

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.

Financial Statements

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Leadership Council
First United Methodist Church of Boca Raton, Inc.
Boca Raton, Florida

We have audited the accompanying financial statements of First United Methodist Church of Boca Raton, Inc. (a non-profit organization), which comprise the statement of assets, liabilities, and net assets resulting from cash transactions as of December 31, 2020, and the related statements of revenues, expenses, and changes in net assets – cash basis, functional expenses – cash basis, and cash flows – cash basis for the year 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets resulting from cash transactions of First United Methodist Church of Boca Raton, Inc. as of December 31, 2020, and its revenues, expenses, and changes in net assets – cash basis for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which described the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

ROBBINS and MORONEY, P.A.

Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida

June 8, 2021

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.
Statement of Assets, Liabilities, and Net Assets
Resulting from Cash Transactions
December 31, 2020

Assets	
Cash and Cash Equivalents	\$ 281,036
Investments	<u>143,335</u>
Total Assets	<u><u>\$ 424,371</u></u>
Liabilities and Net Assets	
Liabilities	
Payroll Liabilities	\$ 96
Refundable Advance	<u>109,900</u>
Total Liabilities	<u>109,996</u>
Net Assets	
Net Assets Without Donor Restrictions	173,612
Net Assets With Donor Restrictions	<u>140,763</u>
Total Net Assets	<u>314,375</u>
Total Liabilities and Net Assets	<u><u>\$ 424,371</u></u>

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

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.
Statement of Revenues, Expenses, and Changes in Net Assets – Cash Basis
For the Year Ended December 31, 2020

	<u>Net Assets Without Donor Restrictions</u>			<u>Net Assets With Donor Restrictions</u>	
	<u>Operating</u>	<u>Other</u>	<u>Total</u>	<u>Restrictions</u>	<u>Total</u>
Revenues					
General Receipts	\$ 745,872	\$	\$ 745,872	\$	\$ 745,872
Other Revenues	254,807	105,637	360,444	52,927	413,371
Investment Income	3,373	973	4,346		4,346
Net Assets Released from Restriction	59,782		59,782	(59,782)	
Total Revenues	<u>1,063,834</u>	<u>106,610</u>	<u>1,170,444</u>	<u>(6,855)</u>	<u>1,163,589</u>
Expenses					
Benevolence		5,656	5,656		5,656
Worship	244,102	2,115	246,217		246,217
Music	153,419	2,720	156,139		156,139
Youth	56,278	2,492	58,770		58,770
Adult	53,020	406	53,426		53,426
Missions and Outreach	26,566	76,603	103,169		103,169
Administration	377,008	2,580	379,588		379,588
Children and Family	150,459	11,362	161,821		161,821
Congregational Care	47,642	134	47,776		47,776
Discipleship	10,272	1,132	11,404		11,404
Total Expenses	<u>1,118,766</u>	<u>105,200</u>	<u>1,223,966</u>		<u>1,223,966</u>
Change in Net Assets	<u>\$ (54,932)</u>	<u>\$ 1,410</u>	<u>(53,522)</u>	<u>(6,855)</u>	<u>(60,377)</u>
Net Assets, Beginning of Year			<u>227,134</u>	<u>147,618</u>	<u>374,752</u>
Net Assets, End of Year			<u>\$ 173,612</u>	<u>\$ 140,763</u>	<u>\$ 314,375</u>

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

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.
 Statement of Functional Expenses – Cash Basis
 For the Year Ended December 31, 2020

	Benevolence	Worship	Music	Youth	Adult	Missions and Outreach	Admin	Children and Family	Congregational Care	Discipleship	Total
Salaries and Benefits	\$ 195,058	\$ 74,684	\$ 3,008	\$ 26,566	\$ 170,628	\$ 44,634	\$ 29,962	\$ 544,540			
Repairs and Maintenance	33,609	44,021	35,904	36,282	9,783	73,598	11,951	252,334		7,186	
Insurance					116,520			116,520			
Utilities	11,637	15,173	12,432	12,563	3,387	25,483	4,138	87,301		2,488	
Apportionments					21,664			21,664			
Programs	1,001	15,816	1,946	1,156		576	597	21,092			
Telephone	2,797	3,646	2,988	3,019	814	6,124	994	20,980		598	
Taxes					14,161			14,161			
Computer					13,458			13,458			
Equipment Rental					13,446			13,446			
Bank and Other Fees					7,251			7,251			
Postage					3,015			3,015			
Office					2,205			2,205			
Miscellaneous				79	676	44		799			
Designated and Restricted	5,656	2,115	2,720	2,492	406	76,603	2,580	11,362	134	1,132	105,200
	\$ 5,656	\$ 246,217	\$ 156,139	\$ 58,770	\$ 53,426	\$ 103,169	\$ 379,588	\$ 161,821	\$ 47,776	\$ 11,404	\$ 1,223,966

Robbins and Moroney, P.A.
 Certified Public Accountants

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

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.
Statement of Cash Flows – Cash Basis
For the Year Ended December 31, 2020

Cash Flows from Operating Activities	
Change in Net Assets	\$ (60,377)
Adjustment to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities	
Unrealized Gain on Investments	(2,899)
Decrease in Payroll Liabilities	(62)
Increase in Refundable Advance	<u>109,900</u>
Net Cash Flows from Operating Activities	<u>46,562</u>
Cash Flows from Investing Activities	
Purchase of Investments	<u>(450)</u>
Net Cash Flows from Investing Activities	<u>(450)</u>
Net Change in Cash	46,112
Cash, Beginning of Year	<u>234,924</u>
Cash, End of Year	<u><u>\$ 281,036</u></u>

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

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.

Notes to Financial Statements

December 31, 2020

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Organization: First United Methodist Church of Boca Raton, Inc. (the "Church") is a non-profit corporation providing services typical of a denominational church. Substantially all operating receipts are derived from offerings and donations.

Significant Accounting Policies

Basis of Accounting: The Church's accounts are maintained on the cash basis and the statement of assets, liabilities, and net assets resulting from cash transactions and the statement of revenues, expenses, and changes in net assets – cash basis reflect only cash received and disbursed. Therefore, receivables and payables and accrued income and expenses, which may be material in amount, are not reflected in the accompanying financial statements which are not intended to present the financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

Date of Management's Review: In preparing the financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through June 8, 2021, the date that the financial statements were issued.

Contributions: Contributions are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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 may 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: The Church records on its financial statements all cash and money funds in financial institutions as cash. Certificates of deposit with initial terms of greater than three months are recorded as investments. Cash and cash equivalents held by investment firms are classified as investments.

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.

Notes to Financial Statements

December 31, 2020

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments: Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Functional Allocation of Expenses: The cost of providing the various activities have been summarized on the functional basis on the statement of activities and detailed in the statement of functional expenses. Certain costs have been allocated between the program and supporting services benefitted. Expenses related to the designated and restricted net asset categories are reported in the statement of functional expenses – cash basis and are classified as designated and restricted.

Income Taxes: First United Methodist Church of Boca Raton, Inc. is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Estimates: Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates that were used.

2. LIQUIDITY AND RESERVES

The Church monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Church has the following assets that could readily be made available within one year to fund expenses without limitations:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 281,036
Investments	<u>143,335</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>424,371</u>
Less Amounts Not Available to be Used Within One Year Net Assets With Donor Restrictions	140,763
Less Amounts With Purpose Restrictions to be Met in Less than One Year	<u>(140,763)</u>
Financial Assets Available to Meet General Obligations Over the Next Twelve Months	<u>\$ 424,371</u>

3. FAIR VALUE MEASUREMENT

Generally accepted accounting principles provide 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). Assets and liabilities that are required to be recorded at fair value in the statement of assets, liabilities and net assets resulting from cash transactions are categorized based on the inputs to valuation techniques as follows:

3. FAIR VALUE MEASUREMENT (continued)

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

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

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The following is a summary of investments at December 31, 2020, which are valued as Level 1:

Cash and Cash Equivalents	\$ 126,027
Equities	17,308
	<u>\$ 143,335</u>

Investment income is summarized as follows:

Interest and Dividends	\$ 1,447
Unrealized Gain	2,899
	<u>\$ 4,346</u>

4. REFUNDABLE ADVANCE

On March 29, 2020, following the passage of the CARES Act, the Small Business Administration provided small business owners and non-profit organizations impacted by COVID-19 the opportunity to obtain financial assistance. The Organization applied for, and received \$109,900 from the CARES Act's Paycheck Protection Program (PPP) during the year ended December 31, 2020. The Church records the PPP funds in accordance with FASB ASC 958-605 as a conditional contribution. The PPP requires recipients to use the funds principally for payroll and other qualified expenses in order for the funds to be recognized as revenue.

At December 31, 2020 the Church recognized \$109,900 of PPP assistance as Refundable Advance as reported in the Statement of Assets, Liabilities and Net Assets Resulting from Cash Transactions. The Church incurred qualified PPP expenses in the year ended December 31, 2020 and submitted an application to have the advance forgiven. Subsequent to December 31, 2020, the Church received notification that the Small Business Administration approved the loan forgiveness application. Accordingly, the Church will recognize \$109,900 as revenue in the year ending December 31, 2021.

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.

Notes to Financial Statements

December 31, 2020

5. RESTRICTIONS ON ASSETS

Net assets with donor restrictions are available for the following purposes or periods:

Benevolence	\$	4,371
Worship		1,922
Music		27,877
Youth		2,246
Missions and Outreach		92,176
Children and Family		2,423
Congregational Care		36
Discipleship		3,512
Future Periods		6,200
	\$	<u>140,763</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence or other events specified by the donors as follows:

Benevolence	\$	2,821
Worship		1,739
Music		2,230
Youth		1,700
Missions and Outreach		39,702
Children and Family		10,539
Discipleship		1,051
	\$	<u>59,782</u>

6. DEFERRED ANNUITY PLAN

The Church sponsors a contributory deferred annuity plan (the "Plan") qualified under Internal Revenue Code Section 403(b). The Plan is available to all full-time employees. The Church matches 100% of the employee's elective wage deferral up to a maximum of 6% of the participant's compensation. Pension expense for the year ended December 31, 2020 was \$32,920.

7. LEASES

The Church has entered into an operating lease for office equipment. The lease is scheduled to expire on March 2024.

Equipment rental expense for the year ended December 31, 2020 was \$9,383.

Future minimum lease payments are as follows:

Year Ended December 31,	2021	\$	3,105
	2022		4,140
	2023		4,140
	2024		1,035
		\$	<u>12,420</u>

FIRST UNITED METHODIST CHURCH OF BOCA RATON, INC.

Notes to Financial Statements

December 31, 2020

7. LEASES (continued)

The Church leases a portion of its buildings to tenants under non-cancelable operating leases that expire from August 2021 to November 2025. The following is a schedule of the minimum base rent under the leases as of December 31, 2020.

Year Ended December 31,	2021	\$	119,280
	2022		40,000
	2023		42,000
	2024		45,000
	2025		40,500
		\$	<u>286,780</u>

8. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Church to concentrations of credit risk consist of cash and cash equivalents and investments.

The Church maintains checking and money market accounts, which, at times, may exceed insured limits. At December 31, 2020, the Church had deposits in financial institutions which were fully insured by the applicable guarantee agency. The Church has not experienced any losses from maintaining checking and money market accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

At December 31, 2020, the Church had \$143,335 invested with a major financial institution. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Church. Due to the diversity and composition of its investments, management feels it is not exposed to any significant credit risk on these accounts.

In March 2020, the novel coronavirus, COVID-19 was declared a global pandemic which caused disruption in the U.S. economy. 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.

9. SUBSEQUENT EVENT

The Church is in discussion for the potential sale of the property located on Glades Road, Boca Raton commonly referred to as the West Campus. Management of the Church indicates that as the terms of the sale are finalized, the Church and the potential buyer may terminate the discussion at any time.