
**United Way of Frederick County,
Incorporated**

**Financial Statements, Supplementary
Information and
Independent Auditors' Report**

June 30, 2019 and 2018

LSWG

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

Independent Auditors' Report

To the Board of Directors of
United Way of Frederick County, Incorporated

We have audited the accompanying financial statements of United Way of Frederick County, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 United Way of Frederick County, Incorporated as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of community impact grants is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Linton Shafer Warfield & Garrett, P.A.

Frederick, Maryland
January 10, 2020

United Way of Frederick County, Incorporated
Statements of Financial Position
June 30,

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 20,905	\$ 1,683
Restricted cash - CCC	9,822	13,606
Restricted cash - IDA	245,008	280,784
Marketable securities	568,902	743,468
Pledges receivable - current, net	248,314	294,805
Allocations due from CCC	75,222	71,970
Prepaid expenses	<u>15,524</u>	<u>13,829</u>
Total Current Assets	1,183,697	1,420,145
Property and Equipment - net	3,584	4,341
Other Assets		
Pledges receivable - noncurrent, net	88,775	-
Timeshare interest	<u>3,500</u>	<u>3,500</u>
Total Other Assets	<u>92,275</u>	<u>3,500</u>
Total Assets	<u>\$ 1,279,556</u>	<u>\$ 1,427,986</u>
 <u>Liabilities and Net Assets</u> 		
Current Liabilities		
Line of credit	\$ 125,000	\$ -
Accounts payable and accrued expenses	35,092	107,045
Allocations/designations payable:		
Agencies and other organizations	70,184	154,182
Community Impact Partners	23,433	32,794
Other United Way agencies	2,078	16,977
Due to CCC	9,822	13,606
Deferred revenue	<u>223,466</u>	<u>175,887</u>
Total Current Liabilities	489,075	500,491
Net Assets		
Without donor restrictions		
Undesignated	150,457	428,475
Board designated	361,353	375,670
With donor restrictions	<u>278,671</u>	<u>123,350</u>
Total Net Assets	<u>790,481</u>	<u>927,495</u>
Total Liabilities and Net Assets	<u>\$ 1,279,556</u>	<u>\$ 1,427,986</u>

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

United Way of Frederick County, Incorporated
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Current Year Campaigns and Public Support:			
Workplace campaigns pledges and contributions	\$ 426,681	\$ -	\$ 426,681
Less estimated uncollectible pledges	(38,479)	-	(38,479)
Unity campaign contributions	509,891	-	509,891
Share of CCC allocations	75,222	-	75,222
Donor designations to agencies, including Unity Campaign	(600,763)	-	(600,763)
Individual and corporate donors	101,401	321,171	422,572
In-kind contributions	186,971	-	186,971
Net Contributions	660,924	321,171	982,095
Prior Year Campaigns and Public Support:			
Workplace campaign pledges - uncollectible	(16,790)	-	(16,790)
Grants	134,232	-	134,232
Total Support	778,366	321,171	1,099,537
Revenue:			
Interest and dividend income	15,555	-	15,555
Realized/unrealized gain on investments	26,718	-	26,718
Special events, net	21,163	-	21,163
Other income	30,450	-	30,450
Total Revenue	93,886	-	93,886
Net assets released from restrictions	165,850	(165,850)	-
Total Support and Revenue	1,038,102	155,321	1,193,423
EXPENSES			
Program services	971,720	-	971,720
Supporting Services:			
Fundraising	192,509	-	192,509
Management and general	166,208	-	166,208
Total Supporting Services	358,717	-	358,717
Total Expenses	1,330,437	-	1,330,437
Change in Net Assets	(292,335)	155,321	(137,014)
Net Assets, beginning of year	804,145	123,350	927,495
Net Assets, end of year	\$ 511,810	\$ 278,671	\$ 790,481

The accompanying notes are an integral part of this financial statement.

United Way of Frederick County, Incorporated
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Current Year Campaigns and Public Support:			
Workplace campaigns pledges and contributions	\$ 445,219	\$ -	\$ 445,219
Less estimated uncollectible pledges	(26,713)	-	(26,713)
Unity campaign contributions	447,074	-	447,074
Share of CCC allocations	71,970	-	71,970
Donor designations to agencies, including Unity Campaign	(595,274)	-	(595,274)
Individual and corporate donors	148,217	123,350	271,567
Bequests	35,400	-	35,400
In-kind contributions	197,465	-	197,465
Net Contributions	723,358	123,350	846,708
Prior Year Campaigns and Public Support:			
Workplace campaign pledges and contributions	24,452	-	24,452
Grants	144,799	-	144,799
Total Support	892,609	123,350	1,015,959
Revenue:			
Interest and dividend income	28,693	-	28,693
Realized/unrealized gain on investments	53,850	-	53,850
Special events, net	(16,595)	-	(16,595)
Other income	26,420	-	26,420
Total Revenue	92,368	-	92,368
Total Support and Revenue	984,977	123,350	1,108,327
EXPENSES			
Program services	1,098,798	-	1,098,798
Supporting Services:			
Fundraising	169,403	-	169,403
Management and general	144,597	-	144,597
Total Supporting Services	314,000	-	314,000
Total Expenses	1,412,798	-	1,412,798
Change in Net Assets	(427,821)	123,350	(304,471)
Net Assets, beginning of year	1,231,966	-	1,231,966
Net Assets, end of year	\$ 804,145	\$ 123,350	\$ 927,495

The accompanying notes are an integral part of this financial statement.

United Way of Frederick County, Incorporated
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Salaries	\$ 264,790	\$ 110,686	\$ 105,349	\$ 480,825
Employee benefits	30,953	12,939	12,315	56,207
Retirement plan contribution	20,036	8,375	7,972	36,383
Payroll taxes	19,021	7,951	7,567	34,539
Total salaries and benefits	334,800	139,951	133,203	607,954
Grants	198,250	-	-	198,250
United Way Worldwide membership	-	-	7,669	7,669
Resource development - campaign	-	25,938	-	25,938
Unity campaign	17,364	-	-	17,364
Rent	9,913	4,144	3,944	18,001
Telephone	4,906	2,051	1,952	8,909
Professional fees	63,018	2,662	2,534	68,214
Bank service charge & fees	4,284	1,791	1,705	7,780
Supplies & office expense	4,024	1,065	1,013	6,102
Computer expenses	15,544	4,828	4,596	24,968
Postage & printing	10,512	582	554	11,648
Equipment rent & maintenance	6,897	2,530	2,408	11,835
Intern stipend / Americorp	8,726	1,556	1,481	11,763
Travel, meals, meetings & training	14,498	1,651	1,571	17,720
Membership dues - other	1,487	622	592	2,701
Insurance	4,737	1,980	1,884	8,601
Interest	1,881	786	748	3,415
Prosperity - matching funds	83,018	-	-	83,018
In-kind expenses	186,971	-	-	186,971
Total expenses before depreciation	970,830	192,137	165,854	1,328,821
Depreciation	890	372	354	1,616
Total functional expenses	\$ 971,720	\$ 192,509	\$ 166,208	\$ 1,330,437

The accompanying notes are an integral part of this financial statement.

United Way of Frederick County, Incorporated
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Salaries	\$ 279,056	\$ 91,186	\$ 87,978	\$ 458,220
Employee benefits	33,930	11,087	10,697	55,714
Retirement plan contribution	20,228	6,610	6,377	33,215
Payroll taxes	20,900	6,829	6,590	34,319
Total salaries and benefits	354,114	115,712	111,642	581,468
Grants	253,638	-	-	253,638
United Way Worldwide membership	-	-	9,011	9,011
Resource development - campaign	-	28,873	-	28,873
Unity campaign	46,059	-	-	46,059
Rent	10,962	3,582	3,456	18,000
Telephone	5,563	1,818	1,753	9,134
Professional fees	40,077	6,987	6,741	53,805
Bank service charge & fees	5,478	1,790	1,727	8,995
Supplies & office expense	8,529	1,059	1,022	10,610
Computer expenses	6,521	1,598	1,541	9,660
Postage & printing	14,701	348	335	15,384
Equipment rent & maintenance	6,422	2,098	2,025	10,545
Intern stipend / Americorp	6,332	2,069	1,997	10,398
Travel, meals, meetings & training	13,616	957	923	15,496
Membership dues - other	2,041	667	644	3,352
Insurance	4,703	1,537	1,483	7,723
Prosperity - matching funds	119,368	-	-	119,368
In-kind expenses	197,465	-	-	197,465
Bad debt	2,265	-	-	2,265
Total expenses before depreciation	1,097,854	169,095	144,300	1,411,249
Depreciation	944	308	297	1,549
Total functional expenses	\$ 1,098,798	\$ 169,403	\$ 144,597	\$ 1,412,798

The accompanying notes are an integral part of this financial statement.

United Way of Frederick County, Incorporated
Statements of Cash Flows
For the Years Ended June 30,

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (137,014)	\$ (304,471)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,616	1,549
Provision for uncollectible pledges	11,766	(26,721)
Realized/unrealized (gain) on investments	(26,718)	(53,850)
Change in operating assets and liabilities		
Pledges receivable	(54,050)	(24,122)
Allocations due from CCC	(3,252)	(23,046)
Prepaid expenses	(1,695)	12,953
Accounts payable and accrued expenses	(71,953)	75,063
Allocations/designations payable	(108,258)	(60,107)
Deferred revenue	47,579	(36,791)
Net cash (used in) operating activities	(341,979)	(439,543)
Cash flows from investing activities:		
Investment in marketable securities	201,284	338,818
Purchase of equipment	(859)	-
Net cash provided by investing activities	200,425	338,818
Cash flows from financing activities:		
Borrowings from line of credit	125,000	-
Net cash provided by financing activities	125,000	-
Net (decrease) in cash and cash equivalents	(16,554)	(100,725)
Cash and cash equivalents, beginning of year	282,467	383,192
Cash and Cash Equivalents at End of Year	\$ 265,913	\$ 282,467
Reconciliation of Cash, Cash Equivalents and Restricted Cash:		
Amounts reported within the Statements of Financial Position that sum to the total above:		
Cash and cash equivalents	\$ 20,905	\$ 1,683
Restricted cash - IDA	245,008	280,784
Total Cash, Cash Equivalents and Restricted Cash	\$ 265,913	\$ 282,467
Supplemental Disclosure:		
Cash paid for interest	\$ 3,415	\$ -
Cash paid for income taxes	\$ -	\$ -

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

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(1) NATURE OF ORGANIZATION

United Way of Frederick County, Incorporated (UWFC) is a non-profit organization formed to support community, charitable, benevolent, and educational undertakings that give aid, relief, and comfort primarily to the people of Frederick County, Maryland, by increasing general knowledge and promoting public interest in such undertakings, and by collecting and distributing money and services for these purposes. UWFC begins its annual campaign in the fall of each year, and continues it through the spring of the following year.

UWFC is a community impact organization and grants funds to organizations focused on measurable outcomes in the areas of education, income, and health. UWFC routinely recruits and engages volunteers and expert leaders to advance the common good through community forums, on-going summer service projects, and other service activities.

UWFC (a local United Way) is a member of United Way Worldwide (UWW). UWW is an international organization dedicated to leading the United Way movement. Local United Ways create long-lasting community change by addressing the underlying causes of the most significant local issues; specifically, education health, and income. Membership allows local United Ways to use the name and service marks owned by UWW, during the period of membership. Membership support calculations are based on a formula driven process. As a member, UWFC is subject to financial and membership accountability standards established by UWW.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements of UWFC have been prepared on the accrual basis of accounting. UWFC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other asset or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions whose restrictions are satisfied in the same year as contributed are reported as net assets without donor restrictions.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – All short-term highly liquid investments with a maturity date within 90 days of purchase are considered cash equivalents.

Restricted Cash – Restricted cash – CCC includes cash maintained in a separate account for the Combined Charity Campaigns (see Note 10). Restricted cash – IDA includes unspent funds, including matching funds, under a grant from the Department of Health and Human Services.

Pledges Receivable – UWFC uses the allowance method to determine uncollectible pledges and the allowance is based on prior years' experience. Pledges to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows.

Public Support – Contributions are recognized when the donor makes a promise (pledge) to give UWFC that is, in substance, unconditional. All contributions are considered to be available for the general programs of UWFC unless specifically restricted by the donor.

Grants - Revenue from unrestricted grants is recognized in the period received or pledged. Revenue from restricted grants is deemed to be earned and is recognized when UWFC has incurred expenditures in compliance with the specific restrictions. Such amounts received, but not earned, are reported as deferred revenue.

Designated Pledges – Some pledges to UWFC are donor-designated for UWFC member/partner agencies, other United Way agencies or Non-United Way agencies. Because UWFC's role consists of collecting, holding, and remitting these pledges to the designated organization without having variance power to transfer the assets to another beneficiary, such amounts are deducted from total support on the Statements of Activities and Changes in Net Assets.

UWFC is the third-party intermediary of the Unity Campaign, an organization that raises funds to benefit specified local nonprofit organizations. As pledges for the Unity Campaign are designated with no variance power, they will also be deducted from total support as described above.

Donated Services and In-Kind Contributions – Contributions of donated services that meet the definition for recognition under generally accepted accounting principles are recorded at their fair values in the period received. For the years ended June 30, 2019 and 2018, donated services and materials that advanced many of UWFC's programs totaled \$186,971 and \$197,465, respectively, of which approximately \$37,396 and \$36,112, respectively, related to public service announcements and advertising. Donated services from unpaid volunteers who assist in fundraising and special projects are not recognized in the Statements of Activities and Changes in Net Assets because the criteria for recognition under accounting standards have not been satisfied.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Allocation of Expenses – UWFC’s operating costs have been allocated between program, fundraising and management and general expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. The significant expenses that are allocated are salaries and benefits, rent, professional fees, equipment rent and maintenance and intern stipend/Americorp, all of which are allocated on the basis of estimates of time and effort.

Advertising – Advertising costs are expensed as incurred. Advertising costs were \$6,062 and \$7,857 for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Standards - In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. UWFC adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 15), and disclosures related to functional allocation of expenses were expanded (Note 2).

Reclassifications – Certain prior year financial statement amounts have been reclassified to conform to current year presentation. These reclassifications include the presentation of certain program and management and general expenses on the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses for the year ended June 30, 2018 for retrospective application of ASU 2016-14.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(3) PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable in less than one year	\$ 293,897	\$ 321,518
Pledges receivable in one to five years	<u>97,500</u>	<u>-</u>
	391,397	321,518
Less allowance for uncollectible pledges	(38,479)	(26,713)
Less discounts to net present value	<u>(15,829)</u>	<u>-</u>
Pledges receivable, net	<u><u>\$ 337,089</u></u>	<u><u>\$ 294,805</u></u>

Pledges receivable in more than one year are discounted at 5%. The allowance is calculated as 9% and 6%, respectively of the prior year's annual campaign pledges and contributions.

(4) INVESTMENTS AND FAIR VALUE MEASUREMENT

Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The input levels used for valuing the assets and liabilities are not necessarily an indication of risk. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UWFC has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- 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 for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(4) INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)

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

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and equivalents, fixed income securities other than corporate bonds and equities – valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income securities: corporate bonds – valued at the last reported sales price on the day of valuation.

Pledges receivable – valued at the amount management expects to collect from the outstanding balance.

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

The following table set forth UWFC's assets by level, within the fair value hierarchy as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 19,100	\$ -	\$ -	\$ 19,100
Fixed income securities	298,980	67,704	-	366,684
Equities	183,118	-	-	183,118
Total marketable securities	501,198	67,704	-	568,902
Pledges receivable, net	-	-	337,089	337,089
Total	<u>\$ 501,198</u>	<u>\$ 67,704</u>	<u>\$ 337,089</u>	<u>\$ 905,991</u>

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(4) INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)

The following table sets forth UWFC's assets by level, within the fair value hierarchy as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 28,546	\$ -	\$ -	\$ 28,546
Fixed income securities	108,500	116,516	-	225,016
Equities	489,906	-	-	489,906
Total marketable securities	626,952	116,516	-	743,468
Pledges receivable, net	-	-	294,805	294,805
Total	<u>\$ 626,952</u>	<u>\$ 116,516</u>	<u>\$ 294,805</u>	<u>\$ 1,038,273</u>

The following table provides a summary of changes in fair value of UWFC's Level 3 financial assets:

	<u>2019</u>	<u>2018</u>
	<u>Pledges - Net</u>	<u>Pledges - Net</u>
Balance - beginning of year	\$ 294,805	\$ 242,191
Contributions:		
Pledge payments	(330,089)	(365,892)
New pledges	426,681	445,219
Allowance account	(38,479)	(26,713)
Discounts to net present value	(15,829)	-
Balance - end of year	<u>\$ 337,089</u>	<u>\$ 294,805</u>

Included in revenue on the Statements of Activities and Changes in Net Assets for the years ended June 30, 2019 and 2018 are \$15,555 and \$28,693, respectively, of interest and dividend income and \$26,718 and \$53,850, respectively, of net realized and unrealized gain on marketable securities.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2019	2018
Office equipment	\$ 58,003	\$ 57,144
Less: accumulated depreciation	<u>(54,419)</u>	<u>(52,803)</u>
Total	<u>\$ 3,584</u>	<u>\$ 4,341</u>

Property and equipment having a unit cost of \$500 or more and an estimated useful life of more than three years are capitalized at cost if purchased and at estimated fair value if donated. Depreciation is recognized on the straight-line method over estimated useful lives of three to seven years. Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,615 and \$1,549, respectively.

(6) LINE OF CREDIT

On January 25, 2019, UWFC obtained a \$200,000 line of credit with a local bank. The interest rate is calculated at the prime rate, initially set at 5.50%. The line of credit is secured by UWFC's marketable securities accounts. The balance on the line of credit as of June 30, 2019 was \$125,000. The line of credit was paid off in September 2019.

(7) ALLOCATIONS/DESIGNATIONS PAYABLE TO AGENCIES

The policy is to pay-out the allocations/designations based on actual amounts collected. For the 2018 Campaign, \$188,653 was accrued to be paid out to agencies, partners, and other United Way agencies. These were the actual amounts paid, based on collections in fiscal year 2019.

For the 2017 Campaign, \$264,060 was accrued to be paid out to agencies, partners, and other United Way agencies. These were the actual amounts paid, based on collections in fiscal year 2018.

Annually, adjustments may be reflected in the Statements of Activities and Changes in Net Assets for payments based on collections.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(8) BOARD DESIGNATED NET ASSETS

Board designated net assets consisted of the following at June 30:

	2019	2018
Laughlin fund - volunteer appreciation	\$ 303,175	\$ 305,777
Remsburg fund - leadership	43,728	55,443
Frederick County - home buyers program	14,450	14,450
Total	\$ 361,353	\$ 375,670

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor restricted for the following purposes at June 30:

	2019	2018
Laughlin Family Foundation designations	\$ 132,000	\$ 120,900
Chaney Community Foundation designations	59,042	-
Marion P. Lee Trust designations	87,629	-
ALICE report	-	1,450
Board contributions for next fiscal year	-	1,000
Total	\$ 278,671	\$ 123,350

(10) OTHER CAMPAIGNS

In addition to its own campaign, UWFC manages the campaigns of several other unrelated organizations. As fiscal agent, UWFC is the custodian of the funds and is responsible for the administration and disbursement of funds for which it receives a commissioned administrative fee.

Combined Charity Campaigns (CCC)

UWFC is the Principal Combined Fund Organization for the following Combined Charity Campaigns: Frederick County Government Employees, The City of Frederick Employees, and Board of Education of Frederick County Employees. Donations are collected by UWFC for the Combined Charity Campaigns and are deposited in separate cash accounts and distributed quarterly to participating agencies and UWFC.

The gross pledges and expenses of these other campaigns are not reflected in these financial statements. The only amounts included in the accompanying Statements of Activities and Changes in Net Assets related to these campaigns are UWFC's share of the pledges and the commissioned administrative fees.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(10) OTHER CAMPAIGNS (continued)

The following amounts are included in the accompanying Statements of Financial Position:

Restricted cash – CCC – Represents undisbursed collections in CCC restricted bank accounts over which UWFC has control.

Allocations due from CCC – Represents UWFC’s share of the CCC campaign pledges not yet paid to UWFC.

Due to CCC – Represents the portion of restricted cash that is payable to agencies other than UWFC.

(11) RETIREMENT PLAN

UWFC maintains a 403(b) Thrift Plan, classified as a defined contribution plan, for all employees meeting minimum age and service requirements. Employees can contribute any percentage of their salary provided that they do not contribute more than the maximum permitted by law. Each plan year, an employer based contribution equal to 10% of eligible employees’ compensation will be made. The value of an employee’s account attributable to employer contributions is fully vested after four years of service. The employer contribution for the years ended June 30, 2019 and 2018 was \$36,383 and \$33,215, respectively.

(12) LEASE COMMITMENTS

UWFC has a five-year lease for office space at the Bernard W. Brown Community Center beginning on January 1, 2014 and ending on December 31, 2019. The monthly lease payment is \$1,500 for the term of the lease. UWFC has the option to renew this lease for a term of one to three years prior to the expiration of the current term. UWFC also leases office equipment. The postage machine lease requires quarterly payments of \$212 through May 2022. A copier lease effective July 2016 requires monthly payments of \$160 through June 2021.

Future minimum lease payments under these agreements are as follows for the years ended June 30:

2020	\$ 11,770
2021	2,770
2022	708
2023	-
2024	-

Rent expense for the above leases for the years ended June 30, 2019 and 2018 totaled \$20,806 and \$21,316, respectively.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(13) INCOME TAXES

UWFC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended June 30, 2019 and 2018, UWFC has determined that no income tax is due for its activities. Accordingly, no provision for income tax has been recorded in the accompanying financial statements. UWFC is not considered a private foundation.

UWFC has adopted the recognition requirements for uncertain income tax positions as required by U.S. generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. UWFC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on UWFC's financial condition, results of operations, or cash flows. Accordingly, UWFC has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019 and 2018.

UWFC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. UWFC believes it is no longer subject to U.S. Federal, state, and local income tax examinations for years prior to 2015.

(14) CONCENTRATIONS

Credit Risk

Cash held by UWFC in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes UWFC is not exposed to any significant credit risk related to cash.

Sources of Revenue

UWFC received approximately 11% of its 2018 workplace campaign support from one local business. They received approximately 79% of individual and corporate donations from three organizations for the year ended June 30, 2019. At June 30, 2019, approximately 38% of pledges receivable were from two donors.

UWFC received approximately 11% of its 2017 workplace campaign support from one local business. They received approximately 73% of individual and corporate donations from one organization for the year ended June 30, 2018. At June 30, 2018, approximately 34% of pledges receivable were from one donor.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(15) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects UWFC's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long term investment as board designated endowments. The board designated net assets can be drawn upon if the board approves that action.

Financial Assets:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 20,905	\$ 1,683
Restricted cash	254,830	294,390
Marketable securities	568,902	743,468
Pledges receivable, net	337,089	294,805
Allocations due from CCC	75,222	71,970
Financial assets, at year end	<u>1,256,948</u>	<u>1,406,316</u>
Donor-imposed restrictions:		
Restricted cash	(254,830)	(294,390)
Donor designated funds	<u>(278,671)</u>	<u>(123,350)</u>
Net financial assets after donor-imposed restrictions	723,447	988,576
Less those unavailable for general expenditure within one year, due to:		
Pledges receivable collectible beyond one year	(88,775)	0
Board designated net assets	<u>(361,353)</u>	<u>(375,670)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 273,319</u>	<u>\$ 612,906</u>

As part of its liquidity management, UWFC structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. UWFC applies for grants to cover specific programs and other expenses and considers undesignated contributions and fundraising campaigns to cover general mission and operating expenses. UWFC also has a line of credit available to meet short-term needs.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2019 and 2018

(16) SUBSEQUENT EVENTS

In preparing these financial statements, UWFC has evaluated events and transactions for potential recognition or disclosure through January 10, 2020, the date the financial were available to be issued. Except for the matters noted below, management has determined that no other subsequent events require disclosure in these financial statements.

The grant from the Department of Health and Human Services (DHHS) expired September 29, 2019. The final reporting under this grant was filed in October, 2019. UWFC returned approximately \$94,000 of unspent grant funds to DHHS. The effect of this transaction in fiscal year ending June 30, 2020 was a reduction to both restricted cash – IDA and deferred revenue of approximately \$94,000. There was be no effect on net assets.

As disclosed in Note 12, UWFC’s office lease expired December 31, 2019. UWFC is currently leasing the office on a month-to-month basis while it negotiates a new lease term.

SUPPLEMENTARY INFORMATION

United Way of Frederick County, Incorporated
Schedule of Community Impact Grants
For the Year Ended June 30, 2019

Community Impact Grants:	
Advocates for Homeless Families	\$ 25,000
Housing Authority of City of Frederick	30,000
Literacy Council of Frederick County	14,000
Mental Health Association of Frederick County	28,000
Religious Coalition for Emergency Human Needs	33,000
SHIP-Student Homeless Initiative Partnership	30,000
Spanish Speaking Community of Maryland	<u>20,000</u>
Total Community Impact Grants	<u>180,000</u>
 Live United Grants:	
Advocates for Homeless Families	2,500
Frederick County Development Center	2,000
Housing Authority of City of Frederick	5,000
Interfaith Housing Development	2,500
Mental Health Association of Frederick County	5,000
Religious Coalition for Emergency Human Needs	3,000
Spanish Speaking Community of Maryland	<u>5,000</u>
Total Live United Grants	<u>25,000</u>
 Total Grants	 <u><u>\$ 205,000</u></u>

See independent auditors' report.

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