



**HOLSTON UNITED METHODIST HOME FOR  
CHILDREN, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Years Ended June 30, 2020 and 2019**

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Years Ended June 30, 2020 and 2019**

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
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**June 30, 2020 and 2019**

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**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.  
OFFICERS, TRUSTEES AND ADMINISTRATIVE PERSONNEL  
June 30, 2020**

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**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**

**OFFICERS**

Mr. Wes Robbins	Chair
Mr. John W. Bailes	Vice-Chair
Mrs. Debra O. Miller	Treasurer
Mr. Frederick W. Crabtree	Secretary

**BOARD OF TRUSTEES**

Mr. John W. Bailes	Mr. Jeff J. Monson
Mr. J. Kent Bewley	Mr. James D. Moody
Mr. Frederick W. Crabtree	Mrs. Angel Norman
Mr. David G. Culberson	Dr. Jaime Oakley
Mr. Alexander B. Everley	Mr. Peter L. Palmer
Ms. Nancy L. Hamilton	Mr. James M. Reynolds
Mrs. Carolyn H. Ingram	Mr. Wes Robbins
Mr. Bryan A. Jackson	Mr. Birg Sergent
Mr. John H. Kilday IV	Mr. Tracy Solomon
Mrs. Debra O. Miller	Mrs. DiAnna K. Turnage

**EX-OFFICIOS**

Reverend Dr. Angela M. Hardy Cross	Bishop Mary Virginia Taylor
Mr. Bradley S. Williams	Reverend Barbara Clark

**STAFF EXECUTIVE LEADERSHIP**

Mr. Bradley S. Williams	President / Chief Executive Officer
Mrs. Gayle Mrock	Vice President of Program Services
Mrs. Laine Howells	Vice President of Human Resources / Information Technology
Mr. Seth Taylor	Vice President of Resource Development
Mrs. Tina H. Brobeck	Administrator of Accounting

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.  
OFFICERS, TRUSTEES AND ADMINISTRATIVE PERSONNEL  
June 30, 2020**

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**HOLSTON UNITED METHODIST HOME FOR CHILDREN FOUNDATION, INC.**

**OFFICERS**

Mr. Andrew R. Harper	President and Chair
Mr. Matthew L. Grabeel	Chair Elect
Mrs. Myra G. Tatum	Secretary and Treasurer

**BOARD OF DIRECTORS**

Mr. Benjamin M. Alexander	Mrs. Myra G. Tatum
Mr. Matthew L. Grabeel	Mr. Nick D. Vantrease
Mr. Andrew R. Harper	

**EX-OFFICIOS**

Mr. John W. Bailes	Mr. Bradley S. Williams
Mr. Wesley P. Robbins	

**STAFF EXECUTIVE LEADERSHIP**

Mr. Bradley S. Williams	President / Chief Executive Officer
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Holston United Methodist Home for Children, Inc. and  
Holston United Methodist Home for Children Foundation, Inc.  
Greeneville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Holston United Methodist Home for Children, Inc. and Holston United Methodist Home for Children Foundation, Inc. (collectively referred to as the Agency) (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The officers, trustees and administrative personnel on pages i and ii and the supplementary information on pages 24 - 33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

The officers, trustees and administrative personnel has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Blackburn Childers & Steagall, PLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 24, 2020

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 2,913,627	2,951,374
Accounts Receivable	990,787	1,008,668
Unconditional Promises to Give	90	180
Inventories	27,547	12,396
Prepaid Expenses	219,549	204,627
Investment in Marketable Securities	48,984,218	47,089,200
Investment in Gift Stock	100,236	-
Beneficial Interests in Perpetual Trusts	773,069	771,632
Investments in Real Estate	627,500	627,500
Property and Equipment, Net	12,872,638	11,620,466
<b>TOTAL ASSETS</b>	<b>\$ 67,509,261</b>	<b>64,286,043</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 267,517	775,905
Accrued Salaries and Related Payroll Liabilities	662,336	850,071
Refundable Advance	1,315,287	-
<b>TOTAL LIABILITIES</b>	<b>2,245,140</b>	<b>1,625,976</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	19,049,590	18,188,025
Board-Designated Endowment Funds		
General Use - Earnings Unrestricted	40,300,978	38,646,663
Barn and Equestrian Program	177,035	229,310
Total Without Donor Restrictions	<b>59,527,603</b>	<b>57,063,998</b>
With Donor Restrictions		
Donor-Restricted for		
Family Service Center in Southwest Virginia	539,718	531,411
Endowment Funds		
General Use - Earnings Unrestricted	3,482,935	3,428,858
Scholarships and Other Educational Purposes	1,470,396	1,315,680
Campus Cemetery	19,363	18,487
Grantor-Restricted for a Specific Purpose	224,106	301,633
Total With Donor Restrictions	<b>5,736,518</b>	<b>5,596,069</b>
<b>TOTAL NET ASSETS</b>	<b>65,264,121</b>	<b>62,660,067</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 67,509,261</b>	<b>64,286,043</b>

The notes are an integral part of these consolidated financial statements.



**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

<u>2020</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
Residential Program Fees	\$ 3,922,940	-	3,922,940
Foster Care Program Fees	4,179,714	-	4,179,714
Child Care and Early Learning Fees	1,120,398	-	1,120,398
Other Government Assistance	90,018	-	90,018
Contributions	2,997,132	144,087	3,141,219
Endowment Income	1,557,327	97,759	1,655,086
Endowment Market Gain (Loss)	(161,863)	167,150	5,287
Investment Income	94,756	12,562	107,318
Investment Market Gain	117,895	20,744	138,639
Trust Income	240,776	-	240,776
Bank Interest	33,615	-	33,615
Miscellaneous	71,099	-	71,099
Loss on Disposal of Property and Equipment	(500)	-	(500)
Net Assets Released from Restrictions	301,853	(301,853)	-
<b>TOTAL REVENUES</b>	<b>14,565,160</b>	<b>140,449</b>	<b>14,705,609</b>
<b>EXPENSES</b>			
Program Services			
Residential Program Services			
River Academy	986,947	-	986,947
Bewley Center	445,879	-	445,879
Brumit Center	296,640	-	296,640
Hull Group Home	432,081	-	432,081
Medical Clinical Services	433,469	-	433,469
Residential Child and Family Specialists	511,190	-	511,190
Wiley Center	1,788,988	-	1,788,988
Foster Care Programs			
Adoption Services	208,815	-	208,815
Family Service Center - Greeneville	621,512	-	621,512
Family Service Center - Knoxville	738,728	-	738,728
Family Service Center - Southwest Virginia	1,321,073	-	1,321,073
Family Service Center - Tri-Cities	389,167	-	389,167
Home-to-Stay	148,914	-	148,914
Early Learning / Childcare Programs			
Children's Center	823,794	-	823,794
Small Miracles Center	338,787	-	338,787
Indirect Program Services			
Best Practices	94,428	-	94,428
Program Services Administration	681,053	-	681,053
Catering Program	6,116	-	6,116
Specialized Ministries	265,639	-	265,639
<b>Total Program Services</b>	<b>10,533,220</b>	<b>-</b>	<b>10,533,220</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
EXPENSES (CONTINUED)			
Supporting Services			
Administration	951,498	-	951,498
Resource Development	616,837	-	616,837
Total Supporting Services	<u>1,568,335</u>	<u>-</u>	<u>1,568,335</u>
TOTAL EXPENSES	<u>12,101,555</u>	<u>-</u>	<u>12,101,555</u>
CHANGE IN NET ASSETS	2,463,605	140,449	2,604,054
NET ASSETS - BEGINNING	<u>57,063,998</u>	<u>5,596,069</u>	<u>62,660,067</u>
NET ASSETS - ENDING	<u>\$ 59,527,603</u>	<u>5,736,518</u>	<u>65,264,121</u>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

<u>2019</u>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES</b>			
Residential Program Fees	\$ 3,939,202	-	3,939,202
Foster Care Program Fees	4,422,726	-	4,422,726
Performance Based Contract Incentive	146,121	-	146,121
Child Care and Early Learning Fees	941,062	-	941,062
Other Government Assistance	91,178	-	91,178
Contributions	2,440,372	333,161	2,773,533
Endowment Income	1,169,295	115,467	1,284,762
Endowment Market Gain	1,137,050	179,742	1,316,792
Investment Income	79,245	22,427	101,672
Investment Market Gain	141,834	22,533	164,367
Trust Income	94,071	-	94,071
Bank Interest	94,474	-	94,474
Miscellaneous	121,241	-	121,241
Loss on Disposal of Property and Equipment	(8,660)	-	(8,660)
Net Assets Released from Restrictions	738,678	(738,678)	-
<b>TOTAL REVENUES</b>	<b>15,547,889</b>	<b>(65,348)</b>	<b>15,482,541</b>
<b>EXPENSES</b>			
<b>Program Services</b>			
<b>Residential Program Services</b>			
River Academy	922,521	-	922,521
Bewley Center	416,833	-	416,833
Brumit Center	297,609	-	297,609
Hull Group Home	382,238	-	382,238
Medical Clinical Services	570,543	-	570,543
Residential Child and Family Specialists	508,315	-	508,315
Wiley Center	1,589,895	-	1,589,895
<b>Foster Care Programs</b>			
Adoption Services	193,840	-	193,840
Family Service Center - Greeneville	605,287	-	605,287
Family Service Center - Knoxville	725,087	-	725,087
Family Service Center - Southwest Virginia	1,496,703	-	1,496,703
Family Service Center - Tri-Cities	369,449	-	369,449
Home-to-Stay	129,754	-	129,754
<b>Early Learning / Childcare Programs</b>			
Children's Center	867,112	-	867,112
Small Miracles Center	341,338	-	341,338
<b>Indirect Program Services</b>			
Best Practices	63,294	-	63,294
Program Services Administration	705,327	-	705,327
Catering Program	11,220	-	11,220
Specialized Ministries	163,807	-	163,807
<b>Total Program Services</b>	<b>10,360,172</b>	<b>-</b>	<b>10,360,172</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
EXPENSES (CONTINUED)			
Supporting Services			
Administration	1,059,607	-	1,059,607
Resource Development	523,829	-	523,829
Total Supporting Services	<u>1,583,436</u>	<u>-</u>	<u>1,583,436</u>
TOTAL EXPENSES	<u>11,943,608</u>	<u>-</u>	<u>11,943,608</u>
CHANGE IN NET ASSETS	3,604,281	(65,348)	3,538,933
NET ASSETS - BEGINNING	<u>53,459,717</u>	<u>5,661,417</u>	<u>59,121,134</u>
NET ASSETS - ENDING	<u>\$ 57,063,998</u>	<u>5,596,069</u>	<u>62,660,067</u>

The notes are an integral part of these consolidated financial statements.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Fiscal Years Ended June 30, 2020 and 2019

<u>2020</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 5,012,759	617,527	304,345	5,934,631
Payroll Taxes	336,893	26,308	20,435	383,636
Employee Benefits	665,007	68,140	33,591	766,738
Adoptions	11,884	-	-	11,884
Audit / Payroll Processing	-	29,160	-	29,160
Board Development	-	3,340	-	3,340
Christmas Wish List	75,270	-	-	75,270
Client Trips	300	-	-	300
Client Benefits / Clothing	205,357	-	-	205,357
Communications / Telephone	52,425	5,551	2,691	60,667
Conferences and Training	12,155	2,344	199	14,698
Depreciation	497,315	66,143	29,868	593,326
Dietary	701,144	7,434	4,664	713,242
Donor Relations	-	100	1,797	1,897
Faith Explorers	74	-	-	74
Family Aid	28,319	100	-	28,419
Foundation Setup	-	8,404	-	8,404
Foster Care Board Payments	1,402,369	-	-	1,402,369
Foster Parent Travel - Mileage	461	-	-	461
Friends of Children	40	189	16,049	16,278
Fundraising Expenses	5,257	-	-	5,257
Household Supplies	65,219	-	-	65,219
Insurance	146,230	(12,655)	4,874	138,449
IT Services	190,664	19,517	10,509	220,690
Licensure Fees	31,052	-	1,055	32,107
Maintenance and Repairs	504,630	36,046	34,831	575,507
Medical / Dental Services	7,952	-	-	7,952
Marketing / Advertising	16,574	-	815	17,389
Miscellaneous	13,486	4,917	8,320	26,723
Miscellaneous Staff-Related	-	638	-	638
Music Program	2,892	-	-	2,892
Office Supplies	9,881	4,479	6,994	21,354
Personnel Expenses	162	36,900	-	37,062
Postage	4,307	2,408	37,667	44,382
Printing / Publications	-	-	79,040	79,040
Professional Contractual Services	80,611	2,966	14,431	98,008
Professional Memberships	7,100	995	1,100	9,195
Program / Educational Materials	48,540	-	13	48,553
Public Relations	-	523	-	523
Recruitment	-	17,144	-	17,144
Recreational	36,918	-	-	36,918
Rents	87,990	-	-	87,990
Ropes Course	20,492	-	-	20,492
Spiritual Life Events	15,999	-	-	15,999
Staff Incentive	1,094	393	46	1,533
Summer Camp	19,073	-	-	19,073
Travel Expense	26,836	562	218	27,616
Utilities	152,784	-	2,795	155,579
Vehicle Fuel Expense	35,515	1,925	490	37,930
Young Life Activities	190	-	-	190
<b>TOTAL</b>	<b>\$ 10,533,220</b>	<b>951,498</b>	<b>616,837</b>	<b>12,101,555</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Fiscal Years Ended June 30, 2020 and 2019

<u>2019</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 5,001,675	663,443	255,291	5,920,409
Payroll Taxes	363,085	37,429	18,560	419,074
Employee Benefits	623,515	78,742	10,361	712,618
Adoptions	522	-	-	522
Audit / Payroll Processing	-	34,350	-	34,350
Board Development	-	269	-	269
Christmas Wish List	50,398	-	-	50,398
Client Trips - Alaska 2019	23,599	-	-	23,599
Client Benefits / Clothing	223,053	-	-	223,053
Communications / Telephone	54,532	5,680	2,693	62,905
Computer Network /Data Processing	10,000	2,547	-	12,547
Conferences and Training	19,257	14,322	300	33,879
Depreciation	328,859	39,369	17,451	385,679
Dietary	675,144	9,256	2,323	686,723
Direct Mail Program	9,724	-	3,478	13,202
Donor Relations	-	-	179	179
Family Aid	15,791	1,200	-	16,991
Foundation Setup	-	1,917	-	1,917
Foster Care Board Payments	1,517,976	-	-	1,517,976
Foster Parent Travel - Mileage	2,526	-	-	2,526
Friends of Children	-	-	23,451	23,451
Fundraising Expenses	6,761	-	-	6,761
Household Supplies	50,517	-	-	50,517
Insurance	114,533	7,987	3,804	126,324
IT Services	174,658	22,521	9,853	207,032
Licensure Fees	5,980	-	1,130	7,110
Maintenance and Repairs	208,724	8,183	29,130	246,037
Medical / Dental Services	7,303	-	-	7,303
Marketing / Advertising	13,073	37	2,055	15,165
Miscellaneous	13,576	5,942	10	19,528
Miscellaneous Staff-Related	-	300	-	300
Music Program	1,374	-	-	1,374
Office Supplies	15,152	6,595	2,429	24,176
Personnel Expenses	288	24,389	-	24,677
Postage	3,956	1,383	33,190	38,529
Printing / Publications	-	32	79,428	79,460
Professional Contractual Services	83,576	11,365	15,818	110,759
Professional Memberships	6,150	309	1,100	7,559
Program / Educational Materials	22,962	-	-	22,962
Public Relations	-	2,005	-	2,005
Recruitment	-	21,183	-	21,183
Recreational	75,536	-	-	75,536
Rents	88,092	-	-	88,092
Spiritual Life Events	25,648	-	-	25,648
Staff Incentive	653	110	109	872
Summer Camp	7,025	-	-	7,025
Travel Expense	316,971	50,048	8,259	375,278
Utilities	144,409	6,064	2,928	153,401
Vehicle Fuel Expense	53,493	2,630	499	56,622
Young Life Activities	106	-	-	106
<b>TOTAL</b>	<b>\$ 10,360,172</b>	<b>1,059,607</b>	<b>523,829</b>	<b>11,943,608</b>

The notes are an integral part of these consolidated financial statements.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,604,054	3,538,933
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	647,701	420,222
Loss on Disposal of Property and Equipment	500	8,660
Endowment and Investment Income	(1,762,404)	(1,386,434)
Endowment and Investment Market Gain	(143,926)	(1,481,159)
(Increase) Decrease in Assets		
Accounts Receivable	17,881	(68,031)
Unconditional Promises to Give	90	300
Inventories	(15,150)	1,480
Prepaid Expenses	(14,922)	9,255
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(508,389)	308,650
Accrued Salaries and Related Payroll Liabilities	(187,735)	20,713
	637,700	1,372,589
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(1,901,774)	(4,612,182)
Proceeds from Disposal of Property and Equipment	1,401	-
Investment in Gift Stock	(100,236)	-
Proceeds from Sale or Maturity of Investments	1,762,545	1,754,118
Purchases of Investments	(1,752,670)	(1,725,966)
	(1,990,734)	(4,584,030)
NET CASH USED FOR INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Refundable Advance	1,315,287	-
	1,315,287	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH	(37,747)	(3,211,441)
CASH AT BEGINNING OF FISCAL YEAR	2,951,374	6,162,815
CASH AT END OF FISCAL YEAR	\$ 2,913,627	2,951,374

The notes are an integral part of these consolidated financial statements.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Holston United Methodist Home for Children, Inc. (the Home) was organized on October 17, 1895 under the laws of the State of Tennessee, and thereafter was recognized by the Holston Conference of the United Methodist Church (the Conference) as an affiliate to operate a Christian ministry within the geographic bounds of the Conference and adhering to the following principles and missions. The Home serves as a Christian ministry providing hope and healing for children and families struggling with life's challenges, through their programs of adoption, foster care, family support, early childhood care, special education, residential housing, and education of those residing on campus. These programs and missions are carried out primarily in Greeneville, Tennessee, with other family service centers being located in other portions of East Tennessee and Southwest Virginia.

**Basis of Presentation**

The consolidated financial statements include the accounts of the Holston United Methodist Home for Children, Inc. and the Holston United Methodist Home for Children Foundation, Inc. (the Foundation) (collectively referred to as the Agency). All significant inter-organization balances and transactions were eliminated in consolidation.

In the fiscal year ended June 30, 2015, the Board of Trustees of the Home formed the Foundation for the purpose of holding certain investments and soliciting contributions on behalf of the Home. The Home is allowed to appoint the majority of the Foundation's Board of Directors, and the Foundation's bylaws require that the majority of contributions and earnings on invested assets inure to the benefit of the Home. Accordingly, the accounts of the Foundation have been consolidated herein, as required by accounting principles generally accepted in the United States of America (U.S. GAAP).

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC). Under FASB ASC, the Agency is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Agency. These net assets may be used at the discretion of the Agency's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.



**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Revenues are reported as increases in net assets without donor restriction unless the 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 restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Basis of Accounting**

The Agency maintains its financial records on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those used in computing depreciation and the allocation thereof, the allocations of maintenance, food service, information technology and insurance departmental expenses, and the fair value of investments. Actual results could differ from those estimates.

**Cash**

The Agency's cash balances at June 30, 2020 and 2019 include amounts on deposit with financial institutions. The Agency considers cash equivalents to include all highly liquid debt instruments with original maturities of three months or less. The Agency has no cash equivalents at fiscal year end. In addition, the temporary cash accounts used by investment managers and trustees are not classified as cash equivalents, but rather included in investments.

**Accounts Receivable**

Accounts receivable at June 30, 2020 and 2019 include amounts due from program fees for residential care, River Academy, foster care, adoption services and day care. All accounts receivable are considered by management to be fully collectible.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in marketable equity and debt securities with readily determinable fair values are reported at their fair values in the consolidated statement of financial position. Market appreciation and depreciation are included in the change in net assets. Gains and losses and investment income derived from investments are accounted for as net assets without donor restrictions or net assets with donor restrictions. Investment income and gains restricted by a donor are reported as increases in net assets without restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Agency records its real estate investments at the fair value as of the date the investments are donated to the Agency.

**Inventories**

Inventories include food, household and program supplies, and are valued at the lower of cost (based on the first-in, first-out (FIFO) method) or market value.

**Property and Equipment**

Property and equipment are recorded at cost when purchased, and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and Improvements	10 to 39
Furnishings and Equipment	3 to 25
Land Improvements	15
Vehicles	5

Additions and betterments of \$1,000 or more and with a useful life of three years or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. At the time property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss on disposal is recognized in operations for the fiscal year.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, the Agency reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from net assets with donor restrictions to net assets without donor restrictions.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employees of the Home are entitled to paid time off, depending on their length of service and hours worked per week. Employees are allowed to accumulate paid time off, and upon separation from employment, are paid out unused paid time off based on the length of their employment with the Home, and assuming they have met the established criteria and are eligible for rehire. Employees can carryover earned paid time off and can accrue it up to the maximum allowed for their full or part-time status.

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**Contributed Services**

The Agency recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills or locations that would typically need to be purchased if not contributed. Many individuals have donated time and services to advance the Agency's programs and objectives. The value of these services has not been recorded in the consolidated financial statements because they are either deemed immaterial or because they do not meet these criteria.

**Contract Revenues**

Amounts received under contracts with the States of Tennessee and Virginia, and various local governments are recorded as revenue in the consolidated financial statements as services are provided. Contract revenue is earned primarily on a daily unit of service basis as services are provided and costs are incurred. Since the Agency provides a service for these funds, the amounts are recorded as assets without donor restriction.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by functions. The costs of providing the various programs have been allocated among the programs and supporting services benefited.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2019 financial statements in order for them to conform to the June 30, 2020 financial statement presentation.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

Both the Home and the Foundation are nonprofit organizations exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, they are classified as public charities under Sections 509 and 170 of the IRC. Contributions received are deductible under IRC Section 170, and the Agency is qualified to receive tax deductible bequests, devises, transfers, or gifts. Accordingly, no provision for income taxes has been reflected in the Agency's consolidated financial statements.

**Subsequent Events**

The Agency has evaluated subsequent events through November 24, 2020, the date which the consolidated financial statements were available to be issued.

**NOTE 2 - AVAILABILITY AND LIQUIDITY**

The Agency manages its affairs in accord with sound financial practice. The Agency develops adequate resources and manages them prudently to obtain revenues sufficient to support the programs and ensure uninterrupted delivery of services. The Agency regularly monitors the availability of resources required to meet operating needs, while also maximizing the investment of its available funds. The Agency has various sources of liquid resources at its disposal, including cash, cash equivalents, and marketable securities.

The Agency strives to maintain funds sufficient to cover general operating expenditures and payroll in its operating account. Additional assets are invested in certificates of deposit, money market funds, and other short term investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash Available for General Expenditures	\$ 1,715,908	2,833,495
Investments not Encumbered by Donor or Board Restriction	4,522,438	4,864,456
Quasi-Endowment Funds	<u>40,300,978</u>	<u>38,646,663</u>
	<u>\$ 46,539,324</u>	<u>46,344,614</u>

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE 3 - FAIR VALUE MEASUREMENTS**

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs. Financial assets valued using Level One inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level Two inputs are based primarily on quoted market prices for similar assets in active or inactive markets. Financial assets valued using Level Three inputs are based on market value estimates from investment advisors due to the lack of active market data for identical or similar assets. In addition, financial assets held with the Conference are valued using Level Three inputs inherently due to the Agency's lack of access to the underlying investment records supporting those assets.

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	Total Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
<u>2020</u>				
Investment in Marketable Securities				
Mutual Funds - Equities	\$ 25,052,155	16,416,422	-	8,635,733
Mutual Funds - Fixed Income	20,703,623	20,703,623	-	-
Real Estate Investment Trust	786,896	786,896	-	-
Gold Shares	2,011,514	2,011,514	-	-
Cash and Cash Equivalents Held for Long-Term Investments	430,058	430,058	-	-
Total Investment in Marketable Securities	<u>48,984,246</u>	<u>40,348,513</u>	<u>-</u>	<u>8,635,733</u>
Beneficial Interests in Perpetual Trusts	<u>773,069</u>	<u>-</u>	<u>-</u>	<u>773,069</u>
Total Investments	<u>\$ 49,757,315</u>	<u>40,348,513</u>	<u>-</u>	<u>9,408,802</u>
<u>2019</u>				
Investment in Marketable Securities				
Mutual Funds - Equities	\$ 41,654,980	33,245,778	-	8,409,202
Mutual Funds - Fixed Income	1,856,036	1,856,036	-	-
Real Estate Investment Trust	747,298	747,298	-	-
Gold Shares	1,966,698	1,966,698	-	-
Cash and Cash Equivalents Held for Long-Term Investments	864,188	864,188	-	-
Total Investment in Marketable Securities	<u>47,089,200</u>	<u>38,679,998</u>	<u>-</u>	<u>8,409,202</u>
Beneficial Interests in Perpetual Trusts	<u>771,632</u>	<u>-</u>	<u>-</u>	<u>771,632</u>
Total Investments	<u>\$ 47,860,832</u>	<u>38,679,998</u>	<u>-</u>	<u>9,180,834</u>

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level Three) include:

	<u>Total</u>	<u>Mutual Funds - Equities (Held with the Conference)</u>	<u>Beneficial Interests in Perpetual Trusts</u>
<u>2020</u>			
Balance, June 30, 2019	\$ 9,180,834	8,409,202	771,632
Purchases	177,581	177,581	-
Investment Income, Net of Investment Fees	204,337	189,273	15,064
Market Gain	305,735	287,072	18,663
Proceeds	<u>(459,685)</u>	<u>(427,395)</u>	<u>(32,290)</u>
Balance, June 30, 2020	<u>\$ 9,408,802</u>	<u>8,635,733</u>	<u>773,069</u>
<u>2019</u>			
Balance, June 30, 2018	\$ 8,216,495	7,450,296	766,199
Purchases	869,714	869,714	-
Investment Income, Net of Investment Fees	215,858	199,142	16,716
Market Gain	342,910	320,678	22,232
Proceeds	<u>(464,143)</u>	<u>(430,628)</u>	<u>(33,515)</u>
Balance, June 30, 2019	<u>\$ 9,180,834</u>	<u>8,409,202</u>	<u>771,632</u>

The unrealized gains and losses for these Level 3 assets are included in the change in net assets with donor restrictions.

The fair value of the Agency's investments in real estate, as measured on a nonrecurring basis, at June 30, 2020 and 2019 was \$627,500 and \$627,500, respectively. The Agency records real estate donations at fair value, approximated by current appraised values, as of the date the property is donated to the Agency.

A summary of return on investments consists of the following for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and Dividend Income	\$ 1,074,976	1,130,581
Net Realized Gain	704,230	276,661
Net Unrealized Gain	143,926	1,481,159
Advisory Fees	<u>(16,802)</u>	<u>(20,808)</u>
Net Return	<u>\$ 1,906,330</u>	<u>2,867,593</u>

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 149,254	149,254
Land Improvements	1,080,123	613,348
Buildings and Improvements	15,837,945	9,899,193
Furnishings and Equipment	1,393,432	926,001
Vehicles	585,071	604,488
Construction in Progress	51,113	5,056,942
	19,096,938	17,249,226
Less: Accumulated Depreciation	(6,224,300)	(5,628,760)
Net Property and Equipment	\$ 12,872,638	11,620,466

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$647,701 and \$420,222, respectively. Of these amounts, \$54,375 and \$34,543, respectively, are allocated across total expenses in representation of the maintenance, food service and IT departments.

**NOTE 5 - ENDOWMENT FUNDS**

The Agency's net assets with donor restrictions are composed of funds restricted for specific and general use. Its endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designed by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Agency's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it was passed in the State of Tennessee as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions of a permanent nature are classified as net assets with donor restrictions of a temporary nature until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard prudence prescribed by UPMIFA.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 5 - ENDOWMENT FUNDS (CONTINUED)**

In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Agency, and (7) the Agency's investment and resource spending policies and procedures.

*Investment Return Objectives, Risk Parameters and Strategies.* The Agency has adopted investment and spending policies and procedures, approved by the Board of Trustees and management, respectively, for endowment assets that attempt to provide a predictable stream of funding to operations while also maintaining the purchasing power of those endowment assets over the long-term. To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation including equity securities, fixed income securities, real assets, money market funds and cash to achieve its long-term return objectives within prudent risk constraints. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in various securities with multiple investment firms, and are intended to achieve moderate growth. The Agency expects its endowment funds, over time, to provide a target rate that matches or exceeds the internal distribution rate. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Agency has a policy of appropriating for distribution each fiscal year no more than 4% of the trailing 12-quarter average of the endowment's portfolio. In establishing this policy, the Agency considered the long-term expected return on its investment assets, and the nature and duration of the individual endowment funds. The Agency expects the current spending policy to allow its endowment funds to grow at a nominal average which at least make up the effects of these distributions, which is consistent with the Agency's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Agency to retain as a fund of perpetual duration. When, due to spending or market depreciation, the value of the investments fall below that level, the Agency would recognize liabilities and assets between net assets without donor restrictions and net assets with donor restrictions, as necessary. The Agency does not have any net assets with donor restrictions that are below the level that the donor has required as of June 30, 2020.



**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 - ENDOWMENT FUNDS (CONTINUED)**

The composition of the Agency's endowments at June 30, 2020 and 2019 is as follows:

Net Assets With Donor Restrictions	2020	2019
Perpetual in Nature		
General Use - Earnings Unrestricted	\$ 2,047,584	2,047,584
Campus Cemetery	6,300	6,300
Scholarships and Other Educational Purposes	1,026,410	939,451
	3,080,294	2,993,335
Purpose Restrictions		
General Use - Earnings Unrestricted	1,435,351	1,381,274
Campus Cemetery	13,063	12,187
Scholarships and Other Educational Purposes	443,986	376,229
	1,892,400	1,769,690
 Total Net Assets With Donor Restrictions	 4,972,694	 4,763,025
 Net Assets Without Donor Restrictions		
Board-Designated - Barn and Equestrian Program	177,035	229,310
Board-Designated - General Use - Earnings Unrestricted	40,300,978	38,646,663
	40,478,013	38,875,973
 Total Endowments	 \$ 45,450,707	 43,638,998

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019 are as follows:

<u>2020</u>	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Total
Endowment Net Assets, Beginning of Fiscal Year	\$ 4,763,025	38,875,973	43,638,998
Contributions	86,959	1,631,793	1,718,752
Investment Income, Net of Related Investment Expenses	98,874	1,499,333	1,598,207
Market Gain (Loss)	167,150	(167,456)	(306)
Amounts Appropriated for Expenditure	(143,314)	(1,361,630)	(1,504,944)
	209,669	1,602,040	1,811,709
Change in Endowment Net Assets			
Endowment Net Assets, End of Fiscal Year	\$ 4,972,694	40,478,013	45,450,707

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 - ENDOWMENT FUNDS (CONTINUED)**

<u>2019</u>	<u>Net Assets With Donor Restrictions</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Fiscal Year	\$ 4,387,167	36,980,594	41,367,761
Contributions	221,288	940,770	1,162,058
Investment Income, Net of Related Investment Expenses	114,318	1,175,386	1,289,704
Market Gain (Loss)	179,742	1,147,699	1,327,441
Amounts Appropriated for Expenditure	<u>(139,490)</u>	<u>(1,368,476)</u>	<u>(1,507,966)</u>
Change in Endowment Net Assets	<u>375,858</u>	<u>1,895,379</u>	<u>2,271,237</u>
Endowment Net Assets, End of Fiscal Year	<u>\$ 4,763,025</u>	<u>38,875,973</u>	<u>43,638,998</u>

**NOTE 6 - PENSION PLAN**

The Agency participates in a defined contribution pension plan sponsored by the General Board of Pension and Health Benefits of the United Methodist Church. All permanent non-clergy employees' participation is entirely voluntary after minimum service of 12 months with annually-scheduled hours of a minimum of 1,040. Applicable employees electing coverage are fully vested after five years of participation, and are allowed to contribute a portion of their earnings, ranging from 3% to a maximum of 10%. The Agency supplements these contributions at the rate of 6% of the respective employee's compensation. For the fiscal years ended June 30, 2020 and 2019, the Agency's total pension costs totaled \$195,017 and \$210,888, respectively.

**NOTE 7 - FUNDRAISING EXPENSES**

Total fundraising expense for the fiscal years ended June 30, 2020 and 2019 was \$616,837 and \$523,829, respectively. Fundraising expenses related to total contributions was 20% and 19% for the fiscal years ended June 30, 2020 and 2019, respectively. The ratios of expenses to amounts raised are computed using actual expenses and related contributions on an accrual basis.

**NOTE 8 - CONCENTRATIONS**

The Agency maintains cash balances at various financial institutions. At times during the fiscal years ended June 30, 2020 and 2019, balances on deposit at financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits, though management believes that the Agency has limited financial risk with respect to these cash accounts.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 - CONCENTRATIONS (CONTINUED)**

The Agency maintains investments in accounts with various brokerage firms and the Conference. These funds are not insured by the FDIC and are subject to losses. Management does not believe significant credit risk exists for these balances at June 30, 2020 and 2019.

The Agency's client base consists of families primarily from Tennessee. The Agency generally requires no collateral from its clients or from sponsoring third-party payers for services rendered.

For the fiscal years ended June 30, 2020 and 2019, approximately 50% and 49%, respectively, of the Agency's revenue and all of the receivables were derived from funding received from federal, state and local governments. In the event that funding is terminated or decreased, the current level of the Agency's operations and program services may be impacted and the Agency's ability to continue as a going concern could be greatly diminished.

**NOTE 9 - UNCERTAINTY IN INCOME TAXES**

The Agency follows the FASB ASC which provides guidance on accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. As of June 30, 2020 and 2019, the Agency had no uncertain tax positions that qualify for either recognition or disclosure in the Agency's consolidated financial statements. The Agency's practice is to recognize interest and penalties on unrecognized tax liabilities in tax expense in the consolidated financial statements. However, no interest or penalties were recorded during the fiscal years ended June 30, 2020 and 2019.

**NOTE 10 - CORONAVIRUS CONSIDERATIONS AND REFUNDABLE ADVANCE**

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, as the pandemic continues, the investment and credit markets could experience significant volatility. As a result, a substantial portion of the Agency's investments could experience significant declines in market value.

In April 2020, the Agency applied for and was approved a \$1,315,287 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for seven months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government. At June 30, 2020, the entire loan is reported as Refundable Advance on the consolidated statements of financial position.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**NOTE 11 - ACCOUNTING STANDARD UPDATES**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of the consolidated financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the fiscal year ending June 30, 2023.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of activities will reflect the measurement of credit losses for newly-recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024.

**SUPPLEMENTARY**

**INFORMATION**

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

	Home	Foundation	Eliminations	Consolidated Agency Total
<b>ASSETS</b>				
Cash	\$ 2,913,627	-	-	2,913,627
Accounts Receivable	990,787	-	-	990,787
Unconditional Promises to Give	90	-	-	90
Inventories	27,547	-	-	27,547
Prepaid Expenses	219,549	-	-	219,549
Investment in Marketable Securities	8,683,240	40,300,978	-	48,984,218
Investment in Gift Stock	100,236	-	-	100,236
Beneficial Interests in Perpetual Trusts	773,069	-	-	773,069
Investments in Real Estate	627,500	-	-	627,500
Property and Equipment, Net	12,872,638	-	-	12,872,638
<b>TOTAL ASSETS</b>	<b>\$ 27,208,283</b>	<b>40,300,978</b>	<b>-</b>	<b>67,509,261</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 267,517	-	-	267,517
Accrued Salaries and Related Payroll Liabilities	662,336	-	-	662,336
Refundable Advance	1,315,287	-	-	1,315,287
<b>TOTAL LIABILITIES</b>	<b>2,245,140</b>	<b>-</b>	<b>-</b>	<b>2,245,140</b>
<b>NET ASSETS</b>				
Without Donor Restrictions				
Undesignated	19,049,590	-	-	19,049,590
Board-Designated Endowment Funds				
General Use - Earnings Unrestricted	-	40,300,978	-	40,300,978
Barn and Equestrian Program	177,035	-	-	177,035
<b>Total Without Donor Restrictions</b>	<b>19,226,625</b>	<b>40,300,978</b>	<b>-</b>	<b>59,527,603</b>
With Donor Restrictions				
Donor-Restricted for				
Family Service Center in Southwest Virginia	539,718	-	-	539,718
Endowment Funds				
General Use - Earnings Unrestricted	3,482,935	-	-	3,482,935
Scholarships and Other Educational Purposes	1,470,396	-	-	1,470,396
Campus Cemetery	19,363	-	-	19,363
Grantor-Restricted for a Specific Purpose	224,106	-	-	224,106
<b>Total With Donor Restrictions</b>	<b>5,736,518</b>	<b>-</b>	<b>-</b>	<b>5,736,518</b>
<b>TOTAL NET ASSETS</b>	<b>24,963,143</b>	<b>40,300,978</b>	<b>-</b>	<b>65,264,121</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,208,283</b>	<b>40,300,978</b>	<b>-</b>	<b>67,509,261</b>

See Independent Auditors' Report.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

	Home	Foundation	Eliminations	Consolidated Agency Total
<b>REVENUES</b>				
Residential Program Fees	\$ 3,922,940	-	-	3,922,940
Foster Care Program Fees	4,179,714	-	-	4,179,714
Child Care and Early Learning Fees	1,120,398	-	-	1,120,398
Other Government Assistance	90,018	-	-	90,018
Contributions	3,141,219	-	-	3,141,219
Endowment Income	97,841	1,557,245	-	1,655,086
Endowment Market Gain (Loss)	167,150	(161,863)	-	5,287
Investment Income	107,318	-	-	107,318
Investment Market Appreciation	138,639	-	-	138,639
Trust Income	240,776	-	-	240,776
Bank Interest	33,615	-	-	33,615
Miscellaneous	141,099	-	(70,000)	71,099
Loss on Disposal of Property and Equipment	(500)	-	-	(500)
<b>TOTAL REVENUES</b>	<b>13,380,227</b>	<b>1,395,382</b>	<b>(70,000)</b>	<b>14,705,609</b>
<b>EXPENSES</b>				
Program Services				
Residential Program Services				
River Academy	986,947	-	-	986,947
Bewley Center	445,879	-	-	445,879
Brumit Center	296,640	-	-	296,640
Hull Group Home	432,081	-	-	432,081
Medical Clinical Services	433,469	-	-	433,469
Residential Child and Family Specialists	511,190	-	-	511,190
Wiley Center	1,788,988	-	-	1,788,988
Foster Care Programs				
Adoption Services	208,815	-	-	208,815
Family Service Center - Greeneville	621,512	-	-	621,512
Family Service Center - Knoxville	738,728	-	-	738,728
Family Service Center - Southwest Virginia	1,321,073	-	-	1,321,073
Family Service Center - Tri-Cities	389,167	-	-	389,167
Home-to-Stay	148,914	-	-	148,914
Early Learning / Childcare Programs				
Children's Center	823,794	-	-	823,794
Small Miracles Center	338,787	-	-	338,787
Indirect Program Services				
Best Practices	94,428	-	-	94,428
Program Services Administration	681,053	-	-	681,053
Catering Program	6,116	-	-	6,116
Specialized Ministries	265,639	-	-	265,639
<b>Total Program Services</b>	<b>10,533,220</b>	<b>-</b>	<b>-</b>	<b>10,533,220</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Home</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Agency Total</u>
EXPENSES (Continued)				
Supporting Services				
Administration	951,498	70,000	(70,000)	951,498
Resource Development	616,837	-	-	616,837
Total Supporting Services	<u>1,568,335</u>	<u>70,000</u>	<u>(70,000)</u>	<u>1,568,335</u>
TOTAL EXPENSES	<u>12,101,555</u>	<u>70,000</u>	<u>(70,000)</u>	<u>12,101,555</u>
TRANSFERS				
Transfer of Assets from Home to Foundation	(1,631,793)	1,631,793	-	-
Distribution from Foundation to Home	1,302,860	(1,302,860)	-	-
TOTAL TRANSFERS	<u>(328,933)</u>	<u>328,933</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	949,739	1,654,315	-	2,604,054
NET ASSETS - BEGINNING	<u>24,013,404</u>	<u>38,646,663</u>	<u>-</u>	<u>62,660,067</u>
NET ASSETS - ENDING	<u>\$ 24,963,143</u>	<u>40,300,978</u>	<u>-</u>	<u>65,264,121</u>

See Independent Auditors' Report.



**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**RESIDENTIAL PROGRAM SERVICES**  
**For the Fiscal Year Ended June 30, 2020**

	River Academy	Bewley Center	Brumit Center	Hull Group Home	Medical Clinical Services	Residential Child and Family Specialists	Wiley Center	Total
Salaries	\$ 590,762	202,756	154,251	206,266	249,214	348,056	916,563	2,667,868
Payroll Taxes	39,465	14,200	10,597	13,321	17,113	23,644	62,229	180,569
Employee Benefits	89,348	24,710	19,011	33,048	28,726	41,674	99,616	336,133
Client Benefits / Clothing	-	15,663	22,898	13,397	-	-	38,889	90,847
Communications / Telephone	2,546	1,032	1,201	799	2,325	5,485	5,765	19,153
Conferences and Training	637	-	60	-	1,683	-	-	2,380
Depreciation	60,500	17,904	12,290	17,472	19,581	23,582	71,757	223,086
Dietary	28,953	81,869	9,453	75,408	3,962	5,749	260,282	465,676
Family Aid	-	-	-	-	-	14,653	-	14,653
Friends of Children	-	-	-	-	-	-	40	40
Foster Parent Travel	-	-	-	-	-	39	-	39
Household Supplies	1,065	14,786	4,279	8,875	-	24	30,191	59,220
Insurance	18,414	6,499	4,333	7,582	6,499	9,749	28,163	81,239
IT Services	49,543	4,504	3,003	3,003	12,010	13,512	15,013	100,588
Maintenance and Repairs	51,242	39,071	37,045	39,212	24,247	9,867	191,493	392,177
Medical / Dental Services	-	1,347	343	1,023	-	-	5,239	7,952
Miscellaneous	638	(25)	-	-	1	68	449	1,131
Office Supplies	1,071	60	440	50	86	929	1,261	3,897
Postage	308	5	25	5	65	728	54	1,190
Professional Contractual Services	-	-	-	-	44,599	610	105	45,314
Program / Educational Materials	26,940	-	-	-	296	58	178	27,472
Recreational	867	6,254	2,362	5,387	-	-	17,808	32,678
Ropes Course	-	-	-	-	20,492	-	-	20,492
Staff Incentive	277	25	140	25	99	51	75	692
Travel Expense	657	49	(12)	117	1,047	2,175	1,674	5,707
Utilities	23,714	13,325	9,856	5,852	-	8,091	32,629	93,467
Vehicle Fuel Expense	-	1,845	5,065	1,239	1,424	2,446	9,515	21,534
<b>TOTAL</b>	<b>\$ 986,947</b>	<b>445,879</b>	<b>296,640</b>	<b>432,081</b>	<b>433,469</b>	<b>511,190</b>	<b>1,788,988</b>	<b>4,895,194</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOSTER CARE PROGRAMS**  
**For the Fiscal Year Ended June 30, 2020**

	Adoption Services	Family Service Centers				Home-to- Stay	Total
		Greeneville	Knoxville	Southwest Virginia	Tri-Cities		
Salaries	\$ 134,735	194,037	221,580	360,612	144,988	114,917	1,170,869
Payroll Taxes	9,376	13,049	14,842	24,973	9,857	7,834	79,931
Employee Benefits	14,092	31,288	36,937	47,114	19,906	11,411	160,748
Adoptions	11,884	-	-	-	-	-	11,884
Client Benefits / Clothing	-	8,657	9,238	91,295	4,372	103	113,665
Communications / Telephone	2,891	4,934	6,374	4,831	1,466	923	21,419
Conferences and Training	320	2,113	1,207	513	1,955	62	6,170
Depreciation	10,055	29,544	35,834	65,559	19,105	7,042	167,139
Dietary	-	1,698	70	-	84	-	1,852
Family Aid	-	593	583	-	171	783	2,130
Foster Care Board Payments	-	287,931	314,553	638,790	161,095	-	1,402,369
Foster Parent Travel - Mileage	-	216	15	98	93	-	422
Household Supplies	-	58	-	452	-	-	510
Insurance	3,250	6,499	7,582	9,207	4,333	2,166	33,037
IT Services	4,504	15,013	12,010	16,514	6,005	3,002	57,048
Maintenance and Repairs	782	9,060	5,393	3,554	3,047	48	21,884
Marketing / Advertising	146	3,749	5,846	4,320	2,413	-	16,474
Miscellaneous	65	27	24	4	107	-	227
Office Supplies	113	1,050	1,125	1,678	277	-	4,243
Postage	677	173	182	1,585	148	5	2,770
Professional Contractual Services	12,022	30	75	4,442	-	241	16,810
Professional Memberships	650	105	-	150	70	-	975
Program / Educational Materials	-	172	101	-	101	-	374
Recreational	-	1,275	1,862	40	878	185	4,240
Rents	600	-	46,020	40,170	1,200	-	87,990
Staff Incentive	-	105	110	-	95	-	310
Travel Expense	2,376	5,114	7,624	409	4,100	115	19,738
Utilities	-	2,955	4,743	2,795	-	-	10,493
Vehicle Fuel Expense	277	2,067	4,798	1,968	3,301	76	12,487
<b>TOTAL</b>	<b>\$ 208,815</b>	<b>621,512</b>	<b>738,728</b>	<b>1,321,073</b>	<b>389,167</b>	<b>148,913</b>	<b>3,428,208</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**EARLY LEARNING / CHILDCARE PROGRAMS**  
**For the Fiscal Year Ended June 30, 2020**

	Children's Center	Small Miracles Center	Total
Salaries	\$ 452,878	178,726	631,604
Payroll Taxes	30,117	12,735	42,852
Employee Benefits	68,531	24,940	93,471
Communications / Telephone	3,019	2,338	5,357
Depreciation	34,373	13,948	48,321
Dietary	150,322	66,250	216,572
Fundraising Expenses	4,083	1,174	5,257
Household Supplies	2,949	2,155	5,104
Insurance	15,164	5,416	20,580
IT Services	10,509	4,504	15,013
Maintenance and Repairs	35,141	18,173	53,314
Miscellaneous	740	4	744
Office Supplies	567	389	956
Postage	20	5	25
Program / Educational Materials	2,225	746	2,971
Travel Expense	578	479	1,057
Utilities	12,578	6,805	19,383
<b>TOTAL</b>	<b>\$ 823,794</b>	<b>338,787</b>	<b>1,162,581</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**INDIRECT PROGRAM SERVICES**  
**For the Fiscal Year Ended June 30, 2020**

	Best Practices	Program Services Administration	Catering Program	Specialized Ministries	Total
Salaries	\$ 43,996	368,849	1,006	128,567	542,418
Payroll Taxes	3,025	24,940	77	5,499	33,541
Employee Benefits	7,641	50,395	-	16,619	74,655
Christmas Wish List	-	75,270	-	-	75,270
Client Benefits	-	-	-	845	845
Client Trips	-	300	-	-	300
Communications / Telephone	466	4,766	-	1,264	6,496
Faith Explorers	-	-	-	74	74
Conferences and Training	-	570	3,019	16	3,605
Depreciation	4,455	32,220	-	22,094	58,769
Dietary	176	2,197	2,013	12,658	17,044
Family Aid	-	11,536	-	-	11,536
Household Supplies	-	328	-	57	385
Insurance	1,083	7,041	-	3,250	11,374
IT Services	1,501	12,010	-	4,504	18,015
Licensure Fees	31,052	-	-	-	31,052
Maintenance and Repairs	-	27,324	-	9,931	37,255
Marketing / Advertising	-	100	-	-	100
Miscellaneous	77	3,852	-	7,455	11,384
Music Program	-	-	-	2,892	2,892
Office Supplies	15	355	-	415	785
Personnel Expenses	-	162	-	-	162
Postage	30	191	-	101	322
Professional Contractual Services	-	17,591	1	895	18,487
Professional Memberships	-	6,125	-	-	6,125
Program / Educational Materials	-	9,805	-	7,918	17,723
Spiritual Life Events	-	-	-	15,999	15,999
Staff Incentive	-	92	-	-	92
Summer Camp	-	19,073	-	-	19,073
Travel Expense	-	242	-	92	334
Utilities	911	4,271	-	24,259	29,441
Vehicle Fuel Expense	-	1,259	-	235	1,494
Young Life Activities	-	190	-	-	190
<b>TOTAL</b>	<b>\$ 94,428</b>	<b>681,054</b>	<b>6,116</b>	<b>265,639</b>	<b>1,047,237</b>

(Continued)

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**SUPPORTING SERVICES**  
**For the Fiscal Year Ended June 30, 2020**

	Administration	Resource Development	Total
Salaries	\$ 617,527	304,345	921,872
Payroll Taxes	26,308	20,435	46,743
Employee Benefits	68,140	33,591	101,731
Audit / Payroll Processing	29,160	-	29,160
Board Development	3,340	-	3,340
Communications / Telephone	5,551	2,691	8,242
Conferences and Training	2,344	199	2,543
Depreciation	66,143	29,868	96,011
Dietary	7,434	4,664	12,098
Donor Relations	100	1,797	1,897
Family Aid	100	-	100
Foundation Setup	8,404	-	8,404
Friends of Children	189	16,049	16,238
Insurance	(12,655)	4,874	(7,781)
IT Services	19,517	10,509	30,026
Licensure Fees	-	1,055	1,055
Maintenance and Repairs	36,046	34,831	70,877
Marketing / Advertising	-	815	815
Miscellaneous	4,917	8,320	13,237
Miscellaneous Staff-Related	638	-	638
Office Supplies	4,479	6,994	11,473
Personnel Expenses	36,900	-	36,900
Postage	2,408	37,667	40,075
Printing / Publications	-	79,040	79,040
Professional Contractual Services	2,966	14,431	17,397
Professional Memberships	995	1,100	2,095
Program / Educational Materials	-	13	13
Public Relations	523	-	523
Recruitment	17,144	-	17,144
Staff Incentive	393	46	439
Travel Expense	562	218	780
Utilities	-	2,795	2,795
Vehicle Fuel Expense	1,925	490	2,415
<b>TOTAL</b>	<b>\$ 951,498</b>	<b>616,837</b>	<b>1,568,335</b>

See Independent Auditors' Report.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended June 30, 2020**

CFDA Number	Program Name / Grant Number	Grantor Agency	Balance, July 1, 2019	Cash Receipts	Expenditures	Balance, June 30, 2020
<u>FEDERAL AWARDS</u>						
Pass-Through Tennessee Department of Human Services:						
10.558	Child and Adult Care Food Program, 2019-2020	U.S. Department of Agriculture	\$ (5,600)	70,223	70,718	(6,095) *
			<u>(5,600)</u>	<u>70,223</u>	<u>70,718</u>	<u>(6,095)</u>
Pass-Through Tennessee Alliance for Children and Families:						
84.010	Title I, 2019-2020	U.S. Department of Education	(6,427)	70,326	76,647	(12,748) *
			<u>(6,427)</u>	<u>70,326</u>	<u>76,647</u>	<u>(12,748)</u>
Pass-Through Oasis Center, Inc.:						
93.092	TOP Grant	U.S. Department of Health and Human Services	-	9,300	9,300	-
	<b>TOTAL FEDERAL AWARDS</b>		<u>\$ (12,027)</u>	<u>149,849</u>	<u>156,665</u>	<u>(18,843)</u>
<u>STATE FINANCIAL ASSISTANCE</u>						
N/A	Basic Education Program	Tennessee Department of Children's Services	\$ (11,536)	102,769	109,123	(17,890) *
N/A	Special Education	Tennessee Department of Children's Services	-	5,500	5,500	-
	<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ (11,536)</u>	<u>108,269</u>	<u>114,623</u>	<u>(17,890)</u>

\* Receivable

**BASIS OF PRESENTATION**

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Holston United Methodist Home for Children, Inc. under programs of the federal and state governments for the fiscal year ended June 30, 2020. The schedule is presented using the accrual basis of accounting.

See Independent Auditors' Report.

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**CONSOLIDATED SCHEDULE OF REVENUES, GAINS, LOSSES**  
**AND RECLASSIFICATIONS WITHOUT DONOR RESTRICTIONS**  
**For the Fiscal Year Ended June 30, 2020**

REVENUES, GAINS, LOSSES AND RECLASSIFICATIONS

Service Revenues

Residential Program Fees	
River Academy Fees	\$ 380,390
Clinical Service Fees	98,337
Sub-Contract Fees	642,764
Level II Continuum Fees	554,419
Level III Continuum Fees	848,241
Primary Treatment Center (PTC) Fees	977,956
Level II Special Population Fees	390,960
Independent Living Fees	29,873
Total Residential Program Fees	<u>3,922,940</u>

Foster Care Program Fees	
Southwest Virginia Therapeutic Care	1,718,511
Foster Care Fees	323,660
Medically Fragile Care	20,387
Adoption Fees	156,024
Level II Continuum Fees	1,178,141
Level III Continuum Fees	782,991
Total Foster Care Program Fees	<u>4,179,714</u>

Child Care and Early Learning Fees	
Children's Center	799,671
Small Miracles	320,727
Total Child Care and Early Learning Fees	<u>1,120,398</u>

Other Government Assistance	<u>90,018</u>
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Total Service Revenues	<u>9,313,070</u>
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Contributions

Church Givings	548,916
Estate Gifts and Bequests	527,793
Development Program	1,505,119
Noncash Contributions	415,304
Total Contributions	<u>2,997,132</u>

Investment and Endowment Income	1,652,083
Investment and Endowment Market Gain (Loss)	(43,968)
Trust Income	240,776
Bank Interest	33,615
Miscellaneous	71,099
Loss on Disposal of Property and Equipment	(500)
Net Assets Released from Restrictions	<u>301,853</u>

TOTAL REVENUES, GAINS, LOSSES AND RECLASSIFICATIONS	<u>\$ 14,565,160</u>
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See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Holston United Methodist Home for Children, Inc. and  
Holston United Methodist Home for Children Foundation, Inc.  
Greeneville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Holston United Methodist Home for Children, Inc. and Holston United Methodist Home for Children Foundation, Inc. (collectively referred to as the Agency) (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 24, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Holston United Methodist Home for Children, Inc. and  
Holston United Methodist Home for Children Foundation, Inc.  
Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blackburn, Childers & Steagall, PLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 24, 2020

**HOLSTON UNITED METHODIST HOME FOR CHILDREN, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2020**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

**Current Fiscal Year Findings**

None Reported.

**Prior Fiscal Year Findings**

None Reported.