UNIVERSAL FELLOWSHIP OF METROPOLITAN COMMUNITY CHURCHES

FINANCIAL STATEMENTS

December 31, 2018 and 2017

Randy Walker & Co., Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Universal Fellowship of Metropolitan Community Churches
Ocala, 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, 2018 and 2017, and the related statements of activities (with comparative totals for 2017), functional expenses (with comparative totals for 2017), 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, 2018 and 2017, 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.

Randy Walker & Co.

San Antonio, Texas
June 22 ,2020

UNIVERSAL FELLOWSHIP OF METROPOLITAN COMMUNITY CHURCHES

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ **414,022**	$ 207,624
Accounts Receivable	**392,222**	82,654
Prepaid Expenses	**53,229**	394
Total Current Assets	**859,473**	290,672
LONG-TERM ASSETS		
Investments	**30,001**	201,566
Property and Equipment, net	**225,208**	234,025
Total Long-Term Assets	**255,209**	435,591
TOTAL ASSETS	$ **1,114,682**	$ 726,263
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ **44,825**	$ 28,493
Accrued Expenses	**97,636**	125,968
Deferred Revenue	**166,452**	-
Post-Retirement Benefit Obligation - Current	**19,961**	19,372
Total Current Liabilities	**328,874**	173,833
LONG-TERM LIABILITIES		
Post-Retirement Benefit Obligation - Long-Term	**175,596**	195,557
Total Long-Term Liabilities	**175,596**	195,557
TOTAL LIABILITIES	**504,470**	369,390
NET ASSETS		
Without Donor Restrictions	**46,273**	214,218
With Donor Restrictions	**563,939**	142,655
TOTAL NET ASSETS	**610,212**	356,873
TOTAL LIABILITIES AND NET ASSETS	$ **1,114,682**	$ 726,263

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, 2018
(with comparative totals for 2017)

	2018			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2017 Total
OPERATING SUPPORT AND REVENUE				
Tithe Income	$ 915,274	$ -	**$ 915,274**	$ 1,014,657
Grants	-	418,135	**418,135**	-
Development Income	195,150	40,776	**235,926**	205,948
Conferences and Education	63,075	-	**63,075**	125,498
Other	22,341	-	**22,341**	31,840
Gifts and Donations	9,278	-	**9,278**	18,713
Interest Income	-	-	**-**	33
Net Assets Released from Restrictions	37,627	(37,627)	**-**	-
TOTAL OPERATING SUPPORT AND REVENUE	1,242,745	421,284	**1,664,029**	1,396,689
OPERATING EXPENSES				
Program	1,148,187	-	**1,148,187**	1,399,303
General and Administrative	261,727	-	**261,727**	257,831
TOTAL OPERATING EXPENSES	1,409,914	-	**1,409,914**	1,657,134
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	(167,169)	421,284	**254,115**	(260,445)
NON-OPERATING ACTIVITY				
Investment (Loss) Income, net	(776)	-	**(776)**	24,624
CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY	(167,945)	421,284	**253,339**	(235,821)
NET ASSETS, BEGINNING OF YEAR	214,218	142,655	**356,873**	592,694
NET ASSETS, END OF YEAR	$ 46,273	$ 563,939	**$ 610,212**	$ 356,873

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

UNIVERSAL FELLOWSHIP OF
METROPOLITAN COMMUNITY CHURCHES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	2018			2017
	Program	**General and Administrative**	**Total**	Total
OPERATING EXPENSES				
Wages and Taxes	$ 796,884	$ 199,221	**$ 996,105**	$ 1,011,035
Employee Benefits	118,758	20,957	**139,715**	131,167
Total Payroll Expenses	915,642	220,178	**1,135,820**	1,142,202
Outreach and Evangelism	45,655	-	**45,655**	102,434
Website Maintenance	27,062	6,766	**33,828**	29,623
Travel	22,500	7,500	**30,000**	120,437
Conferences and Training	25,528	-	**25,528**	123,284
Governance and Legal	19,818	4,954	**24,772**	8,008
Miscellaneous	18,409	4,602	**23,011**	15,505
Bad Debt	15,784	-	**15,784**	20,007
Rentals	10,152	2,538	**12,690**	14,314
Dues and Subscriptions	6,288	6,287	**12,575**	9,265
Bank Card Fees	6,894	2,298	**9,192**	3,912
Depreciation	8,817	-	**8,817**	8,817
Insurance	6,367	1,592	**7,959**	10,373
Telephone	6,054	1,514	**7,568**	14,472
Interest	4,502	1,126	**5,628**	6,201
Supplies	2,756	689	**3,445**	6,177
Leadership and Licensure	2,742	686	**3,428**	5,551
Printing and Postage	1,878	469	**2,347**	2,364
Contract Services	1,280	320	**1,600**	12,133
Marketing and Communications	-	208	**208**	1,718
Benevolence	59	-	**59**	337
TOTAL OPERATING EXPENSES	$ 1,148,187	$ 261,727	**$ 1,409,914**	$ 1,657,134

UNIVERSAL FELLOWSHIP OF METROPOLITAN COMMUNITY CHURCHES

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	**$ 253,339**	$ (235,821)
Adjustments to Reconcile Net Change to Net Cash Provided (Used) by Operating Activities:		
Depreciation	**8,817**	8,817
Unrealized Loss (Gain) on Investments	**2,263**	(18,908)
(Increase) in Assets:		
Accounts Receivable	**(309,568)**	(16,709)
Prepaid Expenses	**(52,835)**	1,944
Increase (Decrease) in Liabilities:		
Accounts Payable	**16,332**	(89,040)
Accrued Expenses	**(28,332)**	(106,885)
Deferred Revenue	**166,452**	-
Net Cash Provided (Used) by Operating Activities	**56,468**	(456,602)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	**(1,487)**	(5,716)
Sale of Investments	**170,789**	325,000
Net Cash Provided by Investing Activities	**169,302**	319,284
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on Post-Retirement Obligation	**(19,372)**	(18,799)
Net Cash Used by Financing Activities	**(19,372)**	(18,799)
NET INCREASE (DECREASE) IN CASH FLOWS	**206,398**	(156,117)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**207,624**	363,741
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 414,022**	$ 207,624
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	**$ 5,628**	$ 6,201

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

The Universal Fellowship of Metropolitan Community Churches (the UFMCC) is a 501(c)(3) not-for-profit religious organization 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 statemtents to the reader.

BASIS OF PRESENTATION

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

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.
- *Net Assest With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the UFMCC's mission and purpose. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 aquired by gift or bequest, are stated at fair market value. The UFMCC's policy is to capitalize assets that are valued over $1,000 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:

Building	39 years
Equipment	5-7 years
Furniture and fixtures	5-10 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*.

TITHES AND CONTRIBUTIONS

Unrestricted tithes and contributions are recognized as increases in net assets without donor restrictions when received. The UFMCC reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets or funds. When restrictions are satisfied, either by the passage of time or by the fulfillment of purpose, the net assets with donor restrictions are classified to net assets without donor restrictions 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 net assets without donor restrictions. 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 AND CASH EQUIVALENTS

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

INCOME TAXES

The UFMCC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such qualifies the for maximum charitable contributions deduction by donors.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management has 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.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2019. Management does not expect the new standard to have a significant impact on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The UFMCC has adopted this new pronouncement effective January 1, 2018, and the prior year presentation is conformed.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses, which are allocated on the basis of estimates of time and effort, as well as insurance, travel, and various other operating expenses, which are allocated on the basis of square footage or some other reasonable basis.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK AND REVENUE

The UFMCC maintained 90% and 81% of its cash balances in United States (US) banks as of December 31, 2018 and 2017, respectively. The remaining balance is held at several foreign banks to meet operating needs. The UFMCC also has one investment account at a US investment company. Cash balances held in US banks are insured by the Federal Deposit Insurance Corporation up to $250,000 per bank, while the Securities Investor Protection Corporation insures the balances in investment accounts up to $500,000. As of December 31, 2018 and 2017, the UFMCC's uninsured cash and investment balances totaled $120,140 and $-0-, respectively, not including reconciling items.

The UFMCC receives substantial revenue through tithes from its churches and individual members. If the revenue generated from these sources was to be significantly reduced, the UFMCC would also have to significantly reduce the services it provides to its members. Tithes comprised 55% and 71% of total support and revenue for the years ended December 31, 2018 and 2017, respectively.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2018	2017
Building	**$ 334,889**	$ 334,889
Office Equipment	**213,458**	213,458
Furniture and Fixtures	**49,654**	49,654
	598,001	598,001
Less Accumulated Depreciation	**(372,793)**	(363,976)
Property and Equipment, net	**$ 225,208**	$ 234,025

Depreciation expense was $8,817 for the years ended December 31, 2018 and 2017.

NOTE 4 – INVESTMENTS

Investments consisted of the following at December 31:

	Money Market Funds	Mutual Funds	Stock	Total
2018 Cost	**$ 275**	**$ 30,202**	**$ -**	**$ 30,477**
2018 FMV	**$ 275**	**$ 29,726**	**$ -**	**$ 30,001**
2017 Cost	$ 72,076	$ 30,202	$ 87,703	$ 189,981
2017 FMV	$ 72,076	$ 30,384	$ 99,106	$ 201,566

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

	2018	2017
Interest/Dividends	**$ 1,537**	$ 5,716
Unrealized (Loss) Gain	**(2,263)**	18,908
Investment Fees	**(50)**	-
Total	**$ (776)**	$ 24,624

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the UFMCC's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions.

	2018	2017
Cash and Cash Equivalents	**$ 414,022**	$ 207,624
Investments	**30,001**	201,566
Accounts Receivable	**392,222**	82,654
Total Financial Assets	**836,245**	491,844
Donor Restrictions	**(563,939)**	(142,655)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	**$ 272,306**	$ 349,189

The UFMCC's primary sources of cash flows during the year are tithes and contributions from individuals. These revenue sources provide a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 6 – DEFINED CONTRIBUTION RETIREMENT PLAN

The UFMCC offers a defined contribution retirement plan to qualified employees. The UFMCC contributed $13,672 and $12,491 to the plan for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 – PRIOR PERIOD RECLASSIFICATIONS

The following reclassifications were made to the financial statements for the year ended December 31, 2017: $76,100 in net assets with donor restrictions was reclassified to net assets without donor restrictions, and $5,716 in interest income was reclassified to investment (loss) income, net. The reclassifications had no effect on total net assets at December 31, 2017.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restricitons were for the following purposes as of December 31:

	2018	2017
Thriving in Ministry Program	**$ 418,135**	$ -
Spiritual Academy	**21,882**	21,922
Fellowhip Sunday	**17,447**	17,447
Lead	**17,408**	9,032
Latin America	**15,223**	14,342
Disaster Relief	**14,903**	15,453
Church Planting	**13,327**	13,327
Crave 153	**7,117**	7,117
Development	**6,856**	6,856
Fellowship Appeal	**6,091**	6,091
People of African Descent	**5,138**	5,138
Clergy Communities of Practice	**4,698**	10,808
Youth Dominican Republic	**2,635**	2,635
Diversity	**2,286**	-
WCC Participation	**2,112**	2,112
Western Europe	**1,617**	2,853
Global Social Justice	**1,337**	-
Fellowship Prayer-HIV/AID	**1,050**	1,050
You! A Faith that Fits	**1,024**	1,024
Creating a Life that Matters	**873**	873
Networks	**720**	720
Asia Pacific Initiative	**640**	616
Jamaica	**520**	520
New England Ministries	**384**	384
Translation and Accessability	**339**	339
Virtual Church	**137**	137
Disability Forum	**40**	40
Africa	**-**	1,819
Total	**$ 563,939**	$ 142,655

NOTE 9 – 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.

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

	2018				2017			
		Carrying Amount		**Fair Value**		Carrying Amount		Fair Value
Financial Assets:								
Cash and Cash Equivalents	**$**	**414,022**	**$**	**414,022**	$	207,624	$	207,624
Accounts Receivable	**$**	**392,222**	**$**	**392,222**	$	82,654	$	82,654
Prepaid Expenses	**$**	**53,229**	**$**	**53,229**	$	394	$	394
Financial Liabilities:								
Accounts Payable	**$**	**44,825**	**$**	**44,825**	$	28,493	$	28,493
Accrued Expenses	**$**	**97,636**	**$**	**97,636**	$	125,968	$	125,968
Deferred Revenue	**$**	**166,452**	**$**	**166,452**	$	-	$	-
Post-Retirement Benefit Obligation - Current	**$**	**19,961**	**$**	**19,961**	$	19,372	$	19,372

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 10 – SUBSEQUENT EVENTS

Due to COVID-19 "shelter-in-place" restrictions imposed nationwide and internationally, churches stopped or reduced services beginning in March 2020. The UFMCC is evaluating current economic conditions and anticipates tithe revenue and contributions to decrease for the year ending December 31, 2020.

Additionally, the UFMCC applied for and was granted a Paycheck Protection Program (PPP) loan in May 2020 to assist with payroll and utilities. Management intends to use the loan funds in accordance with the time and purpose restrictions defined by the PPP.

NOTE 10 – SUBSEQUENT EVENTS (continued)

The UFMCC has evaluated subsequent events through June 22, 2020, which is the date the financials were available to be issued.

NOTE 11 – OPERATING LEASE

The UFMCC leases a copier under a non-cancellable operating lease expiring in 2021. Rent expense related to this lease was $4,252 and $3,877 for the years ended December 31, 2018 and 2017, respectively. The total future required minimum payments under the copier lease are as follows:

Year Ended December 31,		
2019	$	3,278
2020		3,278
2021		1,639
Total	$	8,195

NOTE 12 – POST-RETIREMENT BENEFIT OBLIGATION

Effective January 1, 2016, the UFMCC renegotiated the 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, and previous annual payments of $50,000 were changed to $25,000, including principal and interest. The agreement remains in effect until the date of the founder's death or the agreement is modified. The UFMCC is 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, 2018 and 2017 was $195,557 and $214,929, respectively.

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

2019	$	19,961
2020		20,569
2021		21,195
2022		21,840
2023		22,504
Thereafter		89,488
Total	$	195,557

Interest expense for the years ended December 31, 2018 and 2017 was $5,628 and $6,201, respectively.