

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

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

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011



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

UNITED WAY OF FREDERICK COUNTY, INCORPORATED

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FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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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
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.drapermcginleypa.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 United Way of Frederick County, Incorporated (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows 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 audit 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 United Way of Frederick County, Incorporated as of June 30, 2012 and 2011, 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 financial statements as a whole. The schedules of member agency designations on pages 19 and 20 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Frederick, Maryland
December 11, 2012

Draper & McGinley, P.A.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED**Statements of Financial Position**

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 290,362	\$ 257,579
Restricted cash - CCC campaigns	53,178	53,070
Marketable securities	526,727	519,740
Pledges receivable, net of allowance for uncollectible pledges and pass-through designations:		
2011 and 2010 campaigns, respectively	415,365	515,324
Allocations and expense reimbursements due from CCC	45,514	42,395
Employee receivables	4,507	-
Other receivables	5,200	5,884
Prepaid expenses	4,173	4,423
Total current assets	<u>1,345,026</u>	<u>1,398,415</u>
Property and Equipment - net	8,651	16,135
Other Assets:		
Timeshare interest	3,500	3,500
Assets held in Special Awards Trust Fund	234,682	235,237
Total other assets	<u>238,182</u>	<u>238,737</u>
Total Assets	<u>\$ 1,591,859</u>	<u>\$ 1,653,287</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Allocations/Designations payable:		
Member/Partner agencies	\$ 369,752	\$ 439,864
Other United Way agencies	20,739	20,325
Non-United Way agencies	102,009	75,905
Due to CCC	53,178	53,070
Accounts payable and accrued expenses	27,306	17,814
Total current liabilities	<u>572,984</u>	<u>606,978</u>
Long-Term Liabilities:		
Liability for assets held in Special Awards Trust Fund	234,682	235,237
Total liabilities	<u>807,666</u>	<u>842,215</u>
Net Assets:		
Unrestricted	718,416	745,295
Unrestricted - Board designated	65,777	65,777
Total net assets	<u>784,193</u>	<u>811,072</u>
Total Liabilities and Net Assets	<u>\$ 1,591,859</u>	<u>\$ 1,653,287</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 non-affiliated agencies	(122,747)	-	(122,747)
Donor designations to member agencies	(369,752)	-	(369,752)
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 Activities and Changes in Net Assets
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
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	<u>655,147</u>	<u>-</u>	<u>655,147</u>
2009 Campaign Public Support:			
Annual Campaign pledges and contributions	45,331	-	45,331
Other support	1,644	22,000	23,644
Total support	<u>702,122</u>	<u>22,000</u>	<u>724,122</u>
Revenue:			
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	<u>99,915</u>	<u>-</u>	<u>99,915</u>
Total Support and Revenue	802,037	22,000	824,037
Net assets released from restrictions	22,000	(22,000)	-
Total Support, Revenue and Reclassifications	<u>824,037</u>	<u>-</u>	<u>824,037</u>
ALLOCATIONS AND EXPENSES			
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	<u>502,334</u>	<u>-</u>	<u>502,334</u>
Total allocations and expenses	<u>541,217</u>	<u>-</u>	<u>541,217</u>
Change in Net Assets	<u>282,820</u>	<u>-</u>	<u>282,820</u>
Net Assets, beginning of year	528,252	-	528,252
Net Assets, end of year	<u>\$ 811,072</u>	<u>\$ -</u>	<u>\$ 811,072</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		Memorandum 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>
Solicitors' supplies / printing	<u>7,752</u>	<u>9,475</u>	-	<u>17,227</u>
Total campaign expenses	<u>7,752</u>	<u>9,475</u>	-	<u>17,227</u>
Rent	10,935	5,539	4,475	20,949
Telephone	<u>1,423</u>	<u>721</u>	<u>582</u>	<u>2,726</u>
Total facilities	<u>12,358</u>	<u>6,260</u>	<u>5,057</u>	<u>23,675</u>
Office supplies	1,902	964	778	3,644
Travel, conferences and meetings	5,497	2,784	2,249	10,530
Professional fees	-	-	48,956	48,956
Equipment repairs and maintenance	5,042	2,554	2,063	9,659
Insurance	1,654	838	677	3,169
Memberships - other	1,932	979	791	3,702
Parking	3,007	1,523	1,231	5,761
Bank fees	-	-	3,325	3,325
In-kind expense	127,347	-	-	127,347
Advertising	-	350	-	350
Postage	1,048	531	429	2,008
Computer/software	2,193	1,111	898	4,202
Other expenses	<u>295</u>	<u>149</u>	<u>121</u>	<u>565</u>
Expenses before depreciation	323,986	105,500	129,574	559,060
Depreciation	<u>3,906</u>	<u>1,979</u>	<u>1,599</u>	<u>7,484</u>
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
Statement of Functional Expenses
For the Year Ended June 30, 2011

	<u>Supporting Services</u>			<u>Totals</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 78,661	\$ 84,395	\$ 47,040	\$ 210,096
Employee benefits	18,234	19,564	10,905	48,703
Retirement plan contribution	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
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	<u>1,552</u>	<u>1,665</u>	<u>928</u>	<u>4,145</u>
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

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (26,879)	\$ 282,820
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	7,484	7,178
Loss on disposal of fixed assets	-	456
Provision for uncollectible pledges	(4,000)	(2,000)
Unrealized loss (gain) on investments	1,653	(85,869)
Change in operating assets and liabilities:		
Pledges receivable	103,959	(53,562)
Allocations due from CCC	(3,119)	23,500
Other receivables	(3,824)	1,223
Prepaid expenses	250	11,967
Allocations payable	(43,594)	(86,758)
Accounts payable and accrued expenses	9,492	553
Net cash provided by operating activities	<u>41,422</u>	<u>99,508</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(5,129)
Investment in marketable securities	(8,639)	(315)
Net cash (used in) investing activities	<u>(8,639)</u>	<u>(5,444)</u>
Net increase in cash and cash equivalents	32,783	94,064
Cash and cash equivalents, beginning of year	<u>257,579</u>	<u>163,515</u>
Cash and cash equivalents, end of year	<u>\$ 290,362</u>	<u>\$ 257,579</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, which runs 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.

United Way of Frederick County, Incorporated (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.

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

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.

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

2. Summary of Significant Accounting Policies (continued)

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, 2012 and 2011 totaled \$127,347 and \$64,788 respectively, of which approximately \$127,347 and \$63,000, 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.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$350 and \$6,674 for the years ended June 30, 2012 and 2011 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.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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>2012</u>	<u>2011</u>
Mutual funds	\$ 526,727	\$ 519,740
Total	<u>\$ 526,727</u>	<u>\$ 519,740</u>

Included in revenue on the statements of activities for the years ended June 30, 2012 and 2011 are \$14,536 and \$13,876, respectively of interest and dividend income and \$(1,653) and \$85,869, respectively of net unrealized (losses) gains from these marketable securities.

4. Fair Values

FASB 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 FINANCIAL STATEMENTS

4. 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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money funds	\$ 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>

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)

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>2012</u>		<u>2011</u>	
	<u>Pledges - Net</u>	<u>Total</u>	<u>Pledges - Net</u>	<u>Total</u>
Balance - beginning of year	\$ 515,324	\$ 515,324	\$ 459,762	\$ 459,762
Contributions:				
Pledge payments	(1,125,269)	(1,125,269)	(1,035,932)	\$(1,035,932)
New pledges	1,127,310	1,127,310	1,197,494	\$ 1,197,494
Allowance account	(102,000)	(102,000)	(106,000)	\$ (106,000)
Balance - end of year	<u>\$ 415,365</u>	<u>\$ 415,365</u>	<u>\$ 515,324</u>	<u>\$ 515,324</u>

5. Pledges Receivable

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

	<u>2012</u>	<u>2011</u>
Pledges receivable	\$ 517,365	\$ 621,324
Less: allowance for uncollectible pledges (9% of gross pledges)	<u>(102,000)</u>	<u>(106,000)</u>
Total	<u>\$ 415,365</u>	<u>\$ 515,324</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>2012</u>	<u>2011</u>
Office equipment	\$ 47,967	\$ 47,967
Accumulated depreciation	<u>(39,316)</u>	<u>(31,832)</u>
Total	<u>\$ 8,651</u>	<u>\$ 16,135</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, 2012 and 2011 was \$7,484 and \$7,178, 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>2012</u>	<u>2011</u>
Balance, beginning of the year	\$235,237	\$202,931
Interest and dividends	4,268	4,618
Distributions	(861)	(95)
Unrealized gain (loss)	<u>(3,962)</u>	<u>27,783</u>
Balance, end of the year	<u>\$234,682</u>	<u>\$235,237</u>

8. Allocations/Designations Payable to Member/Partner Agencies

This balance represents UWFC allocations and designations related to the 2011 and 2010 campaign that are promised to UWFC participating 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, 2011, \$536,094 was accrued to be paid out to member/partner agencies, other United Way agencies and non-United Way agencies. The actual amount paid was \$462,584 based on collections, an adjustment of \$73,510 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, 2012 and 2011 was \$65,777.

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. 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, 2012 and 2011, 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.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

11. Income Taxes (continued)

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, 2012 and 2011, 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, 2012 and 2011, 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 2008.

12. Lease Commitments

UWFC leases its office space. In December 2011, the lease was renewed for a one-year period at a rate of \$1,904 per month through December 2012. 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 ended June 30:

2013	\$15,588
2014	694
2015	-
2016	-
2017	-

Rent expense for the above leases for the years ended June 30, 2012 and 2011 totaled \$27,012 and \$26,683, respectively.

UNITED WAY OF FREDERICK COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

13. 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, 2012 and 2011 was \$23,147 and \$17,542, respectively.

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 24% and 32%, respectfully of its 2011 and 2010 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, 2012 and 2011 were approximately \$161,989 and \$235,284, 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 December 11, 2012, 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, 2012

	<u>Total</u>
American Cancer Society	\$ 20,969
American Red Cross	25,441
ARC of Frederick County	21,355
Big Brothers / Big Sisters	10,833
Boys and Girls Club of Frederick County	432
Boy Scouts	8,592
Cakes for Cause	13,014
Community Living	6,545
Daybreak	3,307
Emmitsburg Early Learning	417
Frederick Community Action Agency	26,279
Gale House	11,902
Girl Scouts	1,606
Goodwill Industries	6,517
Habitat For Humanity of Frederick	15,847
Heartly House	118,470
Hope Alive, Inc	120
Interfaith Housing of Western Maryland	1,060
Learning Tree	2,679
Mental Health Association	16,694
Religious Coalition	26,816
Salvation Army	8,905
Seton Center	9,834
Villa Maria - Catholic Charities	4,719
YMCA	7,399
Total Agency Allocations and Designations	<u>\$ 369,752</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, 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	9,133
Total Agency Allocations and Designations	<u>\$ 439,864</u>

The accompanying notes are an integral part of this schedule.