



**UNITED METHODIST YOUTH HOME, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
United Methodist Youth Home, Inc.

### **Opinion**

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Methodist Youth Home, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Timothy J. Otty CPA PC*

Evansville, IN  
August 12, 2022

**United Methodist Youth Home, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,274,299	\$ 1,323,121
Restricted Cash- Endowment	24,037	17,035
Total Cash and Cash Equivalents	<u>1,298,336</u>	<u>1,340,156</u>
Pledges Receivable	-	3,000
Government Service Revenue Receivable	185,438	173,025
Prepaid Expenses and Other Assets	2,407	9,744
Total Current Assets	<u>1,486,181</u>	<u>1,525,925</u>
<b>Property and Equipment</b>		
Automobiles	113,449	113,449
Building	1,353,805	1,329,581
Construction in Progress	133,418	3,000
Equipment	54,214	47,885
Land and Improvements	22,630	22,630
Office Equipment	53,820	40,325
Less: Accumulated Depreciation	<u>(688,459)</u>	<u>(633,296)</u>
Total Property and Equipment	<u>1,042,877</u>	<u>923,574</u>
<b>Other Assets</b>		
Investments	1,696,032	394,119
Investments- Board Designated Endowment	2,055,559	-
Investments- Endowment	802,746	650,733
Total Investments	<u>4,554,337</u>	<u>1,044,852</u>
Beneficial Interest in Endowment Fund	30,064	-
Beneficial Interest in Remainder Trust	469,780	410,226
Total Other Assets	<u>5,054,181</u>	<u>1,455,078</u>
<b>Total Assets</b>	<u><u>\$ 7,583,239</u></u>	<u><u>\$ 3,904,577</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 108,457	\$ 26,247
Line of Credit	-	44,450
Accrued Expenses	52,344	34,337
Total Current Liabilities	<u>160,801</u>	<u>105,034</u>
<b>Net Assets</b>		
Without Donor Restrictions	5,710,364	2,359,599
With Donor Restrictions	1,712,074	1,439,944
Total Net Assets	<u>7,422,438</u>	<u>3,799,543</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,583,239</u></u>	<u><u>\$ 3,904,577</u></u>

See notes to financial statements

**United Methodist Youth Home, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

	<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	\$ 3,489,049	\$ 182,941	\$ 3,671,990
Government Service Revenue	1,136,885	-	1,136,885
Total Public Support and Service Revenue	<u>4,625,934</u>	<u>182,941</u>	<u>4,808,875</u>
<b>Other Revenue</b>			
Interest	926	-	926
Investment Income	22,014	15,147	37,161
Unrealized Gains or (Losses)	200,671	143,868	344,539
Change in Value of Beneficial Interest in Remainder Trust	-	59,554	59,554
Change in Value of Agency Fund	-	1,850	1,850
Paycheck Protection Program (PPP)	235,208	-	235,208
Net Assets Released From Restrictions	131,230	(131,230)	-
Total Other Revenue	<u>590,049</u>	<u>89,189</u>	<u>679,238</u>
Total Public Support and Revenue	<u>5,215,983</u>	<u>272,130</u>	<u>5,488,113</u>
<b>FUNCTIONAL EXPENSES</b>			
<b>Program Service</b>			
Residential	1,174,044	-	1,174,044
Day Education	109,206	-	109,206
Truancy	135,948	-	135,948
Total Program Service	<u>1,419,198</u>	<u>-</u>	<u>1,419,198</u>
<b>Supporting Services</b>			
Management and General	249,922	-	249,922
Fundraising	196,098	-	196,098
Total Supporting Services	<u>446,020</u>	<u>-</u>	<u>446,020</u>
Total Functional Expenses	<u>1,865,218</u>	<u>-</u>	<u>1,865,218</u>
Change in Net Assets	3,350,765	272,130	3,622,895
Net Assets- beginning of year	<u>2,359,599</u>	<u>1,439,944</u>	<u>3,799,543</u>
Net Assets- end of year	<u>\$ 5,710,364</u>	<u>\$ 1,712,074</u>	<u>\$ 7,422,438</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 Income	5,059	15,517	20,576
Gain or (Loss) on Disposal of Fixed Assets	600	-	600
Unrealized Gains or (Losses)	1,545	27,869	29,414
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>
Change in Net Assets	329,014	225,776	554,790
Net Assets- beginning of year	<u>2,030,585</u>	<u>1,214,168</u>	<u>3,244,753</u>
Net Assets- end of year	<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 Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services				Management and General	Fundraising	Total
	Residential	Day Education	Truancy	Total Program			
Activities	\$ 12,561	\$ 850	\$ -	\$ 13,411	\$ -	\$ -	\$ 13,411
Automobile	7,639	2,599	-	10,238	-	-	10,238
Classroom Supplies	-	219	-	219	-	-	219
Clothing	6,279	-	-	6,279	-	-	6,279
Depreciation	34,074	10,142	3,649	47,865	7,298	-	55,163
Dues and Fees	367	113	50	530	7,872	4,181	12,583
Education and Training	4,259	1,202	-	5,461	219	3,969	9,649
Fundraising Expense	-	-	-	-	-	10,021	10,021
Groceries	31,024	8,033	-	39,057	-	94	39,151
Incentives for Residents	6,012	1,182	1,699	8,893	-	-	8,893
Insurance	21,012	6,852	3,336	31,200	6,366	4,132	41,698
Maintenance and Repairs	17,367	5,822	37	23,226	154	55	23,435
Medical Expenses for Residents	3,701	70	-	3,771	-	-	3,771
Miscellaneous	1,577	2	-	1,579	1	607	2,187
New Hire Expenses	7,030	616	726	8,372	1,578	1,133	11,083
Office Supplies	10,484	720	856	12,060	3,298	8,517	23,875
Paper Goods	3,122	800	-	3,922	-	-	3,922
Payroll	820,162	54,369	90,257	964,788	181,819	132,514	1,279,121
Payroll Taxes & Benefits	140,661	7,774	24,288	172,723	31,643	18,250	222,616
Printing	-	-	-	-	-	5,710	5,710
Professional Fees	21,142	1,325	791	23,258	5,336	35	28,629
Special Event Venue Fees	-	-	-	-	146	1,444	1,590
Telephone	3,612	391	1,762	5,765	482	412	6,659
Travel	952	-	6,460	7,412	-	1,939	9,351
Utilities	21,007	6,125	2,037	29,169	3,710	3,085	35,964
<b>Total Functional Expenses</b>	<b>\$ 1,174,044</b>	<b>\$ 109,206</b>	<b>\$ 135,948</b>	<b>\$ 1,419,198</b>	<b>\$ 249,922</b>	<b>\$ 196,098</b>	<b>\$ 1,865,218</b>

See notes to financial statements

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

	Program Services				Management and General	Fundraising	Total
	Residential	Day Education	Truancy	Total Program			
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.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,622,895	\$ 554,790
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:</b>		
Depreciation	55,163	47,547
Realized and Unrealized (gains) or losses on Investments	(344,540)	(29,414)
(Gain) or Loss on Dispositions of Fixed Assets	-	(600)
Noncash Donation	-	(6,200)
Change in Value of Endowment Fund	(1,850)	-
Change in Beneficial Interest in Remainder Trust	(59,554)	(40,542)
(Increase) Decrease in Operating Assets:		
Government Service Revenue Receivable	(12,413)	(80,599)
Pledges Receivable	3,000	(1,000)
Prepaid Expenses and Other Assets	7,337	335
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	100,217	24,898
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,370,255</u>	<u>469,215</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(174,465)	(20,923)
Purchase of Investments	(3,635,395)	(909,485)
Net Change in Cash Equivalents Included in Investments	127,786	(232,746)
Proceeds from Sales and Maturities of Investments	314,449	1,429,884
Proceeds from Sales of Property & Equipment	-	600
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(3,367,625)</u>	<u>267,330</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	(44,450)	(5,525)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(44,450)</u>	<u>(5,525)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(41,820)	731,020
<b>Cash and Cash Equivalents- beginning of year</b>	<u>1,340,156</u>	<u>609,136</u>
<b>Cash and Cash Equivalents- end of year</b>	<u>\$ 1,298,336</u>	<u>\$1,340,156</u>
<b>Supplemental Disclosures of Cash Flows Information</b>		
Interest Paid	\$ 1,281	\$ 2,325
Restricted Cash Included in Cash and Cash Equivalents- end of year	\$ 24,037	\$ 17,035

See notes to financial statements

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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, 2021 AND 2020**

**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, 2021 and 2020, the Organization had \$582,784 and \$416,849, 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, 2021 and 2020, 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 \$2,500 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, 2021 and 2020.

**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, 2021 AND 2020**

**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, 2021 and 2020 representing 21% and 55% 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, 2022. 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. Contributions received with restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same period are reported as with donor restrictions and then released from restrictions. The Organization received 55% of its support and revenue from one donor for the year ended December 31, 2021.

**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, 2021 and 2020, respectively.

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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).

**Reclassifications**

Certain amounts in the December 31, 2020 financial statements have been reclassified for comparative purposes to conform to the presentation in the December 31, 2021 financial statements.

**Recently Issued Accounting Pronouncements**

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. Early application is permitted. The impact of this standard on the Organization's financial statements is being evaluated.

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**Recently Issued Accounting Pronouncements (Con't)**

In February, 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months. Leases will either be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of support, revenue, and expenses. In June, 2020, FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required. An entity may adopt this guidance, as well as certain practical expedients, either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption, through a cumulative-effect adjustment. The Organization is currently evaluating the effect of this pronouncement will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishing standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions was adopted by the Organization for the reporting period ending December 31, 2020. There was no impact to net assets or changes in net assets.

**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 \$17,187 and \$16,327 for the years ending December 31, 2021 and 2020, 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.

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**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 \$469,780 and \$410,226 at December 31, 2021 and 2020, 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 (5.25% at December 31, 2021) plus .5%. Collateral of all assets of the Organization. The balance was \$0 and \$44,450 at December 31, 2021 and 2020, respectively.

**NOTE 6- ENDOWMENT**

At December 31, 2021 and 2020, the Organization has endowment fund which consists of cash and investments restricted for endowment by donors of \$826,783 and \$667,768, 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>2021</u>	<u>2020</u>
Endowment- beginning of year	\$ 667,768	\$ 649,867
Contributions	-	-
Investment Income	21,084	20,627
Realized and Unrealized Losses	143,868	27,869
Distributions	-	(25,486)
Management Fees	<u>(5,937)</u>	<u>(5,109)</u>
Endowment- end of year	<u>\$ 826,783</u>	<u>\$ 667,768</u>
	<u>2021</u>	<u>2020</u>
Board-Designated Endowment- beginning of year	\$ -	\$ -
Contributions	2,000,000	-
Investment Income	15,561	-
Realized and Unrealized Losses	106,189	-
Management Fees	<u>(4,382)</u>	<u>-</u>
Board-Designated Endowment- end of year	<u>\$ 2,117,368</u>	<u>\$ -</u>

**NOTE 7- BENEFICIAL INTEREST IN ENDOWMENT FUND**

Beneficial interest in assets held by Community Foundation Alliance, Inc. (CFA) are measured by the fair market value of the underlying assets. No variance powers were granted to the CFA. The Fund is subject to the CFA's investment and spending policies. Investment Income from distributions is reported in the statement of activities as increases in net assets with donor restrictions. Changes in the value of the Fund is reported in the statement of activities as increased or decreases in net assets with donor restrictions.

	<u>2021</u>
Balance- beginning of year	\$ -
Contributions	28,214
Share of Appreciation Fund	2,108
Management Fees	<u>(258)</u>
Balance- end of year	<u>\$ 30,064</u>

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**NOTE 8- 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>2021</u>	<u>2020</u>
Due in one year or less	\$ -	\$ 3,000
Between one and five years	-	-
	<u>\$ -</u>	<u>\$ 3,000</u>

**NOTE 9- 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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,274,299	\$ 1,323,121
Government Service Revenue Receivable	185,438	173,025
Investments- Board Designated Endowment	2,055,559	-
Investments- unrestricted	1,696,032	394,119
	<u>\$ 5,211,328</u>	<u>\$ 1,890,265</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 10- FAIR VALUE MEASUREMENTS**

Fair value of assets is measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Asset/Liabilities (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2021</b>				
Exchange Traded Funds (ETF's)	\$ 802,676	\$ 802,676	\$ -	\$ -
Fixed Income	118,288	118,288	-	-
Equity Securities	3,633,373	3,633,373	-	-
Total Investments	<u>\$ 4,554,337</u>	<u>\$ 4,554,337</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by CFA	\$ 30,604	\$ -	\$ -	\$ 30,604
Beneficial interest in remainder trust	<u>\$ 469,780</u>	<u>\$ -</u>	<u>\$ 469,780</u>	<u>\$ -</u>
<b>December 31, 2020</b>				
Exchange Traded Funds (ETF's)	\$ 295,185	\$ 295,185	\$ -	\$ -
Fixed Income	187,737	187,737	-	-
Equity Securities	561,930	561,930	-	-
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>

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

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

	<u>2021</u>	<u>2020</u>
Subject for expenditure for specified purpose:		
AED	\$ -	\$ 520
Backpack Program	-	103
Building Fund	-	28,234
Cash for Class	11,221	11,850
Christmas	4,873	1,674
Clothing	3,050	-
Coats	3,860	3,065
CPR Grant	-	181
Day Treatment Stove	378	189
Duffel Bags	929	929
Exercise Equipment	119	3,436
Face Masks	-	50
Girl's Home	211,662	150,998
Girl's Home Bedding	858	858
Graduation Gifts	1,000	1,000
HVAC	-	17,490
Landscaping	-	1,367
Laundry Room Update	7,500	-
Lilly Endowment	129,000	129,000
Medical	-	1,588
Memory Books	300	454
MP3 Players	-	476
Music	-	21
Professional Clothing	1,552	1,552
Recreation Equipment	-	324
Tuition	500	-
United Way Hazard Pay	-	2,892
Van Repairs	2,000	-
Walking Path	-	200
Welborn Heal (Garden)	4,250	-
Youth Dinners	2,395	499
	<u>385,447</u>	<u>358,950</u>

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Pledges- Girl's Home	-	3,000
Beneficial interest in charitable remainder trust	469,780	410,226
	<u>469,780</u>	<u>413,226</u>
Endowments:		
Beneficial interest in assets held by CFA	30,064	-
Endowment- available for general use	826,783	667,768
	<u>856,847</u>	<u>667,768</u>
 Total	 <u>\$ 1,712,074</u>	 <u>\$ 1,439,944</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>2021</u>	<u>2020</u>
Satisfaction of purpose restriction		
AED	\$ 520	\$ 1,430
Backpack Program	103	-
Cash for Class	28,130	12,777
Christmas	3,066	2,912
Clothing	950	285
Coats	1,205	787
CPR Grant	181	27
Day Treatment Payroll	30,000	-
Day Treatment Stove	811	811
Duffel Bags	-	260
Exercise Equipment	3,348	-
Face Masks	50	-
Girl's Home	38,354	3
HVAC	17,490	3,300
Independent Living	-	100
IT Data	-	123
Landscaping	1,367	-
Medical	1,588	412
Memory Books	154	124
MP3 Players	476	140
Music	21	-
Recreation Equipment	324	-
UW Hazard Pay	2,892	11,108
Walking Path	200	-
Youth Dinners	-	146
Total	<u>131,230</u>	<u>34,745</u>
 Endowment	 <u>-</u>	 <u>25,486</u>
 Total Net Assets Released From Restrictions	 <u>\$ 131,230</u>	 <u>\$ 60,231</u>

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**NOTE 12- PAYCHECK PROTECTION PROGRAM (PPP)**

The Organization received \$235,208 in January of 2021 and \$284,900 in April of 2020 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. The amount is initially recorded as a refundable advance until the qualifying expenditures have been made. Revenue is recognized as the conditions on which they depend have been met and is then recorded as a government grant with a corresponding reduction to the refundable advance. At December 31, 2021 and 2020, the balance of the unspent refundable advance was \$0 and \$0, respectively.

**NOTE 13- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions through August 12, 2022, the date the financial statements were available to be issued.