

**BOARD OF CHILD CARE OF THE
UNITED METHODIST CHURCH, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Board of Child Care of the United Methodist Church, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Board of Child Care of the United Methodist Church, Inc. (the Board), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2021 and 2020, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Board has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis 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, excluding the budget 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 24, 2021

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 979,285	\$ 1,778,407
Short-Term Investments	2,488,215	6,688,223
Accounts Receivable, Less Allowance for Doubtful		
Accounts of \$256,731 and \$56,731 in 2021 and 2020, respectively	5,056,611	3,735,141
Prepaid Expenses and Other	688,292	428,163
Investments, at Fair Value	78,164,880	68,167,053
Endowed Funds	706,444	571,549
Beneficial Interest in Perpetual Trusts Held by		
Third Parties	4,600,795	3,891,177
Notes Receivable	-	-
Other Assets	23,000	23,000
Interest Rate Swap	324	220
Property and Equipment, Net	42,503,957	44,289,390
Total Assets	\$ 135,211,803	\$ 129,572,323
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of Credit	\$ 6,954,402	\$ 9,954,402
Accounts Payable	1,744,708	1,273,962
Accrued Payroll and Related Liabilities	4,407,706	4,319,852
Children's Savings	136,080	127,286
Pension Liability	529,973	1,414,281
Total Liabilities	13,772,869	17,089,783
NET ASSETS		
Without Donor Restrictions:	116,089,796	107,977,915
With Donor Restrictions:	5,349,138	4,504,625
Total Net Assets	121,438,934	112,482,540
Total Liabilities and Net Assets	\$ 135,211,803	\$ 129,572,323

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND SUPPORT			
Purchase of Care Programs	\$ 36,834,595	\$ -	\$ 36,834,595
Gifts and Bequests	788,761	-	788,761
Grants	1,585,089	-	1,585,089
Contributions	762,860	-	762,860
Other Income	80,359	-	80,359
Adoption Reimbursements	29,400	-	29,400
Investment Income, Net of Fees	1,471,301	2,453	1,473,754
	<u>41,552,365</u>	<u>2,453</u>	<u>41,554,818</u>
Unrealized Gain on Investments	9,279,854	132,442	9,412,296
Realized Gains on Investments	9,921,166	-	9,921,166
Change in Value of Beneficial Interest in Perpetual Trusts Held by Third Parties	-	709,618	709,618
Gain on Interest Rate Swaps	104	-	104
Total Revenues, Gains, and Support	<u>60,753,489</u>	<u>844,513</u>	<u>61,598,002</u>
EXPENSES			
Program Services:			
Group Home Residential	17,591,075	-	17,591,075
Educational	4,599,099	-	4,599,099
Grants	669,366	-	669,366
Denton/Eastern Shore	1,991,519	-	1,991,519
Caminos	9,169,604	-	9,169,604
Maryland Treatment Foster Care	791,054	-	791,054
OMHC	632,941	-	632,941
West Virginia Group Home	8,165,854	-	8,165,854
DC Daycare	1,968,537	-	1,968,537
UMHC Group Home	4,294,663	-	4,294,663
Title I Grant	18,567	-	18,567
Total Program Services	<u>49,892,279</u>	<u>-</u>	<u>49,892,279</u>
Supporting Services:			
Management and General	2,217,239	-	2,217,239
Public Relations and Fundraising	500,726	-	500,726
Conference Center/Challenge Course	20,780	-	20,780
Higher Education	8,859	-	8,859
Payments to Annuitants	1,725	-	1,725
Total Supporting Services	<u>2,749,329</u>	<u>-</u>	<u>2,749,329</u>
Total Expenses	<u>52,641,608</u>	<u>-</u>	<u>52,641,608</u>
CHANGES IN NET ASSETS	8,111,881	844,513	8,956,394
Net Assets - Beginning of Year	<u>107,977,915</u>	<u>4,504,625</u>	<u>112,482,540</u>
NET ASSETS - END OF YEAR	<u>\$ 116,089,796</u>	<u>\$ 5,349,138</u>	<u>\$ 121,438,934</u>

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND SUPPORT			
Purchase of Care Programs	\$ 34,146,841	\$ -	\$ 34,146,841
Gifts and Bequests	77,559	-	77,559
Grants	260,076	-	260,076
Contributions	871,578	-	871,578
Other Income	74,802	-	74,802
Investment Income, Net of Fees	1,039,475	3,238	1,042,713
Adoption Reimbursements	5,100	-	5,100
	<u>36,475,431</u>	<u>3,238</u>	<u>36,478,669</u>
Unrealized Gain (Loss) on Investments	(8,140,426)	(19,339)	(8,159,765)
Realized Gains on Investments	13,222,267	25,413	13,247,680
Change in Value of Beneficial Interest in Perpetual Trusts Held by Third Parties	-	(76,602)	(76,602)
Loss on Interest Rate Swaps	(880)	-	(880)
Gain on Disposal of Property	2,057	-	2,057
Total Revenues, Gains, and Support	<u>41,558,449</u>	<u>(67,290)</u>	<u>41,491,159</u>
EXPENSES			
Program Services:			
Group Home Residential	15,808,876	-	15,808,876
Wraparound	211,800	-	211,800
Educational	4,045,180	-	4,045,180
Denton/Eastern Shore	1,871,179	-	1,871,179
Caminos	10,081,296	-	10,081,296
Maryland Treatment Foster Care	744,664	-	744,664
OMHC	604,970	-	604,970
West Virginia Group Home	7,544,725	-	7,544,725
DC Daycare	2,034,067	-	2,034,067
UMHC Group Home	6,526,836	-	6,526,836
Title I Grant	18,168	-	18,168
Total Program Services	<u>49,491,761</u>	<u>-</u>	<u>49,491,761</u>
Supporting Services:			
Management and General	1,929,376	-	1,929,376
Public Relations and Fundraising	441,501	-	441,501
Conference Center/Challenge Course	18,924	-	18,924
Higher Education	8,651	-	8,651
Payments to Annuitants	1,725	-	1,725
Total Supporting Services	<u>2,400,177</u>	<u>-</u>	<u>2,400,177</u>
Total Expenses	<u>51,891,938</u>	<u>-</u>	<u>51,891,938</u>
CHANGES IN NET ASSETS	(10,333,489)	(67,290)	(10,400,779)
Net Assets - Beginning of Year	<u>118,311,404</u>	<u>4,571,915</u>	<u>122,883,319</u>
NET ASSETS - END OF YEAR	<u>\$ 107,977,915</u>	<u>\$ 4,504,625</u>	<u>\$ 112,482,540</u>

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 8,956,394	\$ (10,400,779)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Increase in Allowance for Contractual Adjustments and Doubtful Accounts	200,000	-
Depreciation and Amortization	2,625,843	2,824,053
Gain on Sale of Property and Equipment	-	(2,057)
Gain on Sale of Investments, Net	(9,921,166)	(13,247,680)
(Increase) Decrease in Value of Beneficial Interest in Perpetual Trusts Held by Third Parties	(709,618)	76,602
Unrealized (Gain) Loss on Investments	(9,412,296)	8,159,765
Unrealized (Gain) Loss on Interest Rate Swap	(104)	880
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,521,470)	(380,856)
Prepaid Expenses and Other Assets	(260,129)	(12,308)
Accounts Payable	470,746	657,501
Accrued Payroll and Related Expenses	87,854	672,432
Pension Liability	(884,308)	970,387
Children's Savings	8,794	36,132
Net Cash Used by Operating Activities	(10,359,460)	(10,645,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Short-Term Investments	4,200,008	(624,581)
Proceeds from Sale of Investments	43,064,141	46,688,156
Purchase of Investments	(33,863,401)	(8,760,779)
Decrease in Notes Receivable	-	522,740
Purchases of Property and Equipment	(840,410)	(1,325,662)
Proceeds from Sale of Property and Equipment	-	26,930
Net Cash Provided by Investing Activities	12,560,338	36,526,804
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on Line of Credit	2,400,000	2,600,000
Repayments on Line of Credit	(5,400,000)	(27,600,000)
Net Cash Used by Financing Activities	(3,000,000)	(25,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(799,122)	880,876
Cash and Cash Equivalents - Beginning of Year	1,778,407	897,531
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 979,285	\$ 1,778,407
SUPPLEMENTAL DATA - INTEREST PAID	\$ 85,194	\$ 730,348

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

EXPENSES	Program Services											
	Group Home	Denton/			MD Treatment			West Virginia	DC	UMHC	Title I	Total Program
	Residential	Educational	Grants	Eastern Shore	Caminos	Foster Care	OMHC	Group Home	Daycare	Group Home	Grant	
Assistance to Children	\$ 165,856	\$ 36,386	\$ 3,516	\$ 33,522	\$ 130,685	\$ 167,095	\$ -	\$ 69,229	\$ 6,710	\$ 57,868	\$ -	\$ 670,867
Depreciation and Amortization	377,761	98,764	14,374	42,767	684,155	16,988	13,592	723,980	42,274	337,685	-	2,352,340
Dues	22,533	5,274	243	1,149	2,817	1,493	532	8,211	1,306	6,437	-	49,995
Grant Program	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	18,093	4,730	688	2,048	8,919	814	651	29,966	2,025	4,159	-	72,093
Mileage, Travel and Vehicles	160,974	29,695	6,187	10,159	68,501	1,865	218	31,219	684	33,227	-	342,729
Miscellaneous Unallowable	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy, Utilities and Repairs	489,899	198,288	295,859	119,571	758,310	28,425	35,487	489,942	168,755	247,865	-	2,832,401
Office Equipment Rental and Maintenance	18,594	10,937	1,718	9,907	32,193	510	4,446	23,444	6,064	33,605	-	141,418
Pension	176,366	46,110	6,711	19,967	86,941	7,931	6,346	73,970	19,736	(843,765)	-	(399,687)
Personnel Costs and Miscellaneous	185,871	69,245	23,060	23,452	130,531	20,136	6,140	263,280	20,131	43,841	-	785,687
Postage	7,933	887	1,307	3,138	16,428	488	1,146	6,993	1,669	3,561	-	43,550
Printing and Publications	15,399	1,903	2,893	4,787	7,941	1,085	204	11,703	1,543	24,804	-	72,262
Professional Fees	155,678	113,343	9,559	74,751	150,111	14,041	93,083	92,194	15,188	76,718	-	794,666
Recreational	6,748	-	-	1,690	6,904	-	-	13,664	-	2,997	-	32,003
Salaries and Related Expenses	15,184,726	3,680,006	276,517	1,530,624	6,445,366	513,683	437,513	5,793,058	1,489,542	4,063,512	18,567	39,433,114
Supplies and Food	534,161	287,924	17,733	59,195	539,214	4,916	3,458	364,075	151,306	119,830	-	2,081,812
Telephone	70,483	15,607	9,001	54,792	100,588	11,584	30,125	170,926	41,604	82,319	-	587,029
Total Expenses	\$ 17,591,075	\$ 4,599,099	\$ 669,366	\$ 1,991,519	\$ 9,169,604	\$ 791,054	\$ 632,941	\$ 8,165,854	\$ 1,968,537	\$ 4,294,663	\$ 18,567	\$ 49,892,279

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Supporting Services						Total Expenses
	Management and General	Public Relations and Fund Raising	Conference Center/ Challenge Course	Payments to Annuitants	Higher Education	Total Supporting Services	
EXPENSES							
Assistance to Children	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,867
Depreciation and Amortization	262,304	10,753	446	-	-	273,503	2,625,843
Dues	36,247	804	7	-	-	37,058	87,053
Grant Program	53,451	-	-	-	-	53,451	53,451
Interest Expense	12,563	515	21	-	-	13,099	85,192
Mileage, Travel and Vehicles	16,504	471	3	-	-	16,978	359,707
Miscellaneous Unallowable	85,238	-	-	-	-	85,238	85,238
Occupancy, Utilities and Repairs	509,381	2,237	16,291	-	-	527,909	3,360,310
Office Equipment Rental and Maintenance	73,445	21,491	13	-	-	94,949	236,367
Pension	9,809	5,020	208	-	-	15,037	(384,650)
Personnel Costs and Miscellaneous	190,522	1,501	32	1,725	8,859	202,639	988,326
Postage	14,561	64	3	-	-	14,628	58,178
Printing and Publications	31,193	59,249	6	-	-	90,448	162,710
Professional Fees	272,192	10,796	50	-	-	283,038	1,077,704
Recreational	-	-	-	-	-	-	32,003
Salaries and Related Expenses	453,910	385,653	3,341	-	-	842,904	40,276,018
Supplies and Food	135,969	597	300	-	-	136,866	2,218,678
Telephone	59,950	1,575	59	-	-	61,584	648,613
Total Expenses	\$ 2,217,239	\$ 500,726	\$ 20,780	\$ 1,725	\$ 8,859	\$ 2,749,329	\$ 52,641,608

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services											Total Program Services
	Group Home Residential	Wraparound	Educational	Denton/ Eastern Shore	Caminos	MD Treatment Foster Care	OMHC	West Virginia Group Home	DC Daycare	UMHC Group Home	Title I Grant	
EXPENSES												
Assistance to Children	\$ 164,890	\$ 536	\$ 26,528	\$ 26,172	\$ 215,473	\$ 199,273	\$ -	\$ 64,734	\$ 14,404	\$ 58,528	\$ -	\$ 770,538
Depreciation and Amortization	421,977	5,653	107,976	49,946	497,934	19,877	16,148	854,198	54,294	418,367	-	2,446,370
Dues	18,480	1,303	6,528	4,644	1,069	1,879	3,793	8,007	3,251	33,565	-	82,519
Grant Program	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	135,249	1,812	34,608	16,008	-	6,371	5,176	290,513	17,402	53,693	-	560,832
Mileage, Travel and Vehicles	142,881	1,406	38,799	16,093	125,651	5,972	4,987	89,276	2,026	49,940	-	477,031
Miscellaneous Unallowable	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy, Utilities and Repairs	458,719	8,580	119,494	141,534	676,866	19,791	36,248	376,221	156,572	294,705	-	2,288,730
Office Equipment Rental and Maintenance	7,891	1,232	9,569	5,900	33,722	1,507	5,908	15,281	5,324	21,023	-	107,357
Pension	66,959	897	17,134	7,925	-	3,154	2,562	28,098	8,615	996,969	-	1,132,313
Personnel Costs and Miscellaneous	139,472	16,113	25,617	11,180	122,460	4,140	6,632	65,654	18,898	40,063	-	450,229
Postage	9,021	15	593	4,299	17,905	1,084	608	4,373	1,545	5,260	-	44,703
Printing and Publications	(2,107)	12	1,211	3,611	9,915	1,074	819	11,955	1,850	16,896	-	45,236
Professional Fees	184,662	7,796	57,937	2,745	210,489	1,092	3,407	106,354	79,678	77,883	-	732,043
Recreational	23,393	261	-	3,821	17,609	-	-	10,258	-	4,666	-	60,008
Salaries and Related Expenses	13,530,724	140,543	3,370,479	1,433,468	7,492,033	464,892	486,946	5,226,196	1,479,236	4,219,855	18,168	37,862,540
Supplies and Food	463,247	18,258	222,332	49,646	543,744	4,331	2,144	258,731	152,370	167,925	-	1,882,728
Telephone	43,418	7,383	6,375	94,187	116,426	10,227	29,592	134,876	38,602	67,498	-	548,584
Total Expenses	\$ 15,808,876	\$ 211,800	\$ 4,045,180	\$ 1,871,179	\$ 10,081,296	\$ 744,664	\$ 604,970	\$ 7,544,725	\$ 2,034,067	\$ 6,526,836	\$ 18,168	\$ 49,491,761

See accompanying Notes to Financial Statements.

**BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	Supporting Services						Total Expenses
	Management and General	Public Relations and Fund Raising	Conference Center/ Challenge Course	Payments to Annuitants	Higher Education	Total Supporting Services	
EXPENSES							
Assistance to Children	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 770,538
Depreciation and Amortization	355,817	21,361	505	-	-	377,683	2,824,053
Dues	37,230	458	7	-	-	37,695	120,214
Grant Program	152,093	-	-	-	-	152,093	152,093
Interest Expense	99,318	3,693	162	-	-	103,173	664,005
Mileage, Travel and Vehicles	20,503	1,486	4	-	-	21,993	499,024
Miscellaneous Unallowable	109,231	-	-	-	-	109,231	109,231
Occupancy, Utilities and Repairs	302,037	1,203	14,597	-	-	317,837	2,606,567
Office Equipment Rental and Maintenance	16,173	10,484	3	-	-	26,660	134,017
Pension	9,809	1,828	80	-	-	11,717	1,144,030
Personnel Costs and Miscellaneous	23,003	3,052	9	1,725	8,651	36,440	486,669
Postage	7,597	30	1	-	-	7,628	52,331
Printing and Publications	6,125	66,999	1	-	-	73,125	118,361
Professional Fees	158,936	10,792	28	-	-	169,756	901,799
Recreational	-	-	-	-	-	-	60,008
Salaries and Related Expenses	437,158	318,607	3,329	-	-	759,094	38,621,634
Supplies and Food	100,681	840	182	-	-	101,703	1,984,431
Telephone	93,665	668	16	-	-	94,349	642,933
Total Expenses	\$ 1,929,376	\$ 441,501	\$ 18,924	\$ 1,725	\$ 8,651	\$ 2,400,177	\$ 51,891,938

See accompanying Notes to Financial Statements.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Board of Child Care of the United Methodist Church, Inc. (the Board) was formed in 1944 to aid, protect and care for the needs and welfare of orphaned, neglected and dependent children of Methodist or other parentage, who are residents within the bounds of the Baltimore Conference and the Peninsula Conference of the United Methodist Church. Today, the assistance continues in many communities as the Board seeks to fulfill its purpose of “Enriching communities, one family at a time.”

A summary of the Board’s significant accounting policies are as follows:

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting. This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into two classes of net assets.

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not restricted by donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions are composed of the following:

- General – Represents resources available for support of operations.
- Board designated for fixed assets – Represents resources restricted for fixed asset acquisitions and net assets expended for fixed assets.
- Board designated – The Board of Directors has designated certain amounts, within which the balance of net assets together with accumulated earnings thereon is to be spent only for purposes approved by the Board.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents and Financial Risk

The Board considers all highly liquid debt instruments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents.

Short-Term Investments

Short-term investments are recorded at fair value and include money market funds and United States Treasury Bills.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are for amounts due from insurance companies and governmental organizations for which the Board provides services, and are carried at an amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors. Management estimates this allowance on a monthly basis based on a percentage uncollectible estimated for each payor.

Investments

The Board distributes investment income and realized and unrealized gains and losses from security transactions among the net asset classifications based on the ratio of each classification's investment balance. Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair value. To adjust the carrying values of these securities, the change in fair value is charged or credited to current operations, unless their use is restricted by explicit donor-imposed stipulations or by law.

Investment Risk and Uncertainties

The Board invests in a professionally managed portfolio that contains common and convertible preferred shares and bonds of publicly traded companies, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates on these instruments fluctuate with market interest rates or the fixed rates are based on current rates offered to the Board for debt with similar terms and maturities.

Property and Equipment

Property and equipment is recorded at cost, if purchased, or at the fair value at the date of the gift, if donated, for individual items in excess of \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. These lives range from 5 to 50 years for buildings, 15 to 45 years for recreational improvements and 3 to 10 years for furnishings and equipment.

**BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Board reviews the valuation of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Purchase of Care

The Board's purchase of care revenue consists of group home and residential revenue, education and day care, medical billing, and outpatient mental health services. Each of these service lines is recorded at an established all-inclusive per diem rate or specified fee for service based on contract agreements. Revenue is recognized over time during the period in which services are provided.

The Board's purchase of care revenue consisted of the following at June 30:

	2021	2020
Group Home, Residential, and Foster Care	\$ 28,109,298	\$ 27,070,488
Education and Day Care	6,235,310	5,276,647
Medical	1,896,159	1,519,719
Outpatient Mental Health	294,586	279,987
Total	<u>\$ 36,535,353</u>	<u>\$ 34,146,841</u>

Grants

A portion of the Board's revenue is derived from cost-reimbursable federal and state 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 Board 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. The Board did not have any contracts for which it received advance funding prior to incurring qualifying expenditures as of June 30, 2021. The Board received awards with unspent qualifying expenditures available up to \$14,897,176 as of June 30, 2021, for which it has yet to incur expenses or receive funding.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, when representing unconditional promises to give, are recorded as revenue in the year notification is received from the donor. These amounts are recorded as increases to net assets without donor restrictions revenues unless their use is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as contributions with donor restriction, consistent with the nature of the restriction. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. Contributions with donor restrictions received in excess of expenses incurred and those amounts restricted for use in future periods are shown as net assets with donor restrictions in the accompanying financial statements. Conditional promises to give are not recognized until the conditions and barriers on which they depend have been substantially met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and on a natural classification basis in the Statements of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Board. Certain categories of expenses are attributable to more than one program or supporting function and, therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses, including depreciation, occupancy, and utilities, are allocated based on factors such as payroll time coding, square footage, and the direct program expenses as a percentage of total expenses.

Income Taxes

The Board is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Board qualifies for charitable contribution deductions under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Taxes are paid on net income earned from sources unrelated to the Board's exempt purpose. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Board annually files a Form 990.

The Board adopted the provisions of FASB ASC 740-10 on January 1, 2009. Management has determined that the Board has no material uncertain tax positions that would require recognition under this standard.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued several ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Board's financial statements reflect the application of ASC 606 guidance beginning July 1, 2020. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2014-09 did not significantly impact the Board's reported historical revenue.

NOTE 2 INVESTMENTS

Investments were comprised of the following at June 30:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Short-Term Investments, Primarily Money Market Funds	\$ 2,488,215	\$ 2,488,216	\$ 6,688,223	\$ 6,687,706
Corporate and Foreign Bonds	\$ 13,471,444	\$ 13,708,650	\$ 15,321,427	\$ 14,902,905
Common Stocks	58,055,607	28,603,323	45,585,746	26,209,048
Mutual Funds	995,858	767,250	727,154	659,999
Real Estate Investment Trusts	1,128,034	530,352	1,246,528	587,476
Alternative Investments	-	-	-	-
Loan to Baltimore Washington Conference	2,106,667	2,106,667	2,623,333	2,623,333
Loan to Pecometh United Methodist Camp	3,113,714	3,113,714	3,234,414	3,234,414
Total	<u>\$ 78,871,324</u>	<u>\$ 48,829,956</u>	<u>\$ 68,738,602</u>	<u>\$ 48,217,175</u>

Investment fees for the years ended June 30, 2021 and 2020 were \$287,540 and \$186,384, respectively.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 INVESTMENTS (CONTINUED)

On November 13, 2009, the Board entered into an agreement with the Baltimore Washington Conference of the United Methodist Church, Inc. (the Conference) to provide a loan in the amount of \$6,000,000 to finance the acquisition, development, and construction of a new conference center located in Columbia, Maryland. Construction on this project was completed on December 31, 2010 and the Conference was advanced related draws totaling \$6,000,000. During 2015, the Board extended the total loan amount to \$6,200,000. The total balance of the loan was \$2,106,667 and \$2,623,333 as of June 30, 2021 and 2020, respectively. During 2015, the Board amended the interest rate to a fixed rate at 3.5%. The current interest rate was 3.5% as of June 30, 2021 and 2020. This note is carried at cost which approximates fair value.

Regular loan payments from the Conference commenced the first day after the construction period in equal quarterly payments over a period of 25 years. Collateral for the loan includes the conference center located in Maple Lawn Office Park and a lien on additional real property owned by the Baltimore Washington Conference up to a maximum of 143% of the amount of the loan. There were no amounts past due and no allowance for doubtful accounts as of June 30, 2021 and 2020.

On December 30, 2013, the Board entered into an agreement with the Pecometh United Methodist Camp and Retreat Ministries, Inc. (the Camp) to provide a loan in the amount of \$3,700,000. The total balance of the loan was \$3,113,714 and \$3,234,414 as of June 30, 2021 and 2020, respectively. The loan contained an interest only period bearing interest at a fixed rate of 3.5% for the first six months after closing. The current interest rate was 5.25% at June 30, 2021 and 2020. Under the terms of the agreement, the interest rate adjusts based on completion of certain events and changes in the Prime rate plus 225 basis points. Regular loan payments from the Camp commenced the first day after the interest only period in equal quarterly payments over a period of 25 years. Collateral on the loan consists of all real property and improvements of the Camp. There were no amounts past due and no allowance for doubtful accounts as of June 30, 2021 and 2020. This note is carried at cost which approximates fair value.

NOTE 3 FAIR VALUE MEASUREMENTS

The Board adopted FASB ASC 820-10, which 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board has the ability to access.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation and other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair 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.

Following is a description of the valuation methodologies used for assets measured at fair value and their classification in the valuation hierarchy.

Investment in Stocks and Mutual Funds

Stocks and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Board's interests in such investments are categorized as common stock and mutual funds. Such securities are classified within Level 1 of the valuation hierarchy.

Investment in Corporate and Foreign Bonds

Debt securities are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type). The Board's investments in debt securities consist of corporate and foreign fixed income bonds. Such debt securities are generally classified within Level 2 of the valuation hierarchy.

Real Estate Investment Trusts

Real estate investment trusts listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 2 of the valuation hierarchy.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment in Money Market Funds

Money market funds are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type). The Board's investments in money market funds consist of securities earning a fixed interest rate with a maturity of longer than three months. The money market funds are valued based on the cost of the security and the stated rate of interest the security is expected to yield. Such securities are generally classified within Level 1 of the valuation hierarchy.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2021:

	2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Stocks, by Sector:				
Consumer Discretionary	\$ 6,769,360	\$ -	\$ -	\$ 6,769,360
Consumer Staples	430,643	-	-	430,643
Energy	852,764	-	-	852,764
Financials	9,474,871	-	-	9,474,871
Healthcare	4,301,705	-	-	4,301,705
Industrials	4,125,444	-	-	4,125,444
Information Technology	12,084,142	-	-	12,084,142
Materials	523,303	-	-	523,303
Real Estate	303,698	-	-	303,698
Telecommunication Services	6,650,792	-	-	6,650,792
Utilities	117,480	-	-	117,480
Other	12,421,405	-	-	12,421,405
Mutual Funds	995,858	-	-	995,858
Corporate Bonds	-	13,471,444	-	13,471,444
Real Estate Investment Trusts	1,128,034	-	-	1,128,034
Investment in Money Market Funds	2,488,215	-	-	2,488,215
Total Investments	<u>\$ 62,667,714</u>	<u>\$ 13,471,444</u>	<u>\$ -</u>	<u>\$ 76,139,158</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment in Money Market Funds (Continued)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2020:

	2020			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Stocks, by Sector:				
Consumer Discretionary	\$ 7,276,196	\$ -	\$ -	\$ 7,276,196
Consumer Staples	1,260,722	-	-	1,260,722
Energy	986,598	-	-	986,598
Financials	6,988,783	-	-	6,988,783
Healthcare	3,969,308	-	-	3,969,308
Industrials	3,298,297	-	-	3,298,297
Information Technology	12,307,998	-	-	12,307,998
Materials	169,740	-	-	169,740
Real Estate	202,686	-	-	202,686
Telecommunication Services	4,700,322	-	-	4,700,322
Utilities	39,706	-	-	39,706
Other	4,385,390	-	-	4,385,390
Mutual Funds	727,154	-	-	727,154
Corporate Bonds	-	15,321,427	-	15,321,427
Real Estate Investment Trusts	1,246,528	-	-	1,246,528
Alternative Investments	-	-	-	-
Investment in Money Market Funds	6,688,223	-	-	6,688,223
Total Investments	<u>\$ 54,247,651</u>	<u>\$ 15,321,427</u>	<u>\$ -</u>	<u>\$ 69,569,078</u>

NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUSTS HELD BY THIRD PARTIES

The Board is the beneficiary of several trusts which are managed by various financial institutions. The financial institutions hold the investments in diversified and balanced portfolios consisting of cash and money market funds, debt securities, equity securities and equity mutual funds, fixed income mutual funds, and alternative mutual funds. Fair value of the beneficial interest in perpetual trusts is determined based on fair value information received from the trustee. This is a Level 3 valuation methodology, as described in Note 3 – “Fair Value Measurements.”

The method described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Board believes its reliance on this valuation method is 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.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUSTS HELD BY THIRD PARTIES
(CONTINUED)**

The following table is a summary of the activities for the years ended June 30:

Balance, July 1, 2019	\$ 3,967,779
Changes in Value of Perpetual Trusts	<u>(76,602)</u>
Balance, June 30, 2020	3,891,177
Changes in Value of Perpetual Trusts	<u>709,618</u>
Balance, June 30, 2021	<u><u>\$ 4,600,795</u></u>

NOTE 5 PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	2021			Total
	Land and Buildings	Recreational Improvements	Furnishings and Equipment	
Rockdale	\$ 19,669,826	\$ 2,132,404	\$ 6,539,261	\$ 28,341,491
Strawbridge School	5,708,680	-	1,130,506	6,839,186
Kelso Shelter	608,880	-	-	608,880
Harford County	-	-	34,006	34,006
Washington County	269,557	-	37,307	306,864
Falling Waters Campus	18,995,053	-	2,194,757	21,189,810
D.C. Daycare	5,134,020	-	272,211	5,406,231
Archive Building	3,575,458	-	140,512	3,715,970
Eastern Shore	6,268,868	-	350,551	6,619,419
Alternatives for Youth and Families	1,251,087	-	78,750	1,329,837
UMHC	5,707,016	-	273,741	5,980,757
Other	2,204,498	-	29,267	2,233,765
	<u>69,392,943</u>	<u>2,132,404</u>	<u>11,080,869</u>	<u>82,606,216</u>
Accumulated Depreciation	33,360,698	1,087,977	5,653,585	40,102,259
Total	<u><u>\$ 36,032,245</u></u>	<u><u>\$ 1,044,427</u></u>	<u><u>\$ 5,427,284</u></u>	<u><u>\$ 42,503,957</u></u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

	2020			Total
	Land and Buildings	Recreational Improvements	Furnishings and Equipment	
Rockdale	\$ 19,599,537	\$ 2,091,067	\$ 6,287,131	\$ 27,977,735
Strawbridge School	5,636,095	-	1,130,509	6,766,604
Kelso Shelter	608,882	-	-	608,882
Harford County	-	-	34,007	34,007
Washington County	267,133	-	37,307	304,440
Falling Waters Campus	18,943,821	-	2,156,896	21,100,717
D.C. Daycare	5,134,020	-	300,841	5,434,861
Archive Building	3,554,687	-	140,512	3,695,199
Eastern Shore	6,220,986	-	350,553	6,571,539
Alternatives for Youth and Families	1,251,087	-	78,752	1,329,839
UMHC	5,547,905	-	248,402	5,796,307
Other	2,146,138	-	28,168	2,174,306
	<u>68,910,291</u>	<u>2,091,067</u>	<u>10,793,078</u>	<u>81,794,436</u>
Accumulated Depreciation	31,292,991	1,008,202	5,203,853	37,505,046
Total	<u>\$ 37,617,300</u>	<u>\$ 1,082,865</u>	<u>\$ 5,589,225</u>	<u>\$ 44,289,390</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$2,625,843 and \$2,824,053, respectively.

NOTE 6 LINE OF CREDIT

The Board has a line of credit with Bank of America to \$40,000,000. The line is used for working capital and to finance capital projects. The line is collateralized by a portion of the investments. The line accrued interest at a rate of 1.00% and 0.60% plus One Month London Interbank Offered Rate (LIBOR) at June 30, 2021 and 2020, respectively (1.08% and 0.76% at June 30, 2021 and 2020, respectively). The line of credit expires on February 17, 2023.

Interest expense for the years ended June 30, 2021 and 2020 was \$85,194 and \$730,348, respectively.

NOTE 7 INTEREST RATE SWAP AGREEMENT

The Board has an interest rate swap agreement with a commercial bank having a notional value of \$10,000,000. This agreement effectively changes the Board's interest rate exposure on \$10,000,000 of its line of credit to cap the total interest rate exposure at a fixed rate of 4.5%.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 INTEREST RATE SWAP AGREEMENT (CONTINUED)

The gain/loss for the years ended June 30, 2021 and 2020 reflected the change in fair value of this hedging instrument. In the statements of activities, the gain/loss related to the interest rate swap agreement is included as a component of board designated investment activity.

The fair value of interest rate swaps are estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties. Such securities are classified within Level 2 of the valuation hierarchy.

NOTE 8 DEFERRED COMPENSATION CONTRACTS

The Board has an employment contract with a prior President and CEO. In connection with this contract, provision has been made for the future compensation which is payable upon his termination of employment. At June 30, 2021 and 2020, \$555,842 and \$551,327, respectively, have been accrued under these contracts and this liability is recognized in the financial statements.

The Board has a settlement from a nonqualified retirement plan with a prior President and CEO, under which the Board will pay this former president and CEO approximately \$1.7 million over 10 years. The remaining liability was \$756,000 and \$924,000 at June 30, 2021 and 2020, respectively.

NOTE 9 RETIREMENT PLAN

The Board has a retirement savings plan administered by Mutual of America Life Insurance Company in the form of a 403(b) thrift plan. Participants are vested in their participant contributions plus actual earnings thereon. The portion of their account representing discretionary matching contributions and earnings thereon are vested based on the following scale: less than 3 years (0% vested) and 3 years (100% vested). Total employer contributions were approximately \$476,000 and \$385,000 during the years ended June 30, 2021 and 2020, respectively.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 DEFINED BENEFIT PENSION PLAN

The Board sponsors a defined benefit pension plan (Benefit Plan) covering certain employees. The pension benefits are based on years of service and the employee's average annual compensation, on the five-year consecutive period that produces the highest average. Effective December 31, 2016, benefit accruals under the Benefit Plan were frozen. No additional benefits will be accrued by participants after December 31, 2016. Total benefits paid from the Benefit Plan for the years ended June 30, 2021 and 2020 were \$171,004 and \$145,494, respectively. The Board has followed a funding policy of making the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions to the Benefit Plan were \$-0- during the year ended June 30, 2021 and 2020. The Board recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or a liability in the financial statements in accordance with ASC No. 958-715, *Compensation - Retirement Benefits*.

Actuarial information has been provided to report information on this Benefit Plan for the year ended June 30, 2021. The financial effects of recording the assets, liabilities, income, and/or expenses appear in the financial statements of the Board as follows at June 30:

	2021	2020
Projected Benefit Obligation	\$ (5,433,189)	\$ (5,514,065)
Pension Plan Assets at Fair Value	4,903,216	4,099,784
Projected Pension Benefit Obligation	<u>\$ (529,973)</u>	<u>\$ (1,414,281)</u>

The pension benefit obligation of \$529,973 is recognized on the statement of financial position of the Board, the Benefit Plan sponsor, at June 30, 2021. The measurement date of the Benefit Plan's assets and obligations is the same as the year-end financial statements. The following table summarizes the changes in the components for the years ended June 30:

	2021	2020
Net Gain on the Benefit Plan's Assets	\$ 963,506	\$ 218,203
Interest Cost	(149,207)	(177,802)
Changes in Actuarial Assumptions	(48,149)	(1,010,788)
Total	<u>\$ 766,150</u>	<u>\$ (970,387)</u>

The net periodic pension costs for the period are as follows for the years ended June 30:

	2021	2020
Interest Cost	\$ 149,207	\$ 177,802
Expected Return on Benefit Plan Assets	(320,914)	(320,092)
Amortization of Net Transition (Asset) or Obligation	(4,116)	(4,116)
Amortization of Net Loss	114,767	2,083
Total	<u>\$ (61,056)</u>	<u>\$ (144,323)</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Items not yet recognized as a component of net periodic pension costs:

	<u>2021</u>	<u>2020</u>
Net Transition (Asset) or Obligation	\$ (24,696)	\$ (28,812)
Net Loss	756,942	1,584,310
Total	<u>\$ 732,246</u>	<u>\$ 1,555,498</u>

The following assumptions were used in accounting for the Benefit Plan of the Board at June 30:

	<u>2021</u>	<u>2020</u>
Discount Rate	2.75%	2.75%
Expected Return on Benefit Plan's Assets	8%	8%
Rate of Compensation Increase	0%	0%

The expected rate of return on the Benefit Plan's assets is determined by the assets' historical long-term investment performance, current asset allocations, and estimates of future long-term returns by asset class. The Benefit Plan's assets all have readily determinable fair values and are measured on a recurring basis, which is a Level 1 valuation, as described in Note 3 – Fair Value Measurements.

The Benefit Plan's net assets and asset composition consist of the following at June 30, 2021:

<u>Composition of Total Investments</u>	<u>Percent of Total</u>	<u>Fair Value</u>
Money Markets	1 %	\$ 40,557
Equity Securities	37	1,804,068
Mutual Funds	60	2,935,063
U.S. Government Securities	3	123,528
Total	<u>100 %</u>	<u>\$ 4,903,216</u>

The Benefit Plan's net assets and asset composition consist of the following at June 30, 2020:

<u>Composition of Total Investments</u>	<u>Percent of Total</u>	<u>Fair Value</u>
Money Markets	0 %	\$ 22,033
Equity Securities	27	1,302,752
Mutual Funds	54	2,648,286
U.S. Government Securities	3	126,713
Total	<u>84 %</u>	<u>\$ 4,099,784</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Board attempts to mitigate investment risk by rebalancing between investment classes as the Board's benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause an unrealized gain or loss, such a gain or loss would not be realized unless the investment is sold.

Estimated future benefit payments for participants in the Benefit Plan sponsored by the Board are as follows for the years ended June 30:

07/01/2021 - 06/30/2022	\$	162,794
07/01/2022 - 06/30/2023		163,753
07/01/2023 - 06/30/2024		165,686
07/01/2024 - 06/30/2025		196,442
07/01/2025 - 06/30/2026		208,288
07/01/2026 - 06/30/2031		1,120,840

NOTE 11 ENDOWED FUNDS

As part of the acquisition of UMHC in 2019, the Board acquired UMHC's endowed funds. The endowments consist of two funds established for educational purposes (Educational Funds) and for other purposes specifically restricted by the contributor. The net asset classification is reported based on the existence or absence of donor-imposed stipulations and whether these restrictions can be fulfilled by actions of the Board and/or will expire with the passage of time.

Interpretation of Relevant Law

Since the funds were originally established for UMHC in Pennsylvania, the Board's endowment funds are governed by the applicable Pennsylvania statutes and has interpreted these statutes as requiring the long-term preservation of the value of the endowments. As a result, the Board classifies these endowed funds to be held in perpetuity. Realized earnings on these funds are reclassified to purpose restricted funds and used for scholarship purposes, per the donor-imposed stipulations. For the remaining funds, the percentage of the value of the endowment, appropriated for expenditure, is reclassified to net assets with or without donor restrictions based on the existence or absence of donor-imposed stipulations.

Endowment funds to be held in perpetuity are as follows at June 30, 2021:

	<u>Market Value</u>	<u>Cost</u>
Money Market Funds	\$ 35,297	\$ 35,297
Mutual Funds	671,147	505,598
Total	<u>\$ 706,444</u>	<u>\$ 540,895</u>

**BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 ENDOWED FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment funds to be held in perpetuity are as follows at June 30, 2020:

	<u>Market Value</u>	<u>Cost</u>
Money Market Funds	\$ 103,637	\$ 103,637
Mutual Funds	467,912	425,598
Total	<u>\$ 571,549</u>	<u>\$ 529,235</u>

Assets held in the funds are recorded at fair value on a recurring basis using quoted market prices, which is a Level 1 valuation input, as described in Note 3 – *Fair Value Measurements*.

The Higher Education Funds accounted for \$343,791 and \$294,931 of the endowment funds to be held in perpetuity balance at June 30, 2021 and 2020, respectively.

Endowments Investment Policy

The long-term goals of the investment and spending policy is to (1) protect the assets of the Restricted Gifts Endowment and strive to maximize the total return to the extent possible, without assuming excessive risk; (2) provide a relatively predictable, stable, and inflation adjusted pay-out stream for operations and other periodic expenditures; (3) maintain a balance between operational or other spending and protect the real value of the assets of the endowment; (4) maintain a position that permits the budgeting and expenditure of prior year income rather than anticipated income; and (5) adhere to a spending rule consistent with the donor’s gift instrument, if specified, within the Board’s policy guidelines. This is accomplished by an investment policy that has an objective to achieve an annualized total return that, at a minimum, will grow the assets by the rate of inflation, after having allowed for operating expenses and expenditures. This is accomplished through using a total return strategy, where the long-term return may come from both fair value increases and/or from current yield. The Board of Trustees may elect to change the current asset allocation guidelines, at any time, which currently includes a heavier concentration in equities, with the remainder of the portfolio in fixed income and cash equivalents. The Board has identified prohibited investments in order to control the risk to the assets of the endowments.

Endowments Spending Policy

Under Pennsylvania statutes, the Board has elected to calculate the annual, permissible expenditures from its endowments based on the total value of the endowments. These statutes provide the Board with the option of appropriating not more than 7.0% of the total value of the endowments. During the year ended June 30, 2021, the Board did not make a distribution from these funds. The following table summarizes the changes in the net assets of the endowments for the years ended June 30:

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 ENDOWED FUNDS (CONTINUED)

Endowments Spending Policy (Continued)

<u>Endowed Net Assets</u>	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 571,549	\$ 562,237
Interest and Dividend Income	2,453	3,238
Realized and Unrealized Gain	132,442	6,074
Ending Balance	<u>\$ 706,444</u>	<u>\$ 571,549</u>

NOTE 12 NET ASSETS WITHOUT DONOR RESTRICTIONS

As described in Note 1, the Board has three components of its net assets without donor restrictions. Net assets without donor restrictions consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
General	\$ 493,663	\$ -
Board Designated for Fixed Assets	35,081,418	33,895,428
Board Designated	80,514,715	74,082,487
Total	<u>\$ 116,089,796</u>	<u>\$ 107,977,915</u>

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are composed of funds with purpose restrictions and endowed funds. Net assets with donor restrictions consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Purpose Restricted Net Assets:		
Higher Education Funds	\$ 20,304	\$ 20,304
Equine Therapy	11,595	11,595
TFEC Grant	10,000	10,000
Total Purpose Restricted Net Assets	<u>41,899</u>	<u>41,899</u>
Endowment Net Assets:		
Beneficial Interest in Trusts Held by Third Parties	4,600,795	3,891,177
Higher Education Funds	343,791	294,931
Other Restricted	362,653	276,618
Total Endowment Net Assets	<u>5,307,239</u>	<u>4,462,726</u>
Total Net Assets with Donor Restrictions	<u>\$ 5,349,138</u>	<u>\$ 4,504,625</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Board leases one facility under operating leases, which expires on May 1, 2022, and for which future minimum payments are approximately \$21,500. Rent expense on all operating leases was approximately \$31,000 for the both the years ended June 30, 2021 and 2020.

NOTE 15 SELF-INSURANCE

The Board is partially self-insured for employee medical claims with a specific stop-loss limit of \$100,000 per employee and an aggregate stop-loss limit of 125% of the expected aggregate claims for the plan year. A reserve has been established for claims incurred but not reported of approximately \$180,000 and \$112,000 at June 30, 2021 and 2020, respectively, which is included in Accrued Payroll and Related Expenses in the statements of financial position. Total expenses under this Plan were approximately \$3,038,100 and \$2,051,600 for the years ended June 30, 2021 and 2020, respectively.

NOTE 16 CONCENTRATION OF CREDIT RISK

The Board maintains its cash and cash equivalents in several commercial banks. Balances on deposit are insured by the FDIC up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash and cash equivalents held by these institutions was \$943,232 and \$1,849,831 at June 30, 2021 and 2020, respectively.

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 17 LIQUIDITY

The Board had \$8,524,111 and \$12,201,171 of financial assets on the balance sheet as of June 30, 2021 and 2020, respectively. As of June 30, 2021, this consisted of cash of \$979,285, short-term investments of \$2,488,215, and accounts receivable of \$5,056,611. \$41,899 of these financial assets are subject to purpose restrictions and are not available for general expenditure within one year. As of June 30, 2020, this consisted of cash of \$1,778,407, short-term investments of \$6,688,223, accounts receivable of \$3,735,141, and notes receivable of \$41,899. The Board had \$41,899 in financial assets subject to purpose restrictions and not available for general expenditure within one year as of June 30, 2021 and 2020. The Board had \$5,307,239 and \$4,462,726 in donor endowment funds as of June 30, 2021 and 2020, respectively. The Board will not use endowment funds for general expenditures other than appropriations as noted in endowments spending policy in Note 12. The Board attempts to maintain sufficient cash on hand to meet 30 days of normal operating expenses and will draw upon investment funds without donor restrictions, which were \$78,164,880 and \$68,167,053 as of June 30, 2021 and 2020, respectively, in the event of an unanticipated liquidity need. Financial assets as of June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 979,285	\$ 1,778,407
Short-Term Investments	2,488,215	\$ 6,688,223
Accounts Receivable, Less Allowance for Doubtful Accounts of \$256,731 in 2021 and \$56,731 in 2020	<u>5,056,611</u>	<u>3,735,141</u>
Financial Assets at Year-End	8,524,111	12,201,771
Less Those Unavailable for General Expenditures Within One Year Due to:		
Restricted by Donor - Purpose	41,899	41,899
Endowed Funds	<u>5,307,239</u>	<u>4,462,726</u>
	<u>5,349,138</u>	<u>4,504,625</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,174,973</u>	<u>\$ 7,697,146</u>

NOTE 18 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 24, 2021, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to November 24, 2021 that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY GROUP HOMES
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees (Per Diem)	\$ 13,802,038	\$ 3,892,349	\$ (9,909,689)
2 Other Service Fees (1:1)	-	60,480	60,480
3 Donations and Reimbursements			
Contributions	-	5,717,041	5,717,041
MSDE/USDA Breakfast/Lunch	45,200	17,798	(27,402)
4 Other Income			
Medicaid	229,500	72,130	(157,370)
Total Income from All Sources	<u>\$ 14,076,738</u>	<u>\$ 9,759,798</u>	<u>\$ (4,316,940)</u>
EXPENSES			
1 Salaries/Wages	\$ 9,393,896	\$ 6,557,820	\$ (2,836,076)
2 Payroll Taxes	1,049,018	531,100	(517,918)
3 Fringe Benefits	1,322,675	1,013,342	(309,333)
4 Pension	-	95,688	95,688
5 Staff Development Costs	86,600	111,882	25,282
6 Contracted Services	58,779	174,779	116,000
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	477,420	172,725	(304,695)
11 Clothing	98,100	32,611	(65,489)
12 Recreation	32,400	23,696	(8,704)
13 Personal Needs/Allowance	124,260	37,987	(86,273)
14 Rent	-	-	-
15 Utilities	162,000	112,441	(49,559)
16 Repairs/Maint-Bld/Grd	216,000	183,532	(32,468)
17 Insurance and Taxes	105,000	92,279	(12,721)
18 Interest	60,000	10,604	(49,396)
19 Supplies	120,000	137,808	17,808
20 Depreciation/Use All	477,250	251,164	(226,086)
21 Eqpt Rent/Repair	24,840	25,471	631
22 Printing/Copying	1,000	3,096	2,096
23 Telephone/Telegraph	49,200	42,162	(7,038)
24 Postage/Shipping	7,800	5,290	(2,510)
25 Membership/Subscript	30,000	35,970	5,970
26 Conference/Conventions	24,000	2,670	(21,330)
27 Travel Transport	130,000	71,035	(58,965)
28 Other	26,500	34,646	8,146
Total Expenses	<u>\$ 14,076,738</u>	<u>\$ 9,759,798</u>	<u>\$ (4,316,940)</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
GROUP HOMES
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees	\$ 1,572,581	\$ 992,797	\$ (579,784)
2 Other Service Fees (1:1)	-	-	-
3 Donations and Reimbursements			
Contributions	233,200	912,882	679,682
4 Other Income			
Medicaid	27,000	24,255	(2,745)
Total Income from all Sources	<u>\$ 1,832,781</u>	<u>\$ 1,929,934</u>	<u>\$ 97,153</u>
EXPENSES			
1 Salaries/Wages	\$ 1,177,259	\$ 1,258,530	\$ 81,271
2 Payroll Taxes	89,309	103,281	13,972
3 Fringe Benefits	175,117	169,352	(5,765)
4 Pension	-	18,922	18,922
5 Staff Dev Costs	10,284	14,789	4,505
6 Contracted Services	-	15,265	15,265
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	58,000	44,005	(13,995)
11 Clothing	20,700	15,130	(5,570)
12 Recreation	4,609	3,619	(990)
13 Personal Needs/Allowance	14,088	14,406	318
14 Rent	25,800	25,800	-
15 Utilities	31,921	27,134	(4,787)
16 Repairs/Maint-Bld/Grd	27,563	29,769	2,206
17 Insurance and Taxes	28,027	18,248	(9,779)
18 Interest	-	2,097	2,097
19 Supplies	10,236	19,835	9,599
20 Depreciation/Use All	73,536	49,666	(23,870)
21 Eqpt Rent/Repair	3,427	3,738	311
22 Printing/Copying	-	941	941
23 Telephone/Telegraph	28,200	18,872	(9,328)
24 Postage/Shipping	1,479	3,690	2,211
25 Membership/Subscript	9,956	10,302	346
26 Conference/Conventions	4,605	1,024	(3,581)
27 Travel Transport	31,500	58,745	27,245
28 Other	7,165	2,774	(4,391)
Total Expenses	<u>\$ 1,832,781</u>	<u>\$ 1,929,934</u>	<u>\$ 97,153</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
EMOTIONAL AND COGNITIVE DEVELOPMENTALLY DISABLED (ECDD)
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees (Per Diem)	\$ 3,229,606	\$ 4,279,851	\$ 1,050,245
2 Other Service Fees (1:1)	-	-	-
3 Donations and Reimbursements			
Contributions	-	93,767	93,767
MSDE/USDA Breakfast/Lunch	10,790	2,742	(8,048)
4 Other Income			
Medicaid	14,500	6,864	(7,636)
Total Income from All Sources	<u>\$ 3,254,896</u>	<u>\$ 4,383,224</u>	<u>\$ 1,128,328</u>
EXPENSES			
1 Salaries/Wages	\$ 2,315,545	\$ 3,232,091	\$ 916,546
2 Payroll Taxes	244,084	267,210	23,126
3 Fringe Benefits	527,129	352,939	(174,190)
4 Pension	-	42,974	42,974
5 Staff Development Costs	7,500	48,633	41,133
6 Contracted Services	10,500	44,289	33,789
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	18,500	23,908	5,408
11 Clothing	7,200	5,928	(1,272)
12 Recreation	1,500	7,823	6,323
13 Personal Needs/Allowance	8,880	8,477	(403)
14 Rent	-	-	-
15 Utilities	10,800	27,963	17,163
16 Repairs/Maint-Bld/Grd	25,500	50,430	24,930
17 Insurance and Taxes	3,500	41,443	37,943
18 Interest	-	4,762	4,762
19 Supplies	4,800	43,993	39,193
20 Depreciation/Use All	45,908	112,800	66,892
21 Eqpt Rent/Repair	1,400	8,537	7,137
22 Printing/Copying	-	1,390	1,390
23 Telephone/Telegraph	7,200	18,718	11,518
24 Postage/Shipping	450	2,477	2,027
25 Membership/Subscript	1,500	4,873	3,373
26 Conference/Conventions	1,000	1,450	450
27 Travel Transport	10,500	20,886	10,386
28 Other	1,500	9,230	7,730
Total Expenses	<u>\$ 3,254,896</u>	<u>\$ 4,383,224</u>	<u>\$ 1,128,328</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY CSE
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees (Per Diem)	\$ 2,280,246	\$ 2,311,284	\$ 31,038
2 Other Service Fees (1:1)	-	-	-
3 Donations and Reimbursements			
Contributions	-	(57,317)	(57,317)
MSDE/USDA Breakfast/Lunch	-	-	-
4 Other Income			
Medicaid	10,400	4,254	(6,146)
Total Income from All Sources	<u>\$ 2,290,646</u>	<u>\$ 2,258,221</u>	<u>\$ (32,425)</u>
EXPENSES			
1 Salaries/Wages	\$ 1,612,039	\$ 1,617,176	\$ 5,137
2 Payroll Taxes	126,167	142,811	16,644
3 Fringe Benefits	369,720	225,947	(143,773)
4 Pension	-	22,140	22,140
5 Staff Development Costs	5,250	24,052	18,802
6 Contracted Services	7,500	19,210	11,710
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	24,090	13,117	(10,973)
11 Clothing	7,200	5,784	(1,416)
12 Recreation	1,500	1,113	(387)
13 Personal Needs/Allowance	7,200	5,418	(1,782)
14 Rent	-	-	-
15 Utilities	6,000	13,773	7,773
16 Repairs/Maint-Bld/Grd	65,000	28,880	(36,120)
17 Insurance and Taxes	4,500	21,351	16,851
18 Interest	-	2,454	2,454
19 Supplies	4,000	17,041	13,041
20 Depreciation/Use All	28,980	58,114	29,134
21 Eqpt Rent/Repair	1,350	4,374	3,024
22 Printing/Copying	-	716	716
23 Telephone/Telegraph	4,800	12,246	7,446
24 Postage/Shipping	350	1,712	1,362
25 Membership/Subscript	1,500	4,883	3,383
26 Conference/Conventions	500	1,022	522
27 Travel Transport	10,500	10,587	87
28 Other	2,500	4,300	1,800
Total Expenses	<u>\$ 2,290,646</u>	<u>\$ 2,258,221</u>	<u>\$ (32,425)</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
TREATMENT FOSTER CARE MARYLAND
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees	\$ 1,956,777	\$ 440,643	\$ (1,516,134)
2 Donations and Reimbursements			
Contributions	-	369,542	369,542
3 Other Income			
Medicaid	46,150	14,148	(32,002)
Total Income from all Sources	<u>\$ 2,002,927</u>	<u>\$ 824,333</u>	<u>\$ (1,178,594)</u>
EXPENSES			
1 Salaries/Wages	\$ 947,595	\$ 464,455	\$ (483,140)
2 Payroll Taxes	118,449	34,698	(83,751)
3 Fringe Benefits	94,760	21,873	(72,887)
4 Pension	-	8,082	8,082
5 Staff Dev Costs	3,742	22,154	18,412
6 Contracted Services	9,146	18,442	9,296
7 TFC Difficulty of Care	331,445	65,372	(266,073)
8 TFC Board Payment	386,989	88,434	(298,555)
9 TFC Respite Care	7,814	3,866	(3,948)
10 Publicity	-	-	-
11 Food and Food Preparation	-	1,014	1,014
12 Clothing	-	2,660	2,660
13 Recreation	-	-	-
14 Personal Needs/Allowance	-	3,196	3,196
15 Rent	-	-	-
16 Utilities	10,249	14,740	4,491
17 Repairs/Maint-Bld/Grd	3,327	14,127	10,800
18 Insurance and Taxes	20,315	7,794	(12,521)
19 Interest	8,755	896	(7,859)
20 Supplies	7,107	6,201	(906)
21 Depreciation/Use All	22,020	21,214	(806)
22 Eqpt Rent/Repair	3,145	1,597	(1,548)
23 Printing/Copying	850	347	(503)
24 Telephone/Telegraph	6,809	12,551	5,742
25 Postage/Shipping	1,360	723	(637)
26 Membership/Subscript	4,635	3,321	(1,314)
27 Conference/Conventions	2,575	79	(2,496)
28 Travel Transport	8,590	5,620	(2,970)
29 Other	3,250	877	(2,373)
Total Expenses	<u>\$ 2,002,927</u>	<u>\$ 824,333</u>	<u>\$ (1,178,594)</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY GROUP HOMES – DENTON
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees (Per Diem)	\$ 1,462,177	\$ 1,092,593	\$ (369,584)
2 Other Service Fees (1:1)	-	-	-
3 Donations and Reimbursements			
Contributions	435,750	949,663	513,913
4 Other Income	-		
Medicaid	40,500	33,415	(7,085)
Total Income from All Sources	<u>\$ 1,938,427</u>	<u>\$ 2,075,671</u>	<u>\$ 137,244</u>
EXPENSES			
1 Salaries/Wages	\$ 1,249,813	\$ 1,278,656	\$ 28,843
2 Payroll Taxes	173,207	104,572	(68,635)
3 Fringe Benefits	148,464	165,918	17,454
4 Pension	-	20,389	20,389
5 Staff Development Costs	13,312	27,763	14,451
6 Contracted Services	10,373	85,863	75,490
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	58,400	39,850	(18,550)
11 Clothing	15,024	11,005	(4,019)
12 Recreation	4,246	8,270	4,024
13 Personal Needs/Allowance	15,420	12,363	(3,057)
14 Rent	-	-	-
15 Utilities	28,320	46,685	18,365
16 Repairs/Maint-Bld/Grd	32,557	74,019	41,462
17 Insurance and Taxes	18,295	19,662	1,367
18 Interest	10,200	2,259	(7,941)
19 Supplies	17,896	28,724	10,828
20 Depreciation/Use All	88,304	53,517	(34,787)
21 Eqpt Rent/Repair	2,917	12,652	9,735
22 Printing/Copying	478	660	182
23 Telephone/Telegraph	10,339	57,244	46,905
24 Postage/Shipping	2,447	3,733	1,286
25 Membership/Subscript	7,286	8,030	744
26 Conference/Conventions	2,165	1,791	(374)
27 Travel Transport	23,366	9,042	(14,324)
28 Other	5,598	3,004	(2,594)
Total Expenses	<u>\$ 1,938,427</u>	<u>\$ 2,075,671</u>	<u>\$ 137,244</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
SPECIAL EDUCATION
BUDGET VS. ACTUAL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budget (Unaudited)	Actual	Variance Actual Over (Under) Budget
REVENUE			
1 Service Fees (Per Diem)	\$ 3,293,425	\$ 4,719,340	\$ 1,425,915
2 Donations and Reimbursements			
Contributions	116,009	21,039	(94,970)
MSDE/USDA Breakfast/Lunch	30,000	35,181	5,181
3 Other Income			
Medicaid	21,000	17,331	(3,669)
Total Income from All Sources	<u>\$ 3,460,434</u>	<u>\$ 4,792,891</u>	<u>\$ 1,332,457</u>
EXPENSES			
1 Salaries/Wages	\$ 2,091,475	\$ 3,107,620	\$ 1,016,145
2 Payroll Taxes	327,099	363,148	36,049
3 Fringe Benefits	303,888	251,954	(51,934)
4 Pension	38,476	47,022	8,546
5 Staff Development Costs	14,630	79,392	64,762
6 Contracted Services	46,038	138,955	92,917
7 TFC Board Payment	-	-	-
8 TFC Respite Care	-	-	-
9 Publicity	-	-	-
10 Food and Food Preparation	120,618	233,211	112,593
11 Clothing	-	-	-
12 Recreation	-	929	929
13 Personal Needs/Allowance	-	621	621
14 Rent	-	-	-
15 Utilities	45,727	29,672	(16,055)
16 Repairs/Maint-Bld/Grd	88,607	171,201	82,594
17 Insurance and Taxes	71,341	45,347	(25,994)
18 Interest	-	5,211	5,211
19 Supplies	72,905	102,928	30,023
20 Depreciation/Use All	167,356	123,424	(43,932)
21 Eqpt Rent/Repair	32,255	17,263	(14,992)
22 Printing/Copying	-	2,124	2,124
23 Telephone/Telegraph	28,588	21,246	(7,342)
24 Postage/Shipping	113	2,259	2,146
25 Membership/Subscript	891	11,399	10,508
26 Conference/Conventions	10,427	663	(9,764)
27 Travel Transport	-	30,585	30,585
28 Other	-	6,717	6,717
Total Expenses	<u>\$ 3,460,434</u>	<u>\$ 4,792,891</u>	<u>\$ 1,332,457</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY GROUP HOMES
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Annual	Monthly
Billed Days:		
DHR	9,820	
DJJ	181	
Core Services	-	
Board of Education	-	
Total Billed Days	10,001	833
Divided by:		
Total Billable Days	365	30
Utilization Level	27.40	27.40
Divided by:		
Licensed Capacity	35	35
Actual Utilization Rate	<u>78.29%</u>	<u>78.29%</u>

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 9,759,798	\$ 3,892,349	\$ (5,867,449)
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	27.40	27.40	27.40
Actual Annual Rate Per Child	<u>\$ 356,197.01</u>	<u>\$ 142,056.53</u>	<u>\$ (214,140.47)</u>
Monthly Cost of Care	<u>\$ 29,683.08</u>	<u>\$ 11,838.04</u>	<u>\$ (17,845.04)</u>

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 3,892,349
Allowable Expenditures Relating to Government Programs	9,759,798
Total Underpayment	(5,867,449)
Amount to be Retained (10% of Earned Revenue)	-
Amount Due to Government Agencies for FY 2020	<u>\$ -</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
GROUP HOMES
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Annual	Monthly
Billed Days:		
DHR	4,105	
DJJ	-	
Core Services	-	
Total Billed Days	4,105	342
Divided by:		
Total Billable Days	365	30
Utilization Level	11.25	11.25
Divided by:		
Licensed Capacity	20	20
Actual Utilization Rate	56.23%	56.23%

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 1,929,934	\$ 992,797	\$ (937,137)
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	11.25	11.25	11.25
Actual Annual Rate Per Child	\$ 171,601.93	\$ 88,275.49	\$ (83,326.43)
Monthly Cost of Care	\$ 14,300.16	\$ 7,356.29	\$ (6,943.87)

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 992,797
Allowable Expenditures Relating to Government Programs	1,929,934
Total Underpayment	(937,137)
Amount to be Retained (10% of Earned Revenue)	-
Amount Due to Government Agencies for FY 2020	\$ -

**BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
EMOTIONAL AND COGNITIVE DEVELOPMENTALLY DISABLED (ECDD)
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	Annual	Monthly
Billed Days:		
DHR	2,582	
DJJ	-	
Core Services	-	
Board of Education	-	
Total Billed Days	2,582	215
Divided by:		
Total Billable Days	365	30
Utilization Level	7.07	7.07
Divided by:		
Licensed Capacity	16	16
Actual Utilization Rate	<u>44.21%</u>	<u>44.21%</u>

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 4,383,224	\$ 4,279,851	\$ (103,373)
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	7.07	7.07	7.07
Actual Annual Rate Per Child	<u>\$ 619,626.94</u>	<u>\$ 605,013.79</u>	<u>\$ (14,613.15)</u>
Monthly Cost of Care	<u>\$ 51,635.58</u>	<u>\$ 50,417.82</u>	<u>\$ (1,217.76)</u>

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 4,279,851
Allowable Expenditures Relating to Government Programs	4,383,224
Total Underpayment	(103,373)
Amount to be Retained (10% of Earned Revenue)	-
Amount Due to Government Agencies for FY 2020	\$ -

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY CSE
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Annual	Monthly
Billed Days:		
DHR	1,319	
DJJ	-	
Core Services	-	
Board of Education	-	
Total Billed Days	1,319	110
Divided by:		
Total Billable Days	365	30
Utilization Level	3.61	3.61
Divided by:		
Licensed Capacity	4	4
Actual Utilization Rate	<u>90.34%</u>	<u>90.34%</u>

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 2,258,221	\$ 2,311,284	\$ 53,063
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	3.61	3.61	3.61
Actual Annual Rate Per Child	<u>\$ 624,905.74</u>	<u>\$ 639,589.58</u>	<u>\$ 14,683.85</u>
Monthly Cost of Care	<u>\$ 52,075.48</u>	<u>\$ 53,299.13</u>	<u>\$ 1,223.65</u>

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 2,311,284
Allowable Expenditures Relating to Government Programs	2,258,221
Total Overpayment	53,063
Amount to be Retained (10% of Earned Revenue)	53,063
Amount Due to Government Agencies for FY 2020	\$ -

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
TREATMENT FOSTER CARE MARYLAND
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Annual	Monthly
Billed Days:		
DHR	2,637	
DJJ	365	
Total Billed Days	3,002	250
Divided by:		
Total Billable Days	365	30
Utilization Level	8.22	8.22
Divided by:		
Licensed Capacity	43	43
Actual Utilization Rate	19.13%	19.13%

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 824,333	\$ 440,643	\$ (383,690)
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	43.00	43.00	43.00
Actual Annual Rate Per Child	\$ 19,170.53	\$ 10,247.51	\$ (8,923.02)
Monthly Cost of Care	\$ 1,597.54	\$ 853.96	\$ (743.59)

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 440,643
Allowable Expenditures Relating to Government Programs	824,333
Total Underpayment	(383,690)
Amount to be Retained (10% of Earned Revenue)	-
Amount Due to Government Agencies for FY 2020	\$ -

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
HIGH INTENSITY GROUP HOMES – DENTON
COMPUTATION OF RATE DETERMINATION FOR ACTUAL COST OF CARE PER MONTH
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Annual	Monthly
Billed Days:		
DHR	3,735	
DJJ	147	
Core Services	-	
Board of Education	-	
Total Billed Days	3,882	324
Divided by:		
Total Billable Days	365	30
Utilization Level	10.64	10.64
Divided by:		
Licensed Capacity	16	16
Actual Utilization Rate	66.47%	66.47%

Comparison of Payment Rate to Actual Rate

	Actual Costs	Payment Rate	Overpayment (Underpayment)
Total Allowable Costs	\$ 2,075,671	\$ 1,092,593	\$ (983,078)
Divided by:			
The Licensed Capacity Times the Actual Utilization Rate	10.64	10.64	10.64
Actual Annual Rate Per Child	\$ 195,162.27	\$ 102,729.64	\$ (92,432.63)
Monthly Cost of Care	\$ 16,263.52	\$ 8,560.80	\$ (7,702.72)

Determination of Overpayment (Underpayment)

Total Funding Received from Government Agencies	\$ 1,092,593
Allowable Expenditures Relating to Government Programs	2,075,671
Total Underpayment	(983,078)
Amount to be Retained (10% of Earned Revenue)	-
Amount Due to Government Agencies for FY 2020	\$ -

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE PROGRAMS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Maryland State Department of Human Resources

	<u>Revenues</u>	<u>Expenses</u>	<u>Care Days</u>
Purchase of Care - Intensive Group Home Baltimore Intensive Group Home Program Baltimore	\$ 3,822,439	\$ 9,104,689	9,820
Purchase of Care - Intensive Group Home Denton Intensive Group Home Program - Denton	1,051,958	1,939,168	3,735
Purchase of Care - ECDD Emotional and Cognitive Developmentally Disabled	4,279,851	4,352,336	2,582
Purchase of Care - CSE Intensive Group Home Program - Denton	2,311,284	2,254,072	1,319
Purchase of Care - Group Home Group Home Program	992,797	1,883,908	4,105
Purchase of Care - Treatment Foster Care Treatment Foster Care Program	387,087	701,616	2,637
Purchase of Care -1-on-1 Services 1-on-1 Services	60,480	144,058	-
<i>Total Maryland State Department of Human Resources</i>	<u>\$ 12,905,896</u>	<u>\$ 20,379,847</u>	<u>24,198</u>

Department of Juvenile Services (DJS)

	<u>Revenues</u>	<u>Expenses</u>	<u>Care Days</u>
Purchase of Care - Intensive Group Home Baltimore Intensive Group Home Program Baltimore	\$ 69,910	\$ 166,519	181
Purchase of Care - Intensive Group Home Denton Intensive Group Home Program - Denton	40,635	74,906	147
Purchase of Care - Group Home Group Home Program	-	-	-
Purchase of Care - Treatment Foster Care Treatment Foster Care Program	53,556	97,073	365
<i>Total Department of Juvenile Services (DJS)</i>	<u>\$ 164,101</u>	<u>\$ 338,498</u>	<u>693</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Department of Health and Mental Hygiene

	Revenues	Expenses	Care Days
Purchase of Care - Intensive Group Home	\$ -		
Intensive Group Home Program		\$ -	-
<i>Total Department of Health and Mental Hygiene</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Medicaid Program

	Revenues	Expenses	Care Days
Purchase of Care - Intensive Group Home Baltimore	\$ 72,130		
Intensive Group Home Program Baltimore		\$ 171,807	-
Purchase of Care - Intensive Group Home Denton	33,415		
Intensive Group Home Program - Denton		61,597	-
Purchase of Care - ECDD	6,864		
Emotional and Cognitive Developmentally Disabled		6,980	-
Purchase of Care - CSE	4,254		
Intensive Group Home Program - Denton		4,149	-
Purchase of Care - Group Home	24,255		
Group Home Program		46,026	-
Purchase of Care - Treatment Foster Care	14,148		
Treatment Foster Care Program		25,644	-
Purchase of Care - Special Education	17,331		
Special Education		16,683	-
<i>Total Medicaid Program</i>	<u>\$ 172,397</u>	<u>\$ 332,886</u>	<u>-</u>

Maryland State Department of Education

	Revenues	Expenses	Care Days
Purchase of Care - Intensive Group Home	\$ -		
Intensive Group Home Program		\$ -	-
Purchase of Care - Special Education	4,719,340		
Special Education		4,542,998	-
Food and Nutrition Program			
Breakfast - Intensive Group Home	20,540	196,633	-
Lunch - Special Education Program	43,134	365,344	-
<i>Total Maryland State Department of Education</i>	<u>\$ 4,783,014</u>	<u>\$ 5,104,975</u>	<u>-</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
SCHEDULE OF STATE FINANCIAL ASSISTANCE PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Summary by Program

	<u>Revenues</u>	<u>Expenses</u>	<u>Care Days</u>
Intensive Group Home Baltimore	\$ 3,985,019	\$ 9,639,648	10,001
Intensive Group Home Denton	1,126,008	2,075,671	3,882
1-on-1	60,480	144,058	-
Group Home	1,017,052	1,929,934	4,105
Emotional and Cognitive Developmentally Disabled	4,286,715	4,359,316	2,582
CSE Program	2,315,538	2,258,221	1,319
Treatment Foster Care	454,791	824,333	3,002
Special Education	4,779,805	4,925,025	-
Total	<u>\$ 18,025,408</u>	<u>\$ 26,156,206</u>	<u>24,891</u>

BOARD OF CHILD CARE OF THE UNITED METHODIST CHURCH, INC.
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 MANAGEMENT AND GENERAL EXPENSES

These expenses are allocated to each of the service functions based on the percentage relationship of the total direct expenses for each service function to the total direct expenses, not including management and general expenses. The percentage for each function is as follows:

Public Relations and Fundraising	1 %
High Intensity GH	19
CSE	5
ECDD	9
Group Home	4
Camino Program	18
Special Education	9
Type III Transitional Education	-
PA UMHC	8
DC Foster Care	-
MD Treatment Foster Care	2
Outpatient Mental Health Clinics	1
DC Daycare	4
Denton GH	4
Denton CFBSP	-
AFYF TGH	-
AFYF ILP	-
AFYF TFC	-
Ways to Work	-
West Virginia Group Home	11
West Virginia Level 2	4
Wraparound/VOCA	1
Total	100 %

NOTE 2 UNALLOWABLE EXPENSES

The Board incurred the following expenses and charged them to the indicated functions:

Adoption	\$ -
Conference Center/Challenge Course	20,780
Total	\$ 20,780

In accordance with the OMB Circular 74-4, the expenses charged to these functions are not allowable as charges to Federally Supported Programs.