

**CUMBERLAND YOUTH
AND FAMILY SERVICES**

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

DECEMBER 31, 2021

CUMBERLAND YOUTH AND FAMILY SERVICES

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Independent Auditors' Report

Cumberland Youth and Family Services
Denton, Texas

Opinion

We have audited the accompanying financial statements of Cumberland Youth and Family Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from Cumberland Youth and Family Services' 2020 financial statements and, in our opinion dated June 25, 2021, we expressed an unmodified opinion on those financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Youth and Family Services as of December 31, 2021, 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 Financials section of our report. We are required to be independent of Cumberland Youth and Family Services 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cumberland Youth and Family Services' 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 financial statements as a whole are free from material misstatement. 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 general 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the 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 Cumberland Youth and Family Services' 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 Cumberland Youth and Family Services' 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.



Hankins, Eastup, Deaton, Tonn & Seay
Denton, Texas
July 19, 2022

CUMBERLAND YOUTH AND FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

ASSETS:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 633,973	\$ 1,075,221
Due from Board of Stewardship	61,885	58,100
Other receivables	273,539	302,326
Prepaid expenses	-	8,275
Land, buildings and equipment, net	2,944,315	3,095,018
Other long-term investments	<u>10,417,084</u>	<u>9,457,166</u>
TOTAL ASSETS	<u>\$ 14,330,796</u>	<u>\$ 13,996,106</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 68,489	\$ 90,922
Accrued liabilities	76,970	63,136
Deferred revenue	-	13,900
Line of credit - First United Bank	<u>200,000</u>	<u>200,000</u>
Total Liabilities	<u>345,459</u>	<u>367,958</u>
Net Assets:		
Without donor restrictions:		
Undesignated	4,324,287	4,381,098
Invested in property and equipment	<u>2,944,315</u>	<u>3,095,018</u>
	<u>7,268,602</u>	<u>7,476,116</u>
With donor restrictions:		
Perpetual in nature	6,667,631	6,109,446
Subject to purpose or use restrictions	26,446	21,895
Time-restricted for future periods	<u>22,658</u>	<u>20,691</u>
	<u>6,716,735</u>	<u>6,152,032</u>
Total Net Assets	<u>13,985,337</u>	<u>13,628,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,330,796</u>	<u>\$ 13,996,106</u>

See Accompanying Notes to the Financial Statements.

CUMBERLAND YOUTH AND FAMILY SERVICES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	With Donor Restrictions			2021 Total	2020 Total
	Without Donor Restrictions	Purpose or Use Restrictions	Not Subject to Appropriation		
Revenues, Gains and Other Support:					
Contributions and grants	\$ 1,212,580	\$ -	\$ 225	\$ 1,212,805	\$ 1,801,861
In-kind contributions	8,501	-	-	8,501	-
CPS/OCOK revenue	1,082,020	-	-	1,082,020	965,516
CCFP food program revenue	45,459	-	-	45,459	53,571
Counseling & treatment services	58,586	-	-	58,586	44,737
Denominational support	60,689	-	-	60,689	66,911
Income on long-term investments	89,988	989	17,399	108,376	109,497
Unrealized gains on investments	290,923	5,782	792,551	1,089,256	1,056,790
Oil and gas royalties	10,442	-	-	10,442	4,353
Rents	63,944	-	-	63,944	78,217
PPP loan	-	-	-	-	293,400
Coronavirus CARES funds	-	-	-	-	97,246
Insurance Proceeds	51,661	-	-	51,661	-
Special events	111,399	-	-	111,399	32,379
Other revenue	4,427	-	-	4,427	1,049
Subtotal	3,090,619	6,771	810,175	3,907,565	4,605,527
Net assets released from Restrictions	252,243	(253)	(251,990)	-	-
Total Revenue, Gains and Other Support	3,342,862	6,518	558,185	3,907,565	4,605,527
Expenses:					
Program services:					
Children's residential program	2,318,727	-	-	2,318,727	2,244,322
Family residential program	271,071	-	-	271,071	235,757
Counseling & treatment services	134,797	-	-	134,797	73,852
Supervised Independent Living	30,671	-	-	30,671	-
Chaplain	-	-	-	-	15,232
Administration	486,862	-	-	486,862	451,449
Development	308,248	-	-	308,248	192,704
Total Expenses	3,550,376	-	-	3,550,376	3,213,316
Change in net assets	(207,514)	6,518	558,185	357,189	1,392,211
Net assets at beginning of year	7,476,116	42,586	6,109,446	13,628,148	12,235,937
Net assets at end of year	\$ 7,268,602	\$ 49,104	\$ 6,667,631	\$ 13,985,337	\$ 13,628,148

See Accompanying Notes to the Financial Statements.

CUMBERLAND YOUTH AND FAMILY SERVICES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 357,189	\$ 1,392,211
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	179,268	188,867
(Increase) Decrease in receivables	25,002	(182,614)
(Increase) Decrease in prepaid expenses	8,275	(5,983)
Increase (Decrease) in accounts payable/accrued liabilities	(8,599)	23,028
Increase (Decrease) in deferred revenue	(13,900)	(26,650)
Unrealized losses (gains) on investments	(1,089,256)	(1,056,790)
Contributions restricted for long-term investment	(225)	(26,200)
Net Cash Provided (Used) by Operating Activities	<u>(542,246)</u>	<u>305,869</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(28,565)	(28,401)
Investment withdrawals	129,338	648,499
Net Cash Provided by Investing Activities	<u>100,773</u>	<u>620,098</u>
Cash Flows from Financing Activities:		
Principal payments on line of credit	-	(50,000)
Proceeds from contributions restricted for investment in endowment	225	26,200
Net Cash Provided (Used) by Financing Activities	<u>225</u>	<u>(23,800)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(441,248)	902,167
Cash and Cash Equivalents at Beginning of Year	<u>1,075,221</u>	<u>173,054</u>
Cash and Cash Equivalents at End of Year	<u>\$ 633,973</u>	<u>\$ 1,075,221</u>
Supplemental Data:		
Interest paid during the year	\$ 4,360	\$ 7,532

See Accompanying Notes to the Financial Statements.

CUMBERLAND YOUTH AND FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services				Total
	Children's Residential Program	Family Residential Program	Counseling & Treatment Services	Supervised Independent Living	
Salaries and Wages	\$ 1,306,985	\$ 123,398	\$ 102,074	\$ -	\$ 1,532,457
Employee Benefits	127,708	7,098	4,669	-	139,475
Payroll Taxes	92,021	8,611	7,123	-	107,755
Total Salaries and Related Expenses	1,526,714	139,107	113,866	-	1,779,687
Basic care and hygiene	13,079	-	-	-	13,079
Groceries	85,155	2,122	58	-	87,335
Activities and dining out	87,020	-	-	-	87,020
Clothing	19,344	-	-	-	19,344
Medical and dental care	2,954	-	-	-	2,954
Incentives	26,832	-	-	-	26,832
Utilities and internet	80,911	37,917	2,068	-	120,896
Property, liability insurance	57,176	7,168	-	-	64,344
Building/grounds R&M	104,440	35,588	927	4,900	145,855
Supplies, postage, printing	38,683	2,531	2,738	25,771	69,723
Computer software, maintenance	81,163	6,054	5,531	-	92,748
Staff recruitment/training	20,209	1,126	2,021	-	23,356
Program expansion	580	15,679	-	-	16,259
Vehicle expenses	10,414	1,317	51	-	11,782
Travel	7,947	-	-	-	7,947
COVID-19 expense	6,557	3,623	403	-	10,583
Legal and professional fees	20,932	1,122	1,273	-	23,327
Dues and subscriptions	4,332	-	-	-	4,332
General assembly	-	-	-	-	-
Development	-	-	-	-	-
Board expense	-	-	-	-	-
Interest/finance charges	-	-	-	-	-
Other	563	4,750	484	-	5,797
Total Expenses Before Depreciation	2,195,005	258,104	129,420	30,671	2,613,200
Depreciation	123,722	12,967	5,377	-	142,066
TOTAL EXPENSES	\$ 2,318,727	\$ 271,071	\$ 134,797	\$ 30,671	\$ 2,755,266

The accompanying notes are an integral part of this statement.

Supporting Services

Development	Administration	Total	2021 Total Expenses	2020 Total Expenses
\$ 155,077	\$ 301,764	\$ 456,841	\$ 1,989,298	\$ 1,868,136
13,650	29,389	43,039	182,514	150,297
8,674	22,394	31,068	138,823	155,818
177,401	353,547	530,948	2,310,635	2,174,251
-	-	-	13,079	7,115
783	4,267	5,050	92,385	93,300
1,180	-	1,180	88,200	56,037
-	-	-	19,344	16,476
-	-	-	2,954	992
-	-	-	26,832	18,676
2,401	15,521	17,922	138,818	145,802
-	7,340	7,340	71,684	64,855
1,648	19,190	20,838	166,693	146,431
1,744	7,334	9,078	78,801	40,387
6,235	18,504	24,739	117,487	89,435
1,595	3,687	5,282	28,638	40,747
-	-	-	16,259	12,783
-	598	598	12,380	3,957
-	-	-	7,947	3,635
132	385	517	11,100	27,407
1,201	11,575	12,776	36,103	33,786
362	2,388	2,750	7,082	5,905
3,698	5,463	9,161	9,161	-
96,710	-	96,710	96,710	20,435
-	3,151	3,151	3,151	1,335
-	4,977	4,977	4,977	7,953
1,620	3,271	4,891	10,688	12,749
296,710	461,198	757,908	3,371,108	3,024,449
11,538	25,664	37,202	179,268	188,867
<u>\$ 308,248</u>	<u>\$ 486,862</u>	<u>\$ 795,110</u>	<u>\$ 3,550,376</u>	<u>\$ 3,213,316</u>

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Cumberland Youth and Family Services (Cumberland) offers safe housing, counseling and treatment, and supportive services to children, youth, young adults and families impacted by the systemic cycles of abuse, neglect, trauma, family violence, and poverty. The agency's aim is to provide programs and services that are age-appropriate, trauma-informed and personalized to meet the specific needs of our residents.

Three Cumberland programs serve youth in foster care. Known collectively as the Children's Residential Program, these residential programs are licensed by the Texas Department of Family Protective Services to serve children ages 5-18, with placement preference given to youth ages 10-17. The Children's Residential Program includes: Shelter Services, often a first stop for children and youth who have been immediately removed from their homes by CPS; Adolescent Services for teens who would benefit from life skills support and permanency planning; and Treatment Services for teen girls who have experienced significant trauma and would benefit from a stability, structure and intensive counseling support as they transition from more restrictive environments.

Cumberland's Family Residential Program provides housing, case management and supportive services to employed, dedicated single-parent families working to overcome histories of trauma or family violence. Through case management, programming and intentional partnerships, Cumberland helps move these families toward greater self-sufficiency and independence.

In late 2021, the agency began plans to launch a Supervised Independent Living Program to provide a stable living and learning environment for young adults aging out of foster care. The program launched in 2022.

Cumberland was founded in 1904, by the Cumberland Presbyterian Church denomination to provide housing to orphans in need. In 1932, the organization relocated from its original location in Bowling Green, Kentucky to Denton, Texas, where services continue to be provided today. After many years as a ministry of the church, Cumberland took steps toward organizational autonomy in 2012. That year, Cumberland Youth and Family Services entered into a formal covenant agreement with denomination and became a separate legal entity. For 90 years, Cumberland Youth and Family Services was known as Cumberland Presbyterian Children's Home. Like many organizations that have navigated more than a century of service, the agency wanted a name that better embodied the breadth and depth of current programming and future capabilities. The name change was approved by the Board of Trustees in August 2021 and also by the Texas Secretary of State.

Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and related assets are recognized when earned, and expenses are recognized when the obligation is incurred. They are presented in accordance with the provisions of Financial Accounting Standards Board ("FASB") ASU No. 2016-14, "Not-For-Profit Entities".

FASB ASU 2016-14 establishes standards for general-purpose external financial statements for nonprofit organizations, including a statement of financial position, a statement of activities, a statement of functional expense and a statement of cash flows. FASB ASU 2016-14 requires the classification of net assets and its revenues, expenses, gains and losses into three categories, if applicable, based on existence or absence of donor-imposed restrictions. The categories are "without donor restrictions" and "with donor restrictions".

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Accordingly, net assets of Cumberland and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Included in this classification are net assets earmarked by the Board for future purposes.

Net assets subject to purpose or use restrictions – Net assets subject to donor-imposed stipulations that specify a use that is more specific than broad limits relating to purposes under which Cumberland operates.

Net assets not subject to appropriation or expenditure – Net assets subject to donor-imposed restrictions that must be maintained permanently by Cumberland. Generally, the donors of these assets permit Cumberland to use all or part of the income earned on any related investments for the specific donor purpose.

Public Support and Revenue

In the absence of a donor's explicit stipulation or circumstances surrounding the receipt of a contribution that make clear the donor's implicit restriction on use, contributions are reported as revenues or gains without donor restrictions, which increase net assets without donor restrictions. All donor-restricted contributions are reported as either net assets subject to purpose restrictions or net assets not subject to appropriation or expenditure, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), such restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. There were no unconditional promises to give at December 31, 2021.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Although individuals volunteer their time and perform a variety of tasks that assist the Foundation, these services do not meet the criteria for recognition as donated services.

Income Taxes

Cumberland is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Cumberland has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) and 170 (b)(1)(A)(vi) of the Code.

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Fixed Assets

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Prior to 1/1/13 Cumberland used an acquisition cost threshold of \$1,000 but increased the threshold to \$5,000 at that date in order to reduce the administrative costs of recording and tracking items of furniture and equipment. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Cumberland reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Cumberland reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of assets.

The class lives of the more significant items within each property classification are as follows:

Vehicles	5 years
Equipment	5 to 10 years
Furniture and fixtures	5 to 10 years
Buildings	20 to 40 years

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Cumberland considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

NOTE B – INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. All non cash contributions are recorded at fair value at the date of receipt. Stock is recorded at the average of the high and low selling price on the date received. Investments sold are recorded at amount received on the trade date.

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Investment income and realized gains and losses are reported as increases in unrestricted net assets unless the donor placed restrictions on the income's use. The change in fair value between years along with realized gains or losses are reflected in the statement of activities in the year of the change.

Some investments are held and managed by the Board of Stewardship, Finance and Benefits of the Cumberland Presbyterian Church, while other investments are held in an investment brokerage account in the name of Cumberland, and are managed by investment managers of the brokerage firm. No single investment exceeds five percent of Cumberland's net assets.

NOTE C – ENDOWMENTS

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Board of Directors of Cumberland has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Cumberland classifies the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment as perpetual in nature. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the stand of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

In accordance with UPMIFA, Cumberland considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of Cumberland and the donor-restricted endowment fund.
- (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 Cumberland.
- (7) The investment policies of Cumberland.

Investment and spending policies have been adopted that attempt to preserve endowment assets. The overall investment objective of the endowment assets is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

Cumberland's endowments consist of 88 individual donor-restricted funds established by individual donors for a variety of purposes. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

A reconciliation of the beginning and ending balances of endowment funds is as follows:

Balance, 12/31/20	\$ 5,449,555
Contributions	225
Earnings	10,961
Investment gains	717,274
Distributions	<u>(241,086)</u>
Balance, 12/31/21	<u>\$ 5,936,929</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires Cumberland to retain as a fund of perpetual duration. Cumberland did not have any net deficiencies of this nature as of December 31, 2021.

Return Objectives and Risk Parameters

Cumberland has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in equity securities, fixed-income securities and short-term reserves with asset allocation within defined acceptable ranges, while assuming a moderate level of investment risk. Cumberland expects its endowment funds, over time, to provide an average rate of return sufficient to provide operating funds as needed. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Cumberland relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Cumberland targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Stewardship, which manages the majority of the permanent endowments of Cumberland, has adopted a written spending policy that commits it to annual distributions from the endowment fund balances. Those distributions are used to help fund Cumberland's operating budget. Over the long term, Cumberland expects the current spending policy to allow its endowment to continue to grow. This is consistent with Cumberland's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS

Cumberland's financial instruments, none of which are held for trading purposes, include cash, securities and receivables. Cumberland has estimated fair value of financial instruments in accordance with requirements of SFAS No. 157. The estimated fair value amounts have been determined by Cumberland, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that Cumberland could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash and cash equivalents, and receivables approximated fair market value at December 31, 2021 because of their relatively short maturity and market terms. The fair value of long term investments at December 31, 2021 is determined based on quoted market values for U.S. government securities, fixed income securities and equity securities.

Financial instruments are considered Level 1 when their values are determined using quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1, such as quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

In accordance with these definitions, the following table represents Cumberland's fair value hierarchy for its investments measured at fair value as of December 31, 2021:

	Quoted Prices for Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Equity securities	\$ 8,450,768	\$ -	\$ 8,450,768
Fixed income securities	-	1,761,174	1,761,174
Certificate of deposit	-	205,142	205,142
Total	<u>\$ 8,450,768</u>	<u>\$ 1,966,316</u>	<u>\$ 10,417,084</u>

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

The estimated fair value of investments was determined by Cumberland in accordance with its investment policy. Estimated fair value is determined by Cumberland based on a number of factors, including: comparable publicly traded securities, the costs of investments to Cumberland, as well as the current and projected operating performance. Changes in unrealized appreciation or depreciation of the investments are recognized as unrealized gains and losses in the statement of activities. Because of the inherent uncertainty of these valuations, the estimated values may differ from the actual fair values that may or may not be ultimately realized.

NOTE E - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at December 31, 2021 consist of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 23,477		\$ 23,477
Buildings	5,870,217	\$ 3,255,590	2,614,627
Campus infrastructure	583,513	378,507	205,006
Furniture & equipment	468,816	368,434	100,382
Vehicles	150,037	149,214	823
Total	<u>\$ 7,096,060</u>	<u>\$ 4,151,745</u>	<u>\$ 2,944,315</u>

NOTE F – NET ASSETS SUBJECT TO PURPOSE, USE OR TIME RESTRICTIONS

Net assets subject to purpose, use or time restrictions are available for the following purposes or periods:

Lena Hart Educational Fund	\$ 7,800
Humphrey Scholarship Endowment	3,724
Walker Trimble Scholarship Fund	8,246
David Long Memorial Fund	1,046
Sybil V. Cockerham College Fund	3,186
Eleanor Sargeant Endowment	2,444
For periods after December 31, 2021 - term endowment to be received in a future year – Naomi Locke Trust	<u>22,658</u>
Total	<u>\$ 49,104</u>

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE G - OTHER LONG-TERM INVESTMENTS

	<u>Total</u>	<u>Unrestricted</u>	<u>Purpose/Use Restrictions</u>	<u>Not Subject to Appropriation</u>
Endowments held by the Board of Stewardship	\$ 5,880,161	\$ -	\$ -	\$ 5,880,161
Certificates of deposit – First United Bank	205,142	205,142	-	-
Mutual funds held by First National Bank – Virginia Ekiss Trust	376,926	-	-	376,926
Mutual funds held by Regions Bank – Laura Harpole Trust	110,376	-	-	110,376
Mutual funds held by Fairfield Natl. Bank - Naomi Locke Trust	22,658	-	22,658	-
Funds held at J P Morgan:				
Lena Hart Educational Fund	10,300	-	7,800	2,500
Humphrey Scholarship Endowment	7,205	-	3,724	3,481
Walker Trimble Scholarship Fund	16,526	-	8,246	8,280
David Long Memorial Fund	2,046	-	1,046	1,000
Sibyl V. Cockerham College Fund	5,186	-	3,186	2,000
Eleanor Sargeant Endowment	5,024	-	2,444	2,580
Operating Reserve	3,528,905	3,528,905	-	-
Stocks held at Charles Schwab:				
Operating Reserve	3,229	3,229	-	-
4,000 shares Exxon-Mobil held by CPCH - Jessie DiCarlo Endowment	243,400	-	-	243,400
Total	<u>\$ 10,417,084</u>	<u>\$ 3,737,276</u>	<u>\$ 49,104</u>	<u>\$ 6,630,704</u>

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE H – NET ASSETS PERPETUAL IN NATURE

Net assets perpetual in nature are restricted as follows:

Investments in perpetuity, the income from which is expendable to support an activities of CYFS	<u>\$ 6,667,631</u>
Total	<u><u>\$ 6,667,631</u></u>

NOTE I – SUBSEQUENT EVENTS

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

NOTE J – COMPONENTS OF INVESTMENT RETURN

Investment return for the year ended December 31, 2021, including interest and dividends on investments and interest earned on cash balances is summarized as follows:

Unrestricted investment return:	
Interest and dividend income:	
JP Morgan investments	\$ 81,510
Exxon Mobil stock investment	13,960
Other	19,254
Unrealized gains on investments	<u>290,923</u>
Total unrestricted investment return	<u>405,647</u>
Restricted investment return:	
Interest income:	
Board of Stewardship investments	10,961
Other	7,427
Unrealized gains on investments	<u>798,333</u>
Total restricted investment return	<u>816,721</u>
Less investment management fees	<u>(24,736)</u>
Total Investment Return	<u><u>\$ 1,197,632</u></u>

NOTE K – BANK LINE OF CREDIT

Cumberland has a \$250,000 line of credit established at First United Bank of Texas for working capital purposes. Total outstanding in the line of credit as of December 31, 2021 was \$200,000. Total interest paid during 2021 on the line of credit was \$4,360. The line of credit is secured by the certificate of deposit held at the bank.

CUMBERLAND YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Cumberland has \$969,397 of financial assets at the statement of financial position date, consisting of cash in its operating bank accounts and investment accounts of \$633,973 and receivables from the Board of Stewardship and from providing program services of \$335,424. None of these financial assets are subject to donor restrictions, time restrictions or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amount available for general use. Donor-restricted endowment funds are not available for general expenditure but income earned on investments in perpetuity is available to support the activities of Cumberland.

The financial assets balance of \$969,397 at 12/31/2021 represents approximately 100 days of normal operating expenses. As part of its liquidity management, the Cumberland structures its financial assets to be available as its general expenses, liabilities and other obligations come due. Cash in excess of daily requirements is invested in certificates of deposit and various short-term and long-term investments, with most of the investments managed by JP Morgan.

NOTE M – FUNCTIONAL EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the accompany statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and benefits are allocated based on estimates of time spent by personnel in each program or supporting activity. All other expenses are reported based on the program or supporting activity that benefits from the expense.

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SUPPLEMENTAL SCHEDULE

CUMBERLAND YOUTH AND FAMILY SERVICES

SCHEDULE OF BOARD OF STEWARDSHIP ENDOWMENTS DECEMBER 31, 2021

Donor-established Endowments:

	<u>Balance</u>
Merlyn & Joann Kitterman Alexander	\$ 1,200
W.A. and Elizabeth Bearden Trust	13,665
Grace Johnson Beasley Memorial Endowment	31,817
Bethlehem CPC Memorial Endowment	5,200
Bridges Scholarship Fund	35,925
J.T. and Dorothy Britt Trust	9,622
Children's Home Endowment	277,563
Lavenia Campbell Cole Trust 20%	17,501
Lavenia Campbell Cole Annuity Endowment	71,077
Lavenia Cole Testamentary Trust 25%	604,487
Mrs. A.L. Colvin Memorial Fund	1,804
John W. and Eva Cox Trust Fund	26,639
Steve Curry Trust	467,609
Daniel Class, First Cumberland Presbyterian Church	27,511
Donnie Curry Davis Memorial	160,986
Mary Elberta Davis Memorial	17,178
Fred and Mattie Mae Dwiggin Memorial Trust	68,973
J.S. Eustis Memorial Trust Fund	10,889
Clester H. Evans, Sr., Trust	18,180
John M. Friedel Trust	18,806
Joyce C. Frisby Memorial Endowment	24,235
Vaughn and Mary Elizabeth Fults Trust	17,347
Garner-Miller Memorial Trust	10,896
James C. and Freda M. Gilbert Endowment	99,931
Henry and Jayne Glaspy Memorial Fund	7,099
Rev. W.J. Gregory Memorial	89,230
Glenn Griffin Endowment	38,040
Rev. and Mrs. Henry M. Guynn Memorial	3,953
Chad Harper Endowment	21,415
Newsome and Imogene Harvey Endowment	2,182
Clarence & Lula Herring Endowment	5,194
Kenneth and Clara Holsopple Trust	45,979
George and Lottie M. Hutchins Trust	977,848
Norma K. Johnson Memorial Library	9,813
P.F. Johnson Memorial Endowment	16,290
Robert and Genevie Johnson Endowment	4,884
Mr. and Mrs. Robert L. Johnson	10,265
Violet Louise Jolly Endowment	1,036
Eulava Joyce Memorial Trust	8,565
Ruth Cypert and Harlie Klugler Memorial Fund	17,248
Blanche R. Lake Endowment	12,430
Wade P. Lane/Maude Dorrough Memorial Trust	8,182
Adolphus M. Latta Memorial Trust	44,146
Mr. and Mrs. Robert F. Little Endowment Fund	31,195
Charles E. and Addie Mae Lloyd Endowment Fund	19,445
Tony and Ann Martin Endowment	4,292
Mrs. Lucille (Lucy) Mast Endowment	4,363

CUMBERLAND PRESBYTERIAN CHILDREN'S HOME

SCHEDULE OF BOARD OF STEWARDSHIP ENDOWMENTS (CONT'D)
DECEMBER 31, 2021

Donor-established Endowments:

	<u>Balance</u>
W.B. and Azales McClurkan, Sr. Memorial	\$ 16,625
Williams J. McCall Memorial Trust	8,565
McEwen Church Trust	6,580
McKinley and Barnett Families Endowment	742,369
J.C. McKinley Endowment	16,219
Velma McKinley Trust	16,219
Mary McKnight Memorial Trust	9,751
Kenneth and Mae Moore Endowment Fund	6,056
Operational Trust Fund	127,416
Bert and Pat Owen Endowment	1,347
Hamilton & Merion Parks Family Trust #3	16,380
Joe Parr Trust Fund	67,331
Martha Sue Parr Endowment	1,375
Mary M. Poole Endowment Fund	823,772
Jack and Mary Proctor Memorial Trust Fund	54,924
SQ&K Maurine Proctor Trust	4,865
Mary Acena Prewitt Trust Fund	77,646
Rev. and Mrs. Joe Reed Memorial	4,905
Marguerite D. Richards Endowment	21,875
Agnes Durbin Richardson Trust	25,948
Pat N. & Essie H. Roberts Memorial	50,647
Frances Benefield Roberts Trust Fund	2,006
Rev. and Mrs. John A. Russell Memorial	3,916
John Ann and Mary Shimer	12,893
Rev. W.B. and Lydia Snipes Memorial Trust	33,981
Don M. & Nancy Tabor Endowment Trust	29,640
Townsend Trust Fund	33,057
Hattie A. Wheelless Fund	17,005
Whitfield Family Endowment	10,368
Porter and Hattie S. Williamson Memorial Trust	147,488
Helen Wynn Endowment Fund	18,839
Maxie and Will Young Memorial Endowment	17,853
Dixie Campbell Zinn Memorial Trust	5,367
Dr. John P. Austin Endowment	24,798
	<u> </u>
Total	<u>\$ 5,880,161</u>