

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY
CHURCHES**

FINANCIAL STATEMENTS

December 31, 2014 and 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Universal Fellowship of Metropolitan Community Churches
Sarasota, Florida

We have audited the accompanying financial statements of the Universal Fellowship of Metropolitan Community Churches (a non-profit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities (with comparative totals for 2013) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

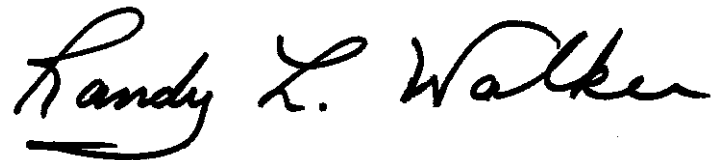
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Universal Fellowship of Metropolitan Community Churches as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the last name.

San Antonio, Texas
November 8, 2017

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013**

	2014	2013
		(Restated)
<u>ASSETS</u>		
Cash and cash equivalents	\$ 274,812	\$ 387,880
Investment in marketable securities	799,567	969,393
Accounts receivable	121,082	136,893
Prepaid expenses	2,030	169
Fixed assets, net	262,518	272,725
TOTAL ASSETS	\$ 1,460,009	\$ 1,767,060

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 42,550	\$ 42,845
Accrued expenses	136,642	127,206
Post-retirement benefit obligation	411,376	450,131
TOTAL LIABILITIES	590,568	620,182

NET ASSETS

Unrestricted	709,058	947,575
Temporarily restricted	160,383	199,303
TOTAL NET ASSETS	869,441	1,146,878

TOTAL LIABILITIES AND NET ASSETS	\$ 1,460,009	\$ 1,767,060
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The accompanying notes are an integral part of these financial statements.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(with comparative totals for 2013)**

	2014			2013 (Restated)
	Unrestricted	Temporarily Restricted	Total	
<u>SUPPORT AND REVENUE</u>				
Tithe income	\$ 1,460,491	\$ -	\$ 1,460,491	\$ 1,467,071
Conferences and education	321,015	-	321,015	436,885
Other	72,519	-	72,519	102,019
Development income	38,202	30,997	69,199	88,293
Dividend and interest income	23,695	-	23,695	54,684
Gain on investments	9,103	-	9,103	58,759
Gifts and donations	903	-	903	86,221
Church planting and revitalization	490	-	490	2,439
Grants	-	-	-	75,001
Net assets released from restrictions	69,917	(69,917)	-	-
TOTAL SUPPORT AND REVENUE	1,996,335	(38,920)	1,957,415	2,371,372
<u>EXPENSES</u>				
Program	1,804,068	-	1,804,068	1,809,564
General and administrative	430,784	-	430,784	570,610
TOTAL EXPENSES	2,234,852	-	2,234,852	2,380,174
CHANGE IN NET ASSETS	(238,517)	(38,920)	(277,437)	(8,802)
NET ASSETS, BEGINNING OF YEAR	947,575	199,303	1,146,878	1,155,680
NET ASSETS, END OF YEAR	\$ 709,058	\$ 160,383	\$ 869,441	\$ 1,146,878

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

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013**

	2014	2013 (Restated)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Decrease In Net Assets	\$ (277,437)	\$ (8,802)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,207	12,024
Gain in investments	(9,103)	(58,759)
Decrease (Increase) in Assets:		
Accounts receivable	15,811	4,605
Prepaid expenses	(1,861)	13,293
(Decrease) Increase in Liabilities:		
Accounts payable	(295)	2,027
Accrued expenses	9,436	(10,910)
Net Cash Used by Operating Activities	(253,242)	(46,522)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(28,245)	(59,130)
Proceeds from investments	207,174	90,000
Net Cash Provided By Investing Activities	178,929	30,870
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayments on post-retirement obligation	(38,755)	(44,251)
Net Cash Used by Financing Activities	(38,755)	(44,251)
NET DECREASE IN CASH FLOWS	(113,068)	(59,903)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	387,880	447,783
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 274,812	\$ 387,880
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 12,600	\$ 14,021

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

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES**
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Universal Fellowship of Metropolitan Community Churches (the UFMCC) is a Christian church founded in and reaching beyond the gay and lesbian communities. The UFMCC embodies and proclaims Christian salvation and liberation, Christian inclusivity and community, and Christian social action and justice, serving those seeking and celebrating the integration of their spirituality and sexuality.

BASIS OF ACCOUNTING

The financial statements of the UFMCC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

The UFMCC is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the UFMCC and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the UFMCC. The UFMCC had no permanently restricted net assets as of December 31, 2014 and 2013.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost as of the date of acquisition or, if acquired by gift or bequest, are stated at fair market value. The UFMCC's policy is to capitalize assets that are valued over \$500 and are expected to have a useful life of one or more years. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Equipment	5-7 years
Furniture and fixtures	5-10 years

CONTRIBUTED SERVICES

The UFMCC receives a substantial amount of services donated by its members in carrying out its ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TITHES AND CONTRIBUTIONS

Unrestricted tithes and contributions are recognized as increases in unrestricted net assets when received. Funds restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by the accomplishment of purpose, the temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the UFMCC reports both the revenue and the related expenses as unrestricted net assets. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. In-kind donations of fixed assets are recorded at their fair value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

CASH EQUIVALENTS

For purposes of the statements of cash flows and the statements of financial position, the UFMCC considers all investments purchased with a maturity of three months or less to be cash equivalents.

INCOME TAX STATUS

The UFMCC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such qualifies for maximum charitable contributions deduction by donors. As of December 31, 2014, the tax years that remain subject to examination by taxing authorities begin with 2012.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. During 2014, management adopted the direct write-off method for receivable balances considered uncollectible. These balances are written off through a debit to bad debt expense and a credit to accounts receivable.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The UFMCC maintains 85% and 88% of its cash balances in United States (US) banks as of December 31, 2014 and 2013, respectively. The remaining balance is held at several foreign banks to meet operating needs. Cash balances held in US banks are insured by the Federal Deposit Insurance Corporation (the FDIC) up to \$250,000, while the Securities Investor Protection Corporation (the SIPC) insures the balances in investment accounts up to \$500,000. The UFMCC also has investment accounts that are not insured by the FDIC or the SIPC. At December 31, 2014 and 2013, the UFMCC's uninsured cash and investment balances totaled \$299,517 and \$607,273, respectively.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 – CONCENTRATIONS OF CREDIT RISK (continued)

The UFMCC receives substantial revenue through tithes from its churches and individual members. If the revenue generation from these sources were to be significantly reduced, the UFMCC would also have to significantly reduce the services it provides to its members. Tithes make up 75% and 62% of total support and revenue for the years ended December 31, 2014 and 2013, respectively.

NOTE 3 – FIXED ASSETS

Fixed assets and the related accumulated depreciation consisted of the following at December 31:

	2014	2013
Building	\$ 334,889	\$ 334,889
Office equipment	212,308	212,308
Furniture and fixtures	49,654	49,654
	596,851	596,851
Less accumulated depreciation	(334,333)	(324,126)
Fixed assets, net	\$ 262,518	\$ 272,725

Depreciation expense for the years ended December 31, 2014 and 2013 was \$10,207 and \$12,024, respectively.

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31:

	Money Market Funds	Mutual Funds	Stock	Total
2014 Cost	\$ 84,988	\$ 708,999	\$ -	\$ 793,987
2014 FMV	\$ 84,988	\$ 714,529	\$ -	\$ 799,567
2013 Cost	\$ 283,386	\$ 637,030	\$ 2,679	\$ 923,095
2013 FMV	\$ 283,386	\$ 681,510	\$ 4,497	\$ 969,393

Investment income consisted of the following for the years ended December 31:

	2014	2013
Interest/dividends	\$ 23,695	\$ 54,684
Unrealized gain	9,103	58,759
Total	\$ 32,798	\$ 113,443

NOTE 5 – LINE OF CREDIT

The UFMCC has a line of credit secured by all property, with interest at .75% above the index rate payable monthly. As of December 31, 2014, and 2013, no funds have been borrowed against the line of credit.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 6 – SUBSEQUENT EVENTS

The UFMCC has evaluated subsequent events through November 8, 2017, which is the date the financials were available to be issued.

In 2015, the UFMCC renegotiated post-retirement obligations to its founder (see Note 7). According to the renegotiated post-retirement agreement, the UFMCC agreed to make a lump sum payment of \$100,000, which was divided into two payments received in 2016 and 2017 at the election of the founder. Annual payments of \$25,000 were made beginning in 2016 and will continue until the date of the founder's death.

NOTE 7 – POST-RETIREMENT BENEFIT OBLIGATION

The UFMCC has a post-retirement agreement with the founder of the organization. At December 31, 2014 and 2013, the UFMCC was contractually obligated to pay \$50,000 annually until the date of the founder's death. This agreement was amended during the year ended December 31, 2015 (see Note 6). The UFMCC was also obligated to cover the founder's funeral expenses to a limit of \$22,910. The net present value of these obligations as of December 31, 2014 and 2013 was \$411,376 and \$450,131, respectively.

The following is a schedule by year of future minimum payments required under the post-retirement agreement as of December 31:

2015	\$	50,000
2016		75,000
2017		75,000
2018		25,000
2019		25,000
Thereafter		<u>161,376</u>
Total	\$	<u>411,376</u>

Additionally, the UFMCC made the founder's mortgage payments on his behalf. The balance on the note as of December 31, 2013 was \$1,355. The remaining balance of the note was paid in full during 2014.

Interest expense for the years ended December 31, 2014 and 2013 was \$12,600 and \$14,021, respectively.

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN

The UFMCC offers a defined contribution retirement plan to qualified employees. The UFMCC contributed \$11,592, and \$11,000 to the plan for the years ended December 31, 2014 and 2013, respectively.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2014</u>	<u>2013</u>
Asia Pacific Initiative	\$ 1,350	\$ 5,497
Latin America	808	5,966
Western Europe	2,853	2,853
Global Social Justice	-	981
Disaster Relief	698	243
Youth Dominican Republic	2,635	2,635
Jamaica	520	520
Church Planting	12,011	11,521
Virtual Church	137	137
You! A Faith that Fits	1,024	1,024
Disability Forum	40	40
Translation and Accessibility	339	339
Crave 153	7,117	7,117
Fellowship Appeal	6,091	6,091
Africa	926	4,396
Carpenter Grant for Salary	93,769	118,513
People of African Descent	7,524	4,445
Creating a Life that Matters	1,303	1,833
LEAD	-	1,306
Fellowship Sunday	17,447	17,447
Global Development Mission	1,422	3,975
WCC Participation	2,112	2,112
New England Ministries	257	312
Total	<u>\$ 160,383</u>	<u>\$ 199,303</u>

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The UFMCC adopted the provisions of ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the UFMCC’s financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES**
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The UFMCC has no Level 2 or Level 3 assets or liabilities as of December 31, 2014 and 2013.

The UFMCC’s financial instruments (Level 1) were as follows at December 31:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and cash equivalents	\$ 274,812	\$ 274,812	\$ 387,880	\$ 387,880
Accounts receivable	\$ 121,082	\$ 121,082	\$ 136,893	\$ 136,893
Prepaid expenses	\$ 2,030	\$ 2,030	\$ 169	\$ 169
Financial liabilities:				
Accounts payable	\$ 42,550	\$ 42,550	\$ 42,845	\$ 42,845
Accrued expenses	\$ 136,642	\$ 136,642	\$ 127,206	\$ 127,206

The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The UFMCC’s financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments.

NOTE 11 – PRIOR PERIOD RESTATEMENT

During the year ended December 31, 2014, a review of inventory led to the identification of assets that should have been recorded as disposed prior to the year ending December 31, 2013. Correction of this misstatement resulted in a decrease of \$20,342 in inventory and net assets at December 31, 2013.

NOTE 12 – RECLASSIFICATION

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Interest income of \$54,684 previously combined with unrealized gains in the statement of activities has been recognized discretely for the year ended December 31, 2013. This reclassification did not affect prior year’s total net assets.

SUPPLEMENTARY INFORMATION

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
SCHEDULE OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2014

(with comparative totals for 2013)

	2014			2013
	Program	General and Administrative	Total	Total
Wages and Taxes	\$ 1,078,382	\$ 190,303	\$ 1,268,685	\$ 1,234,318
Benefits	109,966	19,406	129,372	134,064
Total Payroll Expense	1,188,348	209,709	1,398,057	1,368,382
Conferences and training	112,067	19,776	131,843	334,564
Travel	83,342	44,876	128,218	94,210
Church growth initiatives	118,803	-	118,803	-
Bad debt	69,281	-	69,281	110,593
Outreach and evangelism	68,702	-	68,702	81,790
Marketing and communications	-	60,897	60,897	89,198
Rentals	29,039	19,360	48,399	55,877
Miscellaneous	29,458	7,365	36,823	31,945
Telephone	22,796	5,699	28,495	28,652
Governance and legal	26,846	-	26,846	6,920
Grant expenses	-	20,864	20,864	48,297
Website maintenance	-	15,924	15,924	16,443
Interest	6,300	6,300	12,600	14,021
Supplies	8,768	2,922	11,690	14,610
Insurance	8,679	2,893	11,572	14,379
Depreciation	10,207	-	10,207	12,024
Leadership and licensure	-	9,106	9,106	17,472
Dues and subscriptions	5,883	1,471	7,354	7,050
Printing and postage	6,842	-	6,842	5,170
Global growth	3,918	-	3,918	-
Bank card fees	-	3,532	3,532	5,411
Benevolence	2,746	-	2,746	5,322
Program development	950	-	950	10,043
Contract services	510	90	600	3,800
Shipping, freight and delivery	583	-	583	4,001
TOTAL EXPENSES	\$ 1,804,068	\$ 430,784	\$ 2,234,852	\$ 2,380,174

See accountant's report.