

Timothy J.  Otte CPA, PC

**UNITED METHODIST YOUTH HOME, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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## **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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Timothy J Ott CPA PC*  
Evansville, IN  
July 13, 2021

**United Methodist Youth Home, Inc.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

ASSETS	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,323,121	\$ 575,619
Restricted Cash- Endowment	17,035	33,517
Total Cash and Cash Equivalents	<u>1,340,156</u>	<u>609,136</u>
Pledges Receivable	3,000	2,000
Government Service Revenue Receivable	173,025	92,426
Prepaid Expenses and Other Assets	9,744	10,079
Total Current Assets	<u>1,525,925</u>	<u>713,641</u>
<b>Property and Equipment</b>		
Automobiles	113,449	109,265
Building	1,329,581	1,329,581
Construction in Progress	3,000	3,000
Equipment	47,885	47,885
Land and Improvements	22,630	22,630
Office Equipment	40,325	33,864
Less: Accumulated Depreciation	<u>(633,296)</u>	<u>(602,227)</u>
Total Property and Equipment	<u>923,574</u>	<u>943,998</u>
<b>Other Assets</b>		
Investments	407,517	686,741
Investments- Endowment	<u>637,335</u>	<u>616,350</u>
Total Investments	<u>1,044,852</u>	<u>1,303,091</u>
Beneficial Interest in Remainder Trust	410,226	369,684
Total Other Assets	<u>1,455,078</u>	<u>1,672,775</u>
Total Assets	<u>\$ 3,904,577</u>	<u>\$ 3,330,414</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 26,247	\$ 10,837
Line of Credit	44,450	49,975
Accrued Expenses	34,337	24,849
Total Current Liabilities	<u>105,034</u>	<u>85,661</u>
<b>Net Assets</b>		
Without Donor Restrictions	2,359,599	2,030,585
With Donor Restrictions	<u>1,439,944</u>	<u>1,214,168</u>
Total Net Assets	<u>3,799,543</u>	<u>3,244,753</u>
Total Liabilities and Net Assets	<u>\$ 3,904,577</u>	<u>\$ 3,330,414</u>

See notes to financial statements

**United Methodist Youth Home, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
<b>Public Support and Service Revenues</b>			
Contributions	\$ 458,335	\$ 202,079	\$ 660,414
Government Service Revenue	1,292,139	-	1,292,139
Total Public Support and Service Revenue	<u>1,750,474</u>	<u>202,079</u>	<u>1,952,553</u>
<b>Other Revenue</b>			
Interest	556	-	556
Investment Return	6,604	43,386	49,990
Gain or (Loss) on Disposal of Fixed Assets	600	-	600
Change in Value of Beneficial Interest in Remainder Trust	-	40,542	40,542
Miscellaneous	1,626	-	1,626
Paycheck Protection Program (PPP)	284,900	-	284,900
Net Assets Released From Restrictions	60,231	(60,231)	-
Total Other Revenue	<u>354,517</u>	<u>23,697</u>	<u>378,214</u>
Total Public Support and Revenue	<u>2,104,991</u>	<u>225,776</u>	<u>2,330,767</u>
<b>FUNCTIONAL EXPENSES</b>			
<b>Program Service</b>			
Residential	1,151,716	-	1,151,716
Day Education	114,658	-	114,658
Truancy	118,802	-	118,802
Total Program Service	<u>1,385,176</u>	<u>-</u>	<u>1,385,176</u>
<b>Supporting Services</b>			
Management and General	226,405	-	226,405
Fundraising	164,396	-	164,396
Total Supporting Services	<u>390,801</u>	<u>-</u>	<u>390,801</u>
Total Functional Expenses	<u>1,775,977</u>	<u>-</u>	<u>1,775,977</u>
<b>Change in Net Assets</b>	329,014	225,776	554,790
<b>Net Assets- beginning of year</b>	<u>2,030,585</u>	<u>1,214,168</u>	<u>3,244,753</u>
<b>Net Assets- end of year</b>	<u>\$ 2,359,599</u>	<u>\$ 1,439,944</u>	<u>\$ 3,799,543</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>
<b>PUBLIC SUPPORT AND REVENUE</b>			
<b>Public Support and Service Revenues</b>			
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>
<b>Other Revenue</b>			
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>
<b>FUNCTIONAL EXPENSES</b>			
<b>Program Service</b>			
Residential	1,132,168	-	1,132,168
Day Education	163,537	-	163,537
Truancy	147,091	-	147,091
Total Program Service	<u>1,442,796</u>	<u>-</u>	<u>1,442,796</u>
<b>Supporting Services</b>			
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 Functional Expenses**  
**For the Year Ended December 31, 2020**

	Program Services			Total Program	Management and General	Fundraising	Total
	Residential	Day Education	Truancy				
Activities	\$ 16,497	\$ 104	\$ -	\$ 16,601	\$ -	\$ -	\$ 16,601
Automobile	7,090	2,307	-	9,397	-	-	9,397
Classroom Supplies		7,628	-	7,628	-	-	7,628
Clothing	3,954	48	-	4,002	-	-	4,002
Depreciation	29,065	8,590	3,298	40,953	6,595	-	47,548
Dues and Fees	432	16	-	448	7,934	4,542	12,924
Education and Training	1,305	663	-	1,968	66	145	2,179
Fundraising Expense	-	-	-	-	-	1,440	1,440
Groceries	34,512	3,638	-	38,150	36	-	38,186
Incentives for Residents	9,108	1,066	517	10,691	-	-	10,691
Insurance	20,150	7,209	3,219	30,578	6,437	3,219	40,234
Maintenance and Repairs	16,531	3,038	6	19,575	4,010	21	23,606
Medical Expenses for Residents	3,396	38	-	3,434	-	-	3,434
Miscellaneous	95	95	-	190	-	-	190
New Hire Expenses	6,180	481	392	7,053	2,264	536	9,853
Office Supplies	9,298	1,287	323	10,908	1,638	3,964	16,510
Paper Goods	3,960	373	-	4,333	127	-	4,460
Payroll	798,000	49,624	80,939	928,563	160,602	123,925	1,213,090
Payroll Taxes & Benefits	138,373	17,726	22,592	178,691	27,263	16,354	222,308
Printing	107	-	-	107	-	6,609	6,716
Professional Fees	24,484	2,148	205	26,837	4,018	-	30,855
Special Event Venue Fees	-	-	-	-	69	213	282
Telephone	3,259	400	1,705	5,364	439	220	6,023
Travel	115	-	3,357	3,472	409	754	4,635
Utilities	25,805	8,179	2,249	36,233	4,498	2,454	43,185
<b>Total Functional Expenses</b>	<b>\$ 1,151,716</b>	<b>\$ 114,658</b>	<b>\$ 118,802</b>	<b>\$ 1,385,176</b>	<b>\$ 226,405</b>	<b>\$ 164,396</b>	<b>\$ 1,775,977</b>

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 Education	Truancy	Total Program			
Activities	\$ 18,079	\$ 160	\$ -	\$ 18,239	\$ -	\$ -	\$ 18,239
Automobile	8,597	4,490	-	13,087	-	-	13,087
Clothing	7,519	-	-	7,519	-	-	7,519
Depreciation	26,608	8,767	3,271	38,646	3,970	-	42,616
Dues and Fees	1,272	457	98	1,827	12,755	4,103	18,685
Education and Training	1,854	956	-	2,810	158	1,752	4,720
Education- Students	-	2,332	-	2,332	-	-	2,332
Fundraising Expense	-	-	-	-	-	4,815	4,815
Groceries	33,235	8,047	-	41,282	98	509	41,889
Incentives for Residents	6,804	1,979	1,274	10,057	-	-	10,057
Insurance	20,926	7,040	3,290	31,256	6,580	3,290	41,126
Maintenance and Repairs	24,395	3,988	528	28,911	3,137	528	32,576
Medical Expenses for Residents	2,966	-	-	2,966	-	-	2,966
Miscellaneous	108	-	-	108	280	-	388
New Hire Expenses	9,204	2,268	1,082	12,554	4,653	1,106	18,313
Office Supplies	9,426	1,436	505	11,367	4,350	5,145	20,862
Paper Goods	3,105	1,575	-	4,680	141	-	4,821
Payroll	747,251	84,183	100,017	931,451	143,956	108,996	1,184,403
Payroll Taxes & Benefits	160,277	23,807	22,301	206,385	21,014	13,855	241,254
Printing	200	-	-	200	-	8,172	8,372
Professional Fees	23,692	3,544	1,376	28,612	1,237	209	30,058
Special Event Venue Fees	-	-	-	-	214	484	698
Telephone	3,332	532	2,061	5,925	474	237	6,636
Travel	2,289	30	9,318	11,637	2,158	2,744	16,539
Utilities	21,029	7,946	1,970	30,945	3,942	1,972	36,859
<b>Total Functional Expenses</b>	<b>\$ 1,132,168</b>	<b>\$ 163,537</b>	<b>\$ 147,091</b>	<b>\$ 1,442,796</b>	<b>\$ 209,117</b>	<b>\$ 157,917</b>	<b>\$ 1,809,830</b>

**United Methodist Youth Home, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 554,790	\$ 369,009
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:</b>		
Depreciation	47,547	42,616
Realized and Unrealized (gains) or losses on Investments	(29,414)	(134,048)
(Gain) or Loss on Dispositions of Fixed Assets	(600)	4,448
Noncash Donation	(6,200)	
Change in Beneficial Interest in Remainder Trust	(40,542)	(57,957)
(Increase) Decrease in Operating Assets:		
Government Service Revenue Receivable	(80,599)	82,196
Pledges Receivable	(1,000)	(2,000)
Prepaid Expenses and Other Assets	335	541
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	24,898	3,529
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>469,215</u>	<u>308,334</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(20,923)	(40,878)
Purchase of Investments	(909,485)	(1,340,918)
Net Change in Cash Equivalents Included in Investments	(232,746)	87,684
Proceeds from Sales and Maturities of Investments	1,429,884	1,344,711
Proceeds from Sales of Property & Equipment	600	500
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>267,330</u>	<u>51,099</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	(5,525)	(14,525)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(5,525)</u>	<u>(14,525)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	731,020	344,907
<b>Cash and Cash Equivalents- beginning of year</b>	<u>609,136</u>	<u>264,229</u>
<b>Cash and cash Equivalents- end of year</b>	<u>\$ 1,340,156</u>	<u>\$ 609,136</u>
<b>Supplemental Disclosures of Cash Flows Information</b>		
Interest Paid	\$ 2,325	\$ 3,386

See notes to financial statements

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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. This program also provides aftercare services to the youth for up to six months post-discharge.

*Day Education 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 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, 2020 AND 2019**

**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, 2020 and 2019, the Organization had \$416,849 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, 2020 and 2019, 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 from 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, 2020 and 2019.

**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, 2020 AND 2019**

**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, 2020 and 2019 representing 55% and 66% 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, 2022. 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 30<sup>th</sup> 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, 2025. The award amount is determined monthly by the number of youths the Organization served multiplied by established per diem rates.

The *Indiana Department of Child Services (IDCS)* agreement to provide family preservation 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, 2020 and 2019, respectively.

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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.

**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.

**Risks and Uncertainties**

The Organization invests or holds a variety of investment vehicles, including stocks and corporate bonds. These investments are exposed to interest rate, market, credit, and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements. Investments held by a broker in customer accounts are protected against physical loss and theft by the Securities Investor Protection Corporation (SIPC).

**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 \$16,327 and \$15,566 for the years ending December 31, 2020 and 2019, 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, 2020 AND 2019**

**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 \$410,226 and \$369,684 at December 31, 2020 and 2019, 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 (3.75% at December 31, 2020) plus .5%. Collateral of all assets of the Organization. The balance was \$44,450 and \$49,975 at December 31, 2020 and 2019, respectively.

**NOTE 6- ENDOWMENT**

At December 31, 2020 and 2019, the Organization has endowment fund which consists of cash and investments restricted for endowment by donors of \$667,768 and \$649,867, 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.

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**NOTE 6- ENDOWMENT (Con't)**

	<u>2020</u>	<u>2019</u>
Endowment- beginning of year	\$ 649,867	\$ 536,833
Contributions	-	5,336
Investment Income	20,627	18,622
Realized and Unrealized Losses	27,869	100,262
Distributions	(25,486)	(5,320)
Management Fees	<u>(5,109)</u>	<u>(5,866)</u>
Endowment- end of year	<u>\$ 667,768</u>	<u>\$ 649,867</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>2020</u>	<u>2019</u>
Due in one year or less	\$ 3,000	\$ 2,000
Between one and five years	-	-
	<u>\$ 3,000</u>	<u>\$ 2,000</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>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,323,121	\$ 575,619
Government Service Revenue Receivable	173,025	92,426
Investments- unrestricted	<u>394,119</u>	<u>686,741</u>
	<u>\$ 1,890,265</u>	<u>\$ 1,354,786</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.

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**NOTE 9- FAIR VALUE MEASUREMENTS**

Fair value of assets is measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Asset/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>December 31, 2020</b>				
Common Stock	\$ 508,947	\$ 508,947	\$ -	\$ -
Preferred Stock	52,983	52,983	-	-
Bonds	315,375	315,375	-	-
Treasury Bonds	167,547	167,547	-	-
Total Investments	<u>\$ 1,044,852</u>	<u>\$ 1,044,852</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in remainder trust	<u>\$ 410,226</u>	<u>\$ -</u>	<u>\$ 410,226</u>	<u>\$ -</u>
<b>December 31, 2019</b>				
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>

*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, 2020 and 2019 were the following:

	<u>2020</u>	<u>2019</u>
Common Stock	\$ 508,947	\$ 453,210
Preferred Stock	52,983	54,221
Bonds	315,375	108,083
Treasury Bonds	167,547	687,577
	<u>\$ 1,044,852</u>	<u>\$ 1,303,091</u>

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

Total investment return was comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and Dividend Income	\$ 27,255	\$ 24,937
Investment Expenses	(6,679)	(8,069)
Net Realized and Unrealized Gains (Losses)	29,414	134,045
	<u>\$ 49,990</u>	<u>\$150,913</u>

**NOTE 11- NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Subject for expenditure for specified purpose:		
AED	\$ 520	\$ 1,050
Backpack Program	103	103
Building Fund	28,234	28,234
Cash for Class	11,850	10,693
Christmas	1,674	776
Clothing- Boys	-	285
Coats	3,065	3,852
CPR Grant	181	208
Day Treatment Stove	189	-
Duffel Bags	929	1,189
Exercise Equipment	3,436	3,436
Face Masks	50	-
Girl's Home	150,998	136,051
Girl's Home Bedding	858	858
Graduation Gifts	1,000	-
HVAC	17,490	-
Independent Living	-	100
IT Data	-	123
Landscaping	1,367	1,367
Lilly Endowment	129,000	-
Medical	1,588	1,000
Memory Books	454	579
MP3 Players	476	616
Music	21	21
Professional Clothing	1,552	1,552
Recreation Equipment	324	324
United Way Hazard Pay	2,892	-
Walking Path	200	200
Youth Dinners	499	-
	<u>358,950</u>	<u>192,617</u>

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Pledges- Girl's Home	3,000	2,000
Beneficial interest in charitable remainder trust	410,226	369,684
	<u>413,226</u>	<u>371,684</u>
Endowments:		
Endowment- available for general use	667,768	649,867
Total	<u>\$ 1,439,944</u>	<u>\$ 1,214,168</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>2020</u>	<u>2019</u>
Satisfaction of purpose restriction		
AED	\$ 1,430	\$ -
Backpack Program	-	63
Basketball Court Lighting	-	162
Building Fund	-	15,340
Cash for Class	12,777	2,564
Christmas	2,912	2,008
Clothing- Boys	285	123
Coats	787	753
CPR Grant	27	542
Day Treatment Computers	-	1,104
Day Treatment Stove	811	-
Development Lunches	-	100
Duffel Bags	260	442
Girl's Home	3	9,250
Girl's Home Bedding	-	1,642
HVAC	3,300	-
Independent Living	100	-
IT Data	123	671
Medical	412	463
Memory Books	124	174
MP3 Players	140	234
Professional Clothing	-	173
Recreation Equipment	-	242
UW Hazard Pay	11,108	-
Youth Dinners	146	-
Total	<u>34,745</u>	<u>36,050</u>
Endowment	<u>25,486</u>	<u>5,320</u>
Total Net Assets Released From Restrictions	<u>\$ 60,231</u>	<u>\$ 41,370</u>

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**NOTE 12- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions through July 13, 2021, the date the financial statements were available to be issued.

In January of 2021, the Organization received a loan of \$235,208 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.

In June of 2021, the Organization received a gift of \$3,000,000 from Methodist Health Group with both parties agreeing that a large portion of the gift would be used to further the Schroeder Endowment Fund.