

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Methodist Youth Home, Inc.

We have audited the accompanying financial statements of United Methodist Youth Home, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Youth Home, Inc. 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.

Prior Period Financial Statements

The financial statements of United Methodist Youth Home, Inc. as of December 31, 2018, were audited by other auditors, whose report dated April 11, 2019, expressed an unmodified opinion on those statements.

Evansville, IN
June 26, 2020

United Methodist Youth Home, Inc.
Statements of Financial Position
December 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 575,619	\$ 141,581
Restricted Cash- Endowment	33,517	122,648
Total Cash and Cash Equivalents	<u>609,136</u>	<u>264,229</u>
Pledges Receivable	2,000	-
Government Service Revenue Receivable	92,426	174,622
Prepaid Expenses and Other Assets	10,079	10,620
Total Current Assets	<u>713,641</u>	<u>449,471</u>
Property and Equipment		
Automobiles	109,265	111,215
Building	1,329,581	1,329,895
Construction in Progress	3,000	-
Equipment	47,885	72,015
Land and Improvements	22,630	22,630
Office Equipment	33,864	61,306
Less: Accumulated Depreciation	<u>(602,227)</u>	<u>(646,229)</u>
Total Property and Equipment	<u>943,998</u>	<u>950,832</u>
Other Assets		
Investments	686,741	730,595
Investments- Endowment	616,350	536,833
Total Investments	<u>1,303,091</u>	<u>1,267,428</u>
Beneficial Interest in Remainder Trust	369,684	311,728
Total Other Assets	<u>1,672,775</u>	<u>1,579,156</u>
Total Assets	<u>\$ 3,330,414</u>	<u>\$ 2,979,459</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 10,837	\$ 17,051
Line of Credit	49,975	64,500
Accrued Expenses	24,849	22,164
Total Current Liabilities	<u>85,661</u>	<u>103,715</u>
Net Assets		
Without Donor Restrictions	2,030,585	1,955,338
With Donor Restrictions	1,214,168	920,406
Total Net Assets	<u>3,244,753</u>	<u>2,875,744</u>
Total Liabilities and Net Assets	<u>\$ 3,330,414</u>	<u>\$ 2,979,459</u>

See notes to financial statements

United Methodist Youth Home, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support and Service Revenues			
Contributions	\$ 361,761	\$ 164,157	\$ 525,918
Government Service Revenue	1,446,944	-	1,446,944
Total Public Support and Service Revenue	<u>1,808,705</u>	<u>164,157</u>	<u>1,972,862</u>
Other Revenue			
Interest	1,555	-	1,555
Investment Return	37,895	113,018	150,913
Gain or (Loss) on Disposal of Fixed Assets	(4,448)	-	(4,448)
Change in Value of Beneficial Interest in Remainder Trust	-	57,957	57,957
Net Assets Released From Restrictions	41,370	(41,370)	-
Total Other Revenue	<u>76,372</u>	<u>129,605</u>	<u>205,977</u>
Total Public Support and Revenue	<u>1,885,077</u>	<u>293,762</u>	<u>2,178,839</u>
FUNCTIONAL EXPENSES			
Program Service			
Residential	1,132,168	-	1,132,168
Day Treatment	163,537	-	163,537
Truancy	147,091	-	147,091
Total Program Service	<u>1,442,796</u>	<u>-</u>	<u>1,442,796</u>
Supporting Services			
Management and General	209,117	-	209,117
Fundraising	157,917	-	157,917
Total Supporting Services	<u>367,034</u>	<u>-</u>	<u>367,034</u>
Total Functional Expenses	<u>1,809,830</u>	<u>-</u>	<u>1,809,830</u>
Change in Net Assets	75,247	293,762	369,009
Net Assets- beginning of year	<u>1,955,338</u>	<u>920,406</u>	<u>2,875,744</u>
Net Assets- end of year	<u>\$ 2,030,585</u>	<u>\$ 1,214,168</u>	<u>\$ 3,244,753</u>

See notes to financial statements

United Methodist Youth Home, Inc.
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support and Service Revenues			
Contributions	\$ 267,613	\$ 19,119	\$ 286,732
Government Service Revenue	1,371,694	-	1,371,694
Total Public Support and Service Revenue	<u>1,639,307</u>	<u>19,119</u>	<u>1,658,426</u>
Other Revenue			
Interest	3,700	-	3,700
Investment Return	(26,385)	(1,209)	(27,594)
Gain or (Loss) on Disposal of Fixed Assets	799	-	799
Change in Value of Beneficial Interest in Remainder Trust	-	(31,731)	(31,731)
Net Assets Released From Restrictions	1,118,187	(1,118,187)	-
Total Other Revenue	<u>1,096,301</u>	<u>(1,151,127)</u>	<u>(54,826)</u>
Total Public Support and Revenue	<u>2,735,608</u>	<u>(1,132,008)</u>	<u>1,603,600</u>
FUNCTIONAL EXPENSES			
Program Service			
Residential	1,064,404	-	1,064,404
Day Treatment	253,391	-	253,391
Truancy	137,300	-	137,300
Total Program Service	<u>1,455,095</u>	<u>-</u>	<u>1,455,095</u>
Supporting Services			
Management and General	233,450	-	233,450
Fundraising	91,383	-	91,383
Total Supporting Services	<u>324,833</u>	<u>-</u>	<u>324,833</u>
Total Functional Expenses	<u>1,779,928</u>	<u>-</u>	<u>1,779,928</u>
Change in Net Assets	955,680	(1,132,008)	(176,328)
Net Assets- beginning of year	<u>999,658</u>	<u>2,052,414</u>	<u>3,052,072</u>
Net Assets- end of year	<u>\$ 1,955,338</u>	<u>\$ 920,406</u>	<u>\$ 2,875,744</u>

See notes to financial statements

**United Methodist Youth Home, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019**

	Program Services			Management and General	Fundraising	Total
	Residential	Day Treatment	Truancy			
Activities	\$ 18,079	\$ 160	\$ -	\$ -	\$ -	\$ 18,239
Automobile	8,597	4,490	-	-	-	13,087
Clothing	7,519	-	-	-	-	7,519
Depreciation	26,608	8,767	3,271	3,970	-	42,616
Dues and Fees	1,272	457	98	12,755	4,103	18,685
Education and Training	1,854	956	-	158	1,752	4,720
Education- Students	-	2,332	-	-	-	2,332
Fundraising Expense	-	-	-	-	4,815	4,815
Groceries	33,235	8,047	-	98	509	41,889
Incentives for Residents	6,804	1,979	1,274	-	-	10,057
Insurance	20,926	7,040	3,290	6,580	3,290	41,126
Maintenance and Repairs	24,395	3,988	528	3,137	528	32,576
Medical Expenses for Residents	2,966	-	-	-	-	2,966
Miscellaneous	108	-	-	280	-	388
New Hire Expenses	9,204	2,268	1,082	4,653	1,106	18,313
Office Supplies	9,426	1,436	505	4,350	5,145	20,862
Paper Goods	3,105	1,575	-	141	-	4,821
Payroll	747,251	84,183	100,017	143,956	108,996	1,184,403
Payroll Taxes & Benefits	160,277	23,807	22,301	21,014	13,855	241,254
Printing	200	-	-	-	8,172	8,372
Professional Fees	23,692	3,544	1,376	1,237	209	30,058
Special Event Venue Fees	-	-	-	214	484	698
Telephone	3,332	532	2,061	474	237	6,636
Travel	2,289	30	9,318	2,158	2,744	16,539
Utilities	21,029	7,946	1,970	3,942	1,972	36,859
Total Functional Expenses	\$ 1,132,168	\$ 163,537	\$ 147,091	\$ 209,117	\$ 157,917	\$ 1,809,830

United Methodist Youth Home, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Management and General	Fundraising	Total
	Residential	Day Treatment	Truancy	Total Program			
Activities	\$ 12,348	\$ 226	\$ -	\$ 12,574	\$ -	\$ -	\$ 12,574
Automobile	10,482	4,999	-	15,481	-	-	15,481
Clothing	7,339	571	21	7,931	-	-	7,931
Contract Labor	7,428	-	-	7,428	-	-	7,428
Depreciation	23,979	5,243	1,046	30,268	1,231	-	31,499
Dues and Fees	366	50	-	416	14,712	2,734	17,862
Education and Training	2,999	272	148	3,419	443	1,465	5,327
Groceries	25,206	17,284	-	42,490	33	4	42,527
Incentives for Residents	6,661	10,529	2,509	19,699	-	-	19,699
Insurance	21,121	9,152	3,306	33,579	5,236	2,186	41,001
Interest	-	-	-	-	506	-	506
Maintenance and Repairs	7,947	2,337	41	10,325	4,576	49	14,950
Medical Expenses for Residents	6,695	151	-	6,846	-	-	6,846
Miscellaneous	13,393	4,007	895	18,295	55	159	18,509
New Hire Expenses	-	-	-	-	1,898	1,269	3,167
Office Supplies	7,765	1,668	1,209	10,642	35,293	3,134	49,069
Paper Goods	773	273	-	1,046	-	-	1,046
Payroll	708,908	138,249	99,029	946,186	149,850	61,176	1,157,212
Payroll Taxes & Benefits	142,469	40,633	17,002	200,104	14,019	5,986	220,109
Printing	331	106	-	437	123	9,530	10,090
Professional Fees	18,298	5,829	1,424	25,551	859	-	26,410
Special Event Venue Fees	-	-	-	-	-	81	81
Supplies	9,298	1,794	-	11,092	-	-	11,092
Telephone	2,770	860	2,267	5,897	551	272	6,720
Travel	2,207	543	7,882	10,632	3,023	2,817	16,472
Utilities	25,621	8,615	521	34,757	1,042	521	36,320
Total Functional Expenses	\$ 1,064,404	\$ 253,391	\$ 137,300	\$ 1,455,095	\$ 233,450	\$ 91,383	\$ 1,779,928

See notes to financial statements

United Methodist Youth Home, Inc.
Statements of Cash Flows
For the Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 369,009	\$ (176,328)
Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:		
Depreciation	42,616	31,499
Realized and Unrealized (gains) or losses on Investments	(134,048)	27,589
(Gain) or Loss on Dispositions of Fixed Assets	4,448	-
Change in Beneficial Interest in Remainder Trust	(57,957)	31,731
(Increase) Decrease in Operating Assets:		
Government Service Revenue Receivable	82,196	59,373
Pledges Receivable	(2,000)	789,649
Prepaid Expenses and Other Assets	541	(3,023)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	3,529	(86,088)
Net Cash Provided (Used) by Operating Activities	<u>308,334</u>	<u>674,402</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(40,878)	(464,480)
Purchase of Investments	(1,340,918)	(1,060,936)
Net Change in Cash Equivalents Included in Investments	87,684	-
Proceeds from Sales and Maturities of Investments	1,344,711	-
Proceeds from Sales of Property & Equipment	500	-
Net Cash Provided (Used) by Investing Activities	<u>51,099</u>	<u>(1,525,416)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Line of Credit	(14,525)	64,500
Net Cash Provided (Used) by Financing Activities	<u>(14,525)</u>	<u>64,500</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	344,907	(786,514)
 Cash and Cash Equivalents- beginning of year	<u>264,229</u>	<u>1,050,743</u>
 Cash and cash Equivalents- end of year	<u>\$ 609,136</u>	<u>\$ 264,229</u>
 Supplemental Disclosures of Cash Flows Information		
Interest Paid	\$ 3,386	\$ 506

See notes to financial statements

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The United Methodist Youth Home, Inc.(the “Organization) is a nonprofit organization. The Organization is a faith based non-profit agency that strives to help at-risk youth become responsible and productive members of the community. The Organization operated the following programs:

Residential Treatment Program, which currently operates a licensed group home for girls ages 10-21 and a licensed group home for boys ages 10 to 21. Resident programming focused on developing pro-social behavior, personal responsibility, educational achievement, and independent living skills training. Residents are usually placed at the Organization with the goal of reunification with parents or relatives, emancipation, or placement in a foster home or other less restrictive environment.

Day Treatment Program, which works with youth who have either dropped out of school, who are having adjusting socially or academically in school, who have been suspended or expelled from school, or who need a more intensive and structured program. The program includes intensive preparation for the high school equivalency exam. The youth also participate in a daily cognitive skills group on topics such as self-esteem, problem solving, anger management, healthy lifestyles, and independent living.

Truancy Intervention Program is a program to prevent youth from dropping out of school, increase the youth’s school attendance, and improve the youth’s overall academic performance. The program assesses both the youth and the family to determine the obstacles to school attendance, The program works with the youth and the family to put appropriate interventions in place to overcome the obstacles, resulting in a improvements of academic performance.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions- These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions- These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Federal Income Taxes

The Organization is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all investments with a maturity of three months or less at the date of purchase to be cash equivalents. Accounts at each institution are insured by the FDIC up to \$250,000. At December 31, 2019 and 2018, the Organization had \$0 and \$0, respectively in excess of the FDIC limit.

Government Service Revenue Receivable

Government service revenue receivable consist of noninterest-bearing amounts for residential, day treatment and truancy services. The allowance for uncollectible accounts is determined based on historical experience and a review of subsequent receipts. Government service revenue receivable are written off when deemed uncollectible. At December 31, 2019 and 2018, management determined no allowance for uncollectible amounts is necessary. 100% of the government service revenue receivable is due from three agencies of the State of Indiana.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair market value of donated assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an assets may not be recoverable from the estimated future cash flows expected to result form its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. The Organization has determined that no long-lived assets were impaired during the years ended December 31, 2019 and 2018.

Beneficial Interests in Charitable Trusts Held by Others

The Organization has been named as a beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by a donor and is administered by an outside agent designated by the donor. Therefore, the Organization have neither possession nor control over the assets of the trust. At the date the Organization received notice of a beneficial interest, a contribution with donor restrictions is recorded in the Statements of Activities, and a beneficial interest in charitable trusts held by others is recorded in the Statements of Financial Position at fair value using the underlying value of the assets held. Therefore, beneficial interests in the trusts are reported at fair value in the Statements of Financial Position, with changes in fair value recognized in the Statements of Activities.

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Investments

Purchased investments are recorded at cost or if donated, fair value at the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Government Service Revenue

Revenue is recognized when earned. The Organization receives government service revenue through periodic receipts of funds claimed by monthly filings with the respective funding sources. At December 31, 2019 and 2018 representing 66% and 85%, of revenues, respectively, receives revenues from the following governmental sources:

The *Indiana Department of Child Services (IDCS)* agreement to provide residential treatment is effective until December 31, 2020. The award amount is determined monthly by the number of residents of the Organization served multiplied by the established per diem rates and counseling hours provided to the residents and their families.

The *Indiana Department of Education (IDOE)* agreement operates on a June 30th fiscal year. The Organization has a permanent agreement with the IDOE. The award amount is determined monthly by the number of meals the Organization serves to children multiplied by the established reimbursement rates.

The *Indiana Department of Child Services (IDCS)* agreement to provide day treatment and truancy intervention services is effective until June 30, 2021. The award amount is determined monthly by the number of youths the Organization served multiplied by established per diem rates.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notifications of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

Volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at the fair value at the date of donation. No significant contributions of such goods and services were received during the years ended December 31, 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, costs have been allocated among the program and services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on the square footage of each building or department and the current student census in each particular program unless the expense is specified. Expenses allocated include insurance-general, utilities and office supplies.

Unemployment Compensation

The Organization has elected to finance unemployment compensation benefits under a reimbursement method whereby the Organization is billed for actual benefits paid.

Recently Issued Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The restricted net asset class has been renamed *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).
- The financial statements expand the disclosure requirements of functional expenses related to the allocation of expenses to include a description of the methods used to allocate those expenses (Note 1).

NOTE 2- SIMPLE RETIREMENT PLAN

The Organization adopted a Simple IRA retirement plan. The Organization contributes a matching contribution up to 3% of the employee's annual salary. The Organization's contributions to a plan were \$15,566 and \$15,060 for the years ending December 31, 2019 and 2018, respectively.

NOTE 3- RELATED PARTY TRANSACTIONS

The Organization is affiliated with the United Methodist Church, and the majority of the Organization's board members are members of local United Methodist Churches. The Organization periodically receives donations from local United Methodist Churches, which are recorded as public support on the financial statements.

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4- BENEFICIAL INTEREST IN REMAINDER TRUST

The Organization has been named a secondary beneficiary in a charitable remainder trust administered by an outside party. The primary beneficiary will receive all income distributions until death. Upon death of the primary beneficiary, the Organization will become the primary beneficiary of the trust's assets.

Beneficial interest in remainder trust was \$369,684 and \$311,728 at December 31, 2019 and 2018, respectively.

NOTE 5- LINE OF CREDIT

The Organization has available a \$250,000 line of credit for general operating purposes. The line is payable upon demand with interest payable month at the prime rate (5.5% at December 31, 2019) plus .5%. Collateral of all assets of the Organization. The balance was \$49,975 and \$64,500 at December 31, 2019 and 2018, respectively.

NOTE 6- ENDOWMENT

At December 31, 2019 and 2018, the Organization has endowment fund which consists of cash and investments restricted for endowment by donors of \$649,867 and \$536,833, respectively. The Organization does not have a policy for making appropriation for expenditures from the endowment fund.

The Organization's governing body has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies donor-restricted endowment funds as net assets with donor restrictions until those amounts are appropriated for expenditure for Organization in a matter consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the various funds, 2) the purposes of the donor restricted endowment funds, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Organization, and 7) the Organization's investment policies.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowments.

**UNITED METHODIST YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 6- ENDOWMENT (Con't)

	<u>2019</u>	<u>2018</u>
Endowment- beginning of year	\$ 536,833	\$ 14,607
Contributions	5,336	537,000
Investment Income	18,622	1,924
Realized and Unrealized Losses	100,262	(16,534)
Distributions	(5,320)	-
Management Fees	<u>(5,866)</u>	<u>(164)</u>
Endowment- end of year	<u>\$ 649,867</u>	<u>\$ 536,833</u>

NOTE 7- PLEDGES RECEIVABLE

Pledges receivable consist of amounts due from a capital campaign. Pledges receivable are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions.

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 2,000	\$ -
Between one and five years	-	-
	<u>\$ 2,000</u>	<u>\$ -</u>

NOTE 8- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 575,619	\$ 141,581
Government Service Revenue Receivable	92,426	174,622
Investments- unrestricted	<u>686,741</u>	<u>730,595</u>
	<u>\$ 1,354,786</u>	<u>\$ 1,046,798</u>

The endowment fund consist of donor-restricted endowments. Income from donor restricted endowments is available for general use.

The Organization's goal is to have three months of average reoccurring operating costs. As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

UNITED METHODIST YOUTH HOME, INC.
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NOTE 9- FAIR VALUE MEASUREMENTS

Fair value of assets is measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Asset/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Common Stock	\$ 453,210	\$ 453,210	\$ -	\$ -
Preferred Stock	54,221	54,221	-	-
Bonds	108,083	108,083	-	-
Treasury Bonds	687,577	687,577	-	-
Total Investments	<u>\$ 1,303,091</u>	<u>\$ 1,303,091</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in remainder trust	<u>\$ 369,684</u>	<u>\$ -</u>	<u>\$ 369,684</u>	<u>\$ -</u>
December 31, 2018				
Wespath Global Equity Fund II	\$ 179,760	\$ 179,760	\$ -	\$ -
Common Stock	292,679	292,679	-	-
Preferred Stock	10,923	10,923	-	-
Bonds	82,198	82,198	-	-
Treasury Bonds	701,868	701,868	-	-
Total Investments	<u>\$ 1,267,428</u>	<u>\$ 1,267,428</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in remainder trust	<u>\$ 311,728</u>	<u>\$ -</u>	<u>\$ 311,728</u>	<u>\$ -</u>

Investments : Fair values for investments are based on quoted market prices, where available.

Beneficial Interest in Remainder Trust : Fair value for beneficial interest in remainder trust is based on the fair market value of the underlying assets.

NOTE 10- INVESTMENTS AND INVESTMENT RETURN

Investments held at December 31, 2019 and 2018 were the following:

	<u>2019</u>	<u>2018</u>
Mutual Funds	\$ -	\$ 179,760
Common Stock	453,210	292,679
Preferred Stock	54,221	10,923
Bonds	108,083	82,198
Treasury Bonds	687,577	701,868
	<u>\$ 1,303,091</u>	<u>\$ 1,267,428</u>

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NOTE 10- INVESTMENT AND INVESTMENT RETURN (Con't)

Total investment return was comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 24,937	\$ 4,172
Investment Expenses	(8,069)	(2,348)
Net Realized and Unrealized Gains (Losses)	134,045	(29,413)
	<u>\$150,913</u>	<u>\$ (27,589)</u>

NOTE 11- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject for expenditure for specified purpose:		
AED	\$ 1,050	\$ -
Backpack Program	103	76
Basketball Court Lighting	-	162
Building Fund	28,234	43,574
Cash for Class	10,693	8,426
Christmas	776	-
Clothing- Boys	285	408
Coats	3,852	2,605
CPR Grant	208	750
Day Treatment Computers	-	1,104
Development Lunches	-	100
Duffel Bags	1,189	1,631
Exercise Equipment	3,436	3,436
Girl's Home	136,051	3,241
Girl's Home Bedding	858	-
Independent Living	100	100
IT Data	123	793
Landscaping	1,367	1,368
Medical	1,000	463
Memory Books	579	752
MP3 Players	616	850
Music	21	21
Professional Clothing	1,552	1,725
Recreation Equipment	324	60
Walking Path	200	200
	<u>192,617</u>	<u>71,845</u>

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NOTE 11- NET ASSETS WITH DONOR RESTRICTIONS (Con't)

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Pledges- Girl's Home	2,000	-
Beneficial interest in charitable remainder trust	<u>369,684</u>	<u>311,728</u>
	<u>371,684</u>	<u>311,728</u>
Endowments:		
Endowment- available for general use	<u>649,867</u>	<u>536,833</u>
Total	<u>\$ 1,214,168</u>	<u>\$ 920,406</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction		
Backpack Program	\$ 63	\$ 220
Basketball Court Lighting	162	162
Building Fund	15,340	141,340
Cash for Class	2,564	5,686
Christmas	2,008	3,290
Clothing	-	351
Clothing- Boys	123	-
Coats	753	1,021
Construction of new boy's home	-	962,887
CPR Grant	542	-
Day Treatment Computers	1,104	-
Development Lunches	100	-
Duffel Bags	442	685
Exercise Equipment	-	12
Girl's Home	9,250	-
Girl's Home Bedding	1,642	-
IT Data	671	1,829
Medical	463	638
Memory Books	174	66
MP3 Players	234	-
Professional Clothing	173	-
Recreation Equipment	242	-
Total	<u>36,050</u>	<u>1,118,187</u>
Endowment	<u>5,320</u>	<u>-</u>
Total Net Assets Released From Restrictions	<u>\$ 41,370</u>	<u>\$ 1,118,187</u>

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**UNITED METHODIST YOUTH HOME, INC.
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NOTE 12- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through June 26, 2020, the date the financial statements were available to be issued.

In April of 2020, the Organization received a loan of \$284,900 from the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security Act (CARES) to be utilized for payroll and operating expenses.