

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY
CHURCHES**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014, and the related statements of activities (with comparative totals for 2014) 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.

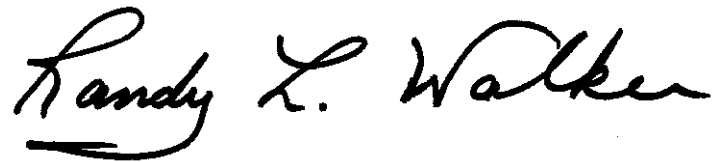
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, 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 name.

San Antonio, Texas
April 5, 2019

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 405,290	\$ 274,812
Investment in marketable securities	582,019	799,567
Accounts receivable	29,032	121,082
Prepaid expenses	23,254	2,030
Fixed assets, net	<u>250,942</u>	<u>262,518</u>
TOTAL ASSETS	\$ <u>1,290,537</u>	\$ <u>1,460,009</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 20,108	\$ 42,550
Accrued expenses	118,776	136,642
Post-retirement benefit obligation	<u>372,930</u>	<u>411,376</u>
TOTAL LIABILITIES	<u>511,814</u>	<u>590,568</u>
 NET ASSETS		
Unrestricted	593,027	709,058
Temporarily restricted	<u>185,696</u>	<u>160,383</u>
TOTAL NET ASSETS	<u>778,723</u>	<u>869,441</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,290,537</u>	\$ <u>1,460,009</u>

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, 2015
(with comparative totals for 2014)**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
<u>SUPPORT AND REVENUE</u>				
Tithe income	\$ 1,222,375	\$ -	\$ 1,222,375	\$ 1,460,491
Conferences and education	518,225	-	518,225	321,015
Development income	191,345	44,244	235,589	69,199
Grants	72,418	-	72,418	-
Dividend and interest income	63,026	-	63,026	23,695
Other	45,914	-	45,914	72,519
Gifts and donations	5,060	-	5,060	903
Church planting and revitalization	-	-	-	490
(Loss) gain on investments	(79,237)	-	(79,237)	9,103
Net assets released from restrictions	18,931	(18,931)	-	-
TOTAL SUPPORT AND REVENUE	2,058,057	25,313	2,083,370	1,957,415
<u>EXPENSES</u>				
Program	1,811,396	-	1,811,396	1,804,068
General and administrative	362,692	-	362,692	430,784
TOTAL EXPENSES	2,174,088	-	2,174,088	2,234,852
CHANGE IN NET ASSETS	(116,031)	25,313	(90,718)	(277,437)
NET ASSETS, BEGINNING OF YEAR	709,058	160,383	869,441	1,146,878
NET ASSETS, END OF YEAR	\$ 593,027	\$ 185,696	\$ 778,723	\$ 869,441

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, 2015 and 2014**

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Decrease In Net Assets	\$ (90,718)	\$ (277,437)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	11,575	10,207
Loss (Gain) on investments	79,237	(9,103)
Decrease (Increase) in Assets:		
Accounts receivable	92,050	15,811
Prepaid expenses	(21,224)	(1,861)
(Decrease) Increase in Liabilities:		
Accounts payable	(22,442)	(295)
Accrued expenses	(17,866)	9,436
Net Cash Provided (Used) by Operating Activities	30,612	(253,242)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(87,223)	(28,245)
Sale of investments	225,535	207,174
Net Cash Provided by Investing Activities	138,312	178,929
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayments on post-retirement obligation	(38,446)	(38,755)
Net Cash Used by Financing Activities	(38,446)	(38,755)
NET INCREASE (DECREASE) IN CASH FLOWS	130,478	(113,068)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	274,812	387,880
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 405,290	\$ 274,812
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 11,554	\$ 12,600

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

SUPPLEMENTARY INFORMATION

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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, 2015 and 2014.

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, 2015 and 2014**

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, 2015, the tax years that remain subject to examination by taxing authorities begin with 2013.

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 83% and 85% of its cash balances in United States (US) banks as of December 31, 2015 and 2014, 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, 2015 and 2014, the UFMCC's uninsured cash and investment balances totaled \$168,802 and \$299,517, respectively.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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 58% and 75% of total support and revenue for the years ended December 31, 2015 and 2014, respectively.

NOTE 3 – FIXED ASSETS

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

	<u>2015</u>	<u>2014</u>
Building	\$ 334,889	\$ 334,889
Office equipment	212,308	212,308
Furniture and fixtures	<u>49,654</u>	<u>49,654</u>
	596,851	596,851
Less accumulated depreciation	<u>(345,909)</u>	<u>(334,333)</u>
Fixed assets, net	<u>\$ 250,942</u>	<u>\$ 262,518</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$11,575 and \$10,207, respectively.

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>Money Market Funds</u>	<u>Mutual Funds</u>	<u>Stock</u>	<u>Total</u>
2015 Cost	\$ 34,740	\$ 613,506	\$ 403	\$ 648,649
2015 FMV	\$ 34,740	\$ 545,300	\$ 1,979	\$ 582,019
2014 Cost	\$ 84,988	\$ 708,999	\$ -	\$ 793,987
2014 FMV	\$ 84,988	\$ 714,529	\$ -	\$ 799,567

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

	<u>2015</u>	<u>2014</u>
Interest/dividends	\$ 63,026	\$ 23,695
Unrealized (loss) gain	<u>(79,237)</u>	<u>9,103</u>
Total	<u>\$ (16,211)</u>	<u>\$ 32,798</u>

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, 2015 and 2014, no funds have been borrowed against the line of credit.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 6 – 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.

The UFMCC has no Level 2 or Level 3 assets or liabilities.

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

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 405,290	\$ 405,290	\$ 274,812	\$ 274,812
Accounts receivable	\$ 29,032	\$ 29,032	\$ 121,082	\$ 121,082
Prepaid expenses	\$ 23,254	\$ 23,254	\$ 2,030	\$ 2,030
Financial liabilities:				
Accounts payable	\$ 20,108	\$ 20,108	\$ 42,550	\$ 42,550
Accrued expenses	\$ 118,776	\$ 118,776	\$ 136,642	\$ 136,642

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 7 – DEFINED CONTRIBUTION RETIREMENT PLAN

The UFMCC offers a defined contribution retirement plan to qualified employees. The UFMCC contributed \$-0- and \$11,592 to the plan for the years ended December 31, 2015 and 2014, respectively.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Asia Pacific Initiative	\$ -	\$ 1,350
Latin America	-	808
Western Europe	2,853	2,853
Disaster Relief	698	698
Youth Dominican Republic	2,635	2,635
Jamaica	520	520
Church Planting	12,011	12,011
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	926
Carpenter Grant for Salary	118,444	93,769
People of African Descent	7,524	7,524
Creating a Life that Matters	3,972	1,303
Fellowship Sunday	17,447	17,447
Global Development Mission	1,422	1,422
WCC Participation	2,112	2,112
New England Ministries	384	257
Total	\$ <u>185,696</u>	\$ <u>160,383</u>

NOTE 9 – POST-RETIREMENT BENEFIT OBLIGATION

In 2015, the UFMCC renegotiated post-retirement obligations to its founder. According to the renegotiated post-retirement agreement, the UFMCC agreed to make a lump sum payment of \$100,000, which will be divided into two payments to be received in 2016 and 2017 at the election of the founder. Annual payments of \$25,000 are to be made beginning in 2016 and will continue until the date of the founder's death. 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, 2015 and 2014 was \$349,660 and \$411,376, respectively.

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

2016	\$ 75,000
2017	75,000
2018	25,000
2019	25,000
2020	25,000
Thereafter	<u>124,660</u>
Total	\$ <u>349,660</u>

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 9 – POST-RETIREMENT BENEFIT OBLIGATION (continued)

Additionally, the UFMCC made the founder's mortgage payments on his behalf. The balance of the note was paid in full during 2014.

Interest expense for the years ended December 31, 2015 and 2014 was \$11,554 and \$12,600, respectively.

NOTE 10 – SUBSEQUENT EVENTS

The UFMCC has evaluated subsequent events through April 5, 2019, which is the date the financials were available to be issued.

**UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(with comparative totals for 2014)**

	2015			2014 Total
	Program	General and Administrative	Total	
Wages and taxes	\$ 1,085,000	\$ 191,470	\$ 1,276,470	\$ 1,268,685
Benefits	125,630	22,170	147,800	129,372
Total Payroll Expenses	1,210,630	213,640	1,424,270	1,398,057
Bad debt	127,059	-	127,059	69,281
Outreach and evangelism	126,130	-	126,130	68,702
Travel	63,847	34,379	98,226	128,218
Church growth initiatives	87,219	-	87,219	118,803
Conferences and training	61,674	10,884	72,558	131,843
Rentals	22,527	15,018	37,545	48,399
Marketing and communications	-	36,139	36,139	60,897
Telephone	19,665	4,916	24,581	28,495
Miscellaneous	37,754	9,439	47,193	36,823
Insurance	9,134	3,045	12,179	11,572
Depreciation	11,575	-	11,575	10,207
Interest	5,777	5,777	11,554	12,600
Bank card fees	-	10,560	10,560	3,532
Supplies	7,341	2,447	9,788	11,690
Website maintenance	-	7,721	7,721	15,924
Leadership and licensure	-	7,304	7,304	9,106
Dues and subscriptions	5,691	1,423	7,114	7,354
Shipping, freight and delivery	4,733	-	4,733	583
Global growth	4,421	-	4,421	3,918
Printing and postage	2,791	-	2,791	6,842
Governance and legal	1,727	-	1,727	26,846
Benevolence	1,655	-	1,655	2,746
Program development	46	-	46	950
Grant expenses	-	-	-	20,864
Contract services	-	-	-	600
TOTAL EXPENSES	\$ 1,811,396	\$ 362,692	\$ 2,174,088	\$ 2,234,852

See accountant's report.