



**United Way
of Frederick County**

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

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012



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, 2013 AND 2012

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Draper & McGinley, P.A.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of United Way of Frederick County, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Frederick County, Incorporated as of June 30, 2013 and 2012, 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 member agency designations 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.

Drapen & McGinley, P.A.

Frederick, Maryland
October 31, 2013

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 222,218	\$ 290,362
Restricted cash - CCC campaigns	48,654	53,178
Marketable securities	576,426	526,727
Pledges receivable, net of allowance for uncollectible pledges and pass-through designations: 2012 and 2011 campaigns, respectively	394,819	415,365
Allocations and expense reimbursements due from CCC	62,166	45,514
Employee receivables	-	4,507
Other receivables	-	5,200
Prepaid expenses	8,785	4,173
Total current assets	<u>1,313,068</u>	<u>1,345,026</u>
Property and Equipment - net	2,923	8,651
Other Assets:		
Timeshare interest	3,500	3,500
Assets held in Special Awards Trust Fund	259,763	234,682
Total other assets	<u>263,263</u>	<u>238,182</u>
Total Assets	<u>\$ 1,579,254</u>	<u>\$ 1,591,859</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Allocations/Designations payable:		
Member/Partner agencies	\$ 264,762	\$ 369,752
Other United Way agencies	17,866	20,739
Other non-affiliated agencies	113,279	102,009
Due to CCC	48,654	53,178
Accounts payable and accrued expenses	8,633	27,306
Total current liabilities	<u>453,194</u>	<u>572,984</u>
Long-Term Liabilities:		
Liability for assets held in Special Awards Trust Fund	259,763	234,682
Total liabilities	<u>712,957</u>	<u>807,666</u>
Net Assets:		
Unrestricted	802,413	718,416
Unrestricted - Board designated	63,884	65,777
Total net assets	<u>866,297</u>	<u>784,193</u>
Total Liabilities and Net Assets	<u>\$ 1,579,254</u>	<u>\$ 1,591,859</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, 2013

	Unrestricted	Temporarily Restricted	Total
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	<u>647,403</u>	-	<u>647,403</u>
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	<u>758,137</u>	-	<u>758,137</u>
Revenue:			
Interest and dividend income	17,718	-	17,718
Net administrative fees from designations and other 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	<u>98,187</u>	-	<u>98,187</u>
Total Support and Revenue	856,324	-	856,324
Net assets released from restrictions	-	-	-
Total Support, Revenue and Reclassifications	<u>856,324</u>	-	<u>856,324</u>
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	<u>513,982</u>	-	<u>513,982</u>
Total Allocations and Expenses	<u>774,220</u>	-	<u>774,220</u>
Change in Net Assets	82,104	-	82,104
Net Assets, beginning of year	784,193	-	784,193
Net Assets, end of year	<u>\$ 866,297</u>	<u>\$ -</u>	<u>\$ 866,297</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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
2011 Campaign Public Support:			
Annual Campaign pledges and contributions	\$ 1,127,310	\$ -	\$ 1,127,310
Less estimated uncollectible pledges	(102,000)	-	(102,000)
Donor designations to member agencies	(369,752)	-	(369,752)
Donor designations to other non-affiliated agencies	(122,747)	-	(122,747)
Share of CCC Allocations	40,137	-	40,137
In-kind contributions	127,347	-	127,347
Net contributions	<u>700,295</u>	<u>-</u>	<u>700,295</u>
2010 Campaign Public Support:	2,140	-	2,140
Campaign designations uncollected	73,510	-	73,510
2012 Campaign Public Support:	6,403	-	6,403
Other support	-	31,680	31,680
Total support	<u>782,348</u>	<u>31,680</u>	<u>814,028</u>
Revenue:			
Interest and dividend income	14,536	-	14,536
Net administrative fees from designations and other campaigns	5,200	-	5,200
Unrealized loss on investments	(1,653)	-	(1,653)
Other income	14,683	-	14,683
Special events, net	2,499	-	2,499
Total revenue	<u>35,265</u>	<u>-</u>	<u>35,265</u>
Total Support and Revenue	817,613	31,680	849,293
Net assets released from restrictions	31,680	(31,680)	-
Total Support, Revenue and Reclassifications	<u>849,293</u>	<u>-</u>	<u>849,293</u>
ALLOCATIONS AND EXPENSES			
Community Impact activities and allocation	292,807	-	292,807
Unallocated payments to affiliated organization:			
Membership - United Way Worldwide	16,821	-	16,821
Functional expenses:			
Program services	327,892	-	327,892
Fundraising	107,479	-	107,479
Management and general	131,173	-	131,173
Total functional expenses	<u>566,544</u>	<u>-</u>	<u>566,544</u>
Total Allocations and Expenses	<u>876,172</u>	<u>-</u>	<u>876,172</u>
Change in Net Assets	(26,879)	-	(26,879)
Net Assets, beginning of year	811,072	-	811,072
Net Assets, end of year	<u>\$ 784,193</u>	<u>\$ -</u>	<u>\$ 784,193</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, 2013

	Program Services	Supporting Services		Totals
		Fundraising	Management and General	
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	<u>238,179</u>	<u>181,316</u>	<u>88,759</u>	<u>508,254</u>
Depreciation	2,177	2,291	1,260	5,728
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 these financial statements.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Supporting Services		Totals
		Fundraising	Management and General	
Salaries	\$ 108,271	\$ 54,841	\$ 44,304	\$ 207,416
Employee benefits	24,225	12,270	9,913	46,408
Retirement plan contribution	12,083	6,120	4,944	23,147
Payroll taxes	9,380	4,751	3,838	17,969
Total salaries and benefits	<u>153,959</u>	<u>77,982</u>	<u>62,999</u>	<u>294,940</u>
Resource development - Campaign	7,752	9,475	-	17,227
Total Resource development - Campaign	<u>7,752</u>	<u>9,475</u>	<u>-</u>	<u>17,227</u>
Rent	10,935	5,539	4,475	20,949
Telephone	1,423	721	582	2,726
Total facilities	<u>12,358</u>	<u>6,260</u>	<u>5,057</u>	<u>23,675</u>
Professional fees	-	-	48,956	48,956
Bank service charges & fees	-	-	3,325	3,325
Office supplies	1,902	964	778	3,644
Computer expenses	2,193	1,111	898	4,202
Postage	1,048	531	429	2,008
Equipment rent & maintenance	5,042	2,554	2,063	9,659
Advertising	-	350	-	350
Travel, meetings, & training	5,497	2,784	2,249	10,530
Parking	3,007	1,523	1,231	5,761
Memberships - other	1,932	979	791	3,702
Insurance	1,654	838	677	3,169
In-kind expense	127,347	-	-	127,347
Other expenses	295	149	121	565
Total expenses before depreciation	323,986	105,500	129,574	559,060
Depreciation	3,906	1,979	1,599	7,484
Total functional expenses	<u>\$ 327,892</u>	<u>\$ 107,479</u>	<u>\$ 131,173</u>	<u>\$ 566,544</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 82,104	\$ (26,879)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,728	7,484
Provision for uncollectible pledges	(6,000)	(4,000)
Realized/unrealized (gain) loss on investments	(43,347)	1,653
Change in operating assets and liabilities:		
Pledges receivable	26,546	103,959
Allocations due from CCC	(16,652)	(3,119)
Other receivables	9,707	(3,824)
Prepaid expenses	(4,612)	250
Allocations payable	(96,593)	(43,594)
Accounts payable and accrued expenses	(18,673)	9,492
Net cash provided by (used in) operating activities	<u>(61,792)</u>	<u>41,422</u>
Cash flows from investing activities:		
Investment in marketable securities	<u>(6,352)</u>	<u>(8,639)</u>
Net cash used in investing activities	<u>(6,352)</u>	<u>(8,639)</u>
Net increase (decrease) in cash and cash equivalents	(68,144)	32,783
Cash and cash equivalents, beginning of year	<u>290,362</u>	<u>257,579</u>
Cash and cash equivalents, end of year	<u>\$ 222,218</u>	<u>\$ 290,362</u>
Supplemental Information:		
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, 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 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.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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, 2013 and 2012 totaled \$84,370 and \$127,347 respectively, of which approximately \$42,500 and \$127,347, 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 FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$4,300 and \$350 for the years ended June 30, 2013 and 2012 respectively.

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.

(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. Unrealized gains and losses are included in the change in net assets.

Marketable securities represent the following at June 30:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 576,426	\$ 526,727
Total	<u>\$ 576,426</u>	<u>\$ 526,727</u>

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(3) MARKETABLE SECURITIES (CONTINUED)

Included in revenue on the statements of activities for the years ended June 30, 2013 and 2012 are \$17,718 and \$14,536, respectively of interest and dividend income and \$43,347 and \$(1,653), respectively of net unrealized gains (losses) from these marketable securities.

(4) 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.

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.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

(4) FAIR VALUES (CONTINUED)

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and 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>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 30,880	\$ -	\$ -	\$ 30,880
Fixed income securities	304,808	-	-	304,808
Equities	425,720	-	-	425,720
Unconditional promises to give	-	-	415,365	415,365
	<u>\$ 761,409</u>	<u>\$ -</u>	<u>\$ 415,365</u>	<u>\$ 1,176,774</u>

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

(4) 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>2013</u>		<u>2012</u>	
	<u>Pledges - Net</u>	<u>Total</u>	<u>Pledges - Net</u>	<u>Total</u>
Balance - beginning of year	\$ 415,365	\$ 415,365	\$ 515,324	\$ 515,324
Contributions:				
Pledge payments	(931,115)	(931,115)	(1,125,269)	(1,125,269)
New pledges	1,006,569	1,006,569	1,127,310	1,127,310
Allowance account	<u>(96,000)</u>	<u>(96,000)</u>	<u>(102,000)</u>	<u>(102,000)</u>
Balance - end of year	<u>\$ 394,819</u>	<u>\$ 394,819</u>	<u>\$ 415,365</u>	<u>\$ 415,365</u>

(5) PLEDGES RECEIVABLE

Pledges receivable for the 2012 and 2011 Campaigns consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 490,819	\$ 517,365
Less: allowance for uncollectible pledges (9% of annual campaign pledges and contributions)	<u>(96,000)</u>	<u>(102,000)</u>
Total	<u>\$ 394,819</u>	<u>\$ 415,365</u>

Pledges receivable are expected to be collected in one year.

(6) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 47,967	\$ 47,967
Less: Accumulated depreciation	<u>(45,044)</u>	<u>(39,316)</u>
Total	<u>\$ 2,923</u>	<u>\$ 8,651</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, 2013 and 2012 was \$5,728 and \$7,484, respectively.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO 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>2013</u>	<u>2012</u>
Balance, beginning of the year	\$ 234,682	\$ 235,237
Interest and dividends	5,227	4,268
Deposits (Distributions)	2,500	(861)
Investment fees	(1,492)	-
Realized gain	8,559	-
Unrealized gain (loss)	10,286	(3,962)
Balance, end of the year	<u>\$ 259,762</u>	<u>\$ 234,682</u>

(8) ALLOCATIONS / DESIGNATION PAYABLE TO MEMBER / PARTNER 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, 2012, \$492,500 was accrued to be paid out to member/partner agencies, other United Way agencies, and other non-affiliated agencies. The actual amount paid was \$447,304 based on collections; an adjustment of \$45,196 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 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, 2013 and 2012 was \$63,884 and \$65,777, 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 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 non-contributory defined contribution retirement 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. Employees are fully vested after four years of service. The retirement plan contribution for the years ended June 30, 2013 and 2012 was \$15,548 and \$23,147, respectively.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(12) 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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, 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 2009.

(13) LEASE COMMITMENTS

UWFC leases its office space. In December 2012, the lease was renewed for a one-year period at a rate of \$1,942 per month through December 2013. 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 postage machine and a copier with combined monthly payments of \$347. During fiscal year 2013, the postage machine lease was extended for an additional 51 months at a discounted quarterly payment of \$212.

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

2014	\$ 13,332
2015	850
2016	850
2017	850
2018	425

Rent expense for the above leases for the years ended June 30, 2013 and 2012 totaled \$27,472 and \$27,012, respectively.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

NOTES TO 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.

Sources of Revenue

UWFC received approximately 23% and 24%, respectively of its 2012 and 2011 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, 2013 and 2012 were approximately \$158,594 and \$161,989, respectively.

(15) 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 October 31, 2013, 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
SCHEDULE OF MEMBER AGENCY DESIGNATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Total</u>
American Cancer Society - Mid-Atlantic Division	\$ 20,024
American Red Cross - Frederick County	12,252
The ARC of Frederick County	4,825
Big Brothers Big Sisters of Frederick County	6,963
Boy Scouts of America	6,454
Boys & Girls Club of Frederick County	4,874
Cakes for Cause	9,233
Community Living	4,085
Daybreak Adult Day Services	1,679
Emmitsburg Early Learning Center	215
Families Plus	630
Frederick Alliance for Youth	520
Frederick Community Action Agency	17,174
Gale Recovery	4,060
Girl Scout Council of the Nation's Capital	2,296
Goodwill Industries of Monocacy Valley	1,727
Habitat for Humanity of Frederick County	10,942
Heartly House	83,955
Hope Alive	2,433
Interfaith Housing Alliance	1,210
The Learning Tree	1,764
Mental Health Association of Frederick County	11,426
Mission of Mercy	3,631
Religious Coalition for Emergency Human Needs	22,163
The Salvation Army - Frederick County	8,118
Seton Center	8,454
Villa Maria of Frederick County - Catholic Charities	6,058
YMCA of Frederick County	<u>7,597</u>
Total Agency Allocations and Designations	<u>\$ 264,762</u>

The accompanying notes are an integral part of this schedule.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
SCHEDULE OF MEMBER AGENCY DESIGNATIONS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Total</u>
American Cancer Society - Mid-Atlantic Division	\$ 20,969
American Red Cross - Frederick County	25,441
The ARC of Frederick County	21,355
Big Brothers Big Sisters of Frederick County	10,833
Boy Scouts of America	8,592
Boys & Girls Club of Frederick County	432
Cakes for Cause	13,014
Community Living	6,545
Daybreak Adult Day Services	3,307
Emmitsburg Early Learning Center	417
Frederick Community Action Agency	26,279
Gale Recovery	11,902
Girl Scout Council of the Nation's Capital	1,606
Goodwill Industries of Monocacy Valley	6,517
Habitat for Humanity of Frederick County	15,847
Heartly House	118,470
Hope Alive	120
Interfaith Housing Alliance	1,060
The Learning Tree	2,679
Mental Health Association of Frederick County	16,694
Religious Coalition for Emergency Human Needs	26,816
The Salvation Army - Frederick County	8,905
Seton Center	9,834
Villa Maria of Frederick County - Catholic Charities	4,719
YMCA of Frederick County	<u>7,399</u>
Total Agency Allocations and Designations	<u>\$ 369,752</u>

The accompanying notes are an integral part of this schedule.