



**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services**

**CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**



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# REPORT





Carr, Riggs & Ingram, LLC  
4004 Summit Boulevard NE  
Suite 800  
Atlanta, GA 30319

770.394.8000  
770.451.2873 (fax)  
CRIcpa.com

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
The United Methodist Children's Home of the North Georgia Conference  
d/b/a Wellroot Family Services

### **Opinion**

We have audited the accompanying consolidated financial statements of The United Methodist Children's Home of the North Georgia Conference d/b/a Wellroot Family Services (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The United Methodist Children's Home of the North Georgia Conference d/b/a Wellroot Family Services as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of The United Methodist Children's Home of the North Georgia Conference d/b/a Wellroot Family Services as of June 30, 2021, were audited by other auditors whose report dated November 15, 2021, expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia  
March 15, 2023



# FINANCIAL STATEMENTS



**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Financial Position**

<i>June 30,</i>	<b>2022</b>	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 775,442	\$ 601,106
Grants and other receivable	467,208	483,442
Prepaid expenses and other assets	336,107	311,286
Note receivable, current portion	6,412	9,600
<b>Total current assets</b>	<b>1,585,169</b>	1,405,434
Non-current assets		
Cash restricted for long term purposes	34,099	34,099
Note receivable, less current portion	142,788	149,200
Investments	81,710,041	93,447,389
Property and equipment, net	3,405,255	30,647
<b>Total non-current assets</b>	<b>85,292,183</b>	93,661,335
<b>Total assets</b>	<b>\$ 86,877,352</b>	\$ 95,066,769
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts Payable and accrued expenses	\$ 198,816	\$ 206,794
Accrued payroll	100,811	75,578
Accrued pension payable	107,285	89,862
Contract liability	200,000	-
<b>Total current liabilities</b>	<b>606,912</b>	372,234
Non-current liabilities		
Deferred rent liability	177,997	295,759
Security deposit	9,030	-
<b>Total non-current liabilities</b>	<b>187,027</b>	295,759
<b>Total liabilities</b>	<b>793,939</b>	667,993
Net assets		
Without donor restrictions	70,894,194	78,679,783
With donor restrictions	15,189,219	15,718,993
<b>Total net assets</b>	<b>86,083,413</b>	94,398,776
<b>Total liabilities and net assets</b>	<b>\$ 86,877,352</b>	\$ 95,066,769

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

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Activities**

<b><i>For the year ended June 30, 2022</i></b>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Government fees and grants	\$ 3,454,940	\$ -	\$ 3,454,940
Contributions	1,581,920	81,177	1,663,097
Non-financial contribution	13,633	-	13,633
Gain on disposal of assets	16,386	-	16,386
Income from estates and trusts	4,769,126	-	4,769,126
Net assets released from restrictions	196,979	(196,979)	-
Total revenue and support before appropriation	10,032,984	(115,802)	9,917,182
Appropriation of endowment earnings	3,560,198	-	3,560,198
<b>Non-Operating Revenue and Support</b>			
Investment loss, net	(8,565,652)	(413,972)	(8,979,624)
Appropriation of endowment earnings	(3,560,198)	-	(3,560,198)
Total non-operating revenue and support	(12,125,850)	(413,972)	(12,539,822)
Total revenue and support	1,467,332	(529,774)	937,558
<b>Expenses</b>			
<i>Program services</i>			
Youth Services	1,738,703	-	1,738,703
Family housing and preservation services	1,368,679	-	1,368,679
Family foster care	4,285,820	-	4,285,820
Total program services	7,393,202	-	7,393,202
<i>Supporting services</i>			
Management and general	1,245,767	-	1,245,767
Fundraising	613,952	-	613,952
Total supporting services	1,859,719	-	1,859,719
Total expenses	9,252,921	-	9,252,921
Change in net assets	(7,785,589)	(529,774)	(8,315,363)
Net assets at beginning of year	78,679,783	15,718,993	94,398,776
Net assets at end of year	\$ 70,894,194	\$ 15,189,219	\$ 86,083,413

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



**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Activities (Continued)**

<i>For the year ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Government fees and grants	\$ 3,643,777	\$ -	\$ 3,643,777
Contributions	1,553,006	-	1,553,006
Income from estates and trusts	1,795,096	552,161	2,347,257
Net assets released from restrictions	454,908	(454,908)	-
Total revenue and support before appropriation	7,446,787	97,253	7,544,040
Appropriation of endowment earnings	3,100,000	-	3,100,000
<b>Non-Operating Revenue and Support</b>			
Investment income, net	17,549,201	1,456,660	19,005,861
Appropriation of endowment earnings	(3,100,000)	-	(3,100,000)
Total non-operating revenue and support	14,449,201	1,456,660	15,905,861
Total revenue and support	24,995,988	1,553,913	26,549,901
<b>Expenses</b>			
<i>Program services</i>			
Youth Services	1,701,093	-	1,701,093
Family housing and preservation services	311,862	-	311,862
Family foster care	4,612,190	-	4,612,190
Total program services	6,625,145	-	6,625,145
<i>Supporting services</i>			
Management and general	1,275,610	-	1,275,610
Fundraising	723,931	-	723,931
Total supporting services	1,999,541	-	1,999,541
Total expenses	8,624,686	-	8,624,686
Change in net assets	16,371,302	1,553,913	17,925,215
Net assets at beginning of year	62,308,481	14,165,080	76,473,561
Net assets at end of year	\$ 78,679,783	\$ 15,718,993	\$ 94,398,776

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

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Functional Expenses**

***For the year ended June 30, 2022***

	Program Services				Supporting Services			
	Youth Services	Family Housing and Preservation Services	Family Foster Care	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Compensation	\$ 775,041	\$ 740,179	\$ 1,625,142	\$ 3,140,362	\$ 503,370	\$ 284,960	\$ 788,329	<b>\$ 3,928,691</b>
Employee benefits	237,059	226,395	497,075	960,529	153,964	87,159	241,123	<b>1,201,652</b>
Training	5,802	84,677	10,163	100,642	(8,135)	1,082	(7,053)	<b>93,589</b>
Occupancy costs	364,261	202,805	372,050	939,115	385,028	-	385,028	<b>1,324,143</b>
Office supplies and expenses	33,763	38,608	106,768	179,139	89,578	33,724	123,302	<b>302,441</b>
Insurance	10,012	7,773	24,981	42,766	34,745	-	34,745	<b>77,510</b>
Outside services	23,162	32,851	67,259	123,272	76,545	51,734	128,279	<b>251,550</b>
Program support, materials supplies	52,064	3,882	1,466,512	1,522,457	475	27	502	<b>1,522,959</b>
Educational scholarships	196,000	-	-	196,000	-	-	-	<b>196,000</b>
Financial assistance	-	800	-	800	-	-	-	<b>800</b>
Bad debt expense	-	2,500	57,472	59,972	-	-	-	<b>59,972</b>
Transportation and vehicles	23,858	21,938	57,284	103,080	9,472	1,540	11,011	<b>114,091</b>
Fundraising and promotion	45	6,144	713	6,902	158	153,728	153,885	<b>160,787</b>
Depreciation	17,635	127	404	18,166	569	-	569	<b>18,735</b>
<b>Total</b>	<b>\$ 1,738,703</b>	<b>\$ 1,368,679</b>	<b>\$ 4,285,820</b>	<b>\$ 7,393,202</b>	<b>\$ 1,245,767</b>	<b>\$ 613,952</b>	<b>\$ 1,859,719</b>	<b>\$ 9,252,921</b>

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

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Functional Expenses (Continued)**

*For the year ended June 30, 2021*

	Program Services				Supporting Services			
	Youth Services	Family Housing and Preservation Services	Family Foster Care	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Compensation	\$ 769,525	\$ 133,690	\$ 1,739,439	\$ 2,642,654	\$ 518,349	\$ 337,509	\$ 855,858	\$ 3,498,512
Employee benefits	244,954	42,564	553,434	840,952	166,743	107,594	274,337	1,115,289
Training	1,598	2,922	15,292	19,812	864	-	864	20,676
Occupancy costs	374,606	109,872	383,591	868,069	371,332	87,752	459,084	1,327,153
Office supplies and expenses	25,128	15,675	92,404	133,207	85,610	34,045	119,655	252,862
Insurance	7,955	1,220	24,062	33,237	32,937	-	32,937	66,174
Outside services	26,566	3,404	134,827	164,797	90,213	27,250	117,463	282,260
Program support, materials and supplies	65,100	2,201	1,614,832	1,682,133	1,126	339	1,465	1,683,598
Educational scholarships	157,000	-	-	157,000	-	-	-	157,000
Bad debt expense	-	-	33,399	33,399	-	-	-	33,399
Transportation and vehicles	18,355	191	17,514	36,060	5,106	176	5,282	41,342
Fundraising and promotion	810	123	3,396	4,329	3,330	129,266	132,596	136,925
Depreciation	9,496	-	-	9,496	-	-	-	9,496
<b>Total</b>	<b>\$ 1,701,093</b>	<b>\$ 311,862</b>	<b>\$ 4,612,190</b>	<b>\$ 6,625,145</b>	<b>\$ 1,275,610</b>	<b>\$ 723,931</b>	<b>\$ 1,999,541</b>	<b>\$ 8,624,686</b>

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

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Cash Flows**

<i>For the years ended June, 30</i>	<b>2022</b>	2021
<b>Operating Activities</b>		
Change in net assets	<b>\$ (8,315,363)</b>	\$ 17,925,215
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	<b>18,735</b>	9,496
Gain on disposal of assets	<b>(16,386)</b>	-
Unrealized and realized (gain) loss on investments	<b>13,972,536</b>	(16,776,259)
Contributions restricted for perpetually restricted endowment	<b>(6,176)</b>	(302,161)
Changes in operating assets and liabilities		
Grants receivable	<b>16,234</b>	141,863
Prepaid expenses and other assets	<b>(24,821)</b>	10,524
Accounts payable	<b>(7,978)</b>	(17,487)
Accrued payroll	<b>25,233</b>	6,911
Accrued pension payable	<b>17,423</b>	18,178
Contract liability	<b>200,000</b>	-
Deferred rent liability	<b>(117,762)</b>	(75,513)
Security deposit	<b>9,030</b>	-
Net cash provided by (used in) operating activities	<b>5,770,705</b>	940,767
<b>Investing Activities</b>		
Payments received on note receivable	<b>9,600</b>	199,637
Purchase of investments	<b>(24,900,578)</b>	(32,365,253)
Proceeds from sale of investments	<b>22,665,390</b>	31,332,119
Purchase of property and equipment	<b>(3,405,501)</b>	-
Proceeds from disposal of property and equipment	<b>28,544</b>	-
Net cash provided by (used in) investing activities	<b>(5,602,545)</b>	(833,497)

(Continued)

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

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Consolidated Statements of Cash Flows (Continued)**

<i>For the years ended June, 30</i>	<b>2022</b>	2021
<b>Financing Activities</b>		
Perpetually restricted endowment	<b>6,176</b>	302,161
Net cash provided by (used in) financing activities	<b>6,176</b>	302,161
Net change in cash, cash equivalents and restricted cash	<b>174,336</b>	409,431
Cash, cash equivalents and restricted cash at beginning of year	<b>635,205</b>	225,774
Cash, cash equivalents and restricted cash at end of year	<b>\$ 809,541</b>	\$ 635,205
<b>Presented on Statement of Financial Position as:</b>		
Cash and cash equivalents	<b>\$ 775,442</b>	\$ 601,106
Restricted cash	<b>34,099</b>	34,099
Total	<b>\$ 809,541</b>	\$ 635,205

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

**The United Methodist Children’s Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Notes to Consolidated Financial Statements**

**Note 1: DESCRIPTION OF THE ORGANIZATION**

The United Methodist Children’s Home of the North Georgia Conference, d/b/a Wellroot Family Services (UMCH or the Organization) was established in 1871 in Norcross, Georgia to care for children orphaned during the Civil War and has evolved to serve children and families in a “continuum of care” model. UMCH envisions a world where “all children are raised in a loving, compassionate and nurturing home.” The Organization works every day toward its mission “to restore children and families from trauma through Jesus Christ.” Since 1973, UMCH has cared for over 6,000 children in safe and loving foster care homes; it provides safe housing for at-risk young adults and prepares them to make positive life decisions and become productive, independent, citizens; and it strengthens and preserves at-risk families through safe housing and support services. Today, UMCH serves over 240 children and adults a day in 40 counties across North Georgia, and it delivered over 55,000 days of care in 2022. Financial resources are generated from state partnerships, private philanthropy and earned income. For more information visit [www.wellroot.org](http://www.wellroot.org).

In 2019, UMCH introduces a new name that reflects both its tremendous growth and unlimited potential, while preserving its deep foundations in The United Methodist Church. The Organization is doing business as Wellroot Family Services. This new name is borne out of the same steadfast focus of the Organization’s mission and is the result of an intense process of research and planning. The Organization believes to be well-rooted is to be firmly planted, to feel stable, and to feel taken care of and secure as well as to have the support and love to become the person God intended. As Wellroot Family Services, the Organization will continue to grow with a name that embodies its commitment to the children, young adults and families it serves together with the North Georgia Conference of the United Methodist Church.

The Organization formed 750 East Lake LLC (the LLC) in May 2022. UMCH is the sole member of the LLC. The LLC was formed to purchase and hold a residential building for the Organization’s clients in the Youth Services and Family Housing Services programs to reside.

The Organization formed Wellroot Family Services Foundation, Inc. (the Foundation) in April 2022. The Foundation was formed to hold the investments of the Organization. For the year ended June 30, 2022. There was no activity incurred for the Foundation.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Notes to Consolidated Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation of property and equipment, investment valuation, and allocating certain expenses to program and supporting services.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of United Methodist Children's Home of the North Georgia Conference, d/b/a Wellroot Family Services and 750 East Lake, LLC as of June 30, 2022 and for the year then ended. All significant intercompany accounts and transactions have been eliminated.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Restricted Cash***

Amounts included in restricted cash represent those required to be set aside by donors for specific purposes. Restricted cash included in other long-term assets on the statement of financial position represents amounts held for endowments in perpetuity.

***Grant Receivables***

Grant receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on other receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible other receivable when management determines the receivable will not be collected.

***Investments***

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Notes to Consolidated Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property and Equipment***

All acquisitions of property and equipment in excess of \$3,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

***Impairment of Long-Lived Assets***

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for programs, general and administrative and other designations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Revenue Recognition***

Program service fees are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Program service fees received in advance are deferred and recognized over the periods to which the dates and fees relate.



**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Notes to Consolidated Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition (continued)***

A significant portion of the Organization's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from nonexchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries and wages, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. The expenses that are allocated include training, occupancy costs, office supplies, insurance, outside services, program material and supplies, transportation and vehicles, fundraising, promotion and depreciation which are allocated based on estimates of how the expenses support the programs and supporting services, as well as compensation and employee benefits which are allocated based on estimates of time and effort.

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. There was no unrelated business income for the years ended June 30, 2022 or 2021, respectively.

**The United Methodist Children's Home  
of the North Georgia Conference  
d/b/a Wellroot Family Services  
Notes to Consolidated Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Income Taxes (continued)***

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2022 and 2021, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 15, 2023, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recent Accounting Pronouncements***

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted.

***Accounting Guidance Not Yet Adopted***

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

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**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY**

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>June 30,</i>	<b>2022</b>	2021
Total assets at year end	\$ 86,877,352	\$ 95,066,769
Less non-financial assets		
Prepaid expenses	(336,107)	311,286
Property and equipment, net	(3,405,255)	30,647
Financial assets at year-end	<b>83,135,990</b>	95,408,702
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Note receivable	(142,788)	(149,200)
Donor purpose restrictions	(5,050,226)	(5,586,177)
Donor perpetual restriction for endowment	(10,138,993)	(10,132,816)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 67,803,983</b>	\$ 79,540,509

The Organization is principally supported by contributions with and without donor restrictions, government grants and investment income.

**Note 4: NOTE RECEIVABLE**

During 2017, the Organization received two promissory notes receivable related to a trust. The note receivables have an interest rate of 5%. The Organization will receive monthly principal and interest payments through the maturity dates of November 24, 2023 and March 24, 2024. The outstanding balance of the notes receivable as of June 30, 2020 totaled \$190,037. The notes receivable were paid in full to the Organization during fiscal 2021.

During 2018, the Organization sold property for \$190,000. Under this agreement, the note is noninterest bearing for the first five years at which time the note will bear interest at 5%. Monthly principal payments will be received the first five years then monthly principal and interest payments through the maturity date of January 2038. The outstanding balances of the note receivable as of June 30, 2022 and 2021 totaled \$149,200 and \$158,800, respectively.

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**Note 4: NOTE RECEIVABLE (Continued)**

Maturities of long-term promissory note receivable subsequent to June 30, 2022, are as follows:

*For the years ending June 30,*

2023	\$	6,412
2024		2,518
2025		2,647
2026		2,782
2027		2,924
Thereafter		131,917
<b>Total</b>	<b>\$</b>	<b>149,200</b>

**Note 5: INVESTMENTS**

Investments in marketable securities consist of the following:

<b><i>June 30, 2022</i></b>	Cost	Market Value
Money Market	\$ 2,703,505	\$ 2,703,505
Fixed income securities	22,707,235	20,415,261
Exchange-traded & closed-end funds	38,400,097	38,904,444
Mutual funds	5,138,980	4,453,038
Hedge funds and other	9,437,416	15,233,793
<b>Total investments in marketable securities</b>	<b>\$ 78,387,233</b>	<b>\$ 81,710,041</b>
<b><i>June 30, 2021</i></b>	Cost	Market Value
Money Market	\$ 1,589,193	\$ 1,589,193
Fixed income securities	24,381,098	25,004,758
Exchange-traded & closed-end funds	37,288,065	52,077,708
Mutual funds	2,446,222	2,677,719
Hedge funds and other	9,215,223	12,098,011
<b>Total investments in marketable securities</b>	<b>\$ 74,919,801</b>	<b>\$ 93,447,389</b>

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**Note 6: PROPERTY AND EQUIPMENT**

The components of property and equipment at June 30, are as follows:

	Estimated Useful Lives (in years)	<b>2022</b>	2021
Building and related improvements	39	\$ 3,333,412	\$ -
Vehicles	5	105,324	66,470
Total depreciable property and equipment		<b>3,438,736</b>	66,470
Less accumulated depreciation		<b>(33,481)</b>	(35,823)
Total depreciable property and equipment, net		<b>3,405,255</b>	30,647
Land		1,500	1,500
<b>Property and equipment, net</b>		<b>\$ 3,405,255</b>	<b>\$ 30,647</b>

Depreciation expense for the years ended June 30, 2022 and 2021, amounted to \$18,735 and \$9,496 respectively.

**Note 7: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	<b>2022</b>	2021
Undesignated	\$ 2,248,151	\$ 1,443,691
Board designated Endowments	<b>68,646,043</b>	77,236,092
<b>Total net assets without donor restrictions</b>	<b>\$ 70,894,194</b>	<b>\$ 78,679,783</b>

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	<b>2022</b>	2021
Purpose restricted		
Scholarships	\$ 3,917,029	\$ 4,425,461
Program specific	995,636	991,066
Capital improvement	128,981	161,070
District offices	8,580	8,580
Endowments- perpetual in nature	<b>10,138,993</b>	10,132,816
<b>Total net assets with donor restrictions</b>	<b>\$ 15,189,219</b>	<b>\$ 15,718,993</b>

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**Note 7: NET ASSETS (Continued)**

A summary of the release of donor restrictions follows:

<i>For the years ended June 30,</i>	<b>2022</b>	<b>2021</b>
Time restrictions	\$ -	\$ 190,037
Purpose restrictions		
Program specific	-	100,000
Scholarships	<b>196,979</b>	164,871
<b>Total net assets released from donor restrictions</b>	<b>\$ 196,979</b>	<b>\$ 454,908</b>

**Note 8: ENDOWMENTS**

The Organization's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Trustees of the Organization has interpreted the State of Georgia's 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. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

The Organization’s endowment funds are managed by several financial institutions with established investment policies and goals.

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**Note 8: ENDOWMENTS (Continued)**

*Spending Policy.* The endowment spending policy has been set not to exceed 5% of market value (without prior board approval) of the endowment per year using a three-year rolling average of market values. A three-year rolling average is used to smooth out fluctuations in the market value and decrease volatility in the budget process. In addition, the Board may appropriate additional funds from its board designated endowment and the related accumulated earnings at its discretion. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. For endowment funds outside of this policy, the Organization approves distributions from the endowment on a case by case basis, considering factors such as donor restrictions, the accumulated earnings in the fund, and the needs of the Organization.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies at June 30, 2022 and 2021, respectively.

Endowment net asset composition by type of fund follows:

<i>June 30,</i>	<b>2022</b>	2021
Endowment funds with donor restrictions	<b>\$ 14,692,849</b>	\$ 15,297,623
Board-designated endowment funds without donor restrictions	<b>68,646,043</b>	77,236,092
<b>Total endowment funds</b>	<b>\$ 83,338,892</b>	\$ 92,533,715

Changes in endowment net assets, with donor restrictions, at June 30, 2022, follows:

<i>June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - July 1,	\$ 77,236,092	\$ 15,297,623	<b>\$ 92,533,715</b>
Contributions	3,535,801	6,177	<b>3,541,978</b>
Investment income	4,668,584	529,649	<b>5,198,233</b>
Net appreciation (depreciation)	(13,234,236)	(943,621)	<b>(14,177,857)</b>
Amounts appropriated for expenditure	(3,560,198)	(196,979)	<b>(3,757,177)</b>
<b>Endowment net assets - June 30,</b>	<b>\$ 68,646,043</b>	<b>\$ 14,692,849</b>	<b>\$ 83,338,892</b>

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**Note 8: ENDOWMENTS (Continued)**

Changes in endowment net assets, with donor restrictions, at June 30, 2021, follows:

<i>June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - July 1,	\$ 61,451,717	\$ 13,553,673	\$ 75,005,390
Contributions	1,335,173	552,161	1,887,334
Investment income	2,372,974	248,632	2,621,606
Net appreciation (depreciation)	15,176,228	1,208,028	16,384,256
Amounts appropriated for expenditure	(3,100,000)	(264,871)	(3,364,871)
<b>Endowment net assets - June 30,</b>	<b>\$ 77,236,092</b>	<b>\$ 15,297,623</b>	<b>\$ 92,533,715</b>

**Note 9: FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.



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**Note 9: FAIR VALUE MEASUREMENTS (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

*Equity stocks and mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) per share and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Fixed income securities and U.S. Treasuries:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Money market funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Hedge funds and alternative funds:* Fair value are measured by the net assets per share method as of June 30, 2022 and 2021.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets measured at fair value on a recurring basis, are summarized as follows as of June 30, 2022 and 2021:

<b>June 30, 2022</b>	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 20,415,261	\$ -	\$ -	\$ 20,415,261
Equities	38,904,444	-	-	38,904,444
Mutual funds	4,453,038	-	-	4,453,038
Money Market	-	2,703,505	-	2,703,505
<b>Total investments at fair value</b>	<b>\$ 63,772,743</b>	<b>\$ 2,703,505</b>	<b>\$ -</b>	<b>\$ 66,476,248</b>
<hr/>				
<b>June 30, 2021</b>	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 25,004,758	\$ -	\$ -	\$ 25,004,758
Equities	52,077,708	-	-	52,077,708
Mutual funds	2,677,719	-	-	2,677,719
Money Market	-	1,589,193	-	1,589,193
<b>Total investments at fair value</b>	<b>\$ 79,760,185</b>	<b>\$ 1,589,193</b>	<b>\$ -</b>	<b>\$ 81,349,378</b>

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**Note 9: FAIR VALUE MEASUREMENTS (Continued)**

*Fair Value of Investments that Calculate Net Asset Value*

The following tables summarizes information related to the hedge funds and alternative funds. This asset is measured at fair value based on NAV per share. The investments are maintained by one of the Organization’s investment institutions that holds investments in accordance with a stated set of fund objectives.

	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
<b>June 30, 2022</b>	<b>\$ 15,233,793</b>	<b>NA</b>	<b>Daily</b>	<b>Daily</b>
<i>June 30, 2021</i>	<i>\$ 12,098,011</i>	<i>NA</i>	<i>Daily</i>	<i>Daily</i>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2022 and 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 10: REVENUE**

A summary of disaggregated revenue information follows:

<i>For the years ended June 30,</i>	<b>2022</b>	2021
Government fees and grants (non-exchange)	<b>\$ 3,454,940</b>	\$ 3,643,777
Contributions (non-exchange)	<b>1,676,730</b>	1,553,006
Investment income (loss), net (non-exchange)	<b>(8,979,624)</b>	19,005,861
Income from trusts (non-exchange)	<b>4,769,126</b>	2,347,257
Other revenue (non-exchange)	<b>16,386</b>	-
<b>Total revenue</b>	<b>\$ 937,558</b>	<b>\$ 26,549,901</b>

The Organization customers are primarily children and families located in the Atlanta metropolitan area of the United States.

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**Note 10: REVENUE (Continued)**

***Contract Balances***

The Organization had a contract liability of \$200,000 at June 30, 2022. There was no contract liability at June 30, 2021.

**Note 11: CONCENTRATIONS OF CREDIT RISK**

The Organization maintains cash deposits with financial institutions at June 30, 2022 and 2021 in excess of federally insured limits of \$697,710 and \$399,411, respectively.

**Note 12: COMMITMENTS**

The Organization leases certain office space and equipment accounted for as operating leases. The leases expire in various years through 2025.

Minimum lease payments under non-cancellable operating leases are as follows:

*For the years ending June 30,*

2023	\$ 956,084
2024	982,349
2025	924,592
Total future minimum lease payments	\$ 2,863,025

Rent expense associated with the above leases was \$923,110 and \$1,228,693 for the years ended June 30, 2022 and 2021, respectively.

**Note 13: RETIREMENT PLAN**

UMCH sponsors a defined contribution retirement plan (the Plan) covering all eligible employees who meet the requirements set forth in the plan. All eligible employees receive a one hundred percent (100%) match of the employee’s contribution up to six percent (6%) of the participating employee’s salary. The Organization also may provide a discretionary contribution to the plan, which is determined by applying a Board approved percentage to participant annual compensation. Total expense for the years ended June 30, 2022 and 2021 was \$170,145 and \$142,529, respectively.

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**Note 14: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.