

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

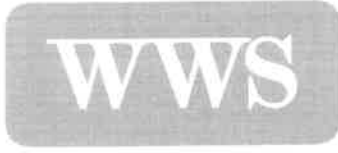
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of United Methodist Ministry with Children and Families, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Ministry with Children and Families, Inc. and Subsidiary, as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America..

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022, on our consideration of United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control over financial reporting and compliance.

Ridgeland, Mississippi
January 17, 2022

Watkins Ward and Stafford, P.C.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position
December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 1,497,591
Due from Department of Human Services	251,982
Contributions receivable	14,021
Miscellaneous receivables due from others	54,334
Prepaid insurance	3,011
Total Current Assets	1,820,939

Land, buildings and equipment, net of accumulated depreciation and amortization	2,231,932
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Other Assets

Restricted cash funds	1,015,416
Investments	1,089,700
Charitable remainder trust	61,616
Miscellaneous other assets	2,927
Total Other Assets	2,169,659

Total Assets	\$ 6,222,530
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 99,881
PPP note payable	612,200
Accrued expenses	5,432
Total Current Liabilities	717,513

Net Assets

Without donor restrictions	4,427,985
With donor restrictions	1,077,032
Total Net Assets	5,505,017

Total Liabilities and Net Assets	\$ 6,222,530
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The accompanying notes to financial statements are an integral part of these financial statements.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Activities
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	\$ 1,129,839	\$ 95,651	\$ 1,225,490
VOCA grant	13,441	-	13,441
Department of Human Services	1,634,917	-	1,634,917
Other care-providing fees	1,028,085	-	1,028,085
USDA meal reimbursement and rebate	42,152	-	42,152
Interest and dividends	79,311	19,603	98,914
Rental income	90,465	-	90,465
Gain on sale of vehicles	1,800	-	1,800
Net unrealized gain on investments	175,617	-	175,617
	<u>4,195,627</u>	<u>115,254</u>	<u>4,310,881</u>
Net assets released from restrictions	57,629	(57,629)	-
Total Support and Revenue	<u>4,253,256</u>	<u>57,625</u>	<u>4,310,881</u>
Expenses			
Program Services			
Foster family care	546,071	-	546,071
Group homes	1,485,467	-	1,485,467
Community care	606,997	-	606,997
Total Program Services	<u>2,638,535</u>	<u>-</u>	<u>2,638,535</u>
Supporting Services			
Fundraising and development	55,360	-	55,360
General and administrative	1,916,614	-	1,916,614
Total Supporting Services	<u>1,971,974</u>	<u>-</u>	<u>1,971,974</u>
Total Expenses	<u>4,610,509</u>	<u>-</u>	<u>4,610,509</u>
Increase (Decrease) in Net Assets	(357,253)	57,625	(299,628)
Net Assets, Beginning of Year	<u>4,785,238</u>	<u>1,019,407</u>	<u>5,804,645</u>
Net Assets, End of Year	<u>\$ 4,427,985</u>	<u>\$ 1,077,032</u>	<u>\$ 5,505,017</u>

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

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ (299,628)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	222,446
Net unrealized gain on investments	(175,617)
Gain on sale of vehicles	(1,800)
Decrease in contributions receivable	34,100
Increase in due from others	(17,842)
Decrease in due from Department of Human Services	133,385
Decrease in prepaid insurance	125,032
Increase in charitable remainder trust	(797)
Decrease in accounts payable	(34,465)
Decrease in accrued expenses	(7,723)
Net cash used by operating activities	<u>(22,909)</u>
Cash flows from investing activities:	
Purchase of equipment and improvements	(80,502)
Purchase of investments	(66,751)
Proceeds from sale of vehicles	1,800
Net cash used by investing activities	<u>(145,453)</u>
Cash flows from financing activities:	
Proceeds from PPP loan	<u>612,200</u>
Net cash provided by financing activities	<u>612,200</u>
Net increase in cash, cash equivalents and restricted cash	443,838
Beginning of year cash, cash equivalents and restricted cash	<u>2,069,169</u>
End of year cash, cash equivalents and restricted cash	<u>\$ 2,513,007</u>
Recap of cash, cash equivalents and restricted cash	
Cash and cash equivalents-unrestricted	\$ 1,497,591
Restricted cash funds	<u>1,015,416</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,513,007</u>

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

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

NOTE 1 - ORGANIZATION

The United Methodist Ministry with Children and Families, Inc. and Subsidiary (the Organization) is an organization whose principal activity consists of providing children with a safe place in which they can heal and thrive through provision, guidance and counseling. Sources of revenue are primarily from contributions, therapeutic clinical services and funds received from the Mississippi Department of Human Resources as per diem payments towards the children's support. The Organization is a non-profit organization in good standing incorporated under the laws of the state of Mississippi.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are presentations of the Organization which is responsible for their integrity and objectivity.

Principles of Consolidation

The accompanying consolidated statement of financial position and statements of activities and cash flows, include the accounts of United Methodist Ministry with Children and Families, Inc. and United Methodist Children's Homes of Mississippi, LLC, which is a 100% owned subsidiary of the United Methodist Ministry with Children and Families, Inc. and is considered a disregarded entity for tax and reporting purposes.

Basis of accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting for the year ended December 31, 2020.

Basis of presentation of net assets

The Organization reports net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Net assets without donor restrictions are available to be used in the general operations of the Organization. Net assets restricted by the donor for a particular purpose or a particular future period are considered net assets with restrictions. When the restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

Contributions

Contributions to the Organization are recorded in the period received. Donated marketable securities and other noncash donations are recorded at their estimated fair value at the date of the donation. Contributions are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Cash and cash equivalents

For purposes of these financial statements, cash and cash equivalents are included with current assets and consist of cash held in bank checking accounts, accounts with the Mississippi United Methodist Foundation, and certificates of deposit.

Receivables

Receivables are shown at their net realizable value. An allowance for uncollectible receivables is provided when determined by management to be necessary based on its analysis of amounts and nature of outstanding accounts. As of December 31, 2020, management has determined that no allowance is necessary and amounts are fully collectible.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are shown at their net realizable value. An allowance for uncollectible receivables is provided when determined by management to be necessary based on its analysis of amounts and nature of outstanding accounts. As of December 31, 2020, management has determined that no allowance is necessary and amounts are fully collectible.

Investments

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

Land, buildings and equipment

The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$5,000 at cost. Depreciation is provided over the estimated useful lives on a straight-line basis. No provision is made for depreciation on properties carried as investments.

Compensated absences

The Organization allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued, but are expensed as incurred. The Organization does not consider the accrued compensation, at year end, to be material to the financial statements.

Estimates

The process of preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain reported amounts and disclosures. Accordingly, upon settlement, actual results may differ from those estimated amounts.

Recently issued accounting standards

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No.2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This new standard was adopted during the year ended December 31, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. The adoption of this standard did not have a material effect on the amount of revenue recognized during the year.

In 2014, the FASB issued Accounting Standards Update No 2014-09, *Revenue from Contracts with Customers*. This standard was adopted during the year ended December 31, 2020. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The adoption of this standard did not have a material effect on the amount of revenue recognized during the year.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

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

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

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets as of December 31, 2020:

Cash and cash equivalents	\$ 1,497,591
Receivables	320,337
Restricted cash funds	1,015,416
Investments	<u>1,089,700</u>
	3,923,044
Less those unavailable for general expenditures:	
Restricted net assets of the Organization	<u>(1,077,032)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,846,012</u>

Financial assets available to meet cash needs for general expenditure within one year, consists of \$2,846,012 held in cash and cash equivalents, receivables and investments in marketable equity securities which could cover in excess of one year of general expenditures.

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditure. The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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

NOTE 4 - DONATED SERVICES

The United Methodist Ministry with Children and Families, Inc. and Subsidiary (the Organization) receives a substantial amount of donated time from a number of volunteers which does not meet the recognition criteria of Financial Accounting Standards Board ASC 958-605, which states that contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated. Accordingly, the value of this donated time has not been determined and is not reflected in the accompanying financial statements.

NOTE 5 - INCOME TAXES

The Organization is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes has been made in the accompanying financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at December 31, 2020:

Land	\$ 37,397
Buildings and improvements	4,137,051
Equipment	180,967
Transportation equipment	328,504
Furniture and fixtures	<u>90,607</u>
	4,774,526
Less accumulated depreciation and amortization	<u>(2,542,594)</u>
	<u>\$ 2,231,932</u>

Depreciation expense charged to operations was \$222,446 for the year ended December 31, 2020.

NOTE 7 - INVESTMENTS

The following is a summary of investments at December 31, 2020:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Equity mutual funds	<u>\$ 889,443</u>	<u>\$ 1,089,700</u>	<u>\$ 200,257</u>

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

NOTE 8 - FAIR VALUE OF INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, estimated prices are based on available historical data and near term pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 1,089,700	\$ -	\$ -	\$ 1,089,700

Equity mutual funds

Fair value of shares held in equity mutual fund securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 9 - CHARITABLE REMAINDER TRUST

As of December 31, 2020, the Organization had received an unconditional promise to give from an estate in the amount of \$752,000. The Organization will receive the funds after all beneficiaries are deceased. The present value of the unconditional promise was estimated at \$61,616 at December 31, 2020. The unamortized discount using the federal rate will be recognized over the remaining lives of the beneficiaries, estimated at 46 years.

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

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor imposed restriction, were restricted according to the following designations at December 31, 2020:

Spending of corpus allowed

Asbury Foundation	\$ 128,900
Gene Still Kirk Thornton Fund	1,842
Wilson Price Trust	8,439
Velma Rogers Scholarship Fund	14,808
Dr. H.F. Magee Fund	18,867
Lee and Beulah Rogers Fund	12,578
Frank Youngblood Fund	1,297
Holland Family Endowment	2,930
Elmo and Pearl McClain Fund	125,778
William and Kate Cook Fund	31,445
R.B. Fulcher Memorial Fund	1,000
Hattie Coleman Fund	1,000
Northwest Campaign Endowment	6,917
Dr. James Donald Duggar Champion Fund	15,076
Compassion Fund	25,000
Remainder interest in Dupuy Charitable Remainder Trust	61,616
	<u>457,493</u>

Corpus to be held in perpetuity

Streater Endowment	50,372
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Crossgates UMC MCH Endowment	59,167
	<u>619,539</u>

Total net assets with donor restrictions	<u>\$ 1,077,032</u>
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NOTE 11 – FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, which is allocated on the basis of usage of the related buildings and equipment, as well as personnel costs, which are allocated on the basis of time and effort. Directly identifiable expenses are charged to specific programs and supporting services.

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

NOTE 11-FUNCTIONAL EXPENSES (CONTINUED)

	Program Services			Supporting Services		Total
	Foster family care	Group homes	Community care	Fundraising and development	General and administrative	
Salaries	\$ 232,378	\$ 943,023	\$ 433,550	\$ -	\$ 794,238	\$ 2,403,189
Employee benefits	24,580	100,529	45,768	-	203,089	373,966
Payroll taxes	16,385	68,576	30,481	-	56,108	171,550
	<u>273,343</u>	<u>1,112,128</u>	<u>509,799</u>	<u>-</u>	<u>1,053,435</u>	<u>2,948,705</u>
Advertising	-	-	-	17,538	-	17,538
Allowances	-	5,748	-	-	-	5,748
Auto	997	7,667	464	-	4,506	13,634
Dues and subscriptions	-	-	-	1,948	25,963	27,911
Food and clothing	-	76,658	1,182	-	1,872	79,712
Foster care payments	211,840	-	-	-	-	211,840
Gifts	-	927	-	-	1,160	2,087
Insurance	5,697	22,816	10,373	-	176,966	215,852
Interest	-	-	-	-	531	531
Licenses and permits	-	-	-	-	49,046	49,046
Maintenance and repairs	4,976	80,685	10,674	-	80,479	176,814
Medical	-	1,977	-	-	616	2,593
Miscellaneous	886	15,868	288	-	25,340	42,382
Office and program supplies	1,444	21,203	10,349	30,143	89,890	153,029
Professional fees	72	-	-	-	96,298	96,370
Records management	450	1,350	7,247	-	-	9,047
Recreation	632	10,334	-	-	-	10,966
Startup and training	7,254	14,455	10,828	2,622	99,723	134,882
Travel	600	200	530	443	3,846	5,619
Utilities and telephone	11,637	41,909	16,029	-	114,182	183,757
	<u>519,828</u>	<u>1,413,925</u>	<u>577,763</u>	<u>52,694</u>	<u>1,823,853</u>	<u>4,388,063</u>
Depreciation and amortization	26,243	71,542	29,234	2,666	92,761	222,446
	<u>\$ 546,071</u>	<u>\$1,485,467</u>	<u>\$ 606,997</u>	<u>\$ 55,360</u>	<u>\$ 1,916,614</u>	<u>\$ 4,610,509</u>

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

NOTE 12 - RETIREMENT PLAN

The Organization participates in the defined contribution pension plan of the United Methodist Church. Qualifying full time employees become eligible to participate in the plan after one year of service. Participants can make voluntary deferrals to the plan subject to a certain allowable portion of their salary after becoming eligible to participate. Voluntary deferrals for the year ended December 31, 2020 were \$12,325. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$12,325 in matching contributions to the plan during 2020.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization has \$1,154,065 in accounts at the Mississippi United Methodist Foundation, Inc. As of December 31, 2020, \$163,649 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$990,416 of these funds are restricted and are included in others assets and shown as part of restricted cash funds.

NOTE 14 – PPP NOTE PAYABLE

The Organization received a loan from Community Bank of Mississippi issued by the SBA in the amount of \$612,200 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 8, 2020 bearing interest at 1%.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Organization has funds on deposit in financial institutions, which may at times, exceed amounts covered by the U.S. Federal Deposit Insurance Corporation (FDIC). At December 31, 2020, the Organization exceeded the insured limit by \$499,484. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk to cash. The Organization also has funds in accounts at the United Methodist Foundation of Mississippi. The Organization monitors the financial condition of the funds which are held in cash and cash equivalent securities.

Since the advent of the COVID-19 pandemic in March 2020, the Organization maintained relative operating normalcy. To date, national COVID-19 related regulation has not adversely impacted operations. Per discussion with management, cash receipts have remained consistent with prior years and the Organization has significant financial reserves to continue operations for the foreseeable future. As of the date of the audit report, management declines to speculate on when a return to pre-COVID-19 operations will occur, but does not anticipate a material impact on normal operations of the Organization.

NOTE 16 - CONCENTRATION OF RISK AND ECONOMIC DEPENDENCY

The Organization receives a significant amount of funds from the Mississippi Department of Human Services. The amount received during 2020 represents 38% of total revenue. The Organization's dependency on this source of revenue exposes it to the risks that exist due to concentration of revenue from one source.

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

NOTE 17 - EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. The Organization has evaluated subsequent events through January 17, 2022, the date which the consolidated financial statements were available to be issued, and determined the following event required disclosure.

Subsequently, the Organization applied for and was notified that the full amount of the PPP loan has been forgiven as of March 10, 2021, as authorized by Section 1106 of the CARES Act.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Methodist Ministry with Children and Families, Inc. and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 17, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Methodist Ministry with Children and Families, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Methodist Ministry with Children and Families, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Ridgeland, Mississippi
January 17, 2022

Watkins Ward and Stafford, P.C.