

**Financial Statements and
Other Financial Information**

**FLORIDA UNITED METHODIST
CHILDREN'S HOME, INC.**

December 31, 2020

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Financial Statements and Other Financial Information

December 31, 2020

(With Independent Auditor's Report Thereon)

FLORIDA UNITED METHODIST CHILDREN’S HOME, INC.

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Independent Auditor's Report

The Board of Trustees
Florida United Methodist Children's Home, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Florida United Methodist Children's Home, Inc. (FUMCH) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Florida United Methodist Children's Home 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.

Report on Summarized Comparative Information

We have previously audited FUMCH's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was performed for the purpose of forming an opinion on the financial statements of Florida United Methodist Children's Home, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2021 on our consideration of the Florida United Methodist Children's Home, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of

laws, regulations, contracts and grants 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 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 Florida United Methodist Children's Home, Inc.'s internal control over financial reporting and compliance.

Schaefer, Kschagg, Whitcomb, Mitchell & Shuilen, LLP

March 5, 2021
Maitland, Florida

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2020

(With summarized totals for December 31, 2019)

	Without	With Donor Restrictions		2020	2019
	Donor Restrictions	Purpose	Perpetual		
Assets:					
Cash	\$ 4,531,461	3,427,475	-	7,958,936	7,551,854
Contributions and other receivables	528,514	201,641	-	730,155	477,193
Other assets	351,535	-	-	351,535	200,988
Interfund receivables (payables)	10,597	147,577	(158,174)	-	-
Investments (note 3)	20,060,190	1,427,955	27,807,191	49,295,336	43,439,182
Land, buildings and equipment (note 4)	21,296,753	-	-	21,296,753	22,448,823
Beneficial interest in trusts (note 5)	-	1,768,109	5,336,552	7,104,661	6,929,654
Total assets	<u>\$ 46,779,050</u>	<u>6,972,757</u>	<u>32,985,569</u>	<u>86,737,376</u>	<u>81,047,694</u>
Liabilities:					
Accounts payable	\$ 136,861	-	-	136,861	257,431
Accrued expenses	609,094	-	-	609,094	774,216
Annuity payment liability (note 6)	-	-	814,641	814,641	1,005,913
Total liabilities	<u>745,955</u>	<u>-</u>	<u>814,641</u>	<u>1,560,596</u>	<u>2,037,560</u>
Net Assets:					
Without donor restrictions:					
Available for operations	3,987,062	-	-	3,987,062	3,811,809
Board designated funds	20,749,280	-	-	20,749,280	18,073,374
Investment in property and equipment	21,296,753	-	-	21,296,753	22,448,823
Total without donor restrictions	46,033,095	-	-	46,033,095	44,334,006
With donor restrictions:					
Purpose restrictions (note 8)	-	6,972,757	-	6,972,757	6,252,008
Perpetual in nature (notes 8 and 9)	-	-	32,170,928	32,170,928	28,424,120
Total net assets	<u>46,033,095</u>	<u>6,972,757</u>	<u>32,170,928</u>	<u>85,176,780</u>	<u>79,010,134</u>
Total liabilities and net assets	<u>\$ 46,779,050</u>	<u>6,972,757</u>	<u>32,985,569</u>	<u>86,737,376</u>	<u>81,047,694</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2020

(With summarized totals for the year ended December 31, 2019)

	Without	With Donor Restrictions		2020	2019
	Donor Restrictions	Purpose	Perpetual		
Revenues and Support:					
Contributions	\$ 5,748,636	1,549,127	97,083	7,394,846	8,570,188
Support payments	6,027,853	-	-	6,027,853	6,185,063
Child care center	1,034,008	-	-	1,034,008	1,252,746
Rental income	47,977	-	-	47,977	49,149
Interest and dividends	787,379	17,763	-	805,142	1,117,595
Net realized and unrealized gains (losses) on investments, net	3,532,283	218,108	3,426,522	7,176,913	6,470,574
Gain on sale of assets	-	-	-	-	7,000
Split-interest agreements	-	(15,438)	223,203	207,765	507,316
Miscellaneous income	374,659	-	-	374,659	360,447
Net assets released from restriction: Satisfaction of purpose restrictions	1,048,811	(1,048,811)	-	-	-
Total revenues and support	18,601,606	720,749	3,746,808	23,069,163	24,520,078
Expenses:					
Program services:					
Residential care	9,844,874	-	-	9,844,874	9,644,392
Independent living and scholarship	706,105	-	-	706,105	734,082
Foster care	680,057	-	-	680,057	718,300
Child care center	1,605,727	-	-	1,605,727	1,437,244
Outpatient services	1,669,738	-	-	1,669,738	1,887,714
Total program services	14,506,501	-	-	14,506,501	14,421,732
Supporting services:					
Management and general	1,493,678	-	-	1,493,678	1,340,689
Fundraising	902,338	-	-	902,338	906,786
Total supporting services	2,396,016	-	-	2,396,016	2,247,475
Total expenses	16,902,517	-	-	16,902,517	16,669,207
Change in net assets	1,699,089	720,749	3,746,808	6,166,646	7,850,871
Net asset acquired in business combination (note 10)	-	-	-	-	63,258
Net assets at beginning of year	44,334,006	6,252,008	28,424,120	79,010,134	71,096,005
Net assets at end of year	\$ 46,033,095	6,972,757	32,170,928	85,176,780	79,010,134

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2020

(With summarized totals for the year ended December 31, 2019)

	Program Services						Supporting Services			Total 2020	Total 2019
	Residential Care	Independent Living	Foster Care	Child Care Center	Outpatient Services	Total	Management and General	Fundraising	Total Supporting		
Salaries	\$ 5,396,322	419,577	423,705	943,607	363,340	7,546,551	1,003,776	421,219	1,424,995	8,971,546	8,515,680
Employee benefits	1,044,678	91,790	73,079	228,968	55,606	1,494,121	83,570	82,201	165,771	1,659,892	1,670,627
Payroll taxes	373,049	29,000	28,335	39,688	25,362	495,434	61,770	26,279	88,049	583,483	620,397
Total salaries and related expenses	6,814,049	540,367	525,119	1,212,263	444,308	9,536,106	1,149,116	529,699	1,678,815	11,214,921	10,806,704
Utilities	542,902	24,079	32,106	88,290	16,183	703,560	56,185	24,079	80,264	783,824	777,241
Materials, supplies and postage	231,431	6,702	20,934	27,754	9,984	296,805	19,236	207,158	226,394	523,199	460,055
Repairs and maintenance	379,655	-	580	-	13,373	393,608	7,775	13,867	21,642	415,250	409,334
Travel and related expenses	81,656	2,796	12,625	230	1,286	98,593	10,112	11,324	21,436	120,029	160,922
Insurance	183,907	7,882	10,509	28,900	5,254	236,452	18,391	7,882	26,273	262,725	219,979
Food	192,941	75	-	40,093	-	233,109	30	112	142	233,251	256,678
Professional fees	65,916	4,163	970	18,464	91,633	181,146	34,794	50,218	85,012	266,158	433,218
Contracted services	-	-	-	-	965,097	965,097	-	-	-	965,097	1,134,412
Education and training programs	69,027	180	10,958	9,987	1,725	91,877	40,998	2,411	43,409	135,286	189,863
Scholarship payments	-	65,362	-	-	-	65,362	-	-	-	65,362	112,083
Conferences and memberships	31,238	129	661	-	-	32,028	3,794	278	4,072	36,100	40,212
Special events and program activities	146,035	7,305	1,764	6,925	89,137	251,166	2,848	7,176	10,024	261,190	312,436
Real estate assessments	-	-	-	-	-	-	8,906	-	8,906	8,906	8,901
Recruitment	7,926	-	1,077	248	381	9,632	31,674	1,069	32,743	42,375	47,065
Depreciation	1,098,191	47,065	62,754	172,573	31,377	1,411,960	109,819	47,065	156,884	1,568,844	1,300,104
Total expenses	\$ 9,844,874	706,105	680,057	1,605,727	1,669,738	14,506,501	1,493,678	902,338	2,396,016	16,902,517	16,669,207

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,166,646	7,850,871
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,568,844	1,300,104
(Gains) losses on investments	(7,176,913)	(6,470,574)
(Gains) losses on beneficial interest in trusts	(175,007)	(532,332)
Gain on disposition of property and equipment	-	(7,000)
Cash provided by (used for) changes in, net of assets and liabilities acquired in business combination:		
Contributions and other receivables	(252,962)	274,011
Other assets	(150,547)	(13,502)
Accounts payable and accrued expenses	(285,692)	(111,645)
Annuity payment liability	(191,272)	(230,465)
Net cash provided by (used in) operating activities	<u>(496,903)</u>	<u>2,059,468</u>
Cash flows from investing activities:		
Cash acquired in business combination	-	52,625
Proceeds from sale of property and equipment	-	7,000
Acquisition of land, buildings and equipment	(416,774)	(1,173,780)
(Purchase) sale of investments, net	1,320,759	(454,464)
Net cash provided by (used in) investing activities	<u>903,985</u>	<u>(1,568,619)</u>
Net change in cash	407,082	490,849
Cash at beginning of year	<u>7,551,854</u>	<u>7,061,005</u>
Cash at end of year	<u>\$ 7,958,936</u>	<u>7,551,854</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

December 31, 2020

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Florida United Methodist Children's Home, Inc. ("FUMCH") was incorporated in 1908 as a not-for-profit corporation. The purpose of FUMCH is to care for children who otherwise cannot be provided for. FUMCH is governed by a Board of Trustees which are Florida Methodist Church members or clergy. Nominations for membership come from the Board and are approved by the Florida Annual Conference of The United Methodist Church.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of FUMCH.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole and presents balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(b) **Basis of Presentation - Continued**

Perpetually Restricted Net Assets

General endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Annually, a portion of the income is approved by the Board for use in FUMCH's operations.

Annuity fund net assets represent resources contributed to FUMCH where specified amounts are to be paid to the donor while living. Any funds remaining at the death of the donor revert to the use of FUMCH, primarily being designated for transfer to the general endowment fund.

Education endowment fund net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income is available to provide college scholarships for former residents of FUMCH.

(c) **Cash and Cash Equivalents**

For purposes of cash flows, FUMCH considers all short-term investments with a maturity of three months or less at the time of purchase to be cash equivalents.

(d) **Contributions Receivable**

Contributions receivable represent monies due or pledged to FUMCH that were not collected as of December 31, 2020. Contributions receivable are stated at the amounts management expects to collect from outstanding balances. As of December 31, 2020, no allowance for doubtful accounts has been provided since management considers all accounts to be collectible.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(e) **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Investments that are measured at fair value on recurring basis are classified by level based on an established fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The estimated fair value of alternative investments is based on valuations provided by the external investment managers as of the date of their most recent audited financial statements, which are then adjusted for cash receipts, cash disbursements, securities, distributions, and additional investment gains and losses on the underlying securities through December 31, 2020. FUMCH believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Gains and losses on market value adjustments and sales are recognized within the statement of activities. Investment income from restricted investments is reported as increases in unrestricted net assets if the restriction expires in the same reporting period.

(f) **Land, Buildings, and Equipment**

Land, buildings, and equipment acquisitions are recorded at cost when purchased, or at fair market value at date of gift when donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets which range from 3 - 30 years. Expenditures of \$1,000 or more with an estimated useful life in excess of one year are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

(g) **Contributions**

FUMCH reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support. The majority of contributions originate either from United Methodist laity or from United Methodist churches in the State of Florida.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(g) **Contributions - Continued**

FUMCH reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, FUMCH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(h) **Donated Goods and Services**

Significant non-cash asset contributions are recorded at fair market value when received. No amounts have been recorded in the financial statements for contributed services. There is no objective basis for measuring the fair market value of services provided by volunteers to program or fund-raising activities, and such services did not require specialized skills.

(i) **Income Taxes**

FUMCH is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. In addition, FUMCH has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

Under Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification 740, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At December 31, 2020, FUMCH's tax years that remain subject to examination are 2017 through 2019.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(i) **Income Taxes - Continued**

FUMCH follows the provisions of FASB ASC (Accounting Codification) No. 740, Accounting for Uncertainty in Income Taxes. FUMCH has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject FUMCH to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits.

(j) **Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the combined statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on an analysis of personnel time, space utilized, and utilities consumed for the related activities

(k) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(l) **Fair Value Measurement**

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active markets or inputs that are observable.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies - Continued

(l) Fair Value Measurement - Continued

Level 3 – Inputs that are unobservable and significant to the fair value measurement (i.e., cash flow modeling).

An asset or liability's fair value measurement level within the value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of the realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FUMCH did not change its valuation techniques during the year.

(m) Concentrations of Credit and Market Risk

FUMCH maintains its cash and cash equivalents in deposit and money market accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. FUMCH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

FUMCH receives a large portion of its support by and through churches in the Florida Annual Conference of The United Methodist Church. That continued association and support is necessary for FUMCH to operate.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(n) **Prior Year Comparative Data**

The financial statements include certain prior year summarized comparative information. This information has been presented in order to provide an understanding of changes in FUMCH's financial position and activities. The prior year information in the statement of activities is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, certain amounts have been reclassified in order to conform with the current year's presentation.

(o) **Subsequent Events**

In preparing these financial statements, FUMCH has evaluated subsequent events and transactions for potential recognition and disclosure through March 5, 2021, which is the date the financial statements were available to be issued.

(2) **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 4,531,461
Contributions and other receivables	528,514
Operating investments	<u>20,060,190</u>
	<u>\$ 25,120,165</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$20,749,280 is subject to an annual spending rate of 5 percent as described in Note 9. Although we do not intend to spend this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of FUMCH's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(3) **Investments**

The following table summarizes the valuation of FUMCH's financial assets measured at fair value on a recurring basis as of December 31, 2020. All of FUMCH's investments are considered level 1 instruments and consist of the following at December 31, 2020.

Cash	\$ 2,354,079
Inflation protected	4,610,003
U.S. Equity securities	16,336,904
U.S. Fixed income securities	11,853,087
International equities	14,040,315
Other	<u>100,948</u>
Total investments	<u>\$ 49,295,336</u>

Investment advisory fees expense totaling approximately \$259,000 for the year ended December 31, 2020 are included in net realized and unrealized gains on investments. Unrealized gains of approximately \$7,370,000 are included in net realized and unrealized gains in the accompanying statement of activities.

(4) **Land, Buildings and Equipment**

At December 31, 2020, land, buildings and equipment consist of the following:

Land	\$ 3,641,749
Land improvements	3,506,228
Buildings and improvements	32,408,359
Furniture, fixtures and equipment	9,379,492
Vehicles	1,655,191
Construction in progress	<u>72,008</u>
	50,663,027
Less accumulated depreciation	<u>(29,366,274)</u>
	<u>\$ 21,296,753</u>

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(5) Beneficial Interest in Trusts

FUMCH is the beneficiary of various lead, remainder and perpetual trusts. FUMCH is an income beneficiary of nineteen separate perpetual trusts valued at \$5,336,552 as of December 31, 2020. These trusts are stated at the present value of the anticipated future cash flows to be received from the trusts which approximates the fair value of the assets that produce the income. These perpetual trusts generate unrestricted dividend income approximating \$180,000 per year. FUMCH is also the recipient of income from two charitable lead trusts and has a remainder interest in eleven irrevocable charitable remainder trusts. These two split-interest gifts are valued at \$1,768,109 as of December 31, 2020.

(6) Annuity Payment Liability

FUMCH offers charitable gift annuities whereby a donor contributes an agreed irrevocable amount in exchange for a promise of FUMCH to pay a fixed amount for a specified period of time to specified beneficiaries. Contribution revenue is recognized at the establishment of the annuity for the difference between the fair value of the assets received and the liability incurred. Annuities payable are stated at the present value of future cash flows expected to be paid to the donor during the donor's lifetime. The present value of future benefits expected to be paid out to beneficiaries as of December 31, 2020 is \$814,641. State law requires that organizations entering into charitable gift annuity contracts maintain reserves in connection with those contracts to ensure that funds are available to pay future benefits to donors. FUMCH provides for its future obligations under charitable gift annuities through a segregated investment account.

The required reserve amount is based on a multiple of the actuarial present value of the related annuity obligations. A portion of FUMCH's investments is restricted for the purpose of meeting this requirement. At December 31, 2020, FUMCH was in compliance with the reserve requirement. Total net assets associated with split-interest agreements included within the annuity fund amount to \$26,595 at December 31, 2020.

(7) Pension Plan

FUMCH has a defined contribution pension plan administered by the General Board of Pensions of the United Methodist Church. The Plan is presently funded at varying amounts depending on the hire date of the eligible employee. Employees are eligible for a matching contribution up to 5% of compensation. To be eligible, employees must have been employed for at least six months and be at least twenty-one years old, and work at least 2000 hours per year. Vesting begins after one year of employment, with employees becoming fully vested upon completion of five years of service. Total pension expense for the year ended December 31, 2020 was approximately \$169,388.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions of FUMCH consist of the following funds at December 31, 2020:

	<u>For Time Or Purpose Restrictions</u>	<u>Perpetual Restrictions</u>
Purpose Restrictions:		
Designated Fund	\$ 5,397,225	-
Education Scholarship Fund	1,575,532	-
Perpetual in Nature:		
Annuity Fund	-	26,595
General Endowment Fund	-	28,465,304
Education Endowment Fund	-	3,679,029
	<u>\$ 6,972,757</u>	<u>32,170,928</u>

Net assets with donor restrictions that are restricted for specific purpose or time restrictions:

Education scholarships	\$ 1,575,532
Beneficial interest in trusts	1,768,109
Pledges receivable	201,641
Foster care	571,734
Cash account for annuities	1,808,424
Above and beyond	784,115
Legacy Academy	167,799
Other	95,403
	<u>\$ 6,972,757</u>

(9) Endowments

The Board of Directors of FUMCH has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FUMCH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(9) Endowments - Continued

endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FUMCH in a manner consistent with the standard of prudence prescribed by FUPMIFA. Any amount not appropriated for expenditure will be reclassified, subject to the original endowment restrictions imposed by the donor. In accordance with FUPMIFA, FUMCH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The externally controlled endowment and beneficial interest held by third party are invested according to third party decisions; FUMCH has no control over the investment policy.

Return Objectives and Risk Parameters

FUMCH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy the endowment assets are invested in a manner that focuses on long-term capital appreciation while achieving predictable and modest current income requirements.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FUMCH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FUMCH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(9) Endowments - Continued

Spending Policies and How the Investment Objectives Relate to Spending Policy

FUMCH has a policy of appropriating for distribution each year approximately 5% of the trailing 36-month average balance of the combined endowment funds. In establishing this policy, FUMCH considered the long-term expected return on its endowment. Accordingly, over the long term, FUMCH expects the current spending policy to allow its endowment to grow. This is consistent with FUMCH's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund:

<u>December 31, 2020</u>	<u>Purpose Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Donor restricted endowment funds:			
Internally controlled	\$ 1,427,955	25,993,140	27,421,095
Externally controlled, Conference	-	841,236	841,236
Externally controlled, beneficial Interest	-	5,336,552	5,336,552
	<u>\$ 1,427,955</u>	<u>32,170,928</u>	<u>33,598,883</u>

Changes in endowment net assets:

<u>December 31, 2020</u>	<u>Purpose Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowments, beginning of year	\$ 1,236,698	28,424,120	29,660,818
Investment return:			
Donations	-	97,083	97,083
Changes in value of split interest Agreements	-	223,203	223,203
Net appreciation (realized and unrealized)	191,257	3,426,522	3,617,779
Endowments, end of year	<u>\$ 1,427,955</u>	<u>32,170,928</u>	<u>33,598,883</u>

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(10) Acquisition

On January 1, 2019, Florida United Methodist Children's Home, Inc. acquired Circle of Friends, Inc. through an asset purchase agreement which was consummated by votes of the respective boards of directors. The acquisition was accounted for as a purchase transaction and the accompanying financial statements do not include any results of operations of Circle of Friends, Inc. through January 1, 2019.

The net assets acquired in this asset purchase agreement consisted of:

Cash	\$ 52,625
Accounts receivable	59,344
Accounts payable and accrued expenses	<u>(48,711)</u>
	<u>\$ 63,258</u>

(11) Paycheck Protection Program

In July 2020, Florida United Methodist Children's Home, Inc. applied for and received a Medicaid provider distribution in the amount of \$124,706, established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The funds are not considered a loan and are therefore not subject to repayment. The funds are included in contributions income in the accompanying statement of activities.

(12) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work or on our supporters and members ability to pay. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on FUMCH cannot be determined at this time.

Other Financial Information

**FLORIDA UNITED METHODIST
CHILDREN'S HOME, INC.**

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended December 31, 2020

<u>Federal Assistance</u>	<u>CFDA/CFSA Number</u>	<u>Contract Grant Number</u>	<u>Expenditure</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Children and Families (Residential Group Care Foster Care and Child Welfare Contracts)	93.658 93.667 93.558 93.556 93.659 93.645	D12-20-FUMCH-RGC D12-20-FUMCH-RGC D12-20-FUMCH-CPA D12-20-FUMCH-CPA D12-20-FUMCH-CPA D12-20-FUMCH-CPA	\$ 1,285,760 675,366 66,338 2,037 28,784 20,920
U.S. Department of Health and Human Services			
Passed through Office of Refugee Resettlement (Camino's Program)	93.676	90ZU0316-01-00	322,636
Total USDHHS			<u>2,401,841</u>
U.S. Department of Agriculture			
Passed through Florida Department of Education (National School Lunch Program):			
Breakfast	10.553	01-0155	41,211
Lunch	10.555	01-0155	61,816
Passed through - State Department of Agriculture (Non-cash assistance, commodities)	10.555	24077	13,852
Total USDA			<u>116,879</u>
U.S. Department of Health			
Passed through Florida Department of Health Child Care Food Program Grant	10.558	I-3579	47,476
Total Expenditures of Federal Awards			<u>\$ 2,566,196</u>
<u>State Assistance</u>			
Florida Department of Children and Families Residential Group Care Program Services	60.074	D19-20 RGC-FUMCH ECAH-TFC-UMC-FY20	\$ 974,791
Total Expenditures of State Financial Assistance			<u>\$ 974,791</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

**Notes to the Schedule of Expenditures of Federal Awards
and State Financial Assistance**

Year ended December 31, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state award activity of Florida United Methodist Children's Home, Inc. under programs of the federal and state governments for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Section 215.97 of the Florida Statutes of the Florida Single Audit Act and Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, Schedule of Expenditures of State Financial Assistance. Because the Schedule presents only a selected portion of the operations of Florida United Methodist Children's Home, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Florida United Methodist Children's Home, Inc.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Florida United Methodist Children's Home, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

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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*

Independent Auditor's Report

To the Board of Directors
Florida United Methodist Children's Home, Inc.

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 Florida United Methodist Children's Home, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida United Methodist Children's Home, Inc.'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 Florida United Methodist Children's Home, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Florida United Methodist Children's Home, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 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 Florida United Methodist Children's Home, Inc.'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 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 communication is not suitable for any other purpose.

Schaefer, Tschoy, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
March 5, 2021

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

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Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and the Florida Single Audit Act

Independent Auditor's Report

To the Board of Directors
Florida United Methodist Children's Home, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited the Florida United Methodist Children's Home, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and in the State of Florida *State Projects Compliance Supplement* that could have a direct and material effect on each of Florida United Methodist Children's Home, Inc.'s major federal programs and state projects for the year ended December 31, 2020. Florida United Methodist Children's Home, Inc.'s major federal program and state project is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and state statutes, regulations, and the terms and conditions applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Florida United Methodist Children's Home, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97 of the Florida

Statutes of the Florida Single Audit Act. Those standards, the Uniform Guidance, and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on test basis, evidence about Florida United Methodist Children's Home, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Florida United Methodist Children's Home, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Florida United Methodist Children's Home, Inc. complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Florida United Methodist Children's Home, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered Florida United Methodist Children's Home, Inc.'s internal control over compliance with the types of requirements that could have a direct material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida United Methodist Children's Home, Inc.'s internal control over compliance.

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

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Schatz, Fichang, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
March 5, 2021

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

A. Summary of the Audit Results

1. The Auditor's report expresses an unmodified opinion on the financial statements of Florida United Methodist Children's Home, Inc.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements as reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Florida United Methodist Children's Home, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award program and the major state project were disclosed during the audit in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Federal Major Program and Major State Project and on Internal Control Over Compliance in Accordance with the Uniform Guidance and the Florida Single Audit Act.
5. The auditors' report on compliance for the major Federal award program and major State project for Florida United Methodist Children's Home, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major Federal award program and major state project for Florida United Methodist Children's Home, Inc.
7. The programs tested as a major federal program and as the major state project were the Federal Program CFDA #93.658 - Residential Group Care and Foster Care Contract, and the State Project CSFA #60.074 - Residential Group Care Program Services.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Auditee did qualify as a low-risk auditee.

(Continued)

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

B. Financial Statement Findings

1. No matters reported.

C. Major Federal Award Findings and Questioned Costs

1. No matters reported.

D. Major State Project Findings and Questioned Costs

1. No matters reported.

E. Summary Schedule of Prior Audit Finding

1. No Summary Schedule of Prior Audit Findings (see AG Rule 10.656(3)(d)(5)) is required because there are no prior audit findings related to federal programs or state projects.

End of Schedule of Findings and Questioned Costs