	(430,525)
Net Assets, Beginning of Year	<u>5,503,239</u>	<u>1,094,755</u>	<u>6,597,994</u>
Net Assets, End of Year	<u>\$ 5,073,430</u>	<u>\$ 1,094,039</u>	<u>\$ 6,167,469</u>

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

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended December 31, 2023

	Program Services				Supporting Activities			Total Expenses
	Foster family care	Group homes	Community Care	Total program services	Fundraising and development	General and administrative	Total supporting activities	
Salaries	\$ 158,447	\$ 961,895	\$ 1,773,375	\$ 2,893,717	\$ 92,825	\$ 950,559	\$ 1,043,384	\$ 3,937,101
Employee benefits	22,231	71,380	117,576	211,187	4,894	70,457	75,351.00	286,538
Payroll taxes	11,555	70,475	136,206	218,236	7,016	65,413	72,429.00	290,665
	<u>192,233</u>	<u>1,103,750</u>	<u>2,027,157</u>	<u>3,323,140</u>	<u>104,735</u>	<u>1,086,429</u>	<u>1,191,164</u>	<u>4,514,304</u>
Advertising	795	-	-	795	11,890	-	11,890	12,685
Allowances	-	8,492	-	8,492	-	-	-	8,492
Auto	1,701	8,992	6,477	17,170	-	12,147	12,147	29,317
Dues and subscriptions	-	-	-	-	13,436	28,192	41,628	41,628
Food and clothing	-	126,182	17,011	143,193	-	-	-	143,193
Foster care payments	90,834	-	-	90,834	-	-	-	90,834
Gifts	-	152	-	152	635	6,793	7,428	7,580
Insurance	-	-	-	-	-	265,106	265,106	265,106
Maintenance and repairs	15,655	112,904	37,443	166,002	3,719	126,055	129,774	295,776
Medical	46	3,755	-	3,801	-	11,357	11,357	15,158
Miscellaneous	8,072	61,747	33,686	103,505	-	20,924	20,924	124,429
Office and program supplies	530	40,552	69,250	110,332	24,654	149,628	174,282	284,614
Professional fees	-	4,789	-	4,789	-	240,069	240,069	244,858
Recreation	2,318	38,701	-	41,019	-	-	-	41,019
Startup and training	10,394	26,339	20,004	56,737	10,744	74,983	85,727	142,464
Travel	-	1,585	3,572	5,157	1,679	24,252	25,931	31,088
Utilities and telephone	15,363	122,952	49,080	187,395	5,944	53,330	59,274	246,669
	<u>145,708</u>	<u>557,142</u>	<u>236,523</u>	<u>939,373</u>	<u>72,701</u>	<u>1,012,836</u>	<u>1,085,537</u>	<u>2,024,910</u>
Depreciation	16,935	84,673	118,542	220,150	10,161	108,380	118,541	338,691
Total Expenses	\$ 354,876	\$ 1,745,565	\$ 2,382,222	\$ 4,482,663	\$ 187,597	\$ 2,207,645	\$ 2,395,242	\$ 6,877,905

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

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ (430,525)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	338,691
Net unrealized gain on investments	(36,759)
Gain on sale of investments	(13,011)
Gain on sale of land and vehicle	(169,320)
Increase in miscellaneous receivables due from others	(64,804)
Increase in accounts receivable-DHS	(707,041)
Increase in charitable remainder trust	(3,446)
Increase in accounts payable	80,240
Increase in deferred revenue	560,010
Net cash used by operating activities	<u>(445,965)</u>
Cash flows from investing activities:	
Purchase of equipment and improvements	(220,856)
Proceeds from sale of investments	616,997
Purchase of investments	(2,072)
Proceeds from sale of land and vehicle	199,320
Net cash provided by investing activities	<u>593,389</u>
Net increase in cash, cash equivalents and restricted cash	147,424
Beginning of year cash, cash equivalents and restricted cash	<u>1,627,720</u>
End of year cash, cash equivalents and restricted cash	<u>\$ 1,775,144</u>
Recap of cash, cash equivalents and restricted cash	
Cash and cash equivalents-unrestricted	\$ 206,040
Restricted cash funds	<u>1,569,104</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,775,144</u>

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

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Consolidated 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, therapeutic clinical services and funds received from the Mississippi Department of Human Services 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.

a) *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.

b) *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, 2023.

c) *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.

d) *Contributions*

Contributions to the Organization are recorded in the period received. 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.

e) *Cash and cash equivalents*

For purposes of these financial statements, cash and cash equivalents consist of cash held in bank checking accounts and accounts with the Mississippi United Methodist Foundation.

f) *Receivables*

Receivables are shown at their net realizable value. An allowance for credit losses is provided when determined by management to be necessary based on its analysis of amounts and nature of outstanding accounts. As of December 31, 2023, management has determined that no allowance is necessary and amounts are fully collectible

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

Note 2 - Summary of Significant Accounting Policies (continued)

g) *Investments*

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

h) *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.

i) *Deferred revenue*

Grant revenue received in advance of an approved expenditure are deferred. The revenue is recognized on a quarterly basis when the approved expenditure is paid.

j) *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.

k) *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. Management uses the following estimates in preparing the Organization's financial statements:

- Depreciation on buildings and equipment is provided over the estimated useful lives of the assets on a straight-line basis.
- Investments in mutual funds are determined using quoted market values.
- Estimated value of interest in charitable remainder trust was originally discounted several years ago when the trust was established and is adjusted annually by the applicable federal rate.

l) *New Accounting Pronouncement*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 326, Financial Instruments-Credit Losses. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

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

Note 2 - Summary of Significant Accounting Policies (continued)

m) Revenue

The Organization recognizes revenue using guidance provided by FASB ASU 2018-08 in which contracts or agreements are accounted for as a contribution or as an exchange transaction. Contributions are evaluated to determine whether it is conditional or unconditional. Unconditional contributions are recognized immediately, whereas conditional contributions are recorded once all conditions have been met. The Organization has determined that no conditional contributions were received during the year.

Exchange transactions are recognized using FASB ASU 2014-09. The Organization has determined that revenue from therapeutic group homes, foster care, and therapeutic clinical services should be accounted for as exchange transactions. Revenue for therapeutic group homes, foster care and therapeutic clinical services are recognized when the service is provided to the eligible children. Request for reimbursement of therapeutic group homes and foster care services are submitted at the end of each month to the Mississippi Department of Human Services. The amount of reimbursement is determined at a monthly per diem rate as established by the Mississippi Department of Human Services. Therapeutic clinical service fees as established by the Organization are recognized as revenue and due from the responsible party at the time the service is provided.

During 2023, the Organization received a grant from the Mississippi Attorney General Victims of Human Trafficking and Commercial Sexual Exploitation Fund in the amount of \$800,000 for the purpose of supporting programs that provide shelter, counseling, medical needs, transitional housing and other related services to victims of human trafficking and commercial sexual exploitation at no charge to the victim. The funds were disbursed to the Organization in one initial lump sum and is included in deferred revenue. The Organization provides quarterly expenditure reports to the Attorney General's Office that summarize the expenditure of the funds provided for this program and the Organization recognizes the related revenue at this time.

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, 2023:

Cash and cash equivalents	\$ 206,041
Receivables	2,935,364
Restricted cash funds	1,569,104
Investments	<u>297,536</u>
	5,008,045
Less those unavailable for general expenditures:	
Restricted net assets of the Organization	<u>(1,094,039)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,914,006</u>

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Consolidated 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 \$3,353,996 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 – 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.

Note 5 - Land, Buildings and Equipment

The following is a summary of land, buildings and equipment at December 31, 2023:

Land	\$ 37,397
Buildings and improvements	4,449,114
Equipment	273,329
Transportation equipment	481,280
Furniture and fixtures	<u>90,607</u>
	5,331,727
Less accumulated depreciation	<u>(3,529,073)</u>
	<u>\$ 1,802,654</u>

Depreciation expense charged to operations was \$338,691 for the year ended December 31, 2023.

Note 6 - Investments

The following is a summary of investments at December 31, 2023:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Loss</u>
Equity mutual funds	<u>\$ 308,543</u>	<u>\$ 297,536</u>	<u>\$ (11,007)</u>

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Consolidated 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, 2023, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 297,536	\$ -	\$ -	\$ 297,536

Equity mutual funds

Fair value of shares held in equity mutual fund 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, 2022, 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 \$65,512 at December 31, 2022.

Note 9-Deferred Revenue

The Organization received a grant from the Mississippi Attorney General’s Office Victims of Human Trafficking and Commercial Sexual Exploitation Fund in the amount of \$800,000 for the purpose of supporting programs that provide shelter, counseling, medical needs, transitional housing and other related services to victims of human trafficking and commercial sexual exploitation at no charge to the victim. The funds were disbursed to the Organization in one initial lump sum and is included in deferred revenue. The Organization provides quarterly expenditure reports to the Attorney General’s Office that summarize the expenditure of the funds provided for this program and the Organization recognizes the related revenue at this time. The unexpended grant funds of \$560,010 are shown as deferred revenue in the statement of financial position as of December 31, 2023. Revenue recognized from this grant for the year ended December 31, 2023 in the amount of \$239,990 is shown as grant revenue in the statement of activities.

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

Note 10 – Net Assets with Donor Restrictions

Net assets subject to donor-imposed restriction, were restricted according to the following designations at December 31, 2023:

Spending of corpus allowed

Asbury Foundation	\$ 131,425
Gene Still Kirk Thornton Fund	2,000
Wilson Price Trust	9,160
Velma Rogers Scholarship Fund	16,075
Dr. H.F. Magee Fund	20,481
Lee and Beulah Rogers Fund	13,653
Frank Youngblood Fund	1,408
Holland Family Endowment	3,181
Elmo and Pearl McClain Fund	132,330
William and Kate Cook Fund	34,135
R.B. Fulcher Memorial Fund	1,023
Hattie Coleman Fund	1,023
Northwest Campaign Endowment	7,510
Dr. James Donald Duggar Champion Fund	16,160
Remainder interest in Dupuy Charitable Remainder Trust	68,958
	<u>458,522</u>

Corpus to be held in perpetuity

Streater Endowment	54,681
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Khayat Memorial	1,500
Crossgates UMC MCH Endowment	69,336
	<u>635,517</u>

Total net assets with donor restrictions	<u>\$ 1,094,039</u>
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Note 11 – 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 WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

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, 2023 were \$28,504. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$18,217 in matching contributions to the plan during 2023.

Note 13 – Rental Income

Rental income is reported in accordance with Financial Accounting Standards Board (FASB) 842 issued Accounting Standards Update 2016-02 as an operating lease. The Organization leases two buildings to Hinds Behavioral Health and a parcel of land to another party for the operation of a cellphone tower. The Organization as the lessor recognizes income from these leases in accordance with the terms of the separate lease agreements. The building leases were for an initial term of two years with three two year renewal extensions and the land lease was for an initial term of five years with nine five year renewal extensions. Rental income of \$104,977 was recognized under these leases for the year ended December 31, 2023.

Note 14 - Related Party Transactions

The Organization has \$1,585,035 in accounts at the Mississippi United Methodist Foundation, Inc. As of December 31, 2023, \$15,931 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$1,569,104 of these funds are restricted and are included in others assets and shown as part of restricted cash funds.

Note 15 – Employee Retention Credit

In 2021, the Organization substantially met the requirements to receive \$1,572,915 of refundable tax credits in accordance with the Employee Retention Credit (ERC) program, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The ERC is shown as a receivable in the consolidated statement of financial position.

Note 16 – Concentrations and Credit Risks

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. The Organization also has investments in mutual funds subject to various market risks that could materially affect the amount shown in the financial statements.

The Organization receives a significant amount of funds from the Mississippi Department of Human Services. The amount received during 2023 represents approximately 51% 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.

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

Note 17 - 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 January 27, 2025, 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 financial statements.



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

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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 consolidated 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, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated January 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Methodist Ministry with Children and Families, Inc. and Subsidiary's consolidated 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 consolidated 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.

Watkins Ward and Stafford, P.C.

Ridgeland, Mississippi
January 27, 2025