

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Michael W. McCully, CPA  
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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

**Report on the Audit of the Consolidated Financial Statements**

***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, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Ministry with Children and Families, Inc. and Subsidiary, as of December 31, 2022, 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.

***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 Consolidated 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 consolidated 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 consolidated 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 February 15, 2024, 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.

*Watkins Ward and Stafford, P.C.*

Ridgeland, Mississippi  
February 15, 2024

UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Consolidated Statement of Financial Position  
December 31, 2022

Assets

Current Assets	
Cash and cash equivalents	\$ 598,477
Accounts receivable- DHS	477,879
Miscellaneous receivables due from others	112,725
Employee retention credit receivable	<u>1,572,915</u>
Total Current Assets	<u>2,761,996</u>
Land, buildings and equipment, net of accumulated depreciation	<u>1,950,490</u>
Other Assets	
Restricted cash funds	1,029,243
Investments	862,690
Charitable remainder trust	65,512
Miscellaneous other assets	<u>2,927</u>
Total Other Assets	<u>1,960,372</u>
Total Assets	<u>\$ 6,672,858</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	<u>\$ 74,864</u>
Total Liabilities	<u>74,864</u>
Net Assets	
Without donor restrictions	5,503,239
With donor restrictions	<u>1,094,755</u>
Total Net Assets	<u>6,597,994</u>
Total Liabilities and Net Assets	<u>\$ 6,672,858</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, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Contributions	\$ 1,786,956	\$ 17,904	\$ 1,804,860
Department of Human Services	2,593,099	-	2,593,099
Other care-providing fees	493,251	-	493,251
USDA meal reimbursement and rebate	45,579	-	45,579
Interest and dividends	28,688	18,555	47,243
Rental income	107,496	-	107,496
Gain on sale of vehicles	35,866	-	35,866
Net unrealized loss on investments	(148,986)	-	(148,986)
	4,941,949	36,459	4,978,408
Net assets released from restrictions	10,827	(10,827)	-
Total Support and Revenue	4,952,776	25,632	4,978,408
Expenses			
Program Services			
Foster family care	429,731	-	429,731
Group homes	1,594,652	-	1,594,652
Community care	1,668,537	-	1,668,537
Total Program Services	3,692,920	-	3,692,920
Supporting Services			
Fundraising and development	184,859	-	184,859
General and administrative	1,604,428	-	1,604,428
Total Supporting Services	1,789,287	-	1,789,287
Total Expenses	5,482,207	-	5,482,207
Increase (Decrease) in Net Assets	(529,431)	25,632	(503,799)
Net Assets, Beginning of Year	6,032,670	1,069,123	7,101,793
Net Assets, End of Year	\$ 5,503,239	\$ 1,094,755	\$ 6,597,994

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, 2022

Cash flows from operating activities:	
Change in net assets	\$ (503,799)
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation	455,112
Net unrealized loss on investments	148,986
Gain on sale of vehicles	(35,866)
Increase in due from others	(50,239)
Increase in due from Department of Human Services	(149,576)
Increase in charitable remainder trust	(2,725)
Decrease in accounts payable	<u>(75,751)</u>
Net cash used by operating activities	<u>(213,858)</u>
Cash flows from investing activities:	
Purchase of equipment and improvements	(264,845)
Proceeds from sale of investments	151,934
Purchase of investments	(2,012)
Proceeds from sale of vehicles	<u>35,866</u>
Net cash used by investing activities	<u>(79,057)</u>
Net decrease in cash, cash equivalents and restricted cash	(292,915)
Beginning of year cash, cash equivalents and restricted cash	<u>1,920,635</u>
End of year cash, cash equivalents and restricted cash	<u>\$ 1,627,720</u>
Recap of cash, cash equivalents and restricted cash	
Cash and cash equivalents-unrestricted	\$ 598,477
Restricted cash funds	<u>1,029,243</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,627,720</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 Consolidated 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 Services 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, 2022.

*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 and accounts with the Mississippi United Methodist Foundation.



UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Notes to Consolidated 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, 2022, 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. Management uses the following estimates in preparing the Organization's financial statements:

- Depreciation on buildings and equipment is provided over the estimated useful lives of the assets on a straight-line basis.
- Investments in mutual funds are determined using quoted market values.
- Estimated value of interest in charitable remainder trust was originally discounted several years ago when the trust was established and is adjusted annually by the applicable federal rate.

*New Accounting Pronouncement*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases. The purpose of the standard is to improve transparency and comparability related to the accounting and reporting of leasing arrangements. The new standard established a right of use (ROU) model that required a lessee to recognize a ROU asset and liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization is a lessor in several operating leases.

The effective date for the new standard was January 1, 2022, and the Organization adopted the new standard on that date. The new standard provides a number of optional practical expedients in transition. The Organization elected practical expedients which permit the Organization to not reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs.

UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Notes to Consolidated 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, 2022:

Cash and cash equivalents	\$ 598,477
Receivables	2,163,519
Restricted cash funds	1,029,243
Investments	<u>862,690</u>
	4,653,929

Less those unavailable for general expenditures:

Restricted net assets of the Organization	<u>(1,094,755)</u>
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Financial assets available to meet cash needs for  
general expenditure within one year

\$ 3,559,174

Financial assets available to meet cash needs for general expenditure within one year, consists of \$3,559,174 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 Consolidated Financial Statements

**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.

**NOTE 5 - LAND, BUILDINGS AND EQUIPMENT**

The following is a summary of land, buildings and equipment at December 31, 2022:

Land	\$ 37,397
Buildings and improvements	4,367,995
Equipment	229,192
Transportation equipment	427,940
Furniture and fixtures	90,607
	<u>5,153,131</u>
Less accumulated depreciation	<u>(3,202,641)</u>
	<u>\$ 1,950,490</u>

Depreciation expense charged to operations was \$455,112 for the year ended December 31, 2022.

**NOTE 6 - INVESTMENTS**

The following is a summary of investments at December 31, 2022:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Loss</u>
Equity mutual funds	<u>\$ 902,694</u>	<u>\$ 862,690</u>	<u>\$ (40,004)</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.

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

**NOTE 7 - FAIR VALUE OF INVESTMENTS (CONTINUED)**

Fair value of assets measured on a recurring basis at December 31, 2022, are as follows:

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 862,690	\$ -	\$ -	\$ 862,690

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 8 - CHARITABLE REMAINDER TRUST**

As of December 31, 2022, 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 \$65,512 at December 31, 2022.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets subject to donor-imposed restriction, were restricted according to the following designations at December 31, 2022:

Spending of corpus allowed

Asbury Foundation	\$ 155,117
Gene Still Kirk Thornton Fund	1,919
Wilson Price Trust	8,790
Velma Rogers Scholarship Fund	15,426
Dr. H.F. Magee Fund	19,654
Lee and Beulah Rogers Fund	13,099
Frank Youngblood Fund	1,351
Holland Family Endowment	3,053
Elmo and Pearl McClain Fund	131,022
William and Kate Cook Fund	32,756
R.B. Fulcher Memorial Fund	1,013
Hattie Coleman Fund	1,013
Northwest Campaign Endowment	7,206
Dr. James Donald Duggar Champion Fund	14,436
Remainder interest in Dupuy Charitable Remainder Trust	65,512
	471,367

Corpus to be held in perpetuity

Streater Endowment	52,472
Asbury Foundation	500,000
Clemeth Risley Fund	10,000
Crossgates UMC MCH Endowment	60,916
	623,388

Total net assets with donor restrictions	\$ 1,094,755
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UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Notes to Consolidated 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	\$ 209,535	\$ 948,104	\$1,246,881	\$ 89,618	\$ 682,600
Employee benefits	19,763	53,232	49,572	10,161	39,619
Payroll taxes	15,256	69,327	95,264	6,565	62,316
	244,554	1,070,663	1,391,717	106,344	784,535
Advertising	435	-	-	48	3,000
Allowances	-	18,276	-	-	-
Auto	1,418	13,690	5,379	-	13,688
Dues and subscriptions	-	-	-	15,995	50,888
Food and clothing	2,248	56,882	10,215	-	-
Foster care payments	100,085	-	-	-	-
Gifts	604	4,912	-	-	588
Insurance	-	-	-	-	243,631
Maintenance and repairs	6,931	50,649	17,218	4,422	58,381
Medical	-	1,905	-	-	-
Miscellaneous	10,135	64,452	9,634	1,390	44,490
Office and program supplies	2,461	11,526	36,832	25,070	76,272
Professional fees	-	-	-	-	55,202
Recreation	2,322	47,934	-	-	-
Startup and training	7,715	17,391	22,966	11,233	55,899
Travel	404	328	82	302	15,916
Utilities and telephone	14,744	103,662	35,978	4,709	68,745
	394,056	1,462,270	1,530,021	169,513	1,471,235
Depreciation	35,675	132,382	138,516	15,346	133,193
	\$ 429,731	\$ 1,594,652	\$1,668,537	\$ 184,859	\$ 1,604,428

UNITED METHODIST MINISTRY WITH  
CHILDREN AND FAMILIES, INC. AND SUBSIDIARY  
Notes to Consolidated 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, 2022 were \$21,063. The Organization makes matching contributions to deferring participants up to 5% of eligible compensation. The Organization paid \$16,034 in matching contributions to the plan during 2022.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

The Organization has \$1,035,045 in accounts at the Mississippi United Methodist Foundation, Inc. As of December 31, 2022, \$5,802 of these funds are unrestricted and are included in current assets as part of cash and cash equivalents and \$1,029,243 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 shown as a receivable in the consolidated statement of financial position.

**NOTE 14 – 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, 2022, the Organization exceeded the insured limit by \$66,568. 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 also has investments in mutual funds subject to various market risks that could materially affect the amount shown in the financial statements.

The Organization receives a significant amount of funds from the Mississippi Department of Human Services. The amount received during 2022 represents approximately 52% 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 15 - 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 February 15, 2024, the date which the consolidated financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the financial statements.



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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 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, 2022, 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 February 15, 2024.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 United Methodist Ministry with Children and Families, Inc. and Subsidiary’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 were not identified.

## **Report on 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 consolidated financial statements. 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 of 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.

*Watkins Ward and Stafford, P.C.*

Ridgeland, Mississippi  
February 15, 2024