

UNITED METHODIST COMMUNITY HOUSE, INC.

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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

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Jayne E. Venlet, CPA
John P. Rosendall, CPA

Matthew Mol, CPA, CFE
Lyndon Wood, CPA
Chanda M. Leech, CPA
Tyler D. Westman, CPA

Glenn Meyaard, CPA (1938-2024)
Charles D. Olszewski, CPA (1955-2020)
Kenneth Tolman, CPA (1959-2003)

MEYAARD TOLMAN & VENLET p.c.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of United Methodist Community House, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 United Methodist Community House, Inc. as of December 31, 2023 and 2022, 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.

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 United Methodist Community House, 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 the 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 United Methodist Community House, 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, including omissions, 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Methodist Community House, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Methodist Community House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Meygaard Tolman & Venlet p.c.

Meygaard Tolman & Venlet p.c.
Zeeland, Michigan
June 6, 2024

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

<u>ASSETS</u>	December 31	
	2023	2022
CURRENT:		
Cash and cash equivalents	\$ 805,890	\$ 381,902
Receivables		
Contributions	693,667	443,852
Grant receivables/program service fees	198,781	71,763
Prepaid expenses	17,542	4,215
Inventory	3,118	1,153
Deposits on land purchase	425,000	-
Total Current Assets	<u>2,143,998</u>	<u>902,885</u>
PROPERTY AND EQUIPMENT, NET	<u>4,532,215</u>	<u>4,031,244</u>
OTHER ASSETS:		
Investments	43,949	32,978
Contributions receivable, net of current portion	614,441	-
Total Other Assets	<u>658,390</u>	<u>32,978</u>
TOTAL ASSETS	<u>\$ 7,334,603</u>	<u>\$ 4,967,107</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable	\$ 120,844	\$ 89,907
Accrued liabilities	53,863	50,652
Short-term borrowings	250,000	-
Current portion of long-term debt	221,617	1,671,617
Total current liabilities	<u>646,324</u>	<u>1,812,176</u>
LONG-TERM:		
Note payable - bank	221,617	1,671,617
Less current portion	<u>(221,617)</u>	<u>(1,671,617)</u>
Total long-term debt, net of current portion	<u>-</u>	<u>-</u>
Total Liabilities	<u>646,324</u>	<u>1,812,176</u>
NET ASSETS:		
Net assets without donor restrictions	4,359,562	2,647,660
Net assets with donor restrictions	2,328,717	507,271
Total Net Assets	<u>6,688,279</u>	<u>3,154,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,334,603</u>	<u>\$ 4,967,107</u>

See accompanying notes.

UNITED METHODIST COMMUNITY HOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Public support			
Contributions:			
Individuals and businesses	\$ 193,678	\$ -	\$ 193,678
Foundations and grants	220,629	2,228,866	2,449,495
United Methodist Women - insurance, supplementary gifts and other	27,117	-	27,117
United Methodist Church and Agencies	52,448	66,667	119,115
Other in-kind gifts	5,242	-	5,242
Government grants	2,774,666	-	2,774,666
Special events, net of expenses of \$1,081	(581)	-	(581)
Net assets released from restrictions	474,087	(474,087)	-
Total public support	<u>3,747,286</u>	<u>1,821,446</u>	<u>5,568,732</u>
Revenue			
Program fees	374,215	-	374,215
Fresh market sales	58,397	-	58,397
Transportation services	7,465	-	7,465
Contract reimbursements:			
Senior Citizens	162,935	-	162,935
Child Care and Youth Services	628,026	-	628,026
Unrealized gain on investments	5,729	-	5,729
Rental income	9,300	-	9,300
Miscellaneous income	1,066	-	1,066
Total revenue	<u>1,247,133</u>	<u>-</u>	<u>1,247,133</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>4,994,419</u>	<u>1,821,446</u>	<u>6,815,865</u>
EXPENSES			
Program services			
Child Development and Youth Services	1,295,501	-	1,295,501
Senior Citizens	355,897	-	355,897
Fresh Market	162,341	-	162,341
900 Division Project	596,326	-	596,326
Total program services	<u>2,410,065</u>	<u>-</u>	<u>2,410,065</u>
Supporting services			
General and administrative	701,469	-	701,469
Fundraising	170,983	-	170,983
Total supporting services	<u>872,452</u>	<u>-</u>	<u>872,452</u>
TOTAL EXPENSES	<u>3,282,517</u>	<u>-</u>	<u>3,282,517</u>
CHANGE IN NET ASSETS	<u>1,711,902</u>	<u>1,821,446</u>	<u>3,533,348</u>
Net assets, beginning of year	<u>2,647,660</u>	<u>507,271</u>	<u>3,154,931</u>
Net assets, end of year	<u><u>\$ 4,359,562</u></u>	<u><u>\$ 2,328,717</u></u>	<u><u>\$ 6,688,279</u></u>

See accompanying notes.

UNITED METHODIST COMMUNITY HOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Public support			
Contributions:			
Individuals and businesses	\$ 97,043	\$ -	\$ 97,043
Foundations and grants	2,293,300	507,420	2,800,720
United Methodist Women - insurance, supplementary gifts and other	20,181	-	20,181
United Methodist Church and Agencies	29,248	-	29,248
Net assets released from restrictions	59,482	(59,482)	-
Total public support	<u>2,499,254</u>	<u>447,938</u>	<u>2,947,192</u>
Revenue			
Program fees	419,564	-	419,564
Fresh market sales	33,062	-	33,062
Transportation services	8,153	-	8,153
Contract reimbursements:			
Senior Citizens	207,557	-	207,557
Child Care and Youth Services	620,657	-	620,657
Unrealized gain on investments	(6,437)	-	(6,437)
Rental income	14,800	-	14,800
Miscellaneous income	7,827	-	7,827
Total revenue	<u>1,305,183</u>	<u>-</u>	<u>1,305,183</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,804,437</u>	<u>447,938</u>	<u>4,252,375</u>
EXPENSES			
Program services			
Child Development and Youth Services	1,265,614	-	1,265,614
Senior Citizens	359,791	-	359,791
Fresh Market	166,165	-	166,165
900 Division Project	292,384	-	292,384
Total program services	<u>2,083,954</u>	<u>-</u>	<u>2,083,954</u>
Supporting services			
General and administrative	1,037,604	-	1,037,604
Fundraising	126,126	-	126,126
Total supporting services	<u>1,163,730</u>	<u>-</u>	<u>1,163,730</u>
TOTAL EXPENSES	<u>3,247,684</u>	<u>-</u>	<u>3,247,684</u>
CHANGE IN NET ASSETS	556,753	447,938	1,004,691
Net assets, beginning of year	<u>2,090,907</u>	<u>59,333</u>	<u>2,150,240</u>
Net assets, end of year	<u>\$ 2,647,660</u>	<u>\$ 507,271</u>	<u>\$ 3,154,931</u>

See accompanying notes.

UNITED METHODIST COMMUNITY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Child Development and Youth Services	Senior Citizens	Fresh Market
Salaries and wages	\$ 833,892	\$ 193,997	\$ 46,448
Employee insurance	54,959	12,786	3,061
403(b) contributions	-	-	-
Payroll taxes	64,079	15,631	3,669
Workers' compensation	-	-	-
Unemployment	1,271	775	168
Contract, audit and legal fees	-	-	-
Stipends	-	-	9,600
Office supplies	121	-	49
Program supplies	247,069	7,466	-
Food, kitchen supplies, outside meals	41,003	353	17,158
Telephone and internet	6,800	-	-
Postage	-	-	-
Utilities	17,220	12,311	8,704
General repair and maintenance/snow removal	10,160	1,221	192
Depreciation and amortization	876	36,262	-
Rent	-	-	-
Cleaning supplies	33	-	-
Property insurance and protection	-	5,744	-
Printing	-	1,591	525
Mileage reimbursements	182	-	-
Vehicle maintenance and insurance	-	62,626	-
Conferences, dues and training	2,114	1,964	274
Equipment	-	2,914	2,496
Staff development	2,858	-	55
Staff recruitment	2,152	-	-
Real estate taxes	-	-	-
Interest, service charges and payroll processing	8,928	-	361
Miscellaneous	1,784	256	-
Cost of goods sold	-	-	69,581
TOTAL EXPENSES	<u>\$ 1,295,501</u>	<u>\$ 355,897</u>	<u>\$ 162,341</u>
% of Expenses	39.47%	10.84%	4.95%

See accompanying notes.

900 Division Project	Total Program Services	General and Administrative	Fund- raising	Total
\$ 382,158	\$ 1,456,495	\$ 147,240	\$ 141,844	\$ 1,745,579
25,187	95,993	9,704	9,348	115,045
-	-	829	-	829
27,936	111,315	11,989	10,949	134,253
-	-	446	-	446
-	2,214	26,804	200	29,218
117,184	117,184	102,157	388	219,729
-	9,600	-	-	9,600
-	170	39,603	-	39,773
26	254,561	-	-	254,561
380	58,894	2,764	-	61,658
-	6,800	36,063	-	42,863
789	789	323	447	1,559
-	38,235	47,529	2,126	87,890
-	11,573	64,427	604	76,604
-	37,138	103,775	-	140,913
-	-	1,827	-	1,827
-	33	13,730	-	13,763
-	5,744	20,856	-	26,600
904	3,020	618	1,159	4,797
-	182	51	-	233
-	62,626	5,165	-	67,791
95	4,447	6,933	-	11,380
-	5,410	19,202	1	24,613
-	2,913	16,413	1,664	20,990
-	2,152	14,970	-	17,122
20,678	20,678	2,778	-	23,456
20,598	29,887	5,273	-	35,160
391	2,431	-	2,253	4,684
-	69,581	-	-	69,581
<u>\$ 596,326</u>	<u>\$ 2,410,065</u>	<u>\$ 701,469</u>	<u>\$ 170,983</u>	<u>\$ 3,282,517</u>
18.17%	73.43%	21.37%	5.20%	100.00%

UNITED METHODIST COMMUNITY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Child Development and Youth Services	Senior Citizens	Fresh Market
Salaries and wages	\$ 778,149	\$ 197,545	\$ 41,210
Employee insurance	15,976	4,742	378
403(b) contributions	-	-	-
Payroll taxes	57,583	14,482	3,061
Workers' compensation	-	-	-
Unemployment	15,961	3,670	275
Contract, audit and legal fees	-	1,120	9,975
Stipends	-	-	14,625
Office supplies	810	347	260
Program supplies	304,887	7,674	22,947
Food, kitchen supplies, outside meals	34,712	1,363	4,943
Telephone and internet	6,564	927	3,499
Postage	-	-	-
Utilities	14,352	10,274	16,181
General repair and maintenance/snow removal	1,800	10,063	13,108
Depreciation and amortization	877	46,283	-
Cleaning supplies	7	-	-
Property insurance and protection	5,851	8,947	-
Printing	-	2,815	528
Mileage reimbursements	1,252	-	-
Vehicle maintenance and insurance	712	46,037	428
Conferences, dues and training	4,435	3,002	554
Equipment	2,600	-	1,644
Staff development	7,363	500	365
Staff recruitment	-	-	-
Real estate taxes	-	-	781
Interest, service charges and payroll processing	6,111	-	291
Miscellaneous	5,612	-	-
Cost of goods sold	-	-	31,112
Theft loss	-	-	-
TOTAL EXPENSES	<u>\$ 1,265,614</u>	<u>\$ 359,791</u>	<u>\$ 166,165</u>
% of Expenses	38.97%	11.08%	5.12%

See accompanying notes.

900 Division Project	Total Program Services	General and Administrative	Fund- raising	Total
\$ 127,810	\$ 1,144,714	\$ 360,539	\$ 78,866	\$ 1,584,119
-	21,096	66,668	6,620	94,384
-	-	5,734	5	5,739
8,881	84,007	24,625	5,420	114,052
-	-	5,051	-	5,051
777	20,683	7,736	856	29,275
130,264	141,359	171,627	15,402	328,388
-	14,625	-	-	14,625
-	1,417	10,476	47	11,940
-	335,508	-	-	335,508
-	41,018	3,593	-	44,611
-	10,990	17,932	-	28,922
-	-	764	747	1,511
-	40,807	39,664	1,774	82,245
5,000	29,971	90,021	-	119,992
-	47,160	87,729	-	134,889
-	7	12,068	-	12,075
-	14,798	3,601	685	19,084
38	3,381	10,871	6,250	20,502
-	1,252	815	-	2,067
-	47,177	50	-	47,227
-	7,991	11,936	495	20,422
-	4,244	16,757	8,385	29,386
-	8,228	3,041	-	11,269
-	-	18,139	-	18,139
19,614	20,395	3,077	-	23,472
-	6,402	8,090	574	15,066
-	5,612	-	-	5,612
-	31,112	-	-	31,112
-	-	57,000	-	57,000
<u>\$ 292,384</u>	<u>\$ 2,083,954</u>	<u>\$ 1,037,604</u>	<u>\$ 126,126</u>	<u>\$ 3,247,684</u>
9.00%	64.17%	31.95%	3.88%	100.00%

UNITED METHODIST COMMUNITY HOUSE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 3,533,348	\$ 1,004,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind contributions of securities	(5,242)	-
Realized and unrealized loss (gain) on investments	(5,729)	6,437
Depreciation expense	140,913	134,889
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(991,274)	(409,593)
Prepaid expenses	(13,327)	(3,461)
Inventory	(1,965)	346
Deposits on land purchase	(425,000)	-
Accounts payable	30,937	(70,195)
Accrued liabilities	3,211	21,284
Net Cash Provided (Used) by Operating Activities	<u>2,265,872</u>	<u>684,398</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	<u>(641,884)</u>	<u>(867,028)</u>
Net Cash Provided by Investing Activities	<u>(641,884)</u>	<u>(867,028)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES:</u>		
Net short-term debt (repayments) borrowings	250,000	-
Principal payments on long-term debt	<u>(1,450,000)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,200,000)</u>	<u>-</u>
Net increase (decrease) in cash	423,988	(182,630)
Cash and cash equivalents, beginning of year	<u>381,902</u>	<u>564,532</u>
Cash and cash equivalents, end of year	<u>\$ 805,890</u>	<u>\$ 381,902</u>

UNITED METHODIST COMMUNITY HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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 with the capacity to serve 68 children between the ages of 6 weeks and 5 years old. This program has been operating at nearly 76% of capacity. Staffing has been the greatest barrier to achieving full capacity. This program has provided resources for parents and their children through intervention and access to services; helping them be better prepared to enter kindergarten. Additionally served are elementary-aged youth, through UMCH’s oversight of nine (9) GRPS afterschool program sites, serving an additional 270 students with quality programming.

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.

Fresh Market - The Fresh Market at UMCH is the newest initiative by United Methodist Community House designed to offer affordable access to healthy, locally sourced food in an equitable, non-charity setting, all while supporting Michigan growers. Market prices follow a sliding scale, so it will always be affordable for everyone. Founded in 1902, UMCH has a long history of taking a holistic approach to meet the evolving needs of our neighbors in the Southeast Community neighborhood. The Fresh Market is a celebration of the diverse, vibrant community we inhabit.

900 Division Project – The 900 Division Project is a facilities development plan to enhance services for our core program areas which includes early childhood development, engagement and education for youth, engagement and support for older adults, and an affordable Fresh Market. To support our early childhood development and youth education efforts, the facility will include an expanded child development center with an addition of drop-in services as well as evening care. To help expand our engagement and support for older adults, the facility will include several units of affordable housing for adults aged 60+, as well as a senior activity center projected to serve 500+ members per day. Once the planned facility is fully operational, third-party projections show that the senior center, housing, and Fresh Market will generate enough revenue to support their own operations and offset any operational deficits for the child development center.

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.

REVENUE RECOGNITION – Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the contribution. Contributions are considered to be available for general purposes unless restricted by the donor for specific purposes.

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Receipts received prior to events occurring or before revenues are earned are classified as deferred revenue in the accompanying statements of financial position. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and the Organization does not believe it is required to provide additional goods or services related to that sale. The Organization determines the transaction price based on standard charges for goods and services provided. The Organization's revenue streams do not have significant financing components or contract costs. Revenues are recorded net of any sales taxes charged.

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.

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 or 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 are recorded at estimated fair value at the date of receipt. 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 consisted of \$5,242 and \$0 in securities during the years ended December 31, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>
Due in less than one year	\$ 693,667	\$ 443,852
Due in one to five years	<u>688,000</u>	<u>-</u>
Total contributions receivable	1,381,667	443,852
Less unamortized discount to net present value at 8.5%	(73,559)	-
Less allowance for uncollectible pledges	<u>-</u>	<u>-</u>
	<u>\$ 1,308,108</u>	<u>\$ 443,852</u>
Contributions receivable		
Net current portion	\$ 693,667	\$ 443,852
Net long-term portion	<u>614,441</u>	<u>-</u>
	<u>\$ 1,308,108</u>	<u>\$ 443,852</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>2023</u>	<u>2022</u>
Construction in progress	\$ 1,962,183	\$ 1,386,095
Land	375,700	375,700
Buildings	2,266,385	2,266,385
Leasehold improvements	54,245	54,245
Equipment	3,450	3,450
Furniture	75,886	75,886
Computer equipment	71,140	71,140
Vehicles	<u>558,250</u>	<u>513,111</u>
Total property and equipment	5,367,239	4,746,012
Less: accumulated depreciation and amortization	<u>835,024</u>	<u>714,768</u>
Property and equipment, net	<u>\$ 4,532,215</u>	<u>\$ 4,031,244</u>

Depreciation and amortization expense was \$140,913 and \$134,889 for the years ended December 31, 2023 and 2022, respectively.

DEBT

The Organization maintains a \$300,000 revolving line of credit (balance of \$250,000 and \$0 at December 31, 2023 and 2022, respectively) with interest charged at 0.5% over the bank's prime rate but not less than 4.5% (effective rate of 9.00% at December 31, 2023). This agreement expires in October 2024. 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>2023</u>	<u>2022</u>
Mortgage payable to IFF, collateralized by certain real property, requires interest only payments at 7.25% per annum through November of 2023. Principal and any accrued interest is due in November of 2024.	\$ <u>221,617</u>	\$ <u>1,671,617</u>
Total long-term debt	-	-
Less current portion	<u>221,617</u>	<u>1,671,617</u>
Long-term debt, net of current portion	<u>\$ -</u>	<u>\$ -</u>

Schedule future minimum principal payments on long-term debt for the years succeeding December 31, 2023 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ <u>221,617</u>
Total	<u>\$ 221,617</u>

NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Net assets without donor restriction	\$ 4,356,445	\$ 2,647,660
Net assets with donor restriction:		
Subject to the passage of time	1,384,852	492,271
900 Division Project	743,865	-
Child development center	185,000	-
Summer camp scholarships	<u>15,000</u>	<u>15,000</u>
Total net assets	<u>\$ 6,685,162</u>	<u>\$ 3,154,931</u>

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 \$829 and \$5,739 for the years ended December 31, 2023 and 2022, respectively.

SUPPLEMENTAL CASH FLOWS INFORMATION

The Organization paid \$93,041 (\$57,881 of interest is included in construction in progress) and \$117,255 (\$102,190 of interest is included in construction in progress) in interest and other fiscal charges during the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 805,891	\$ 381,902
Receivables – current portion	<u>892,448</u>	<u>515,615</u>
Total financial assets at year-end	1,698,339	897,517
With donor restriction	<u>(928,865)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 769,474</u>	<u>\$ 897,517</u>

COMMITMENTS AND CONTINGENCIES

The Organization is currently developing plans for the 900 Division Street property with initial projected costs of \$2,354,963 of which the initial phase is expected to be completed in 2025. The remaining commitment at December 31, 2023 is \$1,086,424.

The Organization has been served with a lawsuit for allegedly breaching a development agreement, and the plaintiff is seeking damages in excess of \$3 million. The Organization is vigorously defending the case and has asserted counterclaims against the plaintiff. Discovery is ongoing. It is the opinion of management that the requested damages far exceed the losses, and the Organization will defend the claim. No provision has been accrued in the financial statements as an amount for potential liability as the outcome of this matter is uncertain.

SUBSEQUENT EVENTS

Subsequent events were evaluated through June 6, 2024, which is the date the financial statements were available to be issued.