
**United Way of Frederick County,
Incorporated**

**Financial Statements and
Independent Auditor's Report**

**For the Years Ended
June 30, 2023 and 2022**

LSWG
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Frederick County, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 United Way of Frederick County, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 United Way of Frederick County, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Frederick County, Incorporated's ability to continue as a going concern for a reasonable period of time.

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

LSWG, P.A.

Rockville, Maryland
November 9, 2023

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

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 48,044	\$ 17,044
Restricted cash - CCC	4,415	5,759
Marketable securities	390,014	380,540
Pledges receivable - current, net	156,586	162,448
Grants receivable	199,631	100,000
Allocations due from CCC	78,455	79,316
Prepaid expenses	8,464	24,650
Total Current Assets	<u>885,609</u>	<u>769,757</u>
Property and Equipment - net	4,909	3,187
Other Assets		
Right of use operating lease asset	83,396	-
Pledges receivable - noncurrent, net	-	42,739
Total Other Assets	<u>83,396</u>	<u>42,739</u>
Total Assets	<u>\$ 973,914</u>	<u>\$ 815,683</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Line of credit	\$ 100,000	\$ 60,000
Accounts payable and accrued expenses	52,486	92,728
Allocations/designations payable:		
Agencies and other organizations	44,340	52,062
Other United Way agencies	280	3,174
Due to CCC	4,415	5,759
Current portion of operating lease liability	26,386	-
Deferred revenue	28,112	35,673
Total Current Liabilities	<u>256,019</u>	<u>249,396</u>
Long-Term Liabilities		
Operating lease liability, net of current portion	58,909	-
Total Liabilities	<u>314,928</u>	<u>249,396</u>
Net Assets		
Without donor restrictions		
Undesignated	23,474	157,048
Board designated	341,723	336,068
With donor restrictions	293,789	73,171
Total Net Assets	<u>658,986</u>	<u>566,287</u>
Total Liabilities and Net Assets	<u>\$ 973,914</u>	<u>\$ 815,683</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Current Year Campaigns and Public Support:			
Workplace campaign pledges and contributions	\$ 228,702	\$ -	\$ 228,702
Less estimated uncollectible pledges	(18,292)	-	(18,292)
Unity campaign contributions	499,153	-	499,153
Special campaign contributions	70,853	-	70,853
Share of CCC allocations	59,582	-	59,582
Donor designations to agencies, including Unity and special campaigns	(500,655)	-	(500,655)
Individual and corporate donors	213,523	-	213,523
In-kind contributions	106,332	-	106,332
Net Contributions	659,198	-	659,198
Grants	98,162	371,000	469,162
Total Support	757,360	371,000	1,128,360
Revenue:			
Interest and dividend income	11,569	-	11,569
Realized/unrealized gain on investments	13,014	-	13,014
Special events, net	19,692	-	19,692
Other income	1,133	-	1,133
Total Revenue	45,408	-	45,408
Net assets released from restrictions	150,382	(150,382)	-
Total Support and Revenue	953,150	220,618	1,173,768
EXPENSES			
Program services	742,780	-	742,780
Supporting Services:			
Fundraising	165,268	-	165,268
Management and general	173,021	-	173,021
Total Supporting Services	338,289	-	338,289
Total Expenses	1,081,069	-	1,081,069
Changes in Net Assets	(127,919)	220,618	92,699
Net Assets, beginning of year	493,116	73,171	566,287
Net Assets, end of year	\$ 365,197	\$ 293,789	\$ 658,986

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Current Year Campaigns and Public Support:			
Workplace campaign pledges and contributions	\$ 279,418	\$ -	\$ 279,418
Less estimated uncollectible pledges	(29,449)	-	(29,449)
Unity campaign contributions	559,824	-	559,824
Special campaign contributions	76,027	-	76,027
Share of CCC allocations	64,899	-	64,899
Donor designations to agencies, including Unity Campaign	(534,521)	-	(534,521)
Individual and corporate donors	165,482	41,542	207,024
In-kind contributions	156,200	-	156,200
Net Contributions	737,880	41,542	779,422
Prior Year Campaigns and Public Support:			
Workplace campaign pledges - uncollectible	960	-	960
Grants	286,161	19,000	305,161
Total Support	1,025,001	60,542	1,085,543
Revenue:			
Interest and dividend income	9,389	-	9,389
Realized/unrealized (loss) on investments	(53,530)	-	(53,530)
Special events, net	16,954	-	16,954
Other income	88,633	-	88,633
Total Revenue	61,446	-	61,446
Net assets released from restrictions	41,542	(41,542)	-
Total Support and Revenue	1,127,989	19,000	1,146,989
EXPENSES			
Program services	665,013	-	665,013
Supporting Services:			
Fundraising	272,557	-	272,557
Management and general	163,209	-	163,209
Total Supporting Services	435,766	-	435,766
Total Expenses	1,100,779	-	1,100,779
Changes in Net Assets	27,210	19,000	46,210
Net Assets, beginning of year	465,906	54,171	520,077
Net Assets, end of year	\$ 493,116	\$ 73,171	\$ 566,287

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, 2023

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Salaries	\$ 302,217	\$ 96,251	\$ 99,355	\$ 497,823
Employee benefits	35,350	12,715	13,125	61,190
Retirement plan contributions	23,248	8,362	8,632	40,242
Payroll taxes	21,687	7,801	8,053	37,541
Total salaries and benefits	382,502	125,129	129,165	636,796
Grants	77,194	-	-	77,194
United Way Worldwide membership	-	-	15,474	15,474
Resource development - campaign	-	12,643	-	12,643
Unity campaign	30,658	-	-	30,658
Operating lease expense	16,813	6,048	6,243	29,104
Telephone	6,216	2,236	2,308	10,760
Professional fees	52,766	2,805	2,896	58,467
Bank service charges & fees	18,789	-	-	18,789
Supplies & office expense	1,011	364	375	1,750
Computer expenses	25,029	8,409	8,680	42,118
Postage & printing	2,232	803	829	3,864
Equipment rent & maintenance	6,561	2,239	2,311	11,111
Intern stipend / Americorp	722	260	268	1,250
Travel, meals, meetings & training	3,419	1,132	1,169	5,720
Membership dues - other	3,638	-	-	3,638
Insurance	5,129	1,845	1,904	8,878
Interest	3,013	1,083	1,118	5,214
In-kind expenses	106,332	-	-	106,332
Total expenses before depreciation	742,024	164,996	172,740	1,079,760
Depreciation	756	272	281	1,309
Total expenses	\$ 742,780	\$ 165,268	\$ 173,021	\$ 1,081,069

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, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 186,107	\$ 171,202	\$ 95,726	\$ 453,035
Employee benefits	22,710	20,892	11,681	55,283
Retirement plan contributions	8,837	8,129	4,546	21,512
Payroll taxes	13,946	12,829	7,174	33,949
Total salaries and benefits	231,600	213,052	119,127	563,779
Grants	127,464	-	-	127,464
United Way Worldwide membership	-	-	20,278	20,278
Resource development - campaign	-	16,930	-	16,930
Unity campaign	24,846	-	-	24,846
Rent	9,613	8,843	4,944	23,400
Telephone	4,051	3,727	2,084	9,862
Professional fees	58,627	7,558	4,226	70,411
Bank service charges & fees	19,308	-	-	19,308
Supplies & office expense	1,309	1,205	673	3,187
Computer expenses	13,649	8,619	4,819	27,087
Postage & printing	1,843	1,696	948	4,487
Equipment rent & maintenance	7,159	5,433	3,038	15,630
Intern stipend / Americorp	616	567	317	1,500
Travel, meals, meetings & training	510	83	47	640
Membership dues - other	2,953	-	-	2,953
Insurance	3,592	3,305	1,848	8,745
Interest	1,138	1,047	585	2,770
In-kind expenses	156,200	-	-	156,200
Total expenses before depreciation	664,478	272,065	162,934	1,099,477
Depreciation	535	492	275	1,302
Total expenses	\$ 665,013	\$ 272,557	\$ 163,209	\$ 1,100,779

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,

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 92,699	\$ 46,210
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation	1,309	1,302
Provision for uncollectible pledges	(11,157)	(6,064)
Amortization of right of use operating lease asset	29,103	-
Realized/unrealized loss (gain) on investments	(13,014)	53,530
Loss on disposal of timeshare	-	6,124
Forgiveness of Paycheck Protection Program note payable	-	(93,649)
Changes in operating assets and liabilities:		
Pledges receivable	59,758	(12,008)
Grants receivable	(99,631)	(87,500)
Net due to/from CCC	(483)	2,750
Prepaid expenses	16,186	(11,947)
Accounts payable and accrued expenses	(40,242)	53,708
Allocations/designations payable	(10,616)	(11,312)
Operating lease liability	(27,204)	-
Deferred revenue	(7,561)	27,147
Net cash (used in) operating activities	(10,853)	(31,709)
Cash flows from investing activities:		
Proceeds from sale of marketable securities	25,625	151,420
Purchase of marketable securities	(22,085)	(78,841)
Payments made for disposal of timeshare	-	(2,624)
Purchase of equipment	(3,031)	(555)
Net cash provided by investing activities	509	69,400
Cash flows from financing activities:		
Net borrowings (repayments) of line of credit	40,000	(30,000)
Repayment of Paycheck Protection Program note payable	-	(5,251)
Net cash provided by (used in) financing activities	40,000	(35,251)
Net increase (decrease) in cash and cash equivalents	29,656	2,440
Cash and cash equivalents, beginning of year	22,803	20,363
Cash and Cash Equivalents, End of Year	\$ 52,459	\$ 22,803

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

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

	2023	2022
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	\$ 48,044	\$ 17,044
Restricted cash - CCC	4,415	5,759
Total Cash, Cash Equivalents and Restricted Cash	\$ 52,459	\$ 22,803
 Supplemental Disclosure:		
Cash paid for interest	\$ 5,214	\$ 1,662
Cash paid for income taxes	\$ -	\$ -
 Supplemental Schedule of Noncash Investing and Financing Activities:		
Operating lease liability arising from new right of use operating lease asset	\$ 109,725	\$ -

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

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2023 and 2022

(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, 2023 and 2022

(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 11).

Pledges Receivable – UWFC uses the allowance method to determine uncollectible pledges and the allowance is based on prior years' experience. Pledges receivable 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, 2023 and 2022, donated services and materials that advanced many of UWFC's programs totaled \$106,332 and \$156,200, respectively. 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, 2023 and 2022

(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, computer expenses, and equipment rent and maintenance, all of which are allocated on the basis of estimates of time and effort.

Advertising – Advertising costs are expensed as incurred. Advertising costs were \$6,460 and \$12,837 for the years ended June 30, 2023 and 2022, 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 Standard - In February 2016, the Financial Accounting Standards Board (FASB) established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 has been subsequently amended by various ASU’s to allow for practical expedients and targeted improvements. The new leasing standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the Statements of Financial Position for all leases. Leases will be classified as finance or operating leases, with the classification affecting the pattern and classification of expense recognition in the Statements of Activities and Changes in Net Assets.

The new standard is effective for non-public entities as of January 1, 2022. The modified retrospective approach was used upon adoption to apply the standard to all leases that existed at the date of initial application. Because this approach was selected, Topic 842 was not applied to periods prior to adoption and did not have an impact on previously reported results. The adoption did have a material effect on the Statements of Financial Position, with a July 1, 2022 ROU asset of \$109,725 recorded and a July 1, 2022 lease liability of \$109,725 recorded. There was no material cumulative effect adjustment required to retained earnings on July 1, 2022. There was no material effect on the Statements of Cash Flows.

UWFC has elected a policy to not apply the standard to short-term leases, those leases that have a maximum term of 12 months or less and do not include a purchase option that is reasonably certain to be exercised. UWFC has chosen to separate lease and non-lease components in determining the ROU asset and lease liability; therefore, charges for common area maintenance (CAM), property taxes, and other charges have not been included with the ROU asset and lease liability on the Statements of Financial Position. The lease components are based on fixed considerations. In addition, UWFC has applied the practical expedient which allows the use of a risk-free rate to determine the present value of the lease liability.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2023 and 2022

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standard (continued)

UWFC also elected the package of practical expedients to not reassess whether expired or existing contracts contain leases, lease classification and capitalization of initial direct costs. Lastly, UWFC has chosen not to apply Topic 842 to low value assets. Additional information regarding leasing is included in Note 13.

(3) PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Pledges receivable in less than one year	\$ 175,791	\$ 192,011
Pledges receivable in one to five years	-	47,500
	175,791	239,511
Less allowance for uncollectible pledges	(18,032)	(29,563)
Less discounts to net present value	(1,173)	(4,761)
Pledges receivable, net	<u>\$ 156,586</u>	<u>\$ 205,187</u>

Pledges receivable in more than one year are discounted at 5.5%. The allowance is calculated as 9% and 12%, 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.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2023 and 2022

(4) INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)

- 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.

- 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, equities, and fixed income securities other than corporate bonds – 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.

United Way of Frederick County, Incorporated
Notes to Financial Statements
June 30, 2023 and 2022

(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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 14,590	\$ -	\$ -	\$ 14,590
Fixed income securities	222,316	-	-	222,316
Equities	153,108	-	-	153,108
Total marketable securities	390,014	-	-	390,014
Pledges receivable, net	-	-	156,586	156,586
Total	<u>\$ 390,014</u>	<u>\$ -</u>	<u>\$ 156,586</u>	<u>\$ 546,600</u>

The following table sets forth UWFC's assets by level, within the fair value hierarchy as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 16,547	\$ -	\$ -	\$ 16,547
Fixed income securities	209,254	-	-	209,254
Equities	154,739	-	-	154,739
Total marketable securities	380,540	-	-	380,540
Pledges receivable, net	-	-	205,187	205,187
Total	<u>\$ 380,540</u>	<u>\$ -</u>	<u>\$ 205,187</u>	<u>\$ 585,727</u>

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

	<u>2023</u>	<u>2022</u>
Balance - beginning of year	\$ 205,187	\$ 187,115
Contributions:		
Pledge payments	(258,098)	(227,022)
New pledges	228,702	279,418
Allowance account	(18,032)	(29,563)
Discounts to net present value	(1,173)	(4,761)
Balance - end of year	<u>\$ 156,586</u>	<u>\$ 205,187</u>

Included in revenue on the Statements of Activities and Changes in Net Assets for the years ended June 30, 2023 and 2022 are \$11,569 and \$9,389, respectively, of interest and dividend income and \$13,014 and \$(53,530), respectively, of net realized and unrealized gain (loss) on marketable securities.

United Way of Frederick County, Incorporated
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(5) PROPERTY AND EQUIPMENT

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

	2023	2022
Office equipment	\$ 64,785	\$ 61,754
Less: accumulated depreciation	(59,876)	(58,567)
Total	\$ 4,909	\$ 3,187

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, 2023 and 2022 was \$1,309 and \$1,302, respectively.

(6) DEBT

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% (currently at 8.25% at June 30, 2023). The line of credit is secured by UWFC's marketable securities accounts. The balance on the line of credit as of June 30, 2023 and 2022 was \$100,000 and \$60,000, respectively.

Paycheck Protection Program - UWFC applied for and was approved a \$98,900 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. In July 2021, UWFC met the requirements for loan forgiveness and was granted forgiveness of \$93,649 of the loan balance. The remaining \$5,251 was paid in monthly installments of \$593, including interest of 1%, through April 2022.

(7) ALLOCATIONS/DESIGNATIONS PAYABLE TO AGENCIES

Allocations/designations payable at June 30, 2023 and 2022 were \$44,620 and \$55,236, respectively. The policy is to pay-out the allocations/designations based on actual amounts collected. At June 30, 2023 and 2022, accrued allocations/designations were \$53,741 and \$66,191, respectively. These were the actual amounts paid, based on collections in the subsequent fiscal year.

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
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(8) BOARD DESIGNATED NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Laughlin fund - volunteer appreciation	\$ 301,011	\$ 296,616
Remsburg fund - leadership	26,262	25,002
Frederick County - home buyers program	14,450	14,450
Total	<u>\$ 341,723</u>	<u>\$ 336,068</u>

(9) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Chaney Community Foundation designations	\$ 21,327	\$ 41,542
Marion P. Lee Trust designations	-	12,629
Pathways to Transportation/Ride United	272,462	19,000
Total	<u>\$ 293,789</u>	<u>\$ 73,171</u>

(10) NONCASH IN-KIND CONTRIBUTIONS

UWFC's in-kind contributions consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Usage</u>
Stuff the Bus donations	\$ 14,726	\$ 65,575	Program
Public service announcements and advertising	28,711	25,187	Program
Other miscellaneous items	10,509	8,893	Program
Skilled volunteer hours	52,386	56,545	Program
	<u>\$ 106,332</u>	<u>\$ 156,200</u>	

United Way of Frederick County, Incorporated
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(10) NONCASH IN-KIND CONTRIBUTIONS (continued)

These in-kind contributions, excluding the skilled volunteer hours, were valued using the billing rates reported by each vendor, which is the rate used for similar services or products. The skilled volunteer hours were valued using the hourly rate for the State of Maryland calculated by The Independent Sector. No in-kind contributions were restricted. The Organization does not sell donated gifts in kind and only uses services and goods for its own program or supporting service activities.

(11) 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.

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.

United Way of Frederick County, Incorporated
Notes to Financial Statements
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(12) 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 up 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, 2023 and 2022 was \$40,242 and \$21,512, respectively.

(13) LEASE COMMITMENTS

On July 1, 2021, UWFC entered into a five-year lease for office space ending on June 30, 2026. The monthly lease payment is \$1,950 with 5% annual increases.

UWFC also leases a copier. The copier lease requires monthly payments of \$219 through June 2026.

For the year ended June 30, 2023, these leases have been accounted for under ASC Topic 842. The operating lease liability as of June 30, 2023 consisted of the following:

Current portion of lease liability	\$	26,386
Long-term portion of lease liability		58,909
		\$ 85,295

Future lease payments under these leases at June 30, 2023 are as follows:

2024		\$ 28,428
2025		29,712
2026		30,849
2027		-
2028		-
		88,989
Total undiscounted cash flows		88,989
Less: present value discount		(3,694)
Total lease liability		\$ 85,295

Lease expenses under these leases was \$29,104 for the year ended June 30, 2023, which was included in operating lease expense on the Statement of Functional Expenses.

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(13) LEASE COMMITMENTS (continued)

Additional information regarding these leases is summarized below:

Weighted-average remaining lease term in years	3.00
Weighted-average discount rate	2.88%

For the year ended June 30, 2022, these leases were accounted for under ASC 840, the leasing standard that was in effect during that year.

Rent expense for the above leases for the year ended June 30, 2022 totaled \$26,540.

Under ASC 842, future minimum lease payments under these agreements are as follows for the years ended June 30:

2023	\$ 28,054
2024	28,711
2025	29,712
2026	31,068
2027	-

(14) 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, 2023 and 2022, 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 previously 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 effect 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, 2023 and 2022.

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 2019.

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Notes to Financial Statements
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(15) 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 29% of its 2022 workplace campaign support from two local businesses. At June 30, 2023, approximately 31% of pledges receivable were from two local businesses. For the year ended June 30, 2023, there was no concentrations noted for individual and corporate donations. At June 30, 2023, approximately 21% of pledges receivable was from one donor.

UWFC received approximately 25% of its 2021 workplace campaign support from two local business. At June 30, 2022, there was no concentration of pledges receivable related to the workplace campaign. UWFC received approximately 31% of individual and corporate donations from one donor for the year ended June 30, 2022. At June 30, 2022, approximately 47% of pledges receivable was from one donor.

The current level of operations and program services may be impacted if this funding were discontinued.

(16) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects UWFC's financial assets as of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 48,044	\$ 17,044
Restricted cash	4,415	5,759
Marketable securities	390,014	380,540
Pledges receivable, net	156,586	205,187
Grants receivable	199,631	100,000
Allocations due from CCC	78,455	79,316
Financial assets, at year end	<u>877,145</u>	<u>787,846</u>

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(16) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

	2023	2022
Donor-imposed restrictions:		
Restricted cash	(4,415)	(5,759)
Donor restricted funds	(293,789)	(73,171)
Net financial assets after donor-imposed restrictions	578,941	708,916
Less those unavailable for general expenditure within one year, due to:		
Pledges receivable collectible beyond one year	-	(42,739)
Board designated net assets	(341,723)	(336,068)
Financial assets available to meet cash needs for general expenses within one year	\$ 237,218	\$330,109

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.

(17) SUBSEQUENT EVENTS

In preparing these financial statements, UWFC has evaluated events and transactions for potential recognition or disclosure through November 9, 2023, the date the financial statements were available to be issued. Management has determined that no subsequent events require disclosure in these financial statements.

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