



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**FIRST UNITARIAN CHURCH OF
ALBUQUERQUE**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

For the Year Ended December 31, 2020

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
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For Year Ended December 31, 2020

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FIRST UNITARIAN CHURCH OF ALBUQUERQUE
OFFICIAL ROSTER
As of December 31, 2020

BOARD OF DIRECTORS

| Name | Position |
|------------------------------|----------------|
| Heather Clark | President |
| Mikaela Renz-Whitmore | Vice President |
| Faye Rafferty | Treasurer |
| Sally Wistrand | Secretary |
| George Bakula | Member |
| Doug Loescher | Member |
| Aroop Mangalik | Member |
| Marilyn O'Boyle | Member |
| Gina Kennedy | Member |
| Dumas Slade | Member |
| Raven Reed Starr | Member |
| Angela Herrera (ex. Officio) | Member |

ADMINISTRATIVE PERSONNEL

| Name | Position |
|------------------------|----------------------------------|
| The Rev Angela Herrera | Senior Minister |
| The Rev Bob LaVallee | Associate Minister |
| Warren Hayslip | Director of Finance & Operations |



INDEPENDENT AUDITOR’S REPORT

The Board of Directors
First Unitarian Church of Albuquerque
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of First Unitarian Church of Albuquerque (the “Church”), (a non-profit organization) which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement of Net Assets

As discussed in Note 15 to the financial statements, the 2019 net assets have been restated due to allocation adjustments between funds and net assets with donor restrictions and without donor restrictions.

Supplementary Schedules

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



Hinkle + Landers, P.C.
Albuquerque, NM
June 11, 2021

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2020

| | | 2020 |
|--|----|-----------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ | 229,862 |
| Restricted cash | | 741,286 |
| Investments - Raymond James | | 950 |
| Accounts receivable | | 11,504 |
| Total current assets | | 983,602 |
| Other Assets | | |
| Quasi-endowment fund | | 1,023,101 |
| Total other assets | | 1,023,101 |
| Property and equipment, net | | 5,396,183 |
| Total Assets | \$ | 7,402,886 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ | 45,014 |
| Accrued expenses | | 5,151 |
| Deferred revenue | | 51,916 |
| Deposits held | | 660 |
| Current portion of bank loans | | 77,873 |
| Total Current Liabilities | | 180,614 |
| Long-Term Liabilities | | |
| Bank loans, net of current portion | | 1,284,253 |
| Total Long-Term Liabilities | | 1,284,253 |
| Total Liabilities | | 1,464,867 |
| Net Assets | | |
| Net Assets Without Donor Restrictions | | |
| Net investment in property and equipment | | 4,034,057 |
| Board designated-quasi endowment | | 1,023,101 |
| Undesignated | | 139,575 |
| | | 5,196,733 |
| Net Assets With Donor Restrictions | | |
| Program fund | | 178,016 |
| Capital Fund | | 563,270 |
| Total Net Assets | | 5,938,019 |
| Total Liabilities and Net Assets | \$ | 7,402,886 |

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

| | 2020 | | Total |
|---|----------------------------------|-------------------------------|-----------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Support | | | |
| Pledges | \$ 881,157 | 287,275 | 1,168,432 |
| Contributions | - | 210,955 | 210,955 |
| Non-pledge gifts | 75,800 | - | 75,800 |
| Total Support | 956,957 | 498,230 | 1,455,187 |
| Revenue | | | |
| Rent revenue | 6,587 | - | 6,587 |
| Investment income, net of expenses | 110,354 | - | 110,354 |
| Church programs | 11,788 | - | 11,788 |
| Arts and aesthetics | 1,948 | - | 1,948 |
| Miscellaneous | 1,916 | 14,059 | 15,975 |
| PPP loan revenue | 154,000 | - | 154,000 |
| Endowment fund holding | 15,000 | 5,010 | 20,010 |
| Interest income | 368 | 1,278 | 1,646 |
| Total Revenues | 301,961 | 20,347 | 322,308 |
| Net assets released from restrictions | 211,939 | (211,939) | - |
| Total Revenue and Support | 1,470,857 | 306,638 | 1,777,495 |
| Expenses | | | |
| General and Administration | | | |
| Operating Fund | 950,804 | - | 950,804 |
| Program Services | | | |
| Program Fund | 75,944 | - | 75,944 |
| Endowment Fund | - | - | - |
| Capital Fund | 195,492 | - | 195,492 |
| East Mountain Fund | 4,557 | - | 4,557 |
| Total Expenses | 1,226,797 | - | 1,226,797 |
| Change in net assets | 244,060 | 306,638 | 550,698 |
| Net assets, beginning of year | 5,377,837 | 5,656 | 5,383,493 |
| Restatement | (425,164) | 428,992 | 3,828 |
| Net assets, beginning of year, restated | 4,952,673 | 434,648 | 5,387,321 |
| Net assets, end of year | \$ 5,196,733 | 741,286 | 5,938,019 |

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

2020

| | 2020 | | | | | Total |
|-------------------------------------|----------------------------|------------------|-------------------|-----------------|--------------------------|-----------|
| | General & Adminstration | Program Services | | | | |
| | Operating Fund | Program Fund | Endowment Fund | Capital Fund | East Mountain Fund | |
| Salaries and wages | \$ 537,823 | 6,945 | - | - | - | 544,768 |
| Pension | 54,478 | - | - | - | - | 54,478 |
| Employee benefits | 31,857 | 161 | - | - | - | 32,018 |
| Payroll related taxes | 29,035 | 396 | - | - | - | 29,431 |
| Total salaries and related expenses | 653,193 | 7,502 | - | - | - | 660,695 |
| Repairs and maintenance | 69,109 | - | - | 22,989 | 812 | 92,910 |
| Church programs | 7,374 | 35,760 | - | - | - | 43,134 |
| Interest expense | - | - | - | 41,824 | - | 41,824 |
| Professional services | 37,734 | - | - | - | - | 37,734 |
| Staff housing and moving allowance | 36,488 | - | - | - | - | 36,488 |
| Denominational contributions | 33,145 | - | - | - | - | 33,145 |
| Food pantry | - | 28,324 | - | - | - | 28,324 |
| Staff and board expenses | 23,668 | 634 | - | - | - | 24,302 |
| Utilities | 17,616 | - | - | - | 3,434 | 21,050 |
| Insurance | 18,521 | - | - | - | - | 18,521 |
| Communications | 12,633 | - | - | - | - | 12,633 |
| Supplies | 10,517 | - | - | 449 | - | 10,966 |
| Miscellaneous expenses | 7,394 | - | - | 402 | - | 7,796 |
| Office Expenses | 6,756 | - | - | - | - | 6,756 |
| Music and choir | 5,948 | - | - | - | - | 5,948 |
| Minister's Discretionary | - | 3,200 | - | - | - | 3,200 |
| Education | 2,541 | - | - | - | - | 2,541 |
| Rent | 1,850 | - | - | - | - | 1,850 |
| Postage | 1,655 | - | - | - | - | 1,655 |
| Mortgage and property tax | 1,437 | - | - | - | - | 1,437 |
| Childcare | 1,348 | 42 | - | - | - | 1,390 |
| Travel | 1,097 | - | - | - | - | 1,097 |
| Hospitality | 633 | - | - | - | - | 633 |
| Scholarships | - | 482 | - | - | - | 482 |
| Advertising | 147 | - | - | - | - | 147 |
| Total expenses before depreciation | 950,804 | 75,944 | - | 65,664 | 4,246 | 1,096,658 |
| Depreciation/amortization | - | - | - | 129,828 | 311 | 130,139 |
| Total expenses | \$ 950,804 | 75,944 | - | 195,492 | 4,557 | 1,226,797 |

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

| | 2020 |
|---|--------------|
| Cash Flow From Operating Activities | |
| Cash received from support | \$ 1,173,449 |
| Cash received from church programs | 11,788 |
| Cash received from other income | 198,520 |
| Interest income received | 1,646 |
| Cash paid to employees and suppliers | (1,057,393) |
| Interest paid | (41,824) |
| Net cash provided (used) by operating activities | 286,186 |
| Cash Flows From Investing Activities | |
| Purchase of property and equipment | (252,228) |
| (Purchase) of investments and (fees) | (39,751) |
| Sale of investments | 39,770 |
| Net cash provided (used) by investing activities | (252,209) |
| Cash Flows From Financing Activities | |
| Capital campaign contributions | 287,275 |
| Proceeds from bank loans | 133,627 |
| Net cash provided (used) by financing activities | 420,902 |
| Net increase (decrease) in cash, restricted cash and cash equivalents | 454,879 |
| Cash, restricted cash and cash equivalents, beginning of year | 516,269 |
| Cash, restricted cash and cash equivalents, end of year | \$ 971,148 |
| Reconciliation of Change in Net Assets to Net Cash Flow Provided (Used) by Operating Activities | |
| Change in net assets | \$ 550,698 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation/amortization | 130,139 |
| Changes in assets and liabilities: | |
| Accounts receivable | 1,709 |
| Accounts payable | 45,014 |
| Accrued expenses | (6,008) |
| Deferred revenue | (38,831) |
| Other liabilities | 604 |
| Funds held for others | (3,338) |
| Unrealized (gain) loss from investments | (110,354) |
| Capital campaign contributions | (287,275) |
| Restatement | 3,828 |
| Rounding | - |
| Total adjustments | (264,512) |
| Net cash provided (used) by operating activities | \$ 286,186 |

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1—NATURE OF ACTIVITIES

First Unitarian Church of Albuquerque (the “Church”) was incorporated in 1953 as a Not-For-Profit Corporation and is a member of the Unitarian Universalist Association. First Unitarian is a liberal religious community serving New Mexico. Members of the congregation agree to promote the spiritual, intellectual, and personal growth of each member; minister to each other in an atmosphere of welcome, acceptance, and caring; be a positive force for social, environmental, and economic action; promote the wider understanding of our purposes and principles in the larger community; and provide dynamic religious education programs for all ages. The Church is supported primarily through contributions from the congregation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed are described below:

A. Basis of Presentation

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

B. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions. These are defined as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization’s board may designate assets without restrictions for specific operational purposes from time to time.

The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and any related debt.

Net Assets with Donor Restrictions—Temporary in Nature

Net assets with temporary donor restrictions are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the Church pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. See Net Assets with Donor Restrictions Note 6.

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Net Assets with Donor Restrictions—Perpetual in Nature

Net assets with perpetual donor restrictions resulting from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Church. At December 31, 2020, the Church reported no donor restricted net assets that are perpetually restricted.

C. Cash, Restricted Cash and Cash Equivalents

For purposes of the statement of cash flows, the Church considers all restricted and unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

E. Summary of Fair Value Exposure

FASB ASC 820-10 and subsections establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). (The inputs and methodology used for valuing the Church's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value hierarchy under FASB ASC 820-10 are as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers and brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. There were no assets or liabilities to be disclosed for this category.

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The following table sets forth by level, within the fair value hierarchy, the Church's financial assets measured at fair value as of December 31, 2020:

| | | 2020 | | |
|----------------------|----|---------|-----------|-----------|
| | | Level 1 | Level 2 | Total |
| Raymond James | \$ | 950 | - | 950 |
| Quasi-endowment fund | | - | 1,023,101 | 1,023,101 |
| | \$ | 950 | 1,023,101 | 1,024,051 |

F. Income Taxes

The Church is exempt from federal income taxes under section 501(A) of the Internal Revenue Code as an organization described in section 501(c)(3) and has been designated as an organization other than private foundation and qualifies as a church. The State of New Mexico also recognizes this exemption. The Church does not file a Federal Form 990 tax return as it is exempt under IRS requirements as a religious organization. The church has not received any income that is considered unrelated business income that would be subject to income tax and tax return filing requirements. There is no provision for income taxes in the accompanying financial statements.

G. Impairment of Long-Lived Assets

The Church accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2020.

H. Advertising

The cost of advertising is expensed when incurred.

I. Contributed Services

A substantial number of volunteers have made significant contributions of their time in the furtherance of Church's activities. The value of this contributed time is not reflected in these statements as it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

J. Property, Equipment and Depreciation

As of December 31, 2020, the Church did not have a formal capitalization policy and no threshold of when to capitalize assets. Purchased property and equipment are stated at cost. Donated assets that

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

are to be used by the Church are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty years.

The major classifications of property and equipment and the related depreciable lives are as follows:

| <u>Classification</u> | <u>Useful Life (in years)</u> |
|------------------------|-------------------------------|
| Land | Perpetual |
| Buildings | 40 |
| Building improvements | 40 |
| Property and equipment | 5-10 |

K. Revenue Recognition

In accordance with accounting principles generally accepted in the United States of America, revenue is recorded when earned rather than received. The following summarizes the revenue recognition policies for major classifications of revenue:

Contributions—Contributions are reported when an unconditional promise to give or other asset is received (in accordance with ASC 958-605). Gifts of securities are recorded at their fair market value when received. Usually, all significant donor-imposed contributions are disclosed as restricted even if released in the same year, but some restricted contributions released in the same year may be shown as only unrestricted revenue. Each year, the Church asks members of the congregation to submit pledge cards indicating donations the members intend to give for future years. Since these pledges are not considered enforceable and there is a right of return to the contributor if any pledge contributions were received in advance of when they were due, they do not meet the criteria of being recognized as contribution revenue until they are collected. Contributions received but intended for the next fiscal year are reported as deferred revenue as the Church believes these revenues are contingent upon the donor’s continued association with the Church.

L. Quasi-Endowment

The Church’s Quasi-Endowment Fund consists of gifts, proceeds of trusts, endowments, or other funds assigned to the Fund by the board, which require long-term investment management. The assets of the Fund are invested for the benefit of the congregation, and for the programs and activities of the Church or external organizations, the missions of which are compatible with that of the church and are considered to be socially responsible. The Endowment Fund Committee shall manage the Fund. The bylaws of the Church state that the Endowment Fund Committee will encourage and accept gifts to the Fund, ensure that such gifts are acknowledged, honored, and properly recorded for posterity. The purpose of the Quasi-Endowment fund is to invest to maintain or increase the real value of the principal over the long-term regardless of distributions. In order to maintain financial equilibrium, the Endowment Fund Committee has set limits for each major

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

asset class that may be exceeded only with prior written authorization by the Endowment Fund Committee.

Class and range limits are as follows:

| | |
|---------------|--------|
| Equities: | 40-65% |
| Fixed Income: | 30-55% |
| Cash: | 10-20% |

M. Use of Estimates in Preparing Financial Statements

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

N. Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, program fund-raising, and general and administration services based on specific identifications. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

O. Liquidity and Availability of Financial Resources

The Church regularly monitors liquidity to meet cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Church is not substantially supported by restricted grants. A donor's restriction requires resources to be used in a particular manner or in a future period, therefore, the Church must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of the Church's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, the Church can invest cash in excess of daily requirements in short-term investments. Occasionally, the Session designates a portion of any operating surplus to its liquidity reserve.

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Liquidity is as follows:

| | 2020 |
|---|------------|
| Total cash | \$ 971,148 |
| Investments- Raymond James | 950 |
| Accounts Receivable | 11,504 |
| Less those unavailable for general expenditures within one year, due to: | |
| Restricted by donor with purpose restriction | (741,286) |
| Financial assets available to meet cash needs for general expenditure within one year | \$ 242,316 |

Donor restricted funds are available for expenditure upon satisfaction of the restriction, the expected timing of which is not generally determinable in advance.

P. Concentrations of Credit Risk

The Church keeps its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, the Church's uninsured cash balances were \$702,319. The Church has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

NOTE 3—CASH, RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31:

| | 2020 |
|----------------------|------------|
| US Bank-Operating | \$ 259,154 |
| US Bank-Money Market | 126,311 |
| US Bank-Capital | 566,854 |
| Nusenda CU-Checking | 4,001 |
| Nusenda CU-Savings | 2,307 |
| Wells Fargo-Checking | 12,521 |
| Total | \$ 971,148 |

Restricted cash is comprised of program and capital fund donor restricted donations. See note 6 for details of restricted cash.

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 4—INVESTMENTS AND ENDOWMENT FUND

Investments are presented in the financial statements at fair value. Market risk could occur and is dependent on future changes in market prices of the various investments held. The Church held investments of \$1,024,051 at December 31, 2020, which were comprised of the following:

| | |
|----------------|--------------|
| | 2020 |
| Raymond James | \$ 950 |
| Endowment Fund | 1,023,101 |
| | \$ 1,024,051 |

As of December 31, 2020, investment and endowment fund activity consisted of the following:

| | 2020 | | |
|---------------------------------------|---------------|----------------|-----------|
| | Raymond James | Endowment Fund | Total |
| Beginning balance | \$ 994 | 912,722 | 913,716 |
| Deposits | 14,837 | - | 14,837 |
| Withdrawals | (14,770) | (25,000) | (39,770) |
| Other debits | - | - | - |
| Investment income | 6 | 7,176 | 7,182 |
| Investment fees and expenses | - | (9,888) | (9,888) |
| Gain/(loss) due to market fluctuation | (117) | 138,091 | 137,974 |
| Ending balance | \$ 950 | 1,023,101 | 1,024,051 |

The Unitarian Universalist Association of Congregations (UUA) holds money for the benefit of the Church in a board designated endowment fund. The Endowment Fund financial secretary and the church treasurer are required to agree on the annual distribution amount, and then recommend the amount to the Board of Directors, where the distribution is required to be approved by the Board. The annual distribution amount is a maximum of 4% of the trailing twelve-quarter average value of the Endowment Fund. The annual distribution amount will be calculated based on an average of the ending values of the Endowment Fund's trailing twelve calendar quarters. The Church has granted variance power to its board of directors.

NOTE 5—NET ASSETS WITHOUT DONOR RESTRICTIONS-BOARD DESIGNATED

As of December 31, 2020, the Church has the following net assets without donor restrictions that are board designated:

| Board Designated | 2019 | Designated | Restrictions Released | Restatement | 2020 |
|---------------------|------------|------------|--------------------------|-------------|-----------|
| Purpose Restricted: | | | | | |
| Endowment Fund | 921,316 | 110,379 | (1,919) | (6,675) | 1,023,101 |
| Capital Fund | - | 59,497 | (59,497) | - | - |
| Grand Total | \$ 921,316 | 169,876 | (61,416) | (6,675) | 1,023,101 |

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 6—NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, the Church has the following net assets with purpose restrictions:

| <u>Donor Restricted Fund</u> | <u>2019</u> | <u>Restricted Donations</u> | <u>Restrictions Released</u> | <u>Restatement</u> | <u>2020</u> |
|------------------------------|-------------|-----------------------------|------------------------------|--------------------|-------------|
| Purpose Restricted: | | | | | |
| Program Fund | \$ 5,656 | 123,907 | (75,944) | 124,397 | 178,016 |
| Capital Fund | - | 394,670 | (135,995) | 304,595 | 563,270 |
| Grand Total | \$ 5,656 | 518,577 | (211,939) | 428,992 | 741,286 |

Net assets with purpose restrictions have been restated for the year ending December 31, 2020. See note 15.

NOTE 7—PROPERTY, EQUIPMENT AND DEPRECIATION

A summary of property and equipment, reported at cost at December 31, 2020 is as follows:

| | <u>2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>2020</u> |
|-----------------------------------|--------------|------------------|------------------|------------------|-------------|
| Non-depreciable assets | | | | | |
| Land | \$ 1,477,500 | - | - | - | 1,477,500 |
| Construction in progress | 1,126,265 | - | - | (1,126,265) | - |
| Total non-depreciable assets | 2,603,765 | - | - | (1,126,265) | 1,477,500 |
| Depreciable assets | | | | | |
| Buildings | 3,654,047 | 233,728 | - | 1,126,265 | 5,014,040 |
| Furniture, fixtures and equipment | 274,557 | - | - | - | 274,557 |
| Land improvements | - | 18,500 | - | - | 18,500 |
| Total depreciable assets | 3,928,604 | 252,228 | - | 1,126,265 | 5,307,097 |
| Total assets before depreciation | 6,532,369 | 252,228 | - | - | 6,784,597 |
| Less: Accumulated depreciation | (1,258,275) | (130,139) | - | - | (1,388,414) |
| Property and equipment, net | \$ 5,274,094 | 122,089 | - | - | 5,396,183 |

Depreciation expense for the years ended December 31, 2020 was \$130,139.

NOTE 8—DEFERRED REVENUE

Deferred revenue is recorded when the Church receives pledges for the following year. Deferred revenue as of December 31, 2020 consists of the following:

| | |
|-----------------|-------------|
| | <u>2020</u> |
| Prepaid pledges | \$ 51,916 |

Pledges received by the Church in advance for the subsequent year are subject to the right of return. If members leave the church for any circumstance, those advanced funds will be refunded to the member and therefore are considered unearned until the Church satisfies their performance obligation to the member.

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 9—ACCRUED LIABILITIES

At December 31, the Church had the following in accrued liabilities:

| | |
|-------------------|------------------------|
| | <u>2020</u> |
| Employee benefits | \$ <u>5,151</u> |
| Total | \$ <u><u>5,151</u></u> |

NOTE 10—BANK LOANS

A summary of long-term debt follows:

| | | |
|-----------------|--|----------------------------|
| | | <u>2020</u> |
| US Bank Loan 42 | Note payable to a bank with an original amount of \$569,540 due in monthly principal and interest payments of \$4,007. The loan bears an annual interest rate of 3.9%. All unpaid principal and interest due on maturity on June 5, 2026. The loan is secured by real property held by the Church. | \$ 525,720 |
| US Bank Loan 26 | Note payable to a bank with an original amount of \$855,528 due in monthly principal and interest payments of \$5,464. The loan bears an annual interest rate of 1.86%. All unpaid principal and interest due on maturity on June 22, 2022. The loan is secured by real property held by the Church. | 836,406 |
| Total | | \$ <u><u>1,362,126</u></u> |

Aggregate maturities of long-term debt are as follows:

| <u>Year</u> | <u>Principal</u> |
|-------------|-------------------------|
| 2021 | 77,873 |
| 2022 | 814,902 |
| 2023 | 29,898 |
| 2024 | 31,053 |
| 2025 | 32,352 |
| Thereafter | <u>376,048</u> |
| Total | <u><u>1,362,126</u></u> |

In addition, the Church secured a Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) in the amount of \$154,000 on May 1, 2020. The Church received notice that this loan was fully forgiven on April 21, 2021 and recognized the proceeds from this loan as revenue for the year ended December 31, 2020.

NOTE 11—PENSION PLAN

The Church provides a Unitarian Universalist Association pension plan to its employees, at no cost, who are at least 21 years of age, working half time or above and who have worked for the Church or

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

another Unitarian Universalist Association for one year. The rate of investment is 12% of the employee's salary. The rate will be evaluated as needed by the Board of Directors. The pension plan is made available in the church office for employees to review. In 2020, there were \$54,478 of pension expenses.

NOTE 12—LEASE COMMITMENTS

The Church leases a copy machine from Pacific Automation and solar panels from Premium Power. Expenses for these leases for the year ended December 31, 2020 totaled \$44,092.

The estimated future lease payments under these agreements are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2021 | \$ 43,086 |
| 2022 | 41,042 |
| 2023 | 28,840 |
| 2024 | 29,561 |
| 2025 | 30,300 |
| Thereafter | 162,320 |
| Total | <u>\$ 335,149</u> |

NOTE 13—REVENUE CONCENTRATION

The Church receives a significant portion of its revenue in the form of pledges, contributions, and non-pledge gifts. The Church expects these sources of revenue to continue into the foreseeable future. If, however, a significant portion of these funds are not continued, the Church's ability to continue all programs would be diminished. The following is a summary of concentrations from contributions and grants as of December 31:

| <u>Concentration of funding sources</u> | <u>2020</u> | |
|---|-------------------------|------------|
| | <u>Amount</u> | <u>%</u> |
| Pledges | \$ 1,168,432 | 66% |
| Contributions | 210,955 | 12% |
| Non-pledge gifts | <u>75,800</u> | <u>4%</u> |
| | <u>\$ 1,455,187</u> | <u>82%</u> |
| Total support and revenue | <u>\$ 1,777,495</u> | |

NOTE 14—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Church recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Church's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The Church has evaluated subsequent events through June 11, 2021, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2020, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Church's funding sources and cash flow. Other financial impacts could occur though such potential impact is unknown at this time.

NOTE 15—RESTATEMENT

During 2020, management conducted a full review of all fund balances. This process resulted in the following restatements:

| <u>Net Assets</u> | <u>Without Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------|------------------------------------|------------------|
| Operating Fund | | | |
| Fund balance-beginning of year, as previously reported in 2019 | \$ 61,153 | - | 61,153 |
| Restatement-proper allocation between funds and categories | <u>(61,124)</u> | <u>-</u> | <u>(61,124)</u> |
| Fund balance, beginning as restated | 29 | - | 29 |
| Program Fund | | | |
| Fund balance-beginning of year, as previously reported in 2019 | - | 5,656 | 5,656 |
| Restatement-proper allocation between funds and categories | <u>-</u> | <u>124,397</u> | <u>124,397</u> |
| Fund balance, beginning as restated | - | 130,053 | 130,053 |
| Endowment Fund | | | |
| Fund balance-beginning of year, as previously reported in 2019 | 921,316 | - | 921,316 |
| Restatement-proper allocation between funds and categories | <u>(6,675)</u> | <u>-</u> | <u>(6,675)</u> |
| Fund balance, beginning as restated | 914,641 | - | 914,641 |
| Capital Fund | | | |
| Fund balance-beginning of year, as previously reported in 2019 | 4,342,199 | - | 4,342,199 |
| Restatement-proper allocation between funds and categories | <u>(411,980)</u> | <u>304,595</u> | <u>(107,385)</u> |
| Fund balance, beginning as restated | 3,930,219 | 304,595 | 4,234,814 |
| East Mountain Fund | | | |
| Fund balance-beginning of year, as previously reported in 2019 | 53,169 | - | 53,169 |
| Restatement-proper allocation between funds and categories | <u>54,615</u> | <u>-</u> | <u>54,615</u> |
| Fund balance, beginning as restated | <u>107,784</u> | <u>-</u> | <u>107,784</u> |
| All Funds beginning, restated | <u>\$ 4,952,673</u> | <u>434,648</u> | <u>5,387,321</u> |

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
COMBINING SCHEDULE OF FINANCIAL POSITION
For the Year Ended December 31, 2020

| | 2020 | | | | | | |
|--|-------------------|-----------------|-------------------|------------------|--------------------------|---------------------------|------------------|
| | Operating Fund | Program Fund | Endowment Fund | Capital Fund | East Mountain Fund | Interfund Eliminations | Total |
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | \$ 201,217 | - | 1,919 | 26,941 | - | - | 230,077 |
| Restricted cash | - | 178,016 | - | 563,270 | - | - | 741,286 |
| Investments - Raymond James | 535 | - | - | 415 | - | - | 950 |
| Accounts receivable | 8,009 | 215 | - | 3,280 | - | - | 11,504 |
| Total current assets | <u>209,761</u> | <u>178,231</u> | <u>1,919</u> | <u>593,906</u> | <u>-</u> | <u>-</u> | <u>983,817</u> |
| Other Assets | | | | | | | |
| Quasi-endowment fund | - | - | 1,023,101 | - | - | - | 1,023,101 |
| Total other assets | <u>-</u> | <u>-</u> | <u>1,023,101</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,023,101</u> |
| Property and equipment, net | - | - | - | 5,292,345 | 103,838 | - | 5,396,183 |
| Total Assets | <u>\$ 209,761</u> | <u>178,231</u> | <u>1,025,020</u> | <u>5,886,251</u> | <u>103,838</u> | <u>-</u> | <u>7,403,101</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| Current Liabilities | | | | | | | |
| Cash overdraft | \$ - | 215 | - | - | - | - | 215 |
| Accounts payable | \$ 26,242 | - | - | 18,500 | 272 | - | 45,014 |
| Accrued expenses | 5,151 | - | - | - | - | - | 5,151 |
| Deferred revenue | 39,780 | - | - | 12,136 | - | - | 51,916 |
| Deposits held | 660 | - | - | - | - | - | 660 |
| Funds held for others | - | - | - | - | - | - | - |
| Current portion of bank loans | - | - | - | 77,873 | - | - | 77,873 |
| Total Current Liabilities | <u>71,833</u> | <u>215</u> | <u>-</u> | <u>108,509</u> | <u>272</u> | <u>-</u> | <u>180,829</u> |
| Long-Term Liabilities | | | | | | | |
| Interfund loan payable | - | - | - | - | - | - | - |
| Bank loans, net of current portion | - | - | - | 1,284,253 | - | - | 1,284,253 |
| Total Long-Term Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,284,253</u> | <u>-</u> | <u>-</u> | <u>1,284,253</u> |
| Total Liabilities | <u>71,833</u> | <u>215</u> | <u>-</u> | <u>1,392,762</u> | <u>272</u> | <u>-</u> | <u>1,465,082</u> |
| Net Assets | | | | | | | |
| Net Assets Without Donor Restrictions | | | | | | | |
| Net investment in property and equipment | - | - | - | 3,930,219 | 103,838 | - | 4,034,057 |
| Board designated-quasi endowment | - | - | 1,023,101 | - | - | - | 1,023,101 |
| Undesignated | 137,928 | - | 1,919 | - | (272) | - | 139,575 |
| | <u>137,928</u> | <u>-</u> | <u>1,025,020</u> | <u>3,930,219</u> | <u>103,566</u> | <u>-</u> | <u>5,196,733</u> |
| Net Assets With Donor Restrictions | | | | | | | |
| Program fund | - | 178,016 | - | - | - | - | 178,016 |
| Capital Fund | - | - | - | 563,270 | - | - | 563,270 |
| Total Net Assets | <u>137,928</u> | <u>178,016</u> | <u>1,025,020</u> | <u>4,493,489</u> | <u>103,566</u> | <u>-</u> | <u>5,938,019</u> |
| Total Liabilities and Net Assets | <u>\$ 209,761</u> | <u>178,231</u> | <u>1,025,020</u> | <u>5,886,251</u> | <u>103,838</u> | <u>-</u> | <u>7,403,101</u> |

See Independent Auditor's Report

FIRST UNITARIAN CHURCH OF ALBUQUERQUE
COMBINING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2020

| | 2020 | | | | | |
|---|-------------------|-----------------|-------------------|------------------|--------------------------|------------------|
| | Operating Fund | Program Fund | Endowment Fund | Capital Fund | East Mountain Fund | Total |
| Support | | | | | | |
| Pledges | \$ 821,660 | - | - | 346,772 | - | 1,168,432 |
| Contributions | - | 117,222 | - | 93,733 | - | 210,955 |
| Non-pledge gifts | 75,800 | - | - | - | - | 75,800 |
| Total Support | <u>897,460</u> | <u>117,222</u> | <u>-</u> | <u>440,505</u> | <u>-</u> | <u>1,455,187</u> |
| Revenue | | | | | | |
| Rent revenue | 6,248 | - | - | - | 339 | 6,587 |
| Investment income (loss), net of expenses | (25) | - | 110,379 | - | - | 110,354 |
| Church programs | 11,788 | - | - | - | - | 11,788 |
| Arts and aesthetics | 1,948 | - | - | - | - | 1,948 |
| Miscellaneous | 1,916 | 6,675 | - | 7,384 | - | 15,975 |
| PPP loan revenue | 154,000 | - | - | - | - | 154,000 |
| Endowment fund holding | 15,000 | 10 | - | 5,000 | - | 20,010 |
| Interest income | 368 | - | - | 1,278 | - | 1,646 |
| Total Revenue | <u>191,243</u> | <u>6,685</u> | <u>110,379</u> | <u>13,662</u> | <u>339</u> | <u>322,308</u> |
| Total Revenue and Support | 1,088,703 | 123,907 | 110,379 | 454,167 | 339 | 1,777,495 |
| Expenses | | | | | | |
| General and Administration | | | | | | |
| Operating Fund | 950,804 | - | - | - | - | 950,804 |
| Program Services | | | | | | |
| Program Fund | - | 75,944 | - | - | - | 75,944 |
| Endowment Fund | - | - | - | - | - | - |
| Capital Fund | - | - | - | 195,492 | - | 195,492 |
| East Mountain Fund | - | - | - | - | 4,557 | 4,557 |
| Total Expenses | <u>950,804</u> | <u>75,944</u> | <u>-</u> | <u>195,492</u> | <u>4,557</u> | <u>1,226,797</u> |
| Change in net assets | <u>137,899</u> | <u>47,963</u> | <u>110,379</u> | <u>258,675</u> | <u>(4,218)</u> | <u>550,698</u> |
| Net assets, beginning of year | 61,153 | 5,656 | 921,316 | 4,342,199 | 53,169 | 5,383,493 |
| Restatement | (61,124) | 124,397 | (6,675) | (107,385) | 54,615 | 3,828 |
| Net assets, beginning of year, restated | <u>29</u> | <u>130,053</u> | <u>914,641</u> | <u>4,234,814</u> | <u>107,784</u> | <u>5,387,321</u> |
| Net assets, end of year | <u>\$ 137,928</u> | <u>178,016</u> | <u>1,025,020</u> | <u>4,493,489</u> | <u>103,566</u> | <u>5,938,019</u> |

See Independent Auditor's Report