

**UNITED METHODIST COMMUNITY HOUSE, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

MEYAARD TOLMAN & VENLET p.c.  
Certified Public Accountants  
Zeeland, Michigan

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
United Methodist Community House, Inc.  
Grand Rapids, MI 49507

We have audited the accompanying financial statements of United Methodist Community House, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 United Methodist Community House, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Meyaard Tolman & Venlet p.c.*

Meyaard Tolman & Venlet p.c.  
Zeeland, Michigan  
June 17, 2020

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

<u>ASSETS</u>	December 31	
	2019	2018
<b>CURRENT:</b>		
Cash and cash equivalents	\$ 147,949	\$ 130,225
Receivables		
Contributions	77,101	657
Program service fees:		
Child care	50,688	49,340
Other	56,995	38,016
Due from employees	11,830	8,849
Total Current Assets	344,563	227,087
<b>PROPERTY AND EQUIPMENT, NET</b>	2,704,387	1,349,553
<b>OTHER ASSETS:</b>		
Investments	30,827	25,684
Total Other Assets	30,827	25,684
<b>TOTAL ASSETS</b>	<b>\$ 3,079,777</b>	<b>\$ 1,602,324</b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT:</b>		
Accounts payable	\$ 76,766	\$ 67,306
Accrued liabilities	73,749	64,181
Deferred revenue	10,438	662
Security deposit	4,000	-
Short-term borrowings	430,000	105,000
Total current liabilities	594,953	237,149
<b>LONG-TERM:</b>		
Note payable - bank	1,418,002	-
Total long-term debt, net of current portion	1,418,002	-
Total Liabilities	2,012,955	237,149
<b>NET ASSETS:</b>		
Net assets without donor restrictions	976,822	1,350,175
Net assets with donor restrictions	90,000	15,000
Total Net Assets	1,066,822	1,365,175
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,079,777</b>	<b>\$ 1,602,324</b>

See accompanying notes.

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Public support			
Contributions:			
Individuals and businesses	\$ 133,477	\$ -	\$ 133,477
Foundations	550,000	75,000	625,000
United Methodist Women - insurance, supplementary gifts and other	59,434	-	59,434
United Methodist Church and Agencies	27,937	-	27,937
United Way - donor choice	608	-	608
Special events	(174)	-	(174)
Total public support	<u>771,282</u>	<u>75,000</u>	<u>846,282</u>
Revenue			
Program fees	664,832	-	664,832
Contract reimbursements:			
Senior Citizens	193,185	-	193,185
Child Care and Youth Services	419,831	-	419,831
Unrealized gain on investments	5,143	-	5,143
Rental income, net of \$52,099 of expenses	7,097	-	7,097
Interest income	2	-	2
Miscellaneous income	7,853	-	7,853
Total revenue	<u>1,297,943</u>	<u>-</u>	<u>1,297,943</u>
<b>TOTAL PUBLIC SUPPORT     AND REVENUE</b>	<u>2,069,225</u>	<u>75,000</u>	<u>2,144,225</u>
<b>EXPENSES</b>			
Program services			
Child Development and Youth Services	1,353,975	-	1,353,975
Senior Citizens	324,964	-	324,964
Family Outreach	9,630	-	9,630
Total program services	<u>1,688,569</u>	<u>-</u>	<u>1,688,569</u>
Supporting services			
General and administrative	632,725	-	632,725
Fundraising	121,284	-	121,284
Total supporting services	<u>754,009</u>	<u>-</u>	<u>754,009</u>
<b>TOTAL EXPENSES</b>	<u>2,442,578</u>	<u>-</u>	<u>2,442,578</u>
<b>CHANGE IN NET ASSETS</b>	(373,353)	75,000	(298,353)
Net assets, beginning of year	<u>1,350,175</u>	<u>15,000</u>	<u>1,365,175</u>
Net assets, end of year	<u>\$ 976,822</u>	<u>\$ 90,000</u>	<u>\$ 1,066,822</u>

See accompanying notes.

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Public support			
Contributions:			
Individuals and businesses	\$ 216,622	\$ -	\$ 216,622
Foundations	719,307	-	719,307
United Methodist Women - in-kind rent	172,077	-	172,077
United Methodist Women - insurance, supplementary gifts and other	66,547	-	66,547
United Methodist Church and Agencies	38,031	-	38,031
United Way - donor choice	3,073	-	3,073
Special events	2,934	-	2,934
Net assets released from restrictions	100,000	(100,000)	-
Total public support	1,318,591	(100,000)	1,218,591
Revenue			
Program fees	518,421	-	518,421
Contract reimbursements:			
Senior Citizens	209,334	-	209,334
Child Care and Youth Services	369,532	-	369,532
Unrealized gain on investments	(309)	-	(309)
Rental income	4,226	-	4,226
Interest income	29	-	29
Miscellaneous income	8,455	-	8,455
Total revenue	1,109,688	-	1,109,688
<b>TOTAL PUBLIC SUPPORT     AND REVENUE</b>	<b>2,428,279</b>	<b>(100,000)</b>	<b>2,328,279</b>
<b>EXPENSES</b>			
Program services			
Child Development and Youth Services	1,053,997	-	1,053,997
Senior Citizens	232,158	-	232,158
Family Outreach	43,484	-	43,484
Total program services	1,329,639	-	1,329,639
Supporting services			
General and administrative	670,564	-	670,564
Fundraising	96,490	-	96,490
Total supporting services	767,054	-	767,054
<b>TOTAL EXPENSES</b>	<b>2,096,693</b>	<b>-</b>	<b>2,096,693</b>
<b>CHANGE IN NET ASSETS</b>	<b>331,586</b>	<b>(100,000)</b>	<b>231,586</b>
Net assets, beginning of year	1,018,589	115,000	1,133,589
Net assets, end of year	\$ 1,350,175	\$ 15,000	\$ 1,365,175

See accompanying notes.

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Child Development and Youth Services	Senior Citizens	Family Outreach	Total Program Services	General and Administrative	Fund- raising	Total
Salaries and wages	\$ 861,843	\$ 195,970	\$ -	\$ 1,057,813	\$ 390,160	\$ 59,024	\$ 1,506,997
Employee insurance	10,269	2,702	-	12,971	24,009	7,437	44,417
403(b) contributions	1,173	842	-	2,015	2,756	417	5,188
Payroll taxes	64,965	14,462	-	79,427	29,013	4,076	112,516
Workers' compensation	3,198	727	-	3,925	1,448	218	5,591
Unemployment	27,458	3,476	-	30,934	6,201	761	37,896
Contract, audit and legal fees	6,300	-	-	6,300	37,352	30,853	74,505
Office supplies	1,022	401	-	1,423	3,119	67	4,609
Program supplies	158,069	3,255	-	161,324	-	-	161,324
Food, kitchen supplies, outside meals	129,222	2,184	-	131,406	-	-	131,406
Telephone and internet	300	1,334	-	1,634	14,562	-	16,196
Postage	-	-	-	-	1,720	1,203	2,923
Utilities	25,275	16,035	1,991	43,301	12,865	-	56,166
General repair and maintenance/snow removal	18,885	12,590	745	32,220	9,746	-	41,966
Depreciation and amortization	9,071	34,099	3,275	46,445	24,364	-	70,809
Cleaning supplies	674	-	-	674	7,745	-	8,419
Property insurance and protection	5,895	3,683	1,473	11,051	3,683	-	14,734
Printing	948	1,560	-	2,508	5,242	14,703	22,453
Mileage reimbursements	167	36	-	203	306	-	509
Vehicle maintenance and insurance	-	25,679	-	25,679	-	-	25,679
Conferences, dues and training	2,136	2,646	-	4,782	6,402	2,331	13,515
Equipment	-	-	-	-	13,612	-	13,612
Staff development	20,811	599	-	21,410	-	-	21,410
Real estate taxes	-	-	2,146	2,146	156	-	2,302
Interest, service charges and payroll processing	6,192	2,372	-	8,564	29,376	-	37,940
Miscellaneous	102	312	-	414	8,888	194	9,496
<b>TOTAL EXPENSES</b>	<b>\$ 1,353,975</b>	<b>\$ 324,964</b>	<b>\$ 9,630</b>	<b>\$ 1,688,569</b>	<b>\$ 632,725</b>	<b>\$ 121,284</b>	<b>\$ 2,442,578</b>
% of Expenses	55.44%	13.30%	0.39%	69.13%	25.90%	4.97%	100.00%

See accompanying notes.

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Child Development and Youth Services	Senior Citizens	Family Outreach	Total Program Services	General and Administrative	Fund- raising	Total
Salaries and wages	\$ 620,417	\$ 132,368	\$ 30,307	\$ 783,092	\$ 426,335	\$ 53,537	\$ 1,262,964
Employee insurance	7,113	3,240	-	10,353	42,404	3,278	56,035
403(b) contributions	1,944	618	218	2,780	1,953	332	5,065
Payroll taxes	46,766	9,716	2,188	58,670	31,425	3,650	93,745
Workers' compensation	4,657	789	301	5,747	1,604	116	7,467
Unemployment	20,186	3,536	570	24,292	7,706	597	32,595
Contract, audit and legal fees	4,000	-	-	4,000	15,043	21,325	40,368
Office supplies	249	272	12	533	3,853	1,868	6,254
Program supplies	207,087	3,842	374	211,303	-	-	211,303
Food, kitchen supplies, outside meals	63,883	1,553	-	65,436	-	-	65,436
Telephone and internet	975	1,961	898	3,834	13,121	-	16,955
Postage	150	-	-	150	1,652	538	2,340
Utilities	26,021	16,338	3,062	45,421	11,805	-	57,226
General repair and maintenance/snow removal	15,803	5,649	1,125	22,577	6,913	-	29,490
Depreciation and amortization	6,338	11,632	3,275	21,245	39,905	-	61,150
Rentals - in-kind	-	-	-	-	21,991	-	21,991
Cleaning supplies	3,785	2,372	-	6,157	1,748	-	7,905
Property insurance and protection	5,197	2,884	1,154	9,235	2,302	-	11,537
Printing	2,452	988	-	3,440	2,118	8,815	14,373
Mileage reimbursements	477	230	-	707	1,679	-	2,386
Vehicle maintenance and insurance	-	25,754	-	25,754	-	-	25,754
Conferences, dues and training	1,241	3,214	-	4,455	5,758	2,288	12,501
Equipment	-	-	-	-	9,658	92	9,750
Staff development	1,894	3,117	-	5,011	312	-	5,323
Staff recruitment	6,300	-	-	6,300	-	-	6,300
Real estate taxes	-	-	-	-	151	-	151
Interest, service charges and payroll processing	6,997	1,951	-	8,948	15,181	-	24,129
Miscellaneous	65	134	-	199	5,947	54	6,200
<b>TOTAL EXPENSES</b>	<b>\$ 1,053,997</b>	<b>\$ 232,158</b>	<b>\$ 43,484</b>	<b>\$ 1,329,639</b>	<b>\$ 670,564</b>	<b>\$ 96,490</b>	<b>\$ 2,096,693</b>
% of Expenses	50.28%	11.07%	2.07%	63.42%	31.98%	4.60%	100.00%

See accompanying notes.



**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (298,353)	\$ 231,586
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind contributions of property	-	(150,086)
Realized and unrealized loss (gain) on investments	(5,143)	309
Depreciation expense	92,008	61,150
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(99,752)	57,666
Prepaid expenses	-	290
Accounts payable	9,460	16,435
Security deposit	4,000	-
Accrued liabilities	9,568	6,161
Deferred revenue	9,776	(70,318)
Net Cash Provided (Used) by Operating Activities	<u>(278,436)</u>	<u>153,193</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of property and equipment	<u>(1,446,842)</u>	<u>(257,997)</u>
Net Cash Provided by Investing Activities	<u>(1,446,842)</u>	<u>(257,997)</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES:</u></b>		
Net short-term debt (repayments) borrowings	325,000	105,000
Proceeds on long-term debt	<u>1,418,002</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>1,743,002</u>	<u>105,000</u>
Net increase (decrease) in cash	17,724	196
Cash and cash equivalents, beginning of year	<u>130,225</u>	<u>130,029</u>
Cash and cash equivalents, end of year	<u>\$ 147,949</u>	<u>\$ 130,225</u>

See accompanying notes.

**UNITED METHODIST COMMUNITY HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**MISSION** – United Methodist Community House, Inc., (the “Organization”) is a not-for-profit corporation whose mission is to provide services for youth and senior citizens in the inner city of Grand Rapids, Michigan through the following programs:

**Child Development and Youth Services** – The Organization’s nationally accredited early childhood development center provides affordable childcare to approximately 138 children between 6 weeks and 6 years of age. In 2004, the Organization partnered with Grand Rapids Community College, Grand Rapids Public Schools, First Step of Kent County and the Early Learning Neighborhood Collaborative Program. This program has provided resources for parents and their children helping them be better prepared to enter kindergarten.

The Organization’s nationally accredited youth service program provides opportunities for young people aged 7 to 17 to develop life skills through tutoring, mentoring, community service, team recreation and sports, career exploration and pre-employment training. The objective of this programming is to increase the potential for academic and career success for the youth of the neighborhood by providing them with tools to become more productive adults and tomorrow’s leaders.

**Senior Citizen Services** – The Organization’s senior program provides a congregate meal, Monday through Friday, where seniors gather for food, fun and fellowship. It also delivers meals for homebound seniors. Outreach and assistance as well as transportation are provided for those seniors requiring extra assistance in order to remain independent and in their own home. Activities include speakers, games, exercise, medical assistance, field trips, special events, arts and crafts, computer lab and even a senior prom.

**Family Outreach** – The Organization’s family outreach services include the Center for Family Development and Social Work and Police Partnership. The Center for Family Development was created to serve as a hub of resources for the community on family development and to work with area colleges and universities to compile and designate best practices on parenting and family involvement. Programs include: Healthy Marriages, Healthy Relationships, Effective Family Formations and The Parenting Institute. Social Work and Police Partnership (SWAPP) is a problem-solving collaboration between United Methodist Community House, Grand Rapids Police Department, Community Mental Health and Grand Valley State University. The program is focused on assisting prostituted women and girls in resolving crisis situations and promoting their ability to achieve self-sufficiency to meet their own basic needs.

**USE OF ESTIMATES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, allowances for uncollectible accounts receivable, useful lives of depreciable assets, fair value of in-kind contributions and the allocation of certain costs among services.

**BASIS OF PRESENTATION** – The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

**Net assets without donor restriction** – Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net assets with donor restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains demand deposits in banks, and in the normal course of business, has balances at times throughout the year that may exceed federally insured limits. Management believes the Organization is not exposed to any significant interest rate or other financial risk on these deposits.

CONTRIBUTIONS RECEIVABLE – Contribution and grant receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on their assessment of the credit history with contributors and grantor agencies with outstanding balances and current relationships with them, management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

PROGRAM SERVICE FEE RECEIVABLES – The Organization extends credit in the normal course of business to others receiving their services. Ongoing credit evaluations of customers' financial condition are conducted and no collateral is required. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

OTHER RECEIVABLES – DUE FROM EMPLOYEES – Other receivables are reported at the amount management expects to collect from balances outstanding at year-end. Based on its assessment of the credit history with employees having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

PREPAID EXPENSES – Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

INVESTMENTS – Investments are stated at fair value and consist of a mutual fund run by the United Methodist Foundation of Michigan. The mutual fund invests in marketable debt and equity securities. Changes in the fair value of the investments have been recorded as unrestricted revenue in the statements of activities.

PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION – Property and equipment, including leasehold improvements are stated at cost or, in the case of donations, estimated fair value at the date of donation. Donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

PROMISES TO GIVE, PUBLIC SUPPORT AND REVENUE – Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and / or nature of any donor imposed restrictions. Contributions are recognized as unrestricted when the donor makes a promise to

give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are classified to unrestricted net assets. Unconditional promises to give are recognized as revenues in the period the promises are received.

In-kind contributions, consisting mostly of building rental, are recorded at estimated fair value at the date of receipt. The Organization used an estimated monthly rent rate of \$8.52 per square foot to calculate the estimated fair value of donated facilities rental for the year ended December 31, 2018. During February 2018, the building was donated to the Organization.

Donated goods are reported as in-kind contributions revenue and are either capitalized or expensed at the time of donation depending on the nature of the donation. In-kind contributions in the amount of \$0 and \$980,000 (which was netted with a loss of \$829,914 resulting from the disposal of related leasehold improvements) were capitalized during the years ended December 31, 2019 and 2018.

Bequest income is recorded at the time the Organization is informed of the donation.

PROGRAM SERVICE FEES – Revenue from program service fees and other revenues qualify as “exchange transactions” type revenue in accordance with FASB ASC 958, *Not-for-Profit Entities*. Accordingly, revenues are recognized on a per diem basis or as services are provided, as applicable.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the services and supporting activities benefited as detailed in the statement of functional expenses. Dedicated support expenses consist of clerical functions associated with several different services.

INCOME TAX STATUS – United Methodist Community House qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in these financial statements. The Organization files a federal information return which is subject to audit by the Internal Revenue Service for three years after the filing date.

#### CONTRIBUTIONS RECEIVABLE

The Organization has received pledges from donors to contribute specified amounts over the next five years. The expected collection of the contribution receivables is as follows:

	<u>2019</u>	<u>2018</u>
Foundation pledge – due in one to five years \$	75,000	\$ -
Employee and other pledges		
Due in less than one year	<u>2,101</u>	<u>657</u>
Total contributions receivable	77,101	657
Less unamortized discount to net present value at 3%	-	-
Less allowance for uncollectible pledges	<u>-</u>	<u>-</u>
	<u>\$ 77,101</u>	<u>\$ 657</u>

Contributions receivable		
Net current portion	\$ 77,101	\$ 657
Net long-term portion	<u>-</u>	<u>-</u>
	<u>\$ 77,101</u>	<u>\$ 657</u>

## FAIR VALUE

The Organization utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Under FASB ASC 820, the Organization groups its investments at fair value into three levels (termed the *fair value hierarchy*), based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

*Level 1:* Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. All of the Organization's investments are classified as Level 1.

*Level 2:* Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Organization holds no securities classified as Level 2.

*Level 3:* Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The Organization holds no securities classified as Level 3.

## PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31:

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 116,234	\$ 33,960
Land	375,700	185,700
Buildings	2,049,770	919,165
Leasehold improvements	54,245	32,350
Equipment	3,450	3,450
Furniture	2,346	2,346
Computer equipment	65,278	43,210
Vehicles	<u>392,468</u>	<u>392,468</u>
Total property and equipment	3,059,491	1,612,649
Less: accumulated depreciation and amortization	<u>355,104</u>	<u>263,096</u>
Property and equipment, net	<u>\$ 2,704,387</u>	<u>\$ 1,349,553</u>

Depreciation and amortization expense was \$92,008 (\$21,199 included in rental income, net of expenses) and \$61,150 for the years ended December 31, 2019 and 2018, respectively.

DEBT

The Organization maintains a \$300,000 revolving line of credit (balance of \$300,000 and \$105,000 at December 31, 2019 and 2018, respectively) with interest charged at 0.5% over the bank’s prime rate but not less than 5.25% (effective rate of 5.25% at December 31, 2019). This agreement expires in March 2020 (the organization is working with the bank to renew this loan; the process has been delayed due to COVID-19). Borrowings are collateralized by all investments, property and equipment and accounts receivable. As a condition of credit, the Organization is required to maintain its primary deposit account with the lender.

The Organization maintains a \$130,000 revolving line of credit (balance of \$130,000 and \$0 at December 31, 2019 and 2018, respectively) with interest charged at 1.5% over the bank’s prime rate but not less than 5.25% (effective rate of 6.25% at December 31, 2019). This agreement expired in December 2019 (the organization is working with the bank to renew this loan; the process has been delayed due to COVID-19). Borrowings are collateralized by all investments, property and equipment and accounts receivable. As a condition of credit, the Organization is required to maintain its primary deposit account with the lender.

Long-term debt consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mortgage payable to IFF, collateralized by certain real property, requires interest only payments at 6% per annum through May of 2021 (Interest is being paid through an Interest Reserve Account setup through IFF. The remaining balance at December 31, 2019 was \$144,065.). Principal and any accrued interest is due in May of 2021.	\$ 1,418,002	\$ -
Total long-term debt	1,418,002	-
Less current portion	<u>-</u>	<u>-</u>
Long-term debt, net of current portion	<u>\$ 1,418,002</u>	<u>\$ -</u>

Schedule future minimum principal payments on long-term debt for the years succeeding December 31, 2019 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ -
2021	<u>1,418,002</u>
Total	<u>\$ 1,418,002</u>

## NET ASSETS

The components of net assets are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Net assets without donor restriction	\$ 860,588	\$ 1,350,175
Net assets with donor restriction:		
Subject to the passage of time	75,000	-
Summer camp scholarships	<u>15,000</u>	<u>15,000</u>
Total net assets	<u>\$ 950,588</u>	<u>\$ 1,365,175</u>

## DONATED FACILITY USE

The Organization utilized space from the West Michigan Conference United Methodist Women for its operating facility under an agreement which expires in 2041, and contains an option to renew for an additional 20 years. The facilities are occupied rent-free. The estimated fair market value of rent in the amount of \$0 and \$21,991 has been recorded as public support with related rental expense in the statements of activities for the years ended December 31, 2019 and 2018, respectively. During February 2018, the building was donated to the Organization.

## CONCENTRATION

The Organization's public support and revenue has been provided from two major funding sources, Early Learning Neighborhood Collaborative (4% and 13%) and West Michigan Conference United Methodist Women (3% and 10%) for the years ended December 31, 2019 and 2018, respectively.

## RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan under Internal Revenue Code Section 403(b). The plan covers those employees that have reached 21 years of age and completed one year of service, defined as 1,000 hours in a calendar year. Employee contributions to the plan are based on a percentage of salary and wages of qualified individuals. The Organization made discretionary contributions in the amount of \$5,188 and \$5,065 for the years ended December 31, 2019 and 2018, respectively.

## SUPPLEMENTAL CASH FLOWS INFORMATION

The Organization paid \$84,026 (\$59,965 of interest is included in construction in progress) and \$11,561 in interest and other fiscal charges during the years ended December 31, 2019 and 2018, respectively.

## LIQUIDITY

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. Donor-restricted amounts that are available for use within one year for general purposes include the payment from promises to give.

Financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 147,949	\$ 130,225
Receivables	<u>196,614</u>	<u>96,862</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 344,563</u>	<u>\$ 227,087</u>

## SUBSEQUENT EVENTS

Subsequent events were evaluated through June 17, 2020, which is the date the financial statements were available to be issued.

During April 2020, the Organization received a loan through the SBA Paycheck Protection Program for \$333,733.