



**United Way
of Frederick County**

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

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013



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

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

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

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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Draper & McGinley, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
AND FINANCIAL CONSULTANTS

James A. Draper, CPA
Michael A. McGinley, CPA
Joyce A. Draper, CPA
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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2014 and 2013, and the related statements of activities, 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.

Auditors' 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 auditors' 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, 2014 and 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of community impact partner designations payable and the schedule of community impact grants on pages 20 and 21 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.

Drapew & McGinley, P.A.

Frederick, Maryland
November 11, 2014

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

As of June 30,	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 248,901	\$ 222,218
Restricted cash - CCC	22,289	48,654
Marketable securities	661,420	576,426
Pledges receivable, net of allowance for uncollectible pledges	395,039	394,819
Allocations and expense reimbursements due from CCC	53,284	62,166
Other receivables	214	-
Prepaid expenses	10,717	8,785
Total Current Assets	<u>1,391,864</u>	<u>1,313,068</u>
Property and Equipment - net	<u>2,396</u>	<u>2,923</u>
Other Assets		
Timeshare interest	3,500	3,500
Assets held in Special Awards Trust Fund	297,048	259,763
Total Other Assets	<u>300,548</u>	<u>263,263</u>
Total Assets	<u>\$ 1,694,808</u>	<u>\$ 1,579,254</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 8,689	\$ 8,633
Allocations/Designations payable:		
Agencies and other organizations	230,212	288,706
Community Impact Partners	124,844	89,335
Other United Way agencies	4,540	17,866
Due to CCC	22,289	48,654
Total Current Liabilities	<u>390,574</u>	<u>453,194</u>
Long-Term Liabilities		
Liability for assets held in Special Awards Trust Fund	297,048	259,763
Total Liabilities	<u>687,622</u>	<u>712,957</u>
Net Assets		
Unrestricted	943,302	802,413
Unrestricted - Board designated	63,884	63,884
Total Net Assets	<u>1,007,186</u>	<u>866,297</u>
Total Liabilities and Net Assets	<u>\$ 1,694,808</u>	<u>\$ 1,579,254</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
2013 Campaign Public Support:			
Annual Campaign pledges and contributions	\$ 994,189	\$ -	\$ 994,189
Less estimated uncollectible pledges	(97,355)	-	(97,355)
Donor designations to agencies and partners	(355,055)	-	(355,055)
Donor designations to other United Way agencies	(4,540)	-	(4,540)
Share of CCC allocations	47,686	-	47,686
In-kind contributions	79,058	-	79,058
Net contributions	663,983	-	663,983
2012 Campaign Public Support:			
Annual Campaign pledges and contributions	25,568	-	25,568
Campaign designations uncollected	32,140	-	32,140
Grants	25,000	-	25,000
Total Support	746,691	-	746,691
Revenue:			
Interest and dividend income	13,957	-	13,957
Net administrative fees - designations and campaigns	7,785	-	7,785
Realized/Unrealized gain on investments	74,927	-	74,927
Other income	20,877	-	20,877
Special events, net	1,109	-	1,109
Total Revenue	118,655	-	118,655
Total Support and Revenue	865,346	-	865,346
Net assets released from restrictions	-	-	-
Total Support, Revenue, and Reclassifications	865,346	-	865,346
ALLOCATIONS AND EXPENSES			
Community Impact activities and allocation	212,412	-	212,412
Unallocated payments to affiliated organization:			
Membership - United Way Worldwide	10,157	-	10,157
Functional expenses:			
Program services	239,222	-	239,222
Fundraising	138,544	-	138,544
Management and general	124,122	-	124,122
Total functional expenses	501,888	-	501,888
Total Allocations and Expenses	724,457	-	724,457
Change in Net Assets	140,889	-	140,889
Net Assets, beginning of year	866,297	-	866,297
Net Assets, end of year	\$ 1,007,186	\$ -	\$ 1,007,186

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
2012 Campaign Public Support:			
Annual Campaign pledges and contributions	\$ 1,006,569	\$ -	\$ 1,006,569
Less estimated uncollectible pledges	(96,000)	-	(96,000)
Donor designations to member agencies	(264,762)	-	(264,762)
Donor designations to other non-affiliated agencies	(131,145)	-	(131,145)
Share of CCC Allocations	48,371	-	48,371
In-kind contributions	84,370	-	84,370
Net contributions	647,403	-	647,403
2011 Campaign Public Support:			
Annual Campaign pledges and contributions	44,607	-	44,607
Campaign designations uncollected	45,196	-	45,196
Grants	20,931	-	20,931
Total Support	758,137	-	758,137
Revenue:			
Interest and dividend income	17,718	-	17,718
Net administrative fees - designations and campaigns	5,471	-	5,471
Realized/Unrealized gain on investments	43,347	-	43,347
Other income	20,199	-	20,199
Special events, net	11,452	-	11,452
Total Revenue	98,187	-	98,187
Total Support and Revenue	856,324	-	856,324
Net assets released from restrictions	-	-	-
Total Support, Revenue, and Reclassifications	856,324	-	856,324
ALLOCATIONS AND EXPENSES			
Community Impact activities and allocation	251,864	-	251,864
Unallocated payments to affiliated organization:			
Membership - United Way Worldwide	8,374	-	8,374
Functional expenses:			
Program services	240,356	-	240,356
Fundraising	183,607	-	183,607
Management and general	90,019	-	90,019
Total functional expenses	513,982	-	513,982
Total Allocations and Expenses	774,220	-	774,220
Change in Net Assets	82,104	-	82,104
Net Assets, beginning of year	784,193	-	784,193
Net Assets, end of year	\$ 866,297	\$ -	\$ 866,297

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, 2014

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>
		<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 88,865	\$ 64,427	\$ 68,870	\$ 222,162
Employee benefits	12,209	8,851	9,461	30,521
Retirement plan contribution	5,976	4,332	4,631	14,939
Payroll taxes	9,093	6,592	7,046	22,731
Total salaries and benefits	<u>116,143</u>	<u>84,202</u>	<u>90,008</u>	<u>290,353</u>
Resource development - Campaign	-	12,761	-	12,761
Total Resource development - Campaign	<u>-</u>	<u>12,761</u>	<u>-</u>	<u>12,761</u>
Rent	8,262	5,990	6,403	20,655
Telephone	1,517	1,100	1,176	3,793
Total facilities	<u>9,779</u>	<u>7,090</u>	<u>7,579</u>	<u>24,448</u>
Professional fees	10,339	7,496	8,013	25,848
Bank service charges & fees	2,335	1,693	1,810	5,838
Office supplies	2,377	1,723	1,841	5,941
Computer expenses	3,762	2,728	2,916	9,406
Postage	1,669	1,210	1,293	4,172
Equipment rent & maintenance	4,264	3,091	3,304	10,659
Advertising	-	9,667	-	9,667
Travel, meetings, & training	3,409	2,471	2,641	8,521
Parking	1,297	940	1,005	3,242
Membership dues - other	1,224	887	948	3,059
Insurance	1,212	879	940	3,031
In-kind expense	79,058	-	-	79,058
Other expenses	1,828	1,325	1,417	4,570
Total expenses before depreciation	<u>238,696</u>	<u>138,163</u>	<u>123,715</u>	<u>500,574</u>
Depreciation	<u>526</u>	<u>381</u>	<u>407</u>	<u>1,314</u>
Total functional expenses	<u>\$ 239,222</u>	<u>\$ 138,544</u>	<u>\$ 124,122</u>	<u>\$ 501,888</u>

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, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>
		<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 80,964	\$ 85,225	\$ 46,874	\$ 213,063
Employee benefits	15,021	15,811	8,696	39,528
Retirement plan contribution	5,908	6,219	3,421	15,548
Payroll taxes	8,195	8,627	4,745	21,567
Total salaries and benefits	<u>110,088</u>	<u>115,882</u>	<u>63,736</u>	<u>289,706</u>
Resource development - Campaign	-	15,638	-	15,638
Total Resource development - Campaign	<u>-</u>	<u>15,638</u>	<u>-</u>	<u>15,638</u>
Rent	9,509	10,009	5,505	25,023
Telephone	1,069	1,125	619	2,813
Total facilities	<u>10,578</u>	<u>11,134</u>	<u>6,124</u>	<u>27,836</u>
Professional fees	11,175	11,763	6,470	29,408
Bank service charges & fees	3,035	3,195	1,757	7,987
Office supplies	2,073	2,182	1,200	5,455
Computer expenses	2,776	2,922	1,607	7,305
Postage	973	1,024	563	2,560
Equipment rent & maintenance	4,091	4,307	2,369	10,767
Advertising	-	4,300	-	4,300
Travel, meetings, & training	3,755	3,953	2,174	9,882
Parking	2,051	2,159	1,187	5,397
Membership dues - other	1,364	1,436	790	3,590
Insurance	1,350	1,421	782	3,553
In-kind expense	84,370	-	-	84,370
Other expenses	500	-	-	500
Total expenses before depreciation	238,179	181,316	88,759	508,254
Depreciation	<u>2,177</u>	<u>2,291</u>	<u>1,260</u>	<u>5,728</u>
Total functional expenses	<u>\$ 240,356</u>	<u>\$ 183,607</u>	<u>\$ 90,019</u>	<u>\$ 513,982</u>

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,	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 140,889	\$ 82,104
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,314	5,728
Provision for uncollectible pledges	1,355	(6,000)
Realized/Unrealized gain on investments	(74,927)	(43,347)
Change in operating assets and liabilities:		
Pledges receivable	(1,575)	26,546
Allocations due from CCC	8,882	(16,652)
Other receivables	(214)	9,707
Prepaid expenses	(1,931)	(4,612)
Allocations payable	(36,312)	(96,593)
Accounts payable and accrued expenses	56	(18,673)
Net cash provided by (used in) operating activities	<u>37,537</u>	<u>(61,792)</u>
Cash flows from investing activities:		
Investment in marketable securities	(10,067)	(6,352)
Purchase of equipment	(787)	-
Net cash used in investing activities	<u>(10,854)</u>	<u>(6,352)</u>
Net increase (decrease) in cash and cash equivalents	26,683	(68,144)
Cash and cash equivalents, beginning of year	<u>222,218</u>	<u>290,362</u>
Cash and cash equivalents, end of year	<u>\$ 248,901</u>	<u>\$ 222,218</u>
Supplemental Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

(1) NATURE OF OPERATIONS

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 accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenditures are recognized when they are incurred, without regard to receipt or payment of cash. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation:

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.

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.

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.

Promises to Give (pledges receivable)

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

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, 2014 and 2013 totaled \$79,058 and \$84,370, respectively, of which approximately \$28,500 and \$42,500, 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.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$9,667 and \$4,300 for the years ended June 30, 2014 and 2013, respectively.

(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 statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Marketable securities represent the following as of June 30:

	<u>2014</u>	<u>2013</u>
Cash & equivalents	\$ 53,657	\$ 44,160
Fixed income securities	242,527	229,180
Equities	<u>365,236</u>	<u>303,086</u>
Total	<u>\$ 661,420</u>	<u>\$ 576,426</u>

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

(3) MARKETABLE SECURITIES (CONTINUED)

Included in revenue on the statements of activities for the years ended June 30, 2014 and 2013 are \$13,957 and \$17,718, respectively, of interest and dividend income and \$74,927 and \$43,347, respectively, of net realized and unrealized gains on these marketable securities.

(4) PLEDGES RECEIVABLE

Pledges receivable for the 2013 and 2012 Campaigns consists of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 492,394	\$ 490,819
Less: allowance for uncollectible pledges (9% of annual campaign pledges and contributions)	<u>(97,355)</u>	<u>(96,000)</u>
Total	<u>\$ 395,039</u>	<u>\$ 394,819</u>

Pledges receivable are expected to be collected in one year.

(5) FAIR VALUES

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 the Organization 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 THE FINANCIAL STATEMENTS

(5) FAIR VALUES (CONTINUED)

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 75,036	\$ -	\$ -	\$ 75,036
Fixed income securities	352,171	-	-	352,171
Equities	531,261	-	-	531,261
Unconditional promises to give	-	-	395,039	395,039
	<u>\$ 958,468</u>	<u>\$ -</u>	<u>\$ 395,039</u>	<u>\$ 1,353,507</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & equivalents	\$ 70,692	\$ -	\$ -	\$ 70,692
Fixed income securities	326,051	-	-	326,051
Equities	439,446	-	-	439,446
Unconditional promises to give	-	-	394,819	394,819
	<u>\$ 836,189</u>	<u>\$ -</u>	<u>\$ 394,819</u>	<u>\$ 1,231,008</u>

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

(5) FAIR VALUES (CONTINUED)

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>2014</u>		<u>2013</u>	
	<u>Pledges - Net</u>	<u>Total</u>	<u>Pledges - Net</u>	<u>Total</u>
Balance - beginning of year	\$ 394,819	\$ 394,819	\$ 415,365	\$ 415,365
Contributions:				
Pledge payments	(896,614)	(896,614)	(931,115)	(931,115)
New pledges	994,189	994,189	1,006,569	1,006,569
Allowance account	<u>(97,355)</u>	<u>(97,355)</u>	<u>(96,000)</u>	<u>(96,000)</u>
Balance - end of year	<u>\$ 395,039</u>	<u>\$ 395,039</u>	<u>\$ 394,819</u>	<u>\$ 394,819</u>

(6) PROPERTY AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 48,753	\$ 47,967
Less: accumulated depreciation	<u>(46,357)</u>	<u>(45,044)</u>
Total	<u>\$ 2,396</u>	<u>\$ 2,923</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, 2014 and 2013 was \$1,314 and \$5,728, respectively.

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

(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>2014</u>	<u>2013</u>
Balance, beginning of the year	\$ 259,762	\$ 234,682
Interest and dividends	5,323	5,227
Deposits (Distributions)	-	2,500
Investment fees	(1,674)	(1,492)
Realized gain	9,506	8,559
Unrealized gain (loss)	<u>24,131</u>	<u>10,286</u>
Balance, end of the year	<u>\$ 297,048</u>	<u>\$ 259,762</u>

(8) ALLOCATIONS / DESIGNATIONS PAYABLE TO AGENCIES

In fiscal year 2012, the Board changed its process to only pay-out the allocations/designations based on actual amounts collected. For the year ended June 30, 2013, \$395,907 was accrued to be paid out to agencies, partners, and other United Way agencies.

The actual amounts paid were \$363,767, based on collections. An adjustment of \$32,140 is reflected in the statement of activities. Annually, an adjustment will be reflected in the statement of activities for payments based on collections.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO THE 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 as of June 30, 2014 and 2013 was \$63,884.

(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 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) 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 base 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 base contributions for the years ended June 30, 2014 and 2013 was \$14,939 and \$15,548, respectively.

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

(12) LEASE COMMITMENTS

UWFC leases its office space. The lease agreement with Federated Charities at the rate of \$1,942 per month ended December 31, 2013. Beginning January 1, 2014, UWFC entered into a new five year lease for office space at the Bernard W. Brown Community Center at a rate of \$1,500 per month. 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 leases office equipment. In October 2013, UWFC entered into a five year lease agreement for a copier with monthly payments of \$299. The existing postage machine lease was also renewed in October 2013 with reduced quarterly payments of \$212.

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

2015	\$ 22,443
2016	22,443
2017	22,443
2018	22,018
2019	9,898

Rent expense for the above leases for the years ended June 30, 2014 and 2013 totaled \$25,499 and \$27,472, respectively.

(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, 2014 and 2013, 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. 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, 2014 and 2013, management did not identify any uncertain tax positions.

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, 2014 and 2013, 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 2010.

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

(14) 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. As of June 30, 2014, deposits were uninsured by \$21,190.

Sources of Revenue

UWFC received approximately 20% and 23%, respectively, of its 2013 and 2012 campaign support from two entities (one local business and the CFC National Capital Area government campaign). Pledges receivable from these two entities for the years ended June 30, 2014 and 2013 were approximately \$124,658 and \$158,594, respectively.

(15) SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date that the financial statements are available to be issued. The Organization performed an evaluation as of November 11, 2014, the date the financial statements were available to be issued, and determined that there are no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
SCHEDULES OF COMMUNITY IMPACT PARTNERS DESIGNATIONS PAYABLE

For the years ended June 30,	2014	2013
Boys & Girls Club of Frederick County	\$ 4,938	\$ 4,874
Big Brothers Big Sisters of Frederick County	-	6,963
Cakes for Cause	-	9,233
Families Plus, Inc.	-	630
Frederick Alliance for Youth	-	520
Frederick Community Action Agency	-	17,174
Frederick Rescue Mission, Inc.	22,990	-
Gale Recovery, Inc.	1,706	4,060
Goodwill Industries of Monocacy Valley, Inc.	2,926	1,727
Habitat for Humanity of Frederick County	-	10,942
Heartly House, Inc.	75,580	-
Hope Alive, Inc.	-	2,433
Interfaith Housing Alliance, Inc.	1,183	1,210
Mental Health Association of Frederick County	9,027	11,426
Mission of Mercy	-	3,631
Seton Center, Inc.	-	8,454
Villa Maria of Frederick County	-	6,058
YMCA of Frederick County	6,494	-
	<u>\$ 124,844</u>	<u>\$ 89,335</u>

The accompanying notes are an integral part of these schedules.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
SCHEDULE OF COMMUNITY IMPACT GRANTS
FOR THE YEAR ENDED JUNE 30, 2014

Community Impact Grants:

Big Brothers Big Sisters of Frederick County	\$ 15,000
Boys & Girls Club of Frederick County	15,000
Families Plus, Inc.	5,000
Frederick Community Action Agency	10,000
Gale Recovery, Inc.	25,000
Goodwill Industries of Monocacy Valley, Inc.	8,500
Habitat for Humanity of Frederick County	10,000
Interfaith Housing Alliance, Inc.	20,000
Mental Health Association of Frederick County	40,000
Mission of Mercy	15,000
Seton Center, Inc.	12,000
Villa Maria of Frederick County	<u>10,000</u>

Total Community Impact Grants 185,500

Emerging Community Needs Grants:

Advocates for Homeless Families, Inc.	650
Frederick County Judy Center	500
Frederick County Public Libraries - C. Burr Artz Trust	1,000
Frederick Rescue Mission	1,000
Housing Authority of the City of Frederick	500
Literacy Council of Frederick County	500
Second Chances Garage, Inc.	500
Seed of Life Nurseries, Inc.	<u>500</u>

Total Emerging Community Needs Grants 5,150

New Neighbor Grants:

Habitat for Humanity of Frederick County	2,000
The Salvation Army of Frederick County	2,000
Second Chances Garage, Inc.	2,000
Seed of Life Nurseries, Inc.	2,000
YMCA of Frederick County - Head Start	<u>2,000</u>

Total New Neighbor Grants 10,000

Total Grants \$ 200,650

The accompanying notes are an integral part of this schedule.