

**Financial Statements and
Other Financial Information**

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

December 31, 2021

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Financial Statements and Other Financial Information

December 31, 2021

(With Independent Auditor's Report Thereon)

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Florida United Methodist Children's Home, Inc. (FUMCH) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of December 31, 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Florida United Methodist Children's Home, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain and 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 Florida United Methodist Children's Home, Inc.'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Florida United Methodist Children's Home, Inc.'s ability to continue as 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.

Report on Summarized Comparative Information

We have previously audited FUMHC's financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 9, 2022 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, Tschoy, Whiternut, Mitchell & Shulman, LLP

March 9, 2022
Maitland, Florida

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Financial Position

December 31, 2021

(With summarized totals for December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions		2021	2020
		Purpose	Perpetual		
Assets:					
Cash	\$ 4,010,710	5,090,692	99,353	9,200,755	7,958,936
Contributions and other receivables	548,314	291,658	83,760	923,732	730,155
Other assets	449,124	-	-	449,124	351,535
Interfund receivables (payables)	535,722	(623,421)	87,699	-	-
Investments (note 3)	21,276,396	1,495,192	29,293,832	52,065,420	49,295,336
Land, buildings and equipment (note 4)	20,390,385	-	-	20,390,385	21,296,753
Beneficial interest in trusts (note 5)	-	1,851,000	5,840,549	7,691,549	7,104,661
Total assets	<u>\$ 47,210,651</u>	<u>8,105,121</u>	<u>35,405,193</u>	<u>90,720,965</u>	<u>86,737,376</u>
Liabilities:					
Accounts payable	\$ 289,826	-	-	289,826	136,861
Accrued expenses	660,482	-	-	660,482	609,094
Annuity payment liability (note 6)	-	-	775,729	775,729	814,641
Total liabilities	<u>950,308</u>	<u>-</u>	<u>775,729</u>	<u>1,726,037</u>	<u>1,560,596</u>
Net Assets:					
Without donor restrictions:					
Available for operations	4,341,041	-	-	4,341,041	3,987,062
Board designated funds	21,528,917	-	-	21,528,917	20,749,280
Investment in property and equipment	20,390,385	-	-	20,390,385	21,296,753
Total without donor restrictions	<u>46,260,343</u>	<u>-</u>	<u>-</u>	<u>46,260,343</u>	<u>46,033,095</u>
With donor restrictions:					
Purpose restrictions (note 8)	-	8,105,121	-	8,105,121	6,972,757
Perpetual in nature (notes 8 and 9)	-	-	34,629,464	34,629,464	32,170,928
Total net assets	<u>46,260,343</u>	<u>8,105,121</u>	<u>34,629,464</u>	<u>88,994,928</u>	<u>85,176,780</u>
Total liabilities and net assets	<u>\$ 47,210,651</u>	<u>8,105,121</u>	<u>35,405,193</u>	<u>90,720,965</u>	<u>86,737,376</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Activities

Year Ended December 31, 2021

(With summarized totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions		2021	2020
		Purpose	Perpetual		
Revenues and Support:					
Contributions	\$ 5,852,491	1,757,813	745,598	8,355,902	7,394,846
Support payments	6,642,617	-	-	6,642,617	6,027,853
Child care center	1,268,374	-	-	1,268,374	1,034,008
Rental income	38,842	-	-	38,842	47,977
Interest and dividends	997,707	21,595	-	1,019,302	805,142
Net realized and unrealized gains (losses) on investments, net	1,867,477	94,529	1,203,925	3,165,931	7,176,913
Split-interest agreements	-	96,929	509,013	605,942	207,765
Miscellaneous income	542,350	-	-	542,350	374,659
Net assets released from restriction:					
Satisfaction of purpose restrictions	838,502	(838,502)	-	-	-
Total revenues and support	18,048,360	1,132,364	2,458,536	21,639,260	23,069,163
Expenses:					
Program services:					
Residential care	10,839,544	-	-	10,839,544	9,844,874
Independent living and scholarship	753,894	-	-	753,894	706,105
Foster care	634,409	-	-	634,409	680,057
Child care center	1,677,115	-	-	1,677,115	1,605,727
Outpatient services	1,348,898	-	-	1,348,898	1,669,738
Total program services	15,253,860	-	-	15,253,860	14,506,501
Supporting services:					
Management and general	1,608,279	-	-	1,608,279	1,493,678
Fundraising	958,973	-	-	958,973	902,338
Total supporting services	2,567,252	-	-	2,567,252	2,396,016
Total expenses	17,821,112	-	-	17,821,112	16,902,517
Change in net assets	227,248	1,132,364	2,458,536	3,818,148	6,166,646
Net assets at beginning of year	46,033,095	6,972,757	32,170,928	85,176,780	79,010,134
Net assets at end of year	\$ 46,260,343	8,105,121	34,629,464	88,994,928	85,176,780

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

(With summarized totals for the year ended December 31, 2020)

	Program Services						Supporting Services			Total 2021	Total 2020
	Residential Care	Independent Living	Foster Care	Child Care Center	Outpatient Services	Total	Management and General	Fundraising	Total Supporting		
Salaries	\$ 6,055,711	452,751	393,432	1,004,924	390,884	8,297,702	1,058,211	442,674	1,500,885	9,798,587	8,971,546
Employee benefits	1,080,178	97,404	57,223	210,902	55,394	1,501,101	90,673	89,230	179,903	1,681,004	1,659,892
Payroll taxes	411,839	33,314	26,899	52,545	27,239	551,836	68,483	25,934	94,417	646,253	583,483
Total salaries and related expenses	7,547,728	583,469	477,554	1,268,371	473,517	10,350,639	1,217,367	557,838	1,775,205	12,125,844	11,214,921
Utilities	568,260	24,354	32,472	89,298	16,236	730,620	56,826	24,354	81,180	811,800	783,824
Materials, supplies and postage	293,062	15,472	20,455	28,058	5,849	362,896	22,726	201,355	224,081	586,977	523,199
Repairs and maintenance	393,962	-	-	-	13,044	407,006	8,181	25,471	33,652	440,658	415,250
Travel and related expenses	69,197	2,911	10,532	232	1,835	84,707	14,012	18,320	32,332	117,039	120,029
Insurance	184,526	7,908	10,544	28,997	5,272	237,247	18,453	7,908	26,361	263,608	262,725
Food	199,896	-	-	52,016	-	251,912	22	134	156	252,068	233,251
Professional fees	151,229	9,520	643	22,348	10,984	194,724	46,848	67,548	114,396	309,120	266,158
Contracted services	-	-	-	-	680,737	680,737	-	-	-	680,737	965,097
Education and training programs	108,337	32	16,334	13,195	5,333	143,231	53,887	3,491	57,378	200,609	135,286
Scholarship payments	-	43,066	-	-	-	43,066	-	-	-	43,066	65,362
Conferences and memberships	15,749	694	1,444	1,470	760	20,117	7,727	1,413	9,140	29,257	36,100
Special events and program activities	194,686	20,450	1,836	3,332	102,630	322,934	3,544	4,367	7,911	330,845	261,190
Real estate assessments	367	-	-	-	-	367	10,753	-	10,753	11,120	8,906
Recruitment	38,788	-	1,237	1,065	2,022	43,112	40,557	757	41,314	84,426	42,375
Depreciation	1,073,757	46,018	61,358	168,733	30,679	1,380,545	107,376	46,017	153,393	1,533,938	1,568,844
Total expenses	\$ 10,839,544	753,894	634,409	1,677,115	1,348,898	15,253,860	1,608,279	958,973	2,567,252	17,821,112	16,902,517

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,818,148	6,166,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,533,938	1,568,844
(Gains) losses on investments	(3,165,931)	(7,176,913)
(Gains) losses on beneficial interest in trusts	(586,888)	(175,007)
Cash provided by (used for) changes in, net of assets and liabilities acquired in business combination:		
Contributions and other receivables	(193,577)	(252,962)
Other assets	(97,589)	(150,547)
Accounts payable and accrued expenses	204,353	(285,692)
Annuity payment liability	<u>(38,912)</u>	<u>(191,272)</u>
Net cash provided by (used in) operating activities	<u>1,473,542</u>	<u>(496,903)</u>
Cash flows from investing activities:		
Acquisition of land, buildings and equipment	(627,570)	(416,774)
(Purchase) sale of investments, net	<u>395,847</u>	<u>1,320,759</u>
Net cash provided by (used in) investing activities	<u>(231,723)</u>	<u>903,985</u>
Net change in cash	1,241,819	407,082
Cash at beginning of year	<u>7,958,936</u>	<u>7,551,854</u>
Cash at end of year	<u>\$ 9,200,755</u>	<u>7,958,936</u>

See accompanying notes to financial statements.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

December 31, 2021

(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 primarily Methodist clergy, lay and other professing members of Christian faith. Nominations for membership come from and are approved by the Board of Trustees. All Board members approved for Board membership are confirmed 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) **Revenue and Revenue Recognition**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(d) **Revenue and Revenue Recognition - Continued**

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

For the year ended December, 31, 2021, the Organization did not have any conditional promises to give.

(e) **Contributions Receivable**

Contributions receivable represent monies due or pledged to FUMCH that were not collected as of December 31, 2021. Contributions receivable are stated at the amounts management expects to collect from outstanding balances. As of December 31, 2021, no allowance for doubtful accounts has been provided since management considers all accounts to be collectible.

(f) **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, 2021. 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.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(g) **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.

(h) **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.

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.

(i) **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.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(j) **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, 2021, FUMCH's tax years that remain subject to examination are 2018 through 2020.

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.

(k) **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

(l) **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.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(m) **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.

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.

(n) **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.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

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

(n) **Concentrations of Credit and Market Risk - Continued**

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.

(o) **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.

(p) **Subsequent Events**

In preparing these financial statements, FUMCH has evaluated subsequent events and transactions for potential recognition and disclosure through March 9, 2022, 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	\$ 4,010,710
Contributions and other receivables	548,314
Operating investments	<u>21,276,396</u>
	<u>\$ 25,835,420</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.

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(2) **Liquidity and Availability - Continued**

Our board-designated endowment of \$21,528,917 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.

(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, 2021. All of FUMCH's investments are considered level 1 instruments and consist of the following at December 31, 2021.

Cash	\$ 2,836,435
Inflation protected	4,820,059
U.S. Equity securities	17,201,874
U.S. Fixed income securities	12,544,290
International equities	14,554,174
Strategic opportunity	108,588
Total investments	<u>\$ 52,065,420</u>

Investment advisory fees expense totaling approximately \$283,000 for the year ended December 31, 2021 are included in net realized and unrealized gains on investments. Unrealized gains of approximately \$3,762,000 are included in net realized and unrealized gains in the accompanying statement of activities.

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

At December 31, 2021, land, buildings and equipment consist of the following:

Land	\$ 3,751,749
Land improvements	3,507,906
Buildings and improvements	32,555,381
Furniture, fixtures and equipment	9,480,114
Vehicles	1,712,487
Construction in progress	282,960
	<u>51,290,597</u>
Less accumulated depreciation	<u>(30,900,212)</u>
	<u>\$ 20,390,385</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 \$5,840,549 as of December 31, 2021. 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 one charitable lead trust and has a remainder interest in ten irrevocable charitable remainder trusts. These two split-interest gifts are valued at \$1,851,000 as of December 31, 2021.

(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, 2021 is \$775,729. 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, 2021, FUMCH was in compliance with the reserve requirement. Total net assets associated with split-interest agreements included within the annuity fund amount to \$262,458 at December 31, 2021.

(7) Pension Plan

FUMCH has a defined contribution pension plan administered by Wespeth Benefits and Investments, a general agency 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, 2021 was approximately \$179,179.

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, 2021:

	<u>For Time Or Purpose Restrictions</u>	<u>Perpetual Restrictions</u>
Purpose Restrictions:		
Designated Fund	\$ 6,609,929	-
Education Scholarship Fund	1,495,192	-
Perpetual in Nature:		
Annuity Fund	-	262,458
General Endowment Fund	-	30,427,658
Education Endowment Fund	-	3,939,348
	<u>\$ 8,105,121</u>	<u>34,629,464</u>

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

Education scholarships	\$ 1,495,192
Beneficial interest in trusts	1,851,000
Pledges receivable	291,658
Foster care	693,765
Cash account for annuities	1,843,708
Above and beyond	766,284
Legacy Academy	185,849
Cottage renovations	884,221
Other	93,444
	<u>\$ 8,105,121</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 net assets with donor restrictions 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, 2021</u>	<u>Purpose Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Donor restricted endowment funds:			
Internally controlled	\$ 1,495,192	27,760,526	29,255,718
Externally controlled, Conference	-	1,028,389	1,028,389
Externally controlled, beneficial			
Interest	-	5,840,549	5,840,549
	<u>\$ 1,495,192</u>	<u>34,629,464</u>	<u>36,124,656</u>

Changes in endowment net assets:

<u>December 31, 2021</u>	<u>Purpose Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowments, beginning of year	\$ 1,427,955	32,170,928	33,598,883
Investment return:			
Donations	-	745,598	745,598
Changes in value of split interest			
Agreements	-	509,013	509,013
Net appreciation (realized and unrealized)	67,237	1,203,925	1,271,162
Endowments, end of year	<u>\$ 1,495,192</u>	<u>34,629,464</u>	<u>36,124,656</u>

FLORIDA UNITED METHODIST CHILDREN'S HOME, INC.

Notes to Financial Statements

(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, 2021

<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	93.658	D12-20-FUMCH-RGC	\$ 1,458,492
and Families (Residential Group Care	93.667	D12-20-FUMCH-RGC	203,064
Foster Care and Child Welfare Contracts)	93.558	D12-20-FUMCH-CPA	61,149
	93.556	D12-20-FUMCH-CPA	583
	93.659	D12-20-FUMCH-CPA	7,976
	93.645	D12-20-FUMCH-CPA	66,523
	90.XXX	D12-20-FUMCH-CPA	1,100,019
U.S. Department of Health and Human Services			
Passed through Office of Refugee Resettlement	93.676	90ZU0316-01-00	1,893,434
(Camino's Program)			
Total USDHHS			<u>4,791,240</u>
U.S. Department of Agriculture			
Passed through Florida Department of Education			
(National School Lunch Program):			
Breakfast	10.553	01-0155	30,646
Lunch	10.555	01-0155	45,969
Passed through - State Department of Agriculture			
(Non-cash assistance, commodities)	10.555	24077	11,186
Total USDA			<u>87,801</u>
U.S. Department of Health			
Passed through Florida Department of Health			
Child Care Food Program Grant	10.558	I-3579	54,444
Total Expenditures of Federal Awards			<u>\$ 4,933,485</u>
<u>State Assistance</u>			
Florida Department of Children and Families		D19-20 RGC-FUMCH	
Residential Group Care Program Services	60.074	ECAH-TFC-UMC-FY20	\$ 128,676
Total Expenditures of State Financial Assistance			<u>\$ 128,676</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, 2021

(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.

SCHAFER, 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, 2021, 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 9, 2022.

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.

Schatz, Tschoy, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
March 9, 2022

SCHAFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

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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, 2021. 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, 2021.

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, Tschoy, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
March 9, 2022

Florida United Methodist Children's Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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 programs were the Federal Programs CFDA #93.658 - Residential Group Care and Foster Care Contract and CSDA #93.676 – Camino's Program.
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, 2021

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