

**CENTRAL UNITED
METHODIST CHURCH, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**CENTRAL UNITED METHODIST CHURCH, INC.
DECEMBER 31, 2019
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central United Methodist Church, Inc.
Fayetteville, AR

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Central United Methodist Church, Inc.** (a nonprofit corporation), which comprise the consolidated statement of assets, liabilities and net assets – modified cash basis as of December 31, 2019, and the related consolidated statements of revenue, expenses and changes in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining the modified cash basis of accounting is an acceptable basis for the preparation for the consolidated 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 consolidated 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 consolidated 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 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 auditor's 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 **Central United Methodist Church, Inc.'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 **Central United Methodist Church, Inc.**'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 assets, liabilities and net assets – modified cash basis of **Central United Methodist Church, Inc.** as of December 31, 2019, and the related statement of revenue, expenses, and changes in net assets – modified cash basis for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified 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 this matter.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, Central United Methodist Church, Inc. adopted Accounting Standards Update No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to these matters.


Certified Public Accountants

Rogers, Arkansas
October 5, 2020

CENTRAL UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2019

ASSETS

Cash	\$ 1,589,998	
Investments	614,096	
Property and equipment, net	<u>27,205,909</u>	
 Total Assets		 <u><u>\$ 29,410,003</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	\$ 16,975	
Line of credit	183,000	
Notes payable	<u>4,701,597</u>	
 Total Liabilities		 \$ 4,901,572

NET ASSETS

Without donor restrictions		
Undesignated	23,117,094	
Designated	66,283	
With donor restrictions	<u>1,325,054</u>	
 Total Net Assets		 <u><u>24,508,431</u></u>
 Total Liabilities and Net Assets		 <u><u>\$ 29,410,003</u></u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

**CENTRAL UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Offerings and contributions	\$ 5,368,747	\$ 1,537,222	\$ 6,905,969
Central Children's Academy	412,284	-	412,284
Realized gain on investments	27,904	15,146	43,050
Unrealized gain (loss) on investments	(8,126)	50,581	42,455
Rental income	125,805	-	125,805
Interest income	15,676	10,784	26,460
Other income	15,100	-	15,100
Gain on sale of property and equipment	3,300	-	3,300
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>2,032,789</u>	<u>(2,032,789)</u>	<u>-</u>
 Total Support and Revenue	 <u>7,993,479</u>	 <u>(419,056)</u>	 <u>7,574,423</u>
EXPENSES			
Program services	6,567,428	-	6,567,428
Management and general	<u>1,398,759</u>	<u>-</u>	<u>1,398,759</u>
 Total Expenses	 <u>7,966,187</u>	 <u>-</u>	 <u>7,966,187</u>
 CHANGE IN NET ASSETS	 27,292	 (419,056)	 (391,764)
 NET ASSETS, BEGINNING OF YEAR	 <u>23,156,085</u>	 <u>1,744,110</u>	 <u>24,900,195</u>
 NET ASSETS, END OF YEAR	 <u>\$ 23,183,377</u>	 <u>\$ 1,325,054</u>	 <u>\$24,508,431</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

CENTRAL UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL
EXPENSES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	\$ -	\$ 30,375	\$ 30,375
Central's Activity Center	2,565	-	2,565
Central Children's Academy	147,318	-	147,318
Children's ministries	10,244	-	10,244
Congregational care ministries	18,914	-	18,914
Counseling ministries	540	-	540
Depreciation	821,000	111,954	932,954
General expenses	238,422	-	238,422
Genesis Church	412,368	-	412,368
Hospitality	34,340	-	34,340
Interest expense	148,366	20,232	168,598
Legal fees	53,556	-	53,556
Mission - outreach expenses	371,349	-	371,349
Nurture - witness ministries	3,001	-	3,001
Office expense	-	193,349	193,349
Other	-	144,245	144,245
Property maintenance	1,351,193	-	1,351,193
Salaries and employee benefits			
Central Children's Academy	299,981	-	299,981
Central United Methodist Church, Inc.	1,641,145	845,439	2,486,584
Shared ministries	527,779	-	527,779
Student ministries	73,102	-	73,102
U of A Wesley College Ministry, Inc.	301,271	53,165	354,436
Worship ministries	110,974	-	110,974
	<u>\$ 6,567,428</u>	<u>\$ 1,398,759</u>	<u>\$ 7,966,187</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Central United Methodist Church, Inc. (the Church) is a nonprofit corporation established under the laws of the State of Arkansas. The Church was organized in 1832 and incorporated in May 2008 and is a constituent of the General Conference of United Methodist Churches. The Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Fayetteville, Arkansas and the surrounding communities.

U of A Wesley College Ministry, Inc. (the Ministry) is a nonprofit corporation. The Ministry was incorporated in October 1984. The Ministry is dedicated to reaching and receiving students into a community of faith in Jesus Christ, to strengthen their relationship with God, each other, and the church to nurture them as maturing leaders and disciples of Jesus Christ, and to equip and support their Christian witness and service at the University of Arkansas and beyond.

The Church and the Ministry are collectively referred to herein as the “Entities.”

Basis of Accounting

The consolidated financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from accounting principles generally accepted in the United States of America in that revenue and the related assets are recorded when received rather than when earned and expenses and their related liabilities are recorded when paid rather than when incurred. Modifications to the cash basis of accounting include capitalizing property and equipment, recording depreciation, and recording of liabilities for payroll taxes withheld. Investments included on the Statement of Assets, Liabilities, and Net Assets – Modified Cash basis are stated at cost.

Basis of Consolidation

The decision to consolidate when not-for-profit entities are financially interrelated is based on two concepts, control and economic interest. Control is defined as the ability to determine the direction of management and policies. The Church exerts control over the Ministry. Economic interest is present if one entity holds significant resources that must be used for the benefit of the reporting not-for-profit entity. The Church maintains an economic interest in the Ministry.

All significant intercompany transactions have been eliminated.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows. Net assets without donor restrictions consist of assets that are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some donor restrictions are perpetual in nature, whereby the donor has stipulated the funds are to be maintained in perpetuity.

Long-Lived Assets

Financial Accounting Standards Board (FASB) Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification Topic has not materially affected the Entities changes in net assets or financial condition.

Property and Equipment

The Entities capitalize all expenditures for property and equipment in excess of \$2,500 with useful lives greater than one year at cost, if purchased, and at fair market value on the date donated, if contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

Use of Estimates

The preparation of consolidated financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Entities recognize revenue when received. Investment income and other revenue are recorded when received, except for unrealized gains or losses on investments, which are recognized based on changes in fair value of the related investments.

The Church operates the Central Children's Academy (CCA), which operates a preschool program with two, three, or five day child care options. The CCA receives revenue from child care fees during the year in which the related services are provided to students. Payments are made at the first of each month for the following month's child care. The performance obligation of delivering child care services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the month.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Income Taxes and Uncertain Tax Positions

The Entities are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar state statute. The Ministry is considered a Church-affiliated organization. Therefore, no provision for income taxes has been made in these consolidated financial statements. The Entities have also been classified as entities that are not a private foundation within the meaning of Section 509(a).

The Entities account for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Entities to recognize in their consolidated financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Entities and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

Functional Allocation of Expenses

The Entities allocate their expenses on a functional basis among their various programs and services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on salaries or square footage.

Net Assets and Contribution Revenue

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions.

The Entities recognize contributions received and made as revenue in the period received. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year.

Gifts of land, buildings, and equipment are presented as support and revenue without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Entities report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as support without donor restriction. Other contributed services that enhance the Entities' programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

Investments

Marketable equity securities with readily determinable fair values and all debt securities are reported at their fair values in the accompanying consolidated statement of assets, liabilities and net assets – modified cash basis. Unrealized gains and losses are included in the accompanying consolidated statement of revenue, expenses and changes in net assets. Investment income includes dividend, interest and other investment income; realized and unrealized gains and losses on investments are carried at fair value; and realized gains and losses on other investments net of investment management fees. The Church also has invested funds with the United Methodist Foundation of Arkansas, which pools funds from many other organizations together in order to maximize returns on investments. The current fair value of the pooled investments, along with investment income, realized gains and losses, and unrealized gains and losses are allocated to the participants in the pool based on their ownership interest. See Note 3.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Lease will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of revenue, expenses and changes in net assets – modified cash basis. This ASU is effective for years beginning after December 15, 2021. The Entities are currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The ASU'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 ASU also includes expanded disclosure requirements that result in an entity providing users of 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. The Entities adopted this ASU effective January 1, 2019, the first day of the Entities' fiscal year. Analysis of various provisions of this ASU resulted in no significant changes in the way the Entities recognize revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASU.

CENTRAL UNITED METHODIST CHURCH, INC.
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In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made," to assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing of recognition. The Entities adopted the requirements of the ASU as of January 1, 2019. This ASU did not have an impact on the Entities' consolidated financial statements.

NOTE 2: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Entities use financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. At December 31, 2019, the Entities had approximately \$238,000 in uninsured deposits.

NOTE 3: INVESTMENTS

The Church invests in units of participation of a blended common trust fund managed by the United Methodist Foundation of Arkansas, which pools funds from many churches together in order to maximize the returns on investments. The units are valued at the net asset value of the fund, which is based on the fair values of the underlying debt and equity securities that comprise the fund. These units of participation are not publicly traded and are not subject to classification under the fair value hierarchy standards. The Church does not own the underlying securities that comprise the fund and may not direct the allocation of those securities.

At December 31, 2019, the Church had investments held at the United Methodist Foundation of Arkansas with a fair value of \$614,096.

NOTE 4: EMPLOYEE BENEFIT PLAN

The Entities participate in a defined contribution retirement plan managed by Wespeth Benefits and Investments. Employees are eligible to participate on the first day of service, providing they are at least 21 year of age. Employees are only eligible to receive matching contributions from the Entities after one year of service and having worked 1,040 hours over the previous 12 months. Matching contributions by the Entities were \$ 25,159 for the year ended December 31, 2019. These contributions are included in "Salaries and employee benefits" on the Consolidated Statement of Functional Expenses.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

Land	\$ 5,147,883
Buildings and improvements	33,003,467
Furniture and equipment	1,558,262
Vehicles	<u>262,069</u>
	39,971,681
Less accumulated depreciation	<u>12,765,772</u>
Property and equipment, net	<u><u>\$ 27,205,909</u></u>

Depreciation expense was \$932,954 for the year ended December 31, 2019.

NOTE 6: LINES OF CREDIT

At December 31, 2019, the Entities have a \$250,000 line of credit with a bank with a fixed interest rate of 3.19%, which matures in March 2020. At December 31, 2019, the outstanding balance on this line of credit was \$183,000.

In addition, the Church has a \$500,000 line of credit with a bank with a fixed interest rate of 5.25%, which matures on March 1, 2020. There was no outstanding balance on this line of credit at December 31, 2019. This line of credit was renewed for an additional year in March 2020.

NOTE 7: NOTES PAYABLE

Notes payable consisted of the following at December 31, 2019:

Note payable to a bank, fixed interest rate of 3.19%, monthly payments of principal and interest of \$19,534, maturing January 2020, secured by real property. This note was consolidated with other debt subsequent to year end.	\$ 1,015,924
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Note payable to a bank, fixed interest rate of 5.25%, monthly payments of principal and interest, maturing February 2024, secured by real property.	<u>3,685,673</u>
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	<u><u>\$ 4,701,597</u></u>
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CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Long-term debt maturities are as follows:

December 31,	
2020	\$ 1,099,285
2021	71,482
2022	75,327
2023	79,378
2024	<u>3,376,125</u>
	<u><u>\$ 4,701,597</u></u>

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions consisted of:

Purpose restrictions	
Ministries	
Congregational care	\$ 67,449
Missions - outreach	351,076
Other	119,663
Student	25,124
Education	99,266
Property and equipment acquisition/maintenance	<u>358,304</u>
Total purpose restrictions	<u>1,020,882</u>
Restricted for perpetuity	
Buildings and grounds	15,000
Education	129,648
Property maintenance	97,330
Worship	<u>62,194</u>
Total restricted for perpetuity	<u>304,172</u>
Total net assets with donor restrictions	<u><u>\$ 1,325,054</u></u>

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9: NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED

Net assets without donor restrictions - designated consist of cash and investments set aside by the Board of Trustees, committees of the Entities and childcare operations for specific purposes. Net assets without donor restrictions – designated consist of the following:

Cash	
Central Children's Academy	<u>\$ 9,913</u>
Investments	
Worship ministries	13,992
Property replacement fund	16,068
Trustee parsonage	<u>26,310</u>
Total investments	<u>56,370</u>
Total net assets without donor restrictions - designated	<u><u>\$ 66,283</u></u>

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Entities' financial assets available within one year of the consolidated statement of assets, liabilities and net assets – modified cash basis date for general expenditure are as follows:

Financial assets at year end:	
Cash	\$ 1,589,998
Investments	<u>614,096</u>
Total financial assets available within one year	2,204,094
Less total amounts unavailable for general expenditure within on year:	
Board designated	66,283
Restricted by donor with time or purpose restrictions	<u>1,325,054</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 812,757</u></u>

As part of the Entities' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Entities manage their liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11: COMMITMENTS

The Church leases a building to an unrelated party under an operating lease that expires July 31, 2021, at which time the lessee has the option to purchase the building and property. Total rental income from this lease was \$123,705 for the year ended December 31, 2019 and is included in "Rental income" on the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis. Subsequent to December 31, 2019, this property was purchased by the lessee. See further information at Note 13.

Future minimum rental payments to be received under this operating lease are as follows:

2020	\$ 123,705
2021	<u>72,161</u>
	<u>\$ 195,866</u>

NOTE 12: ENDOWMENTS

The Church's endowment funds consist of donor-restricted endowment funds, as well as funds designated by the Board of Trustees to function as endowments that are held by the United Methodist Foundation of Arkansas. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Finance Committee of the Church has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of gifts donated to the donor restricted endowment and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Church follows the spending policies of the United Methodist Foundation of Arkansas. Under these policies, the endowment assets are invested in a manner that provides reasonable growth while minimizing risk to the greatest extent possible. The Church relies on a total return strategy as defined by the United Methodist Foundation of Arkansas in which investment returns are achieved through both capital appreciation and current yield. The Church targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints as managed by the United Methodist Foundation of Arkansas.

CENTRAL UNITED METHODIST CHURCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Composition of and changes in endowment funds as of and for the year ended December 31, 2019 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets at December 31, 2018	\$ 196,625	\$509,193	\$705,818
Contributions	-	-	-
Distributions	(163,681)	(27,978)	(191,659)
Investment income, net	<u>23,426</u>	<u>76,511</u>	<u>99,937</u>
Endowment net assets at December 31, 2019	<u>\$ 56,370</u>	<u>\$557,726</u>	<u>\$614,096</u>

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2020, the date the consolidated financial statements were available to be issued.

The COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the Entities' operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak. However, it is presumed that the Entities' operations will be impacted.

Subsequent to year end, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) implemented the Paycheck Protection Program (PPP) to provide small businesses with funds to pay up to 8 weeks of payroll costs including benefits, interest on mortgages, rent, and utilities. These funds are provided in the form of unsecured loans that may be forgiven when used for forgivable expenses, subject to certain conditions. The Church's PPP application was approved in the amount of \$462,100 and the Central Children's Academy's PPP application was approved for \$73,500. The Paycheck Protection Program Flexibility Act allows small businesses more time to use the PPP funds by extending the covered period from 8 weeks to the earlier of 24 weeks or December 31, 2020, with the option to keep the original 8-week period.

In September 2014, the Church purchased real estate that provided the current tenant with the option to purchase the property at the end of the lease term, July 2021. Subsequent to the purchase, the Church became aware that the purchase option provided the tenant the right to purchase the property at \$1,200,000, not fair market value as understood at the time of the purchase. The tenant notified the Church in July 2020 that they will be exercising their option to purchase the property for the fixed price of \$1,200,000. This subjects the Church to a loss on the sale of the real estate of approximately \$1,960,000.