

Timothy J.  Otte CPA, PC

**UNITED METHODIST YOUTH HOME, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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 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 Old CPA PC*

Evansville, IN  
August 11, 2023

**United Methodist Youth Home, Inc.**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 862,732	\$ 1,274,299
Restricted Cash- Endowment	16,025	24,037
Total Cash and Cash Equivalents	<u>878,757</u>	<u>1,298,336</u>
Government Service Revenue Receivable	257,606	185,438
Prepaid Expenses and Other Assets	2,008	2,407
Total Current Assets	<u>1,138,371</u>	<u>1,486,181</u>
<b>Property and Equipment</b>		
Automobiles	113,449	113,449
Building	1,835,653	1,353,805
Construction in Progress	-	133,418
Equipment	67,663	54,214
Land and Improvements	22,630	22,630
Office Equipment	82,394	53,820
Less: Accumulated Depreciation	<u>(750,570)</u>	<u>(688,459)</u>
Total Property and Equipment	<u>1,371,219</u>	<u>1,042,877</u>
<b>Other Assets</b>		
Investments	1,392,205	1,696,032
Investments- Board Designated Endowment	1,955,261	2,055,559
Investments- Endowment	763,742	802,746
Total Investments	<u>4,111,208</u>	<u>4,554,337</u>
Beneficial Interest in Endowment Fund	24,429	30,064
Beneficial Interest in Remainder Trust	367,850	469,780
Total Other Assets	<u>4,503,487</u>	<u>5,054,181</u>
Total Assets	<u>\$ 7,013,077</u>	<u>\$ 7,583,239</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 31,826	\$ 108,457
Line of Credit	-	-
Accrued Expenses	64,618	52,344
Total Current Liabilities	<u>96,444</u>	<u>160,801</u>
<b>Net Assets</b>		
Without Donor Restrictions	5,694,723	5,710,364
With Donor Restrictions	1,221,910	1,712,074
Total Net Assets	<u>6,916,633</u>	<u>7,422,438</u>
Total Liabilities and Net Assets	<u>\$ 7,013,077</u>	<u>\$ 7,583,239</u>

See notes to financial statements

**United Methodist Youth Home, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

	<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	\$ 460,970	\$ 41,468	\$ 502,438
Government Service Revenue	1,458,841	-	1,458,841
Total Public Support and Service Revenue	<u>1,919,811</u>	<u>41,468</u>	<u>1,961,279</u>
<b>Other Revenue</b>			
Interest	1,630	-	1,630
Investment Income	73,659	14,960	88,619
Unrealized Gains or (Losses)	(276,445)	(61,976)	(338,421)
Change in Value of Beneficial Interest in Remainder Trust	-	(101,931)	(101,931)
Change in Value of Agency Fund	-	(5,635)	(5,635)
Employer Tax Retention Credit	180,455	-	180,455
Net Assets Released From Restrictions	377,050	(377,050)	-
Total Other Revenue	<u>356,349</u>	<u>(531,632)</u>	<u>(175,283)</u>
Total Public Support and Revenue	<u>2,276,160</u>	<u>(490,164)</u>	<u>1,785,996</u>
<b>FUNCTIONAL EXPENSES</b>			
<b>Program Service</b>			
Residential	1,390,871	-	1,390,871
Day Education	207,893	-	207,893
Truancy	207,310	-	207,310
Total Program Service	<u>1,806,074</u>	<u>-</u>	<u>1,806,074</u>
<b>Supporting Services</b>			
Management and General	285,269	-	285,269
Fundraising	200,458	-	200,458
Total Supporting Services	<u>485,727</u>	<u>-</u>	<u>485,727</u>
Total Functional Expenses	<u>2,291,801</u>	<u>-</u>	<u>2,291,801</u>
<b>Change in Net Assets</b>	(15,641)	(490,164)	(505,805)
<b>Net Assets- beginning of year</b>	<u>5,710,364</u>	<u>1,712,074</u>	<u>7,422,438</u>
<b>Net Assets- end of year</b>	<u>\$ 5,694,723</u>	<u>\$ 1,221,910</u>	<u>\$ 6,916,633</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>
<b>Change in Net Assets</b>	3,350,765	272,130	3,622,895
<b>Net Assets- beginning of year</b>	<u>2,359,599</u>	<u>1,439,944</u>	<u>3,799,543</u>
<b>Net Assets- end of year</b>	<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 Functional Expenses**  
**For the Year Ended December 31, 2022**

	Program Services			Total Program	Management and General	Fundraising	Total
	Residential	Day Education	Truancy				
Activities	\$ 15,703	\$ 711	\$ -	\$ 16,414	\$ -	\$ -	\$ 16,414
Automobile	15,142	5,498	-	20,640	-	-	20,640
Classroom Supplies	-	7,428	-	7,428	-	-	7,428
Clothing	7,120	-	-	7,120	-	-	7,120
Depreciation	38,171	11,322	4,206	53,699	8,412	-	62,111
Dues and Fees	449	41	-	490	19,941	11,230	31,661
Education and Training	2,436	1,923	520	4,879	-	2,789	7,668
Fundraising Expense	-	-	-	-	-	4,253	4,253
Groceries	42,365	15,835	-	58,200	212	53	58,465
Incentives for Residents	5,318	1,573	4,124	11,015	-	-	11,015
Insurance	22,034	5,669	3,239	30,942	5,422	4,957	41,321
Maintenance and Repairs	21,236	2,795	214	24,245	1,859	268	26,372
Medical Expenses for Residents	7,043	13	-	7,056	-	-	7,056
Miscellaneous	1,005	150	-	1,155	-	170	1,325
New Hire Expenses	7,901	931	440	9,272	2,898	446	12,616
Office Supplies	13,482	3,750	1,848	19,080	4,660	6,373	30,113
Paper Goods	3,581	1,489	-	5,070	76	-	5,146
Payroll	956,195	123,016	139,931	1,219,142	196,107	133,724	1,548,973
Payroll Taxes & Benefits	176,638	14,705	34,292	225,635	35,512	18,464	279,611
Printing	2,165	415	-	2,580	-	8,546	11,126
Professional Fees	17,851	1,569	966	20,386	4,516	-	24,902
Special Event Venue Fees	-	-	-	-	454	671	1,125
Telephone	3,717	421	2,006	6,144	357	280	6,781
Travel	1,368	-	12,778	14,146	178	4,599	18,923
Utilities	29,951	8,639	2,746	41,336	4,665	3,635	49,636
<b>Total Functional Expenses</b>	<b>\$ 1,390,871</b>	<b>\$ 207,893</b>	<b>\$ 207,310</b>	<b>\$ 1,806,074</b>	<b>\$ 285,269</b>	<b>\$ 200,458</b>	<b>\$ 2,291,801</b>

See notes to financial statements

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

	Program Services			Total Program	Management and General	Fundraising	Total
	Residential	Day Education	Truancy				
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.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (505,805)	\$3,622,895
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities:</b>		
Depreciation	62,111	55,163
Realized and Unrealized (gains) or losses on Investments	338,421	(344,540)
Change in Value of Endowment Fund	5,635	(1,850)
Change in Beneficial Interest in Remainder Trust	101,931	(59,554)
(Increase) Decrease in Operating Assets:		
Government Service Revenue Receivable	(72,168)	(12,413)
Pledges Receivable	-	3,000
Prepaid Expenses and Other Assets	399	7,337
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(64,357)	100,217
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(133,833)</u>	<u>3,370,255</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(390,453)	(174,465)
Purchase of Investments	(1,161,530)	(3,635,395)
Net Change in Cash Equivalents Included in Investments	71,820	127,786
Proceeds from Sales and Maturities of Investments	1,194,417	314,449
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(285,746)</u>	<u>(3,367,625)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Line of Credit	-	(44,450)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>-</u>	<u>(44,450)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(419,579)	(41,820)
<b>Cash and Cash Equivalents- beginning of year</b>	<u>1,298,336</u>	<u>1,340,156</u>
<b>Cash and Cash Equivalents- end of year</b>	<u>\$ 878,757</u>	<u>\$1,298,336</u>
<b>Supplemental Disclosures of Cash Flows Information</b>		
Interest Paid	\$ -	\$ 1,281
Restricted Cash Included in Cash and Cash Equivalents- end of year	\$ 16,025	\$ 24,037

See notes to financial statements

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 and 2021, the Organization had \$337,729 and \$582,784, 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, 2022 and 2021, 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, 2022 and 2021.

**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, 2022 AND 2021**

**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, 2022 and 2021 representing 82% and 21% 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.

**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, 2022 and 2021, respectively.

**UNITED METHODIST YOUTH HOME, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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).

**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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**NOTE 2- EMPLOYEE RETENTION TAX CREDIT**

As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the "CARES" Act), employers are provided the Employee Retention Credit ("ERTC"). The ERTC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. The Organization is treating the ERTC as a conditional grant and revenue is recognized when the conditions are substantially met. During the year ended December 31, 2022, the Organization met the conditions required by the ERTC and recognized grant revenue of \$180,455 which is reflected as Employee Retention Tax Credit in the accompanying statement of activities.

**NOTE 3- 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 \$15,644 and \$17,187 for the years ending December 31, 2022 and 2021, respectively.

**NOTE 4- 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.

**NOTE 5- 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 \$367,850 and \$469,780 at December 31, 2022 and 2021, respectively.

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**NOTE 6- 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 plus .5%. Collateral of all assets of the Organization. The balance was \$0 and \$0 at December 31, 2022 and 2021, respectively.

**NOTE 7 ENDOWMENT**

At December 31, 2022 and 2021, the Organization has endowment fund which consists of cash and investments restricted for endowment by donors of \$779,767 and \$826,783, 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 7- ENDOWMENT (Con't)**

	<u>2022</u>	<u>2021</u>
Endowment- beginning of year	\$ 826,783	\$ 667,768
Contributions	-	-
Investment Income	21,652	21,084
Realized and Unrealized Losses	(61,976)	143,868
Distributions	-	-
Management Fees	<u>(6,692)</u>	<u>(5,937)</u>
Endowment- end of year	<u>\$ 779,767</u>	<u>\$ 826,783</u>
	<u>2022</u>	<u>2021</u>
Board-Designated Endowment- beginning of year	\$ 2,117,368	\$ -
Contributions	-	2,000,000
Investment Income	55,678	15,561
Realized and Unrealized Losses	(159,368)	106,189
Management Fees	<u>(17,209)</u>	<u>(4,382)</u>
Board-Designated Endowment- end of year	<u>\$ 1,996,469</u>	<u>\$ 2,117,368</u>

**NOTE 8- 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>2022</u>	<u>2021</u>
Balance- beginning of year	\$ 30,064	\$ -
Contributions	-	28,214
Share of Appreciation Fund	(5,243)	2,108
Management Fees	<u>(392)</u>	<u>(258)</u>
Balance- end of year	<u>\$ 24,429</u>	<u>\$ 30,064</u>

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**NOTE 9- FAIR VALUE MEASUREMENTS**

Fair value of assets is measured on a recurring basis at December 31, 2022 and 2021 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, 2022</b>				
Exchange Traded Funds (ETF's)	\$ 399,244	\$ 399,244	\$ -	\$ -
Fixed Income	232,713	232,713	-	-
Mutual Funds	66,362	66,362		
Equity Securities	3,412,889	3,412,889	-	-
Total Investments	<u>\$ 4,111,208</u>	<u>\$ 4,111,208</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by CFA	\$ 24,429	\$ -	\$ -	\$ 24,429
Beneficial interest in remainder trust	<u>\$ 367,850</u>	<u>\$ -</u>	<u>\$ 367,850</u>	<u>\$ -</u>
<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>

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**NOTE 10- NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Subject for expenditure for specified purpose:		
Cash for Class	\$ 21,460	\$ 11,221
Christmas	3,587	4,873
Clothing	-	3,050
Coats	2,112	3,860
Day Treatment Stove	-	378
Duffel Bags	929	929
Exercise Equipment	3,388	119
Girl's Home	6,648	211,662
Girl's Home Bedding	-	858
Graduation Gifts	-	1,000
Laundry Room Update	-	7,500
Lilly Endowment	-	129,000
Medical	1,127	-
Memory Books	-	300
MP3 Players	2,139	-
Professional Clothing	1,552	1,552
Tuition	500	500
Van Repairs	-	2,000
Welborn Heal (Garden)	27	4,250
Welborn (Christ Centered)	4,000	
Youth Dinners	2,395	2,395
	<u>\$ 49,864</u>	<u>\$ 385,447</u>

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**NOTE 10- NET ASSETS WITH DONOR RESTRICTIONS (Con't)**

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	367,850	469,780
	<u>367,850</u>	<u>469,780</u>
Endowments:		
Beneficial interest in assets held by CFA	24,429	30,064
Endowment- available for general use	779,767	826,783
	<u>804,196</u>	<u>856,847</u>
 Total	 <u>\$ 1,221,910</u>	 <u>\$ 1,712,074</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>2022</u>	<u>2021</u>
Satisfaction of purpose restriction		
AED	\$ -	\$ 520
Backpack Program	-	103
Cash for Class	-	28,130
Christmas	5,183	3,066
Clothing	3,050	950
Coats	1,748	1,205
CPR Grant	-	181
Day Treatment Payroll	-	30,000
Day Treatment Stove	378	811
Duffel Bags	-	-
Exercise Equipment	4,343	3,348
Face Masks	-	50
Girl's Home	207,437	38,354
Graduation Gifts	1,000	
HVAC	-	17,490
Landscaping	-	1,367
Laundry Room Update	7,500	-
Lilly Endowment	129,000	
Medical	873	1,588
Memory Books	300	154
MP3 Players	477	476
Music	-	21
Recreation Equipment	-	324
UW Hazard Pay	-	2,892
Van Repairs	2,000	
Welborn Heal (Garden)	10,261	200
Welborn (Christ Centered)	3,500	-
Total	<u>\$ 377,050</u>	<u>\$ 131,230</u>

**UNITED METHODIST YOUTH HOME, INC.  
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**NOTE 11- 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:

	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	\$ 862,732	\$ 1,274,299
Government Service Revenue Receivable	257,606	185,438
Investments- Board Designated Endowment	1,955,261	2,055,559
Investments- unrestricted	<u>1,392,205</u>	<u>1,696,032</u>
	<u>\$ 4,467,804</u>	<u>\$ 5,211,328</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.

**NOTE 12- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions through August 11, 2023, the date the financial statements were available to be issued.