

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Financial Statements	6
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 <i>Government Auditing Standards</i>	15



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

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Michael W. McCully, CPA
 R. Steve Sinclair, CPA
 Marsha L. McDonald, CPA
 Wanda S. Holley, CPA
 Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Stephen D. Flake, CPA

John N. Russell, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA
 Perry C. Rackley, Jr., CPA
 Jerry L. Gammel, CPA
 Michael C. Knox, CPA
 Clifford P. Stewart, CPA
 Edward A. Maxwell, CPA
 Bradley L. Harrison, CPA
 Justin H. Keller, CPA

INDEPENDENT AUDITORS’ REPORT

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

Opinion

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, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to consolidated financial statements.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Methodist Ministry with Children and Families, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government 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 and *Government 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 consolidated 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 Ministry with Children and Families, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Methodist Ministry with Children and Families, Inc. and Subsidiary'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, 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 the effectiveness of United Methodist Ministry with Children and Families, Inc. and Subsidiary's 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.

UNITED METHODIST MINISTRY WITH
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position
December 31, 2021

Assets

Current Assets	
Cash and cash equivalents	\$ 914,299
Due from Department of Human Services	328,303
Miscellaneous receivables due from others	62,486
Employee retention credit receivable	1,572,915
Total Current Assets	<u>2,878,003</u>
Land, buildings and equipment, net of accumulated depreciation	<u>2,140,758</u>
Other Assets	
Restricted cash funds	1,006,336
Investments	1,161,597
Charitable remainder trust	62,787
Miscellaneous other assets	2,927
Total Other Assets	<u>2,233,647</u>
Total Assets	<u>\$ 7,252,408</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 150,615
Total Liabilities	<u>150,615</u>
Net Assets	
Without donor restrictions	6,032,670
With donor restrictions	1,069,123
Total Net Assets	<u>7,101,793</u>
Total Liabilities and Net Assets	<u>\$ 7,252,408</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 Activities

Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	\$ 1,567,208	\$ 65,202	\$ 1,632,410
Department of Human Services	1,434,601	-	1,434,601
Other care-providing fees	515,998	-	515,998
USDA meal reimbursement and rebate	45,334	-	45,334
Employee retention credit	1,572,915	-	1,572,915
PPP loan forgiveness	612,200	-	612,200
Interest and dividends	56,790	20,870	77,660
Rental income	92,478	-	92,478
Gain on sale of vehicles	9,000	-	9,000
Net unrealized gain on investments	58,646	-	58,646
	<u>5,965,170</u>	<u>86,072</u>	<u>6,051,242</u>
Net assets released from restrictions	93,981	(93,981)	-
Total Support and Revenue	<u>6,059,151</u>	<u>(7,909)</u>	<u>6,051,242</u>
Expenses			
Program Services			
Foster family care	470,742	-	470,742
Group homes	1,689,317	-	1,689,317
Community care	825,178	-	825,178
Total Program Services	<u>2,985,237</u>	<u>-</u>	<u>2,985,237</u>
Supporting Services			
Fundraising and development	248,291	-	248,291
General and administrative	1,220,938	-	1,220,938
Total Supporting Services	<u>1,469,229</u>	<u>-</u>	<u>1,469,229</u>
Total Expenses	<u>4,454,466</u>	<u>-</u>	<u>4,454,466</u>
Increase (Decrease) in Net Assets	1,604,685	(7,909)	1,596,776
Net Assets, Beginning of Year	<u>4,427,985</u>	<u>1,077,032</u>	<u>5,505,017</u>
Net Assets, End of Year	<u>\$ 6,032,670</u>	<u>\$ 1,069,123</u>	<u>\$ 7,101,793</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, 2021

Cash flows from operating activities:	
Change in net assets	\$ 1,596,776
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	204,934
Net unrealized gain on investments	(58,646)
Gain on sale of vehicles	(9,000)
Gain from forgiveness of PPP loan	(612,200)
Decrease in contributions receivable	14,021
Increase in due from others	(8,152)
Increase in due from Department of Human Services	(76,321)
Increase in Employee retention credit receivable	(1,572,915)
Decrease in prepaid insurance	3,011
Increase in charitable remainder trust	(1,171)
Increase in accounts payable	50,734
Decrease in accrued expenses	(5,432)
Net cash used by operating activities	<u>(474,361)</u>
Cash flows from investing activities:	
Purchase of equipment and improvements	(113,760)
Purchase of investments	(13,251)
Proceeds from sale of vehicles	<u>9,000</u>
Net cash used by investing activities	<u>(118,011)</u>
Net decrease in cash, cash equivalents and restricted cash	(592,372)
Beginning of year cash, cash equivalents and restricted cash	<u>2,513,007</u>
End of year cash, cash equivalents and restricted cash	<u>\$ 1,920,635</u>
Recap of cash, cash equivalents and restricted cash	
Cash and cash equivalents-unrestricted	\$ 914,299
Restricted cash funds	<u>1,006,336</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,920,635</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, 2021.

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 consist of cash held in bank checking accounts, money market accounts, accounts with the Mississippi United Methodist Foundation, and certificates of deposit.

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, 2021, 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.

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.

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

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, 2021:

Cash and cash equivalents	\$ 914,299
Receivables	1,963,704
Restricted cash funds	1,006,336
Investments	<u>1,161,597</u>
	5,045,936

Less those unavailable for general expenditures:

Restricted net assets of the Organization	<u>(1,069,123)</u>
---	--------------------

Financial assets available to meet cash needs for
general expenditure within one year

\$ 3,976,813

Financial assets available to meet cash needs for general expenditure within one year, consists of \$3,948,213 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.

NOTE 4 - 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.

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

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at December 31, 2021:

Land	\$ 37,397
Buildings and improvements	4,144,876
Equipment	187,467
Transportation equipment	427,940
Furniture and fixtures	90,607
	<u>4,888,287</u>
Less accumulated depreciation	<u>(2,747,529)</u>
	<u>\$ 2,140,758</u>

Depreciation expense charged to operations was \$204,934 for the year ended December 31, 2021.

NOTE 6 - INVESTMENTS

The following is a summary of investments at December 31, 2021:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Equity mutual funds	<u>\$ 902,694</u>	<u>\$ 1,161,597</u>	<u>\$ 258,903</u>

NOTE 7 - 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, 2021, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	<u>\$ 1,161,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,161,597</u>

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.

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

NOTE 8 - CHARITABLE REMAINDER TRUST

As of December 31, 2021, 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 \$62,787 at December 31, 2021. The unamortized discount using the federal rate will be recognized over the remaining lives of the beneficiaries, estimated at 45 years.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor-imposed restriction, were restricted according to the following designations at December 31, 2021:

Spending of corpus allowed

Asbury Foundation	\$ 140,354
Gene Still Kirk Thornton Fund	1,876
Wilson Price Trust	8,592
Velma Rogers Scholarship Fund	15,078
Dr. H.F. Magee Fund	19,212
Lee and Beulah Rogers Fund	12,807
Frank Youngblood Fund	1,320
Holland Family Endowment	2,984
Elmo and Pearl McClain Fund	125,778
William and Kate Cook Fund	32,018
R.B. Fulcher Memorial Fund	1,000
Hattie Coleman Fund	1,000
Northwest Campaign Endowment	7,044
Dr. James Donald Duggar Champion Fund	16,816
Remainder interest in Dupuy Charitable Remainder Trust	62,788
	<u>448,667</u>

Corpus to be held in perpetuity

Streater Endowment	51,289
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Crossgates UMC MCH Endowment	59,167
	<u>620,456</u>

Total net assets with donor restrictions	<u>\$ 1,069,123</u>
--	---------------------

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

NOTE 10 – 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.

	Program Services			Supporting Services	
	Foster family care	Group homes	Community care	Fundraising and development	General and administrative
Salaries	\$ 244,978	\$ 1,117,615	\$ 598,844	\$ 145,005	\$ 491,918
Employee benefits	22,256	76,529	37,811	12,275	23,685
Payroll taxes	17,451	81,431	43,462	10,272	30,242
	284,685	1,275,575	680,117	167,552	545,845
Advertising	1,128	-	-	15,132	1,218
Allowances	-	32,391	-	-	-
Auto	987	11,212	1,454	-	9,255
Dues and subscriptions	-	-	-	2,424	62,609
Food and clothing	138	51,586	3,689	-	-
Foster care payments	121,617	-	-	-	-
Gifts	-	4,310	-	2,826	1,144
Insurance	248	-	372	-	227,375
Maintenance and repairs	14,814	68,582	17,892	1,428	78,466
Medical	-	2,046	-	-	-
Miscellaneous	4,004	30,773	1,811	91	5,642
Office and program supplies	3,088	4,124	35,651	32,634	70,842
Professional fees	317	2,850	-	-	46,860
Recreation	-	25,857	-	-	-
Startup and training	5,570	14,490	13,398	9,142	54,475
Travel	-	2,655	-	450	3,351
Utilities and telephone	12,340	84,612	32,569	5,110	58,709
	448,936	1,611,063	786,953	236,789	1,165,791
Depreciation	21,806	78,254	38,225	11,502	55,147
	\$ 470,742	\$ 1,689,317	\$ 825,178	\$ 248,291	\$ 1,220,938

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

NOTE 11 - 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, 2021 were \$13,627. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$11,284 in matching contributions to the plan during 2021.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Organization has \$1,178,832 in accounts at the Mississippi United Methodist Foundation, Inc. As of December 31, 2021, \$172,496 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$1,006,336 of these funds are restricted and are included in others assets and shown as part of restricted cash funds.

NOTE 13 – EMPLOYEE RETENTION CREDIT

In 2021, the Organization substantially met the requirements to receive \$1,572,915 of refundable tax credits in accordance with the Employee Retention Credit (ERC) program, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The ERC is recognized and recorded as support and revenue in the consolidated statement of activities and as a receivable in the consolidated statement of financial position.

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 was subject to a note dated April 8, 2020 bearing interest at 1%. As authorized by Section 1106 of the CARES Act, the SBA has remitted to the lender the full amount of the loan balance in forgiveness of the debt. The forgiveness of debt is included in support and revenue on the consolidated statement of activities.

NOTE 15 – CONCENTRATIONS OF RISK AND ECONOMIC DEPENDENCY

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, 2021, the Organization exceeded the insured limit by \$11,969. 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.

The Organization has investments in mutual funds. Investment securities, in general are subject to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in investment securities will occur in the near term and that such changes could materially affect the amount in the financial statements.

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

NOTE 15 - CONCENTRATIONS OF RISK AND ECONOMIC DEPENDENCY (CONTINUED)

The Organization receives a significant amount of funds from the Mississippi Department of Human Services. The amount received during 2021 represents 24% 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.

NOTE 16 - 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 September 15, 2023, the date which the consolidated financial statements were available to be issued, and determined the following event required disclosure.



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

James L. Stafford, CPA	John N. Russell, CPA
Harry W. Stevens, CPA	Anita L. Goodrum, CPA
S. Keith Winfield, CPA	Ricky D. Allen, CPA
William B. Staggers, CPA	Jason D. Brooks, CPA
Michael W. McCully, CPA	Robert E. Cordle, Jr., CPA
R. Steve Sinclair, CPA	Perry C. Rackley, Jr., CPA
Marsha L. McDonald, CPA	Jerry L. Gammel, CPA
Wanda S. Holley, CPA	Michael C. Knox, CPA
Robin Y. McCormick, CPA/PFS	Clifford P. Stewart, CPA
J. Randy Scrivner, CPA	Edward A. Maxwell, CPA
Kimberly S. Caskey, CPA	Bradley L. Harrison, CPA
Susan M. Lummus, CPA	Justin H. Keller, CPA
Stephen D. Flake, CPA	

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, 2021, 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 September 15, 2023.

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
September 15, 2023

Watkins Ward and Stafford, P.C.