

# UNITED WAY OF FREDERICK COUNTY, INCORPORATED

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010



**DRAPER & MCGINLEY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS  
FREDERICK, MARYLAND



## Draper & McGinley, P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
AND FINANCIAL CONSULTANTS

James A. Draper, CPA  
Michael A. McGinley, CPA  
Joyce A. Draper, CPA  
Catharine V. Fairley, CPA, PFS, CFP  
Michele R. Mills, CPA

Frederick: (301) 694-7411  
Frederick Fax: (301) 694-0954  
Hagerstown: (301) 797-2202  
Hagerstown Fax: (301) 797-6437  
[www.drapermcginley.com](http://www.drapermcginley.com)

### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of the United Way of Frederick County, Incorporated (a nonprofit organization) as of June 30, 2011 and 2010 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Frederick County, Incorporated as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Member Agency Designations on page 17 and the Schedule of Member Agency Allocations and Designations on page 18 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.

September 30, 2011

*Draper & McGinley, P.A.*

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**

**Statement of Financial Position**

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 257,579	\$ 163,515
Restricted cash - CCC campaigns	53,070	67,851
Marketable securities	519,740	433,556
Pledges receivable, net of allowance for uncollectible pledges and pass-through designations:		
2010 and 2009 campaign (respectively)	515,324	459,762
Allocations and expense reimbursements due from CCC	42,395	65,895
Other receivables	5,884	7,107
Prepaid expenses	4,423	16,390
Total current assets	<u>1,398,415</u>	<u>1,214,076</u>
Property and Equipment - net	16,135	18,640
Other Assets:		
Timeshare interest	3,500	3,500
Assets held in Special Awards Trust Fund	235,237	202,931
Total other assets	<u>238,737</u>	<u>206,431</u>
Total Assets	<u>\$ 1,653,287</u>	<u>\$ 1,439,147</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Allocations/Designations payable:		
Member/Partner agencies	\$ 439,864	\$ 537,063
Other United Way agencies	20,325	29,487
Non-United Way agencies	75,905	56,302
Due to CCC	53,070	67,851
Accounts payable and accrued expenses	17,814	17,261
Total current liabilities	<u>606,978</u>	<u>707,964</u>
Long-Term Liabilities:		
Liability for assets held in Special Awards Trust Fund	235,237	202,931
Total liabilities	<u>842,215</u>	<u>910,895</u>
Net Assets:		
Unrestricted	745,295	462,915
Unrestricted - Board designated	65,777	65,337
Total net assets	<u>811,072</u>	<u>528,252</u>
Total Liabilities and Net Assets	<u>\$ 1,653,287</u>	<u>\$ 1,439,147</u>

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

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
2010 Campaign Public Support			
Annual Campaign pledges and contributions	\$ 1,197,494	\$ -	\$ 1,197,494
Less estimated uncollectible pledges	(106,000)	-	(106,000)
Donor designations to non-affiliated agencies	(96,087)	-	(96,087)
Donor designations to member agencies	(439,864)	-	(439,864)
Share of CCC Allocations	34,816	-	34,816
In-kind contributions	64,788	-	64,788
Net contributions	655,147	-	655,147
2009 Campaign Public support:			
Annual Campaign pledges and contributions	45,331	-	45,331
Other support	1,644	22,000	23,644
Total support	702,122	22,000	724,122
<b>Revenue:</b>			
Interest and dividend income	13,876	-	13,876
Net administrative fees from designations and other campaigns	6,065	-	6,065
Unrealized Gain on investments	85,869	-	85,869
Special events, net	(5,895)	-	(5,895)
Total revenue	99,915	-	99,915
Total Support and Revenue	802,037	22,000	824,037
Net assets released from restrictions	22,000	(22,000)	-
<b>Total Support, Revenue and Reclassifications</b>	<b>824,037</b>	<b>-</b>	<b>824,037</b>
<b>ALLOCATIONS AND EXPENSES</b>			
Community impact allocation	27,167	-	27,167
Loss on disposal of fixed assets	456	-	456
Unallocated payments to affiliated organization:			
Membership - United Way Worldwide	11,260	-	11,260
Functional expenses:			
Program services	147,381	-	147,381
Fundraising	229,039	-	229,039
Management and general	125,914	-	125,914
Total functional expenses	502,334	-	502,334
<b>Total allocations and expenses</b>	<b>541,217</b>	<b>-</b>	<b>541,217</b>
<b>Change in Net Assets</b>	<b>282,820</b>	<b>-</b>	<b>282,820</b>
Net Assets, beginning of year	528,252	-	528,252
<b>Net Assets, end of year</b>	<b>\$ 811,072</b>	<b>\$ -</b>	<b>\$ 811,072</b>

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

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**

**Statement of Activities**

**For the Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
2009 Campaign Public Support:			
Annual Campaign pledges and contributions	\$ 1,168,283	\$ -	\$ 1,168,283
Less estimated uncollectible pledges	(108,000)	-	(108,000)
Donor designations to non-affiliated agencies	(95,266)	-	(95,266)
Donor designations to member agencies	(390,021)	-	(390,021)
Share of CCC Allocations	65,895	-	65,895
In-kind contributions	41,543	-	41,543
Net contributions	<u>682,434</u>	-	<u>682,434</u>
2008 Campaign Public support:			
Annual Campaign pledges and contributions	33,351	-	33,351
Other support	2,781	-	2,781
Total support	<u>718,566</u>	-	<u>718,566</u>
<b>Revenue:</b>			
Interest and dividend income	5,892	-	5,892
Net administrative fees from designations and other campaigns	6,981	-	6,981
Unrealized Gain on investments	41,222	-	41,222
Special events, net	22,197	-	22,197
Total revenue	<u>76,292</u>	-	<u>76,292</u>
Total Support and Revenue	794,858	-	794,858
Net assets released from restrictions	986	(986)	-
<b>Total Support, Revenue and Reclassifications</b>	<b><u>795,844</u></b>	<b><u>(986)</u></b>	<b><u>794,858</u></b>
<b>ALLOCATIONS AND EXPENSES</b>			
Allocations to member agencies (net of designations)	152,550	-	152,550
Community impact allocation	79,500	-	79,500
Unallocated payments to affiliated organization:			
Membership - United Way Worldwide	10,935	-	10,935
Functional expenses:			
Program services	142,878	-	142,878
Fundraising	210,889	-	210,889
Management and general	108,565	-	108,565
Total functional expenses	<u>462,332</u>	-	<u>462,332</u>
<b>Total allocations and expenses</b>	<b><u>705,317</u></b>	<b><u>-</u></b>	<b><u>705,317</u></b>
<b>Change in Net Assets</b>	<b>90,527</b>	<b>(986)</b>	<b>89,541</b>
Net Assets, beginning of year - restated	437,725	986	438,711
<b>Net Assets, end of year</b>	<b><u>\$ 528,252</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 528,252</u></b>

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

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2011**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>
Salaries	\$ 78,661	\$ 84,395	\$ 47,040	\$ 210,096
Employee benefits	18,234	19,564	10,905	48,703
Pension	6,568	7,046	3,928	17,542
Payroll taxes	7,338	7,873	4,388	19,599
Total salaries and benefits	<u>110,801</u>	<u>118,878</u>	<u>66,261</u>	<u>295,940</u>
Solicitors' supplies / printing	4,269	5,219	-	9,488
Total campaign expenses	<u>4,269</u>	<u>5,219</u>	<u>-</u>	<u>9,488</u>
Rent	9,146	9,813	5,470	24,429
Telephone	1,004	1,077	600	2,681
Total facilities	<u>10,150</u>	<u>10,890</u>	<u>6,070</u>	<u>27,110</u>
Office supplies	921	989	551	2,461
Travel, conferences and meetings	3,504	3,759	2,095	9,358
Professional fees	-	-	38,204	38,204
Equipment repairs and maintenance	3,831	4,111	2,291	10,233
Insurance	1,138	1,220	680	3,038
Memberships - other	1,510	1,620	903	4,033
Parking	2,031	2,179	1,215	5,425
Interest expense / bank fees	-	-	939	939
In-kind expense	-	63,600	1,188	64,788
Advertising	-	6,674	-	6,674
Postage	986	1,057	589	2,632
Computer/software	4,001	4,294	2,393	10,688
Other expenses	1,552	1,665	928	4,145
Expenses before depreciation	144,694	226,155	124,307	495,156
Depreciation	2,687	2,884	1,607	7,178
Total functional expenses	<u>\$ 147,381</u>	<u>\$ 229,039</u>	<u>\$ 125,914</u>	<u>\$ 502,334</u>

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

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2010**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>
Salaries	\$ 85,652	\$ 91,897	\$ 51,221	\$ 228,770
Employee benefits	15,949	17,112	9,538	42,599
Pension	5,502	5,903	3,290	14,695
Payroll taxes	8,621	9,249	5,155	23,025
Total salaries and benefits	<u>115,724</u>	<u>124,161</u>	<u>69,204</u>	<u>309,089</u>
Solicitors' supplies / printing	<u>5,675</u>	<u>6,935</u>	-	<u>12,610</u>
Total campaign expenses	<u>5,675</u>	<u>6,935</u>	<u>-</u>	<u>12,610</u>
Rent	8,187	8,784	4,896	21,867
Telephone	521	559	312	1,392
Total facilities	<u>8,708</u>	<u>9,343</u>	<u>5,208</u>	<u>23,259</u>
Office supplies	657	706	394	1,757
Travel, conferences and meetings	733	786	438	1,957
Professional fees	-	-	15,772	15,772
Equipment repairs and maintenance	3,856	4,137	2,305	10,298
Insurance	1,267	1,360	758	3,385
Memberships - other	718	771	430	1,919
Parking	1,802	1,934	1,078	4,814
Interest expense / bank fees	-	-	245	245
In-kind expense	-	41,300	243	41,543
Advertising	-	15,445	-	15,445
Postage	727	780	435	1,942
CEO search	-	-	10,254	10,254
Computer/software	<u>280</u>	<u>300</u>	<u>167</u>	<u>747</u>
Expenses before depreciation	140,147	207,958	106,931	455,036
Depreciation	2,731	2,931	1,634	7,296
Total functional expenses	<u>\$ 142,878</u>	<u>\$ 210,889</u>	<u>\$ 108,565</u>	<u>\$ 462,332</u>

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

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED****Statements of Cash Flows**

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 282,820	\$ 89,541
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,178	7,296
Loss on disposal of fixed assets	456	-
Provision for uncollectible pledges	(2,000)	(3,100)
Unrealized gain on investments	(85,869)	(41,222)
Change in operating assets and liabilities:		
Pledges receivable	(53,562)	(16,374)
Allocations due from CCC	23,500	2,699
Other receivables	1,223	12,296
Prepaid expenses	11,967	(9,668)
Allocations payable	(86,758)	(110,432)
Accounts payable and accrued expenses	553	(7,630)
Net cash provided by (used in) operating activities	<u>99,508</u>	<u>(76,594)</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(5,129)	-
Investment in marketable securities	(315)	(5,716)
Net cash (used in) investing activities	<u>(5,444)</u>	<u>(5,716)</u>
Net increase (decrease) in cash	94,064	(82,310)
Cash and cash equivalents, beginning of year	163,515	245,825
Cash and cash equivalents, end of year	<u>\$ 257,579</u>	<u>\$ 163,515</u>
<b>Supplemental Information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

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



# UNITED WAY OF FREDERICK COUNTY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of Activities

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, which runs through the spring of the following year.

United Way of Frederick County, Incorporated (a local United Way) is a member of United Way Worldwide (UWW). United Way Worldwide 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Estimates and Assumptions

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Cash and Cash Equivalents

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

#### Public Support

Contributions are recognized when the donor makes a promise (pledge) to give to 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. Donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UWFC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by UWFC. Generally, the donors of these assets permit UWFC to use all or part of the income earned on any related investments for general or specific purposes.

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 statement of activities.

Donated Services and In-Kind Contributions

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated services and materials for the years ended June 30, 2011 and 2010 totaled \$64,788 and \$41,543 respectively, of which approximately \$63,000 and \$41,000, 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 statement of activities because the criteria for recognition under accounting standards have not been satisfied.

Promises to Give (pledges receivable)

UWFC uses the allowance method to determine uncollectible pledges and the allowance is based on prior years' experience.

Advertising

Advertising costs are expensed as incurred.

Cost Allocation of Functional Expenses

Programs and supporting services costs have been reported on a functional basis. This requires the allocation of certain costs (primarily salaries and related expenses, rent, telephone, maintenance and professional fees) among the various programs and supporting services based on estimates made by management.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

*Program and Supporting Services*

The following program and supporting services are included in the accompanying financial statements:

*Program Services:*

Fund distribution expense – costs associated with the fund distribution process.

*Supporting Services:*

Management and general – relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, human resources, finance, governance, information technology, and other administrative activities.

Fundraising – includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

**3. Marketable Securities**

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

Marketable securities represent the following at June 30,:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 519,740	\$ 433,556
Total	<u>\$ 519,740</u>	<u>\$ 433,556</u>

Included in revenue on the statement of activities for the years ended June 30, 2011 and 2010 are \$13,876 and \$4,810, respectively of interest and dividend income and \$85,869 and \$41,222, respectively of net unrealized gains from these marketable securities.

**4. Fair Values**

FASB ASC 820-10 (formerly SFAS No. 157, “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 the Organization has the ability to access.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Fair Values (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 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 money funds, common stocks and options, and mutual funds* – similar assets valued at the closing price reported on the active market on which the individual securities are traded.

The method 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 the Organization believes its valuation methods are appropriate and consistent with 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 sets forth by level, within the fair value hierarchy, the Organization's investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money funds	\$ 44,443	\$ -	\$ -	\$ 44,443
Common stocks and options	1,029	-	-	1,029
Mutual funds	709,505	-	-	709,505
Unconditional promises to give	-	-	515,324	515,324
	<u>\$ 754,977</u>	<u>\$ -</u>	<u>\$ 515,324</u>	<u>\$ 1,270,301</u>

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Fair Values (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money funds	\$ 48,754	\$ -	\$ -	\$ 48,754
Common stocks and options	1,598			1,598
Mutual funds	586,135	-	-	586,135
Unconditional promises to give	-	-	459,762	459,762
	<u>\$ 636,487</u>	<u>\$ -</u>	<u>\$ 459,762</u>	<u>\$ 1,096,249</u>

**Level 3 Assets and Liabilities**

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets and liabilities:

	<u>2011</u>		<u>2010</u>	
	<u>Pledges - Net</u>	<u>Total</u>	<u>Pledges - Net</u>	<u>Total</u>
Balance - beginning of year	\$ 459,762	\$ 459,762	\$ 440,288	\$ 440,288
Contributions				
Pledge payments	(1,035,932)	(1,035,932)	(1,071,171)	(1,071,171)
New Pledges	1,197,494	1,197,494	1,198,645	1,198,645
Allowance account	(106,000)	(106,000)	(108,000)	(108,000)
Balance - end of year	<u>\$ 515,324</u>	<u>\$ 515,324</u>	<u>\$ 459,762</u>	<u>\$ 459,762</u>

**5. Pledges Receivable**

Pledges receivable for the 2010 and 2009 campaigns consists of the following at June 30,:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 621,324	\$ 567,762
Less: allowance for uncollectible pledges (9% of gross pledges)	<u>(106,000)</u>	<u>(108,000)</u>
Total	<u>\$ 515,324</u>	<u>\$ 459,762</u>

Pledges receivable are expected to be collected in one year.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**6. Property and Equipment**

Property and equipment consists of the following at June 30,:

	<u>2011</u>	<u>2010</u>
Office equipment	\$ 47,967	\$ 67,779
Accumulated depreciation	<u>(31,832)</u>	<u>(49,139)</u>
Total	<u>\$ 16,135</u>	<u>\$ 18,640</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, 2011 and 2010 was \$7,178 and \$7,296, respectively.

**7. Assets Held in Special Awards Trust Fund / Liability for Assets Held in Special Awards Trust Fund**

UWFC maintains a perpetual fund pursuant to a Memorandum of Understanding dated January 2000 related to The Dr. Henry P. and M. Page Laughlin Special Awards Trust Fund for United Way of Frederick County. This fund is held in a brokerage account. Funds for awards to beneficiaries will be made available when the annual amount of increases in capital exceeds \$2,500 per annum. No less than 60% of the annual investment return shall be reinvested in perpetuity.

UWFC is required to keep the funds in a separate account and shall receive an annual management fee of 1/10 of one percent of the market value of the fund as of June 30 of that year, with the fee to be adjusted downward as the market value of the fund grows. The terms of the agreement may be amended from time to time by Dr. and Mrs. Laughlin during their lifetimes.

Distributions from the fund to UWFC are recognized as support when received. Contributions, earnings and other transactions within the trust are not recognized in the statement of activities as these changes are offset by the corresponding changes in liability for assets held in Special Awards Trust Fund.

Following is the activity recorded for the fund:

	<u>2011</u>	<u>2010</u>
Balance, beginning of the year	\$ 202,931	\$ 178,035
Contributions	-	-
Interest and dividends	4,618	4,421
Distributions	95	-
Unrealized gain	<u>27,783</u>	<u>20,475</u>
Balance, end of the year	<u>\$ 235,237</u>	<u>\$ 202,931</u>

**8. Allocations/Designations Payable to Member/Partner Agencies**

This balance represents UWFC allocations and designations related to the 2010 and 2009 campaign that are promised to UWFC participating agencies.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**9. Unrestricted Net Assets – Board Designated**

In October 2004, the Board designated funds to a separate account to be used in developing UWFC leadership. The balance at June 30, 2011 and 2010 was \$65,777 and \$65,337, respectively.

**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 statement of activities 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 – 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. 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, 2011 and 2010, the Organization 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. The Organization is not considered a private foundation.

UWFC follows FASB's ASC 740-10 and Accounting Standards Update (ASU) 2009-06 (previously Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48)). As part of that adoption, the Organization considered the possibility of uncertain tax positions and their impact on the financial position of the organization. The most significant tax position of the organization is its tax-exempt status. As of June 30, 2011 and 2010, management did not identify any uncertain tax positions.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**12. Income Taxes (continued)**

The Organization accrues interest and penalties (if applicable) in income taxes payable on the Statement of Financial Position and records any expense in the provision for income taxes in the Statement of Activities. The Organization had no penalties or income taxes for the years ended June 30, 2011 and 2010, respectively. Pursuant to Internal Revenue Service rules for the statute of limitations, the organization believes it is no longer subject to U.S. Federal, state, and local income tax examinations by taxing authorities for years before 2007.

**13. Lease Commitments**

In December 2008, UWFC renewed their office lease for a three-year term through December 2011 at a rate of \$1,795 per month in year one with annual rent increase at the greater of 3% or the consumer price index. The agreement provides the option to renew the lease for a one to three-year term at rates mutually agreed.

Furthermore, in July 2008 and August 2008, respectively, UWFC entered into two five-year lease agreements for a copier and postage machine with combined monthly payments of \$347.

Future minimum rental payments under these agreements are as follows for the years ending June 30:

2012	\$15,590
2013	4,164
2014	694
2015	-
2016	-

Rent expense for the years ended June 30, 2011 and 2010 totaled \$24,429 and \$21,867, respectively.

**14. Pension Plan**

UWFC maintains a noncontributory defined contribution pension plan for all employees meeting minimum service and age requirements. The plan requires annual contributions equal to 10% of eligible employee compensation. Forfeitures to which a participant who terminates employment does not have a non-forfeitable right shall be used to reduce employer contributions. Pension expense under this plan for the years ended June 30, 2011 and 2010 was \$17,542 and \$14,695, respectively.

**15. Concentrations**

Credit Risk

Financial instruments that potentially subject UWFC to concentrations of credit risk include cash deposits with a commercial bank. UWFC's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may exceed FDIC insurable limits at times throughout the year.



**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**15. Concentrations (continued)**

Sources of Revenue

UWFC received approximately 32% and 27%, respectfully of its 2010 and 2009 campaign support from two entities (one local business and the CFC National Capital Area government campaign). Pledges receivable from these two entities (net of shrinkage allowance) for the years ended June 30, 2011 and 2010 were approximately \$235,284 and \$172,005, respectively.

**16. Prior Period Adjustments**

During fiscal year 2011, the Organization changed the nature of the Community Impact program. As a result, a prior period adjustment was made to reduce the Community Impact accounts payable and increase unrestricted net assets. The effect on the fiscal year 2011 financial statements was a restatement of the beginning of the year net assets of \$70,098 from the previously reported amount of \$458,154 to \$528,252.

During fiscal year 2010, the Organization determined that the Beneficial interest in a perpetual trust at the Community Foundation was improperly recorded as an asset and permanently restricted net assets. Therefore, a prior period adjustment was made to remove the asset and the permanently restricted net assets. The effect on the 2010 financial statements was a restatement of the 2010 beginning of the year net assets of \$55,615 from the previously reported amount of \$494,326 to \$438,711.

**17. Evaluation of Subsequent Events**

Subsequent events are defined as events or transactions that occur after the balance sheet date through the date that the financial statements are available to be issued. The Organization performed an evaluation as of September 30, 2011, the date the financial statements were available to be issued, and determined that there are no subsequent events requiring disclosure.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**

**Schedule of Member Agency Designations**

**For the year ended June 30, 2011**

	<u>Total</u>
American Cancer Society	\$ 24,954
American Red Cross	28,107
ARC of Frederick County	20,469
Big Brothers / Big Sisters	9,491
Boy Scouts	10,034
Community Living	9,337
Daybreak	2,793
Emmitsburg Early Learning	1,338
Frederick Community Action Agency	28,809
Gale House	12,903
Girl Scouts	74,800
Goodwill Industries	4,229
Hands on Frederick	3,959
Heartly House	127,842
Learning Tree	2,490
Mental Health Association	11,794
Religious Coalition	28,894
Salvation Army	11,942
Seton Center	9,117
Up-County Family Center	563
Villa Maria - Catholic Charities	6,866
YMCA	<u>9,133</u>
Total Agency Allocations and Designations	<u>\$ 439,864</u>

The accompanying notes are an integral part of this schedule.

**UNITED WAY OF FREDERICK COUNTY, INCORPORATED**  
**Schedule of Member Agency Allocations and Designations**  
**For the year ended June 30, 2010**

	<u>Allocations</u>	<u>Designations</u>	<u>Total</u>
American Cancer Society <sup>(1)</sup>	\$ -	\$ 34,068	\$ 34,068
American Red Cross	4,100	28,834	32,934
ARC of Frederick County	1,400	20,861	22,261
Big Brothers / Big Sisters	5,600	17,763	23,363
Boy Scouts	-	9,556	9,556
Community Living	13,100	6,426	19,526
Daybreak	4,925	4,061	8,986
Emmitsburg Early Learning	11,800	1,809	13,609
Frederick Community Action Agency	-	23,265	23,265
Gale House	5,900	7,750	13,650
Girl Scouts	3,875	1,987	5,862
Goodwill Industries	900	5,782	6,682
Heartly House	-	122,445	122,445
Learning Tree	14,500	3,740	18,240
Mental Health Association	30,500	13,672	44,172
Religious Coalition	-	32,017	32,017
Salvation Army	-	24,240	24,240
Seton Center	3,100	7,673	10,773
Up-County Family Center	28,000	1,810	29,810
Villa Maria - Catholic Charities	11,650	10,609	22,259
Volunteer Frederick	11,150	3,376	14,526
YMCA	2,050	8,277	10,327
<b>Total Agency Allocations and Designations</b>	<b><u>\$ 152,550</u></b>	<b><u>\$ 390,021</u></b>	<b><u>\$ 542,571</u></b>

<sup>(1)</sup> By mutual agreement of UWFC and agency, this agency receives designations only.

The accompanying notes are an integral part of this schedule.