

UNITED WAY OF CENTRAL MARYLAND, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2019 and 2018



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
United Way of Central Maryland, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of United Way of Central Maryland, Inc. (UWCM) as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 controls 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 audit. We conducted our audit 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 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 controls 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 controls. 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Maryland, Inc. as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the United Way of Central Maryland, Inc. as of and for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on October 25, 2018.

Owings Mills, Maryland
November 21, 2019

SB & Company, LLC

UNITED WAY OF CENTRAL MARYLAND, INC.

**Statements of Financial Position
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 793,222	\$ 1,089,813
Pledges receivable, net	7,754,083	10,444,165
Grants receivable, net	1,009,139	974,460
Prepaid expenses and other assets	673,916	586,537
Investments, at fair value	19,083,379	18,634,184
Property, plant, and equipment, net	1,687,558	2,036,299
Beneficial interest in Charitable Trust	3,542,564	2,199,916
Total Assets	\$ 34,543,861	\$ 35,965,374
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 2,592,437	\$ 2,561,717
Allocations and other distributions payable	1,750,000	2,352,261
Line of credit	1,368,355	-
Retirement benefits payable	237,858	189,448
Capital lease payable	104,101	238,586
Designations payable	3,748,139	5,141,231
Total Liabilities	9,800,890	10,483,243
Net Assets		
Without donor restrictions	15,666,016	17,502,420
With donor restrictions	9,076,955	7,979,711
Total Net Assets	24,742,971	25,482,131
Total Liabilities and Net Assets	\$ 34,543,861	\$ 35,965,374

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

UNITED WAY OF CENTRAL MARYLAND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019, with Comparative Totals for 2018

	2019					2018 Totals
	Without Donor Restrictions			Total Without Donor Restrictions	With Donor Restrictions	
	Operating	Plant	Board Designated			
Public support and other revenue						
Campaign pledges and contributions						
Pledges and contributions	\$ 19,562,926	\$ -	\$ -	\$ 19,562,926	\$ 485,176	\$ 20,048,102
Provision for bad debt	(1,257,256)	-	-	(1,257,256)	(21,134)	(1,278,390)
Donor designations to outside agencies	(7,695,222)	-	-	(7,695,222)	(172,800)	(7,868,022)
Net Assets released from restrictions						
Satisfaction of restricted pledges and contributions	828,088	-	-	828,088	(828,088)	-
Satisfaction of restricted donor designation	(239,000)	-	-	(239,000)	-	-
Total public support	11,199,536	-	-	11,199,536	(297,846)	10,901,690
Other revenue						
Grant income	2,150,788	-	-	2,150,788	1,319,175	3,469,963
Community initiatives	841,841	-	-	841,841	-	841,841
Investment income, net	545	-	274,786	275,331	31,447	306,778
Realized net gain on investments	-	-	456,108	456,108	57,208	513,316
Unrealized net gain on investments	-	-	256,942	256,942	28,630	285,572
Other income, net	1,142,893	-	124,044	1,266,937	1,349,298	2,616,235
Net Assets released from restrictions						
Satisfaction of restricted grants	1,390,668	-	-	1,390,668	(1,390,668)	-
Total other revenue	5,526,735	-	1,111,880	6,638,615	1,395,090	8,033,705
Total public support and other revenue	16,726,271	-	1,111,880	17,838,151	1,097,244	18,935,395
Expenses						
Program support						
Impact Strategies:						
Allocations and other distributions	2,756,531	-	-	2,756,531	-	2,756,531
Grant expenses	2,494,960	-	-	2,494,960	-	2,494,960
Impact strategies - payroll and other expenses	5,992,863	111,229	-	6,104,092	-	6,104,092
The Ben Center	864,043	49,966	-	914,009	-	914,009
Information and referral	1,462,916	73,238	-	1,536,154	-	1,536,154
United Way Worldwide membership	179,340	-	-	179,340	-	179,340
Total program support	13,750,653	234,433	-	13,985,086	-	13,985,086
Support services						
Organizational administration	1,886,908	43,891	-	1,930,800	-	1,930,800
Resource development and endowment	3,574,877	78,874	-	3,653,751	-	3,653,751
United Way Worldwide membership	104,920	-	-	104,920	-	104,920
Total support services	5,566,705	122,765	-	5,689,470	-	5,689,470
Total expenses	19,317,358	357,198	-	19,674,557	-	19,674,556
Changes in net assets before transfers	(2,591,087)	(357,198)	1,111,880	(1,836,406)	1,097,244	(739,161)
Transfers						
Equipment purchases	(8,457)	8,457	-	-	-	-
Distribution of income	878,292	-	(878,292)	-	-	-
Total transfers	869,835	8,457	(878,292)	-	-	-
Change in net assets	(1,721,252)	(348,741)	233,588	(1,836,406)	1,097,244	(739,161)
Net assets, beginning of year	127,760	2,036,299	15,338,361	17,502,420	7,979,711	25,482,131
Net assets, end of year	\$ (1,593,492)	\$ 1,687,558	\$ 15,571,949	\$ 15,666,014	\$ 9,076,955	\$ 24,742,970

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

UNITED WAY OF CENTRAL MARYLAND, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Plant	Board Designated	Total Without Donor Restrictions		
Public support and other revenue						
Campaign pledges and contributions						
Pledges and contributions	\$ 21,986,816	\$ -	\$ -	\$ 21,986,816	\$ 3,043,888	\$ 25,030,704
Provision for bad debt	(1,316,825)	-	-	(1,316,825)	(50,699)	(1,367,524)
Donor designations to outside agencies	(9,865,313)	-	-	(9,865,313)	(379,574)	(10,244,887)
Net Assets released from restrictions						
Satisfaction of restricted pledges and contributions	588,110	-	-	588,110	(588,110)	-
Satisfaction of restricted donor designation	(130,734)	-	-	(130,734)	130,734	-
Total public support	<u>11,262,054</u>	<u>-</u>	<u>-</u>	<u>11,262,054</u>	<u>2,156,239</u>	<u>13,418,293</u>
Other revenue						
Grant income	-	-	-	-	3,134,105	3,134,105
Community initiatives	1,178,312	-	-	1,178,312	-	1,178,312
Investment income, net	245	-	447,232	447,477	36,166	483,643
Realized net gain on investments	-	-	603,839	603,839	83,446	687,285
Unrealized net gain on investments	-	-	303,844	303,844	21,216	325,060
Other income, net	1,046,190	(194)	327,470	1,373,466	133,703	1,507,169
Net Assets released from restrictions						
Satisfaction of restricted grants	3,661,814	-	-	3,661,814	(3,661,814)	-
Total other revenue	<u>5,886,561</u>	<u>(194)</u>	<u>1,682,385</u>	<u>7,568,752</u>	<u>(253,178)</u>	<u>7,315,574</u>
Total public support and other revenue	<u>17,148,615</u>	<u>(194)</u>	<u>1,682,385</u>	<u>18,830,806</u>	<u>1,903,061</u>	<u>20,733,867</u>
Expenses						
Program support						
Allocations and other distributions	3,298,593	-	-	3,298,593	-	3,298,593
Grant expenses	2,792,358	-	-	2,792,358	-	2,792,358
Impact strategies - payroll and other expenses	4,766,289	110,700	-	4,876,989	-	4,876,989
The Ben Center	595,495	-	-	595,495	-	595,495
Information and referral	1,415,500	73,197	-	1,488,697	-	1,488,697
United Way Worldwide membership	155,202	-	-	155,202	-	155,202
Total program support	<u>13,023,437</u>	<u>183,897</u>	<u>-</u>	<u>13,207,334</u>	<u>-</u>	<u>13,207,334</u>
Support services						
Organizational administration	2,188,011	48,346	84,545	2,320,902	-	2,320,902
Resource development and endowment	3,734,076	90,496	-	3,824,572	-	3,824,572
United Way Worldwide membership	139,297	-	-	139,297	-	139,297
Total support services	<u>6,061,384</u>	<u>138,842</u>	<u>84,545</u>	<u>6,284,771</u>	<u>-</u>	<u>6,284,771</u>
Total expenses	<u>19,084,821</u>	<u>322,739</u>	<u>84,545</u>	<u>19,492,105</u>	<u>-</u>	<u>19,492,105</u>
Changes in net assets before transfers	<u>(1,936,206)</u>	<u>(322,933)</u>	<u>1,597,840</u>	<u>(661,299)</u>	<u>1,903,061</u>	<u>1,241,762</u>
Transfers						
Equipment purchases	(327,732)	327,732	-	-	-	-
Distribution of income	946,890	-	(946,890)	-	-	-
Total transfers	<u>619,158</u>	<u>327,732</u>	<u>(946,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(1,317,048)</u>	<u>4,799</u>	<u>650,950</u>	<u>(661,299)</u>	<u>1,903,061</u>	<u>1,241,762</u>
Net assets, beginning of year	<u>1,444,808</u>	<u>2,031,500</u>	<u>14,687,411</u>	<u>18,163,719</u>	<u>6,076,650</u>	<u>24,240,369</u>
Net assets, end of year	<u>\$ 127,760</u>	<u>\$ 2,036,299</u>	<u>\$ 15,338,361</u>	<u>\$ 17,502,420</u>	<u>\$ 7,979,711</u>	<u>\$ 25,482,131</u>

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

UNITED WAY OF CENTRAL MARYLAND, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019 with Comparative Totals for 2018

	2019								2018 Totals
	Program Support			Total Program Support	Support Services		Total Support Services	Total	
Impact Strategies	The Ben Center	Information and Referral	Organizational Administration		Resource Development and Endowment				
Allocations and other distributions	\$ 2,756,531	\$ -	\$ -	\$ 2,756,531	\$ -	\$ -	\$ -	\$ 2,756,531	\$ 3,298,593
Grant expense	2,494,960	-	-	2,494,960	-	-	-	2,494,960	2,792,358
Total allocations and grants	5,251,491	-	-	5,251,491	-	-	-	5,251,491	6,090,951
Salaries	3,361,129	567,188	986,800	4,915,117	995,463	1,815,038	2,810,501	7,725,618	6,793,687
Retirement plans	126,934	14,535	35,989	177,458	67,615	59,292	126,907	304,365	336,109
Employee benefits	248,716	46,845	86,949	382,510	92,182	137,828	230,010	612,520	578,624
Payroll taxes and insurance	238,860	52,229	82,976	374,065	92,736	159,552	252,288	626,353	516,613
Total payroll expenses	3,975,639	680,797	1,192,714	5,849,150	1,247,996	2,171,710	3,419,706	9,268,856	8,225,033
Accounting fees	-	-	-	-	74,006	-	74,006	74,006	58,500
Client direct services	116,950	-	-	116,950	-	-	-	116,950	97,483
Depreciation and amortization	111,229	49,966	73,238	234,433	43,891	78,874	122,765	357,198	322,738
Equipment maintenance and rental	12,954	3,994	2,977	19,925	5,188	8,782	13,970	33,895	25,889
Interest	28,098	-	-	28,098	15,816	-	15,816	43,914	14,045
Legal fees	20,271	-	6,484	26,755	13,931	184	14,115	40,870	54,936
Local transportation and meetings	37,945	7,112	3,030	48,087	14,020	42,401	56,421	104,508	109,049
Marketing	504,683	-	-	504,683	-	385,981	385,981	890,664	601,282
Membership dues and subscriptions	14,935	1,322	11,970	28,227	7,495	10,124	17,619	45,846	31,427
Occupancy	228,790	60,244	79,293	368,327	85,513	110,693	196,206	564,533	563,092
Out of town travel	24,727	5,358	1,594	31,679	35,342	-	35,342	67,021	39,197
Postage and shipping	6,610	250	-	6,860	13,762	8,731	22,493	29,353	39,187
Printing and promotion	46,480	2,056	2,496	51,032	5,132	52,001	57,133	108,165	131,073
Professional fees and other services	653,465	63,137	121,692	838,294	314,602	344,517	659,119	1,497,413	1,939,997
Public events	241,382	3,598	190	245,170	13,864	397,471	411,335	656,505	607,520
Supplies	46,463	23,521	3,040	73,024	22,286	4,722	27,008	100,032	83,449
Telecommunications	33,471	12,654	37,436	83,561	17,955	37,560	55,515	139,076	162,758
Total other expenses	2,128,453	233,212	343,440	2,705,105	682,803	1,482,041	2,164,844	4,869,949	4,881,622
Total payroll and other expenses	6,104,092	914,009	1,536,154	8,554,255	1,930,799	3,653,751	5,584,550	14,138,805	13,106,655
United Way Worldwide membership	123,511	-	55,829	179,340	38,005	66,915	104,920	284,260	294,499
Total expenses	\$ 11,479,094	\$ 914,009	\$ 1,591,983	\$ 13,985,085	\$ 1,968,804	\$ 3,720,666	\$ 5,689,470	\$ 19,674,555	\$ 19,492,105

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

UNITED WAY OF CENTRAL MARYLAND, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2018**

	Program Support			Total Program Support	Support Services		Total Support Services	Total
	Impact Strategies	The Ben Center	Information and Referral		Organizational Administration	Development and Endowment		
Allocations and other distributions	\$ 3,298,593	\$ -	\$ -	\$ 3,298,593	\$ -	\$ -	\$ -	\$ 3,298,593
Grant expense	2,792,358	-	-	2,792,358	-	-	-	2,792,358
Total allocations and grants	6,090,951	-	-	6,090,951	-	-	-	6,090,951
Salaries	2,586,030	425,533	917,679	3,929,242	1,039,981	1,824,464	2,864,445	6,793,687
Retirement plans	108,706	9,416	42,103	160,225	106,611	69,273	175,884	336,109
Employee benefits	207,848	35,679	84,592	328,119	93,697	156,808	250,505	578,624
Payroll taxes and insurance	196,746	30,324	70,152	297,222	82,846	136,545	219,391	516,613
Total payroll expenses	3,099,330	500,952	1,114,526	4,714,808	1,323,135	2,187,090	3,510,225	8,225,033
Accounting fees	-	-	-	-	66,100	(7,600)	58,500	58,500
Client direct services	97,483	-	-	97,483	-	-	-	97,483
Depreciation and amortization	110,699	-	73,197	183,896	48,346	90,496	138,842	322,738
Equipment maintenance and rental	9,333	-	3,992	13,325	3,073	9,491	12,564	25,889
Interest	3,792	-	-	3,792	10,253	-	10,253	14,045
Legal fees	23,136	-	-	23,136	31,800	-	31,800	54,936
Local transportation and meetings	39,919	8,844	4,331	53,094	10,641	45,314	55,955	109,049
Marketing	137,985	-	-	137,985	-	463,297	463,297	601,282
Membership dues and subscriptions	10,989	589	1,560	13,138	10,236	8,053	18,289	31,427
Occupancy	220,744	1,488	102,016	324,248	108,605	130,239	238,844	563,092
Out of town travel	13,898	392	1,830	16,120	23,077	-	23,077	39,197
Postage and shipping	7,988	14	19	8,021	11,628	19,538	31,166	39,187
Printing and promotion	52,091	5,462	11,938	69,491	6,075	55,507	61,582	131,073
Professional fees and other services	804,448	52,701	103,530	960,679	615,321	363,997	979,318	1,939,997
Public events	181,327	97	147	181,571	11,364	414,585	425,949	607,520
Supplies	34,364	14,590	1,273	50,227	24,907	8,315	33,222	83,449
Telecommunications	29,463	10,366	70,338	110,167	16,341	36,250	52,591	162,758
Total other expenses	1,777,659	94,543	374,171	2,246,373	997,767	1,637,482	2,635,249	4,881,622
Total payroll and other expenses	4,876,989	595,495	1,488,697	6,961,181	2,320,902	3,824,572	6,145,474	13,106,655
United Way Worldwide membership	103,075	-	52,127	155,202	48,923	90,374	139,297	294,499
Total expenses	\$ 11,071,015	\$ 595,495	\$ 1,540,824	\$ 13,207,334	\$ 2,369,825	\$ 3,914,946	\$ 6,284,771	\$ 19,492,105

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

UNITED WAY OF CENTRAL MARYLAND, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (739,161)	\$ 1,241,762
Adjustment to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	341,298	322,740
Net realized and unrealized gain on investments	(798,888)	(1,012,345)
Contributions received for capital	(8,457)	(327,732)
Increase (decrease) in provision for uncollectible pledges	(55,281)	419,500
Change in value of charitable trust	(1,342,648)	(123,539)
Loss on disposal of assets	15,900	11,095
Effects from changes in non-cash operating assets and liabilities		
Pledges receivable	2,745,364	1,164,204
Grants receivable	(34,679)	(808,576)
Prepaid expenses and other assets	(87,379)	74,404
Accounts payable and accrued expenses	30,720	(16,075)
Allocations and other distributions payable	(602,261)	(137,697)
Retirement benefits payable	48,410	50,220
Designation payable	(1,393,092)	(3,442,851)
Net Cash from Operating Activities	<u>(1,880,154)</u>	<u>(2,584,890)</u>
Cash Flows from Investing Activities		
Purchases of equipment	(8,457)	(325,233)
Cash received on sale of equipment	-	2,499
Purchases of investments	(11,358,770)	(14,179,542)
Proceeds from sale of investments	11,708,463	14,496,682
Net Cash from Investing Activities	<u>341,236</u>	<u>(5,594)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit, net	1,368,355	-
Capital lease principal payments	(134,485)	(129,712)
Contributions received for capital	8,457	327,732
Net Cash from Financing Activities	<u>1,242,327</u>	<u>198,020</u>
Net change in cash and cash equivalents	(296,591)	(2,392,464)
Cash and cash equivalents, beginning of year	1,089,813	3,482,277
Cash and Cash Equivalents, End of Year	<u>\$ 793,222</u>	<u>\$ 1,089,813</u>

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

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

1. NATURE OF OPERATIONS

Nature of Operations

United Way of Central Maryland, Inc. (UWCM) is a nonprofit charitable organization, incorporated in 1925 as The Community Fund of Baltimore. UWCM's mission is "To improve lives by empowering leaders and mobilizing the caring power of our communities." UWCM licenses its name and trademarks from United Way Worldwide (UWW). UWCM's service area consists of the City of Baltimore and Anne Arundel, Baltimore, Carroll, Harford and Howard counties.

Ultimate authority and responsibility for managing UWCM's affairs resides with its volunteer Board of Directors. UWCM also receives advice and advocacy from volunteer non-governing boards in each jurisdiction. The chair of each of these six entities also serves on UWCM's Board of Directors.

In June 2019, UWCM's Board of Directors approved a new strategic plan to guide the organization's work through 2025. This plan commits UWCM to help reduce the number of families and individuals living at or below 300% of the Federal Poverty Level who are "asset-limited income-constrained employed (ALICE)," i.e., often working two or more full-time minimum wage jobs yet struggling to afford basic needs. UWCM focuses on strategies to empower these families with emphasis on the essentials of stability: education, employment, housing and health; pursuing a resident-driven, neighborhood-centered model that deploys best and promising practices. UWCM leverages its strengths as a convener, collaborator and knowledge source; analyzes data on indicators; and convenes residents and stakeholders to formulate collective impact strategies and programs. UWCM funds its own proven programs and promising initiatives as well as those of non-profit agencies and organizations (e.g., schools) that help people living as ALICE using tools such as childcare vouchers, homelessness prevention and supportive services. The goal is to transition families to self-sustainable solutions such as permanent housing, asset-building and financial literacy.

To support this work, UWCM raises revenue year-round across central Maryland through workplace giving in the private and public sectors, from individuals who are solicited directly and via grants from public and private sources. It also recruits volunteers for committee-level work and/or hands-on support.

Principal distribution activities include allocation of undesignated funds (dollars directed to UWCM) to innovative programs run by UWCM and targeted health and human service programs as well as payment of designated gifts. In allocating funds, UWCM identifies and prioritizes critical human service needs in the region based on the essentials of stability, then funds programs and services that address these needs and monitors results to ensure desired outcomes are met.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

1. NATURE OF OPERATIONS (continued)

All organizations receiving discretionary funding are required to submit periodic reports demonstrating their adherence to formal and enforced criteria and goals around program models, staffing, organizational capacity and historical experience in the delivery of stated services. Reports are carefully monitored, with assistance provided when failure to adhere to goals is indicated.

UWCM also owns and houses one of four geographically dispersed call centers in the 2-1-1 Maryland System, providing comprehensive community information and referral services to Maryland residents seeking health and human services. The service is accessible 24/7 in more than 150 languages, providing callers with help on thousands of health and human service needs ranging from housing, utility and earned-income tax credit assistance, to childcare, access to health care and eviction prevention. Service is provided through the 2-1-1 Maryland UWCM Helpline.

Program Services

Program services represent the cost of UWCM managed programs that provide services to individuals, families, nonprofit agencies and the community in general. These services include:

Information and Referral

2-1-1 Maryland UWCM Helpline

2-1-1 Maryland UWCM Helpline provides comprehensive, 24-hour community information and referral services to Maryland residents who seek health and human services. Using an automated community resource database that is updated at least annually, trained information and referral (I&R) specialists who are certified by the Alliance of Information and Referral Systems (AIRS), answer requests for assistance as well as problem solve for a wide range of needs, including financial resources to prevent utility cut-off or eviction, emergency food and shelter, disaster relief, substance abuse treatment, after school programs and domestic violence counseling. I&R specialists assess callers' service needs and provide information, referral, advocacy, crisis intervention and follow-up as appropriate. 2-1-1 Maryland UWCM Helpline is accredited by AIRS.

2-1-1 Maryland

UWCM received grants from corporate, foundation and individual funders for staffing and communication system support; from Baltimore Cash Campaign through Jobs Opportunities Task Force to continue to enhance UWCM efforts to increase awareness of the earned income tax credit and set appointments for free tax preparation at local sites through several community partners; from CareFirst to expand Maryland health care access; from Weinberg Foundation to integrate 2-1-1 and Baltimore City Maryland Access Point to create a senior services ecosystem; and from the Maryland Department of Health (MDH) through the statewide 2-1-1 system.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

1. NATURE OF OPERATIONS (continued)

Impact strategies (continued)

Impact Strategies Division (IS): IS works to ensure that basic human needs are met, especially for individuals and families facing poverty, and in doing so, aims to stabilize their lives and build self-sufficiency. It is done so in several ways.

IS administers two primary types of funding streams to nonprofit organizations: competitive grants and directed grants. Competitive grants provide agencies with operating and emergency funding, usually in the areas of food, shelter, income/employment, health, domestic violence and abuse, education and crisis response. UWCM maintains six volunteer Community Partnership Boards covering each of the jurisdictions it serves. One of the important roles of the Partnership Boards is to assess unmet basic human needs at the local level. Based on proposals/requests, through a competitive process, submitted by nonprofit organizations, Partnership Boards then select which nonprofit programs to fund by determining where funding from UWCM will have the greatest impact. Awards are made to organizations that demonstrate the use of best practices in achieving impact. Directed grants are usually non-competitive and are awarded to uniquely qualified organizations that serve UWCM's target populations and achieve the goals of identified initiatives.

Ultimate authority for all grants rests with UWCM's board of directors. IS monitors grantees to ensure funds are expended as intended outcomes are achieved and sound fiscal health is maintained.

On a limited basis, IS professionals also provide direct case management and modest financial support to individuals and families at high risk of, or experiencing, homelessness. IS also provides staff support to the Docket for Homeless Persons, an alternative resolution court in Baltimore City, Veterans Treatment Docket, an alternative resolution court in Baltimore City for veterans, and organizes Project Homeless Connect, a one-day resource fair for people experiencing homelessness that served more than 2,500 clients in September 2017. IS also provides staff support for plans to end homelessness in Baltimore City and other jurisdictions. The IS team also manages various regional initiatives and educates the public about the challenges faced by those experiencing poverty. In addition, IS provides subject matter expertise and serves as a regional convener on various health and human service problems. For agencies, IS provides training and technical services, advocacy and public policy support, training and networking opportunities.

Government and Public Affairs: Senior level staff within the IS division participate on several boards and committees of organizations who perform advocacy as part of their mission. Thus, UWCM is able to remain up to date on current legislative issues. UWCM also maintains relationships with several lobbyists, not employed by UWCM, to further stay abreast of public policy issues. The ALICE report has been instrumental in helping to provide openings with stakeholders to discuss UWCM's work.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. NATURE OF OPERATIONS (continued)

Impact strategies (continued)

Ben Center: In October 2017, UWCM took over the operations of the Ben Center and integrated the strategy/programs into operations. The United Way Ben Center is operated out of Benjamin Franklin High School in the Brooklyn/Curtis Bay neighborhood of Baltimore City. This unique concept has been designed to create a "hub" within the community that provides a safe, nurturing environment for students and community members to not only seek out a vast array of services, but to be active participants in shaping their community to be what will help them fulfill their hopes and dreams for themselves, their family and the community.

The program philosophy is one in which a network of partners has been created through evidence-based practices that will support steady, high rates of school attendance, boost student achievement, and engage families and stakeholders. Programs include family stability case manager, community schools coordinator, mental health, workforce development, advocacy and the united way family center, an early learning/teen parent program providing quality childcare and parent support so they graduate from high school and break the cycle of teen pregnancy.

Volunteerism: UWCM employs a volunteer coordinator who is responsible for community engagement and organizing various volunteer projects throughout the year that support local nonprofit organizations that are working to help people meet their basic needs. Additionally, the volunteer coordinator serves as a liaison between UWCM donors, workplaces and local volunteer centers.

Support Services

Support services are classified as organizational administration and resource development. Organizational administration includes overall executive direction, planning and coordination, financial management and administrative support services. Resource and endowment development represents all activities that constitute an appeal for financial support in all private and governmental campaigns, including staff support, campaign supplies, marketing, media advertising, public relations and communications, recruiting and training volunteer solicitors and mail solicitations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of UWCM are presented on the accrual basis of accounting in accordance with accounting standards generally accepted in the United State of America.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts deposited in financial institutions and highly liquid investments with an original maturity of three months or less.

Credit Risk

UWCM maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. UWCM has not experienced any losses in such cash accounts and management believes it is not exposed to significant risk on cash. UWCM invests board designated assets (functioning as an endowment) in a professionally managed portfolio that contains shares of various common stocks, corporate bonds and notes and U.S. government obligations. Such investments are exposed to various risks such as interest rate, market and credit. Due to the levels of risk associated with such investments and uncertainty related to changes in the fair value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Provision for Uncollectible Pledges

The provision for uncollectible pledges is calculated using a three year historical average of actual results. Management also assesses the need to increase the provision based on current economic uncertainty that would increase the likelihood of uncollectible pledges, such as corporate downsizing, mergers and bankruptcies. The provision for uncollectible pledges is ultimately based on management's estimate of the collectability of existing amounts receivable.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity 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; and
- 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.

UWCM's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following is a description of the valuation techniques used by UWCM.

Level 1: Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 2: Investments in corporate bonds and U.S. treasury securities are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.

Level 3: Investments are not readily marketable. UWCM has no control over or possession of the investments that are held by Baltimore Community Foundation and the charitable trust.

UWCM distributed gains and losses realized from security transactions among all endowment funds and funds functioning as endowments based on the ratio of each fund's net assets to the total net assets. Endowment income restricted to specific purposes is distributed based on each fund's governing documentation.

Property, Plant and Equipment

Property and equipment purchases related to federal grant procurements over \$5,000, or non-federal grant procurements over \$1,000, are considered capital assets and recorded at cost. Lesser amounts are expensed. Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from two to ten years. Donated equipment and improvements are capitalized at their estimated fair value at the date of donation.

Valuation of Long-Lived Assets

UWCM reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Beneficial Interest in Charitable Trust

Beneficial Interest in Charitable Trust represents the fair value of UWCM's interest as one of six selected charities in the donor's trust account (the Trust). UWCM will receive a share of the net income from the Trust for an initial period of 50 years through December 2053, after which the corpus will be distributed outright and free of trust in equal shares to the six charities. The Trust was created by a donor, independently of UWCM and is neither in the possession nor under the control of UWCM. The Trust is administered by outside fiscal agents as directed by the donor. UWCM records the fair value of the Trust, using present value calculations, assuming a long-term blended rate of return of 5.30% and 5.42% as of June 30, 2019 and 2018,

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial Interest in Charitable Trust (continued)

respectively. A discount rate of 2.86% and 5.75% was used as of June 30, 2019 and 2018, respectively.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired. Net assets without donor restrictions consist of the following:

Operating: Represents resources available for support of operations.

Plant: Represents net assets expended for plant.

Board Designated: Represents all other unrestricted resources and are directed by the Board of Trustees.

Net assets with donor restrictions are those whose use by the UWCM has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions also consist of contributions received from donors to be maintained by the Organization in perpetuity.

As of June 30, 2019 and 2018, net assets with donor restrictions were \$9,076,955 and \$7,979,711, respectively.

Campaign Pledges and Contributions

Contributions are recognized when the donor makes a pledge to UWCM that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received.

Contributions in the form of donated financial assets converted nearly immediately into cash have been classified with all other cash donations in the statements of cash flows.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Revenue

Grant revenue is recognized when expenses are incurred. Amounts received in advance are considered deferred revenue until expended for the purposes of the grant.

Community Initiatives

Community Initiative revenue is recognized when the donor makes a pledge to UWCM that is, in substance, unconditional. Revenue that is restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received.

Private Sector Campaigns

UWCM conducts a Private Sector Campaign for Central Maryland. UWCM conducts hundreds of workplace giving campaigns and solicits gifts from individuals outside the workplace in various ways. Most workplace and direct fundraising activities are conducted from September through December; however, due to timing variances of some campaigns and the submission of pledge information, the campaign is not typically finalized until June 30 of the following year. UWCM encourages undesignated gifts, but donors may direct all or part of their contributions to any 501 (c)(3) charitable organization in good standing based on UWCM designation guidelines. A processing fee up to 5% is deducted from designations to nonprofit agencies in the Private Sector workplace campaign, with a cost cap of \$500. Any unpaid donor designations are included in designations payable.

Support provided to participating companies and organizations in each of these campaigns includes accounting, gift acknowledgement, fundraising expertise, regulatory compliance, staff training, promotional materials, volunteer activities and events, website maintenance, customer service, agency speakers and tours and all aspects of paper and/or electronic pledge processing support.

All campaign pledges and contributions are recognized when the donor makes a pledge that is, in substance, unconditional. If donor restrictions expire in the current fiscal year, the pledge or contribution will be recorded as without donor restrictions. Pledges and contributions that are received for future year campaigns are reported as net assets with donor restrictions until the time restriction expires.

The total results from the annual campaign are reduced by donor designations to specific agencies and a provision for uncollectible pledges in the statements of activities and changes in net assets.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Private Sector Campaigns (continued)

There are instances where UWCM receives checks made payable directly to an agency, as well as a small number of companies who run campaigns with UWCM involvement and support but use a third party processor to record donor pledges and distribute money collected directly to designated agencies. In these cases, UWCM does not directly receive the money. Because UWCM is providing direct fundraising support to a company, including materials and staff and to allow companies to receive recognition for their total results, UWCM records the total campaign results in pledges and contributions on the accompanying statements of activities and changes in net assets. Amounts paid directly to agencies totaled \$2,236,544 and \$2,264,599 for the years ended June 30, 2019 and 2018, respectively and is recorded in donor designations to outside agencies on the accompanying statements of activities and changes in net assets.

Deferred Rent

Rent payments on operating leases are reported in accordance with accounting standards generally accepted in the United States, whereby total rent expense under the leases is expensed on the straight-line method over the term of the related leases. Rent expensed in excess of amounts paid is reported as deferred rent.

UWCM leases certain operating locations for which the landlord paid for tenant improvements and UWCM is paying for these improvements over the term of the lease. The cost of these improvements have been capitalized by UWCM, and are included in property, plant and equipment with the related obligation recorded as deferred rent. The deferred rent amount is amortized as an offset to rent expense over the lease term. Tenant improvements are also amortized over the term of the lease on a straight-line basis.

Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of UWCM. All direct costs are charged to the specific program or event. Indirect costs are allocated based on estimated full-time equivalents in each area.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The accompanying financial statements do not include amounts for contributed services because they do not meet the criteria under generally accepted accounting principles. UWCM pays for substantially all services requiring specific expertise; however, a substantial number of volunteers have donated significant amounts of their time in UWCM's fundraising campaign and program services.

Income Tax Status

UWCM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, UWCM qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. UWCM had no unrelated business income for the years ended June 30, 2019 and 2018.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. UWCM performed an evaluation of uncertain tax positions as of June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or, which may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for fiscal years 2016 through 2019 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which UWCM files tax returns.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the previously reported net assets and changes in net assets.

Liquidity

UWCM receives contributions from donors which may or may not be restricted for specific purposes. Financial assets of UWCM are primarily comprised of cash and cash equivalents, grants and pledges receivable from donors and investments. UWCM structures its financial assets to be available as general expenditure liabilities and other obligations come due.

To achieve this, UWCM forecasts its future cash flows and monitors its liquidity on a monthly basis. Management and the Board have been monitoring the UWCM's cash balances to ensure that there is at least 3 months of working capital available throughout the year.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity (continued)

The following table summarizes the UWCM's financial assets available, that is without donor or other restrictions limiting their use, for grant obligations and general expenditure within one year of the balance sheet date:

	<u>2019</u>
Financial Assets:	
Cash and cash equivalents	\$ 793,222
Pledges receivable, net	7,754,083
Grants receivable, net	1,009,139
Investments, at fair value	<u>19,083,379</u>
Available financial assets	<u>28,639,823</u>
Less financial assets unavailable for expenditures due to:	
Contractual or donor-imposed restrictions	
Pledges not expected to be collected within one year	(558,726)
Restricted by donor with time or purpose restrictions	(9,076,955)
Board designations:	
Impacts grants campaign	<u>(933,500)</u>
Net available financial assets	<u>\$ 18,070,642</u>

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. UWCM adopted this standard for the year ended June 30, 2019. Due to the adoption, the presentation of the financial statements and footnotes were updated accordingly.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Pending

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification (the Codification). In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for UWCM for annual reporting periods beginning July 1, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Organization to record changes to its consolidated statement of financial position to reflect balances for current leases that are not shown in the consolidated statement of financial position. This standard will be effective for periods beginning after December 15, 2019. The amendments in this ASU are effective for UWCM for fiscal years beginning July 1, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The amendments in this ASU are effective for UWCM for fiscal years beginning July 1, 2020.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

UWCM evaluated the subsequent events and transactions through November 21, 2019, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

3. PLEDGES RECEIVABLE

As of June 30, 2019 and 2018, the pledges receivable are scheduled to be received as follows:

	<u>2019</u>	<u>2018</u>
Less than 1 year	\$ 8,021,958	\$ 9,777,983
1 to 5 years	<u>600,000</u>	<u>1,653,391</u>
	8,621,958	11,431,374
Less: provision for uncollectible pledges	826,600	880,898
Less: discount to present value (3.65% - 2019, 3.34% 2018)	<u>41,274</u>	<u>106,311</u>
Pledges receivable, net	<u>\$ 7,754,083</u>	<u>\$ 10,444,165</u>

4. INVESTMENTS

The spending policy governing the investment funds allows UWCM's paid professional investment advisor to develop long-term investment strategies that will produce the cash flow needed to support the mission of the organization within its formal investment policy guidelines which were revised and approved by the Board of UWCM in September 2013 and amended in April 2017. Oversight is provided by the Investment Committee of the Board. This policy limits withdrawals to 5% of the rolling four-year average based on the market value of the fund; however, the Board has the authority to exceed that limitation and must approve all withdrawals.

Assets held by UWCM were comprised of the following as of June 30, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,096,411	\$ 1,092,195	\$ 462,706	\$ 462,706
U.S. Treasury notes	747,461	805,333	982,474	974,628
U.S. government agencies	128,689	125,867	131,370	122,340
Municipal obligations	149,073	156,178	149,073	146,100
Corporate bonds and notes	1,542,134	1,592,150	1,355,524	1,304,944
Fixed income funds	2,311,991	2,347,085	2,683,575	2,593,133
Preferred stocks	18,801	18,801	28,087	59,585
Common stocks	615,986	1,202,892	597,263	1,254,257
Equity funds	9,270,515	10,521,216	9,289,930	10,538,113
Alternative investments	750,000	896,559	752,389	854,768
Pooled funds	325,103	325,103	323,610	323,610
Charitable trust	3,542,564	3,542,564	2,199,916	2,199,916
	<u>\$ 20,498,728</u>	<u>\$ 22,625,943</u>	<u>\$ 18,955,917</u>	<u>\$ 20,834,100</u>

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

4. INVESTMENTS (continued)

The components of investment income for the years ended June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Realized gain, net	\$ 513,316	\$ 687,285
Unrealized gain, net	285,572	325,060
Interest and dividend income	392,221	483,643
Less: investment advisors' fees	85,442	84,545
	<u>\$ 1,105,667</u>	<u>\$ 1,411,443</u>

The following table summarizes the valuation of UWCM's assets by the fair value hierarchy levels as of June 30, 2019:

	<u>2019</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash equivalents:				
Money market funds	\$ 1,092,195	\$ -	\$ -	\$ 1,092,195
Preferred stocks:				
Financials	18,801	-	-	18,801
Common stocks:				
Communication Services	133,830	-	-	133,830
Industrials	52,090	-	-	52,090
Consumer discretionary	196,002	-	-	196,002
Consumer staples	16,973	-	-	16,973
Energy	40,152	-	-	40,152
Financials	320,626	-	-	320,626
Health care	118,855	-	-	118,855
Industrials	307,891	-	-	307,891
Materials	16,473	-	-	16,473
Total common stocks	<u>1,202,892</u>	<u>-</u>	<u>-</u>	<u>1,202,892</u>
Fixed income:				
Municipal obligations	-	156,178	-	156,178
U.S. corporate bonds	-	1,592,150	-	1,592,150
U.S. Treasury securities	-	805,333	-	805,333
U.S. governmental securities	-	125,867	-	125,867
Fixed income funds	-	2,347,085	-	2,347,085
Total fixed income	<u>-</u>	<u>5,026,613</u>	<u>-</u>	<u>5,026,613</u>
Equity funds	10,521,216	-	-	10,521,216
Pooled funds	-	-	325,103	325,103
Investments at fair value	<u>\$ 12,835,104</u>	<u>\$ 5,026,613</u>	<u>\$ 325,103</u>	<u>18,186,820</u>
Investments at NAV (a)				896,559
Total Investments				<u>\$ 19,083,379</u>
Charitable Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,542,564</u>	<u>\$ 3,542,564</u>

UNITED WAY OF CENTRAL MARYLAND, INC.

**Notes to the Financial Statements
June 30, 2019 and 2018**

4. INVESTMENTS (continued)

The following table summarizes the valuation of UWCM's assets by the fair value hierarchy levels as of June 30, 2018:

	2018			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 462,706	\$ -	\$ -	\$ 462,706
Preferred stocks:				
Financials	59,585	-	-	59,585
Common stocks:				
Industrials	70,660	-	-	70,660
Consumer discretionary	150,433	-	-	150,433
Consumer staples	49,929	-	-	49,929
Energy	68,120	-	-	68,120
Financials	306,364	-	-	306,364
Health care	115,636	-	-	115,636
Information technology	493,115	-	-	493,115
Total common stocks	1,254,257	-	-	1,254,257
Fixed income:				
Municipal obligations	-	146,100	-	146,100
U.S. corporate bonds	-	1,304,944	-	1,304,944
U.S. Treasury securities	-	974,628	-	974,628
U.S. governmental securities	-	122,340	-	122,340
Fixed income funds	2,593,133	-	-	2,593,133
Total fixed income	2,593,133	2,548,012	-	5,141,145
Equity funds	10,538,113	-	-	10,538,113
Pooled funds	-	-	323,610	323,610
Investments at fair value	\$ 14,907,794	\$ 2,548,012	\$ 323,610	17,779,416
Investments at NAV (a)				854,768
Total Investments				\$ 18,634,184
Charitable Trust	\$ -	\$ -	\$ 2,199,916	\$ 2,199,916

(a) In accordance with Subtopic 820-10 as amended by ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, certain investments that were measured at net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

4. INVESTMENTS (continued)

UWCM invests in certain investment vehicles for which the fair value measurement is assessed using net asset value per share, or its equivalents. Information pertaining to these investments is as follows:

	Fair value as of June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity fund	\$ 896,559	\$ -	Semi-annual	65 Days

The alternative investments invest in long/short global equities and long/short fixed income products. The value of the investments has been estimated using the NAV per share of the investments.

The following table presents a reconciliation of activity for the Level 3 assets for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 2,523,526	\$ 2,400,408
Investment income (loss)	1,493	(421)
Change in value of trust	<u>1,342,648</u>	123,539
Ending balance	<u>\$ 3,867,667</u>	<u>\$ 2,523,526</u>

To assess the appropriate classification of assets within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of assets from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. UWCM evaluates the significance of transfers between levels based upon the nature of the assets and size of the transfer relative to total net assets. For the years ended June 30, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2 or 3.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

5. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment consisted of the following as of June 30, 2019 and 2018:

<u>Asset Category</u>	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Audio visual equipment	\$ 125,038	\$ 121,688	3 years
Furniture & fixtures	601,959	601,959	10 years
Leasehold improvements	1,421,123	1,421,123	lesser of lease term or useful life
Licenses	48,919	48,919	2 to 5 years
Personal computers	168,657	163,550	3 years
Printing equipment	3,285	3,285	3 years
Software programs	428,704	428,704	2 to 5 years
System computers, servers & heavy duty printers	241,300	241,300	3 years
Telecommunication system	138,881	138,881	5 years
Work in process	-	15,900	N/A
	<u>3,177,866</u>	<u>3,185,309</u>	
Less: accumulated depreciation and amortization	<u>1,490,308</u>	<u>1,149,010</u>	
Property, Plant, and Equipment, Net	<u>\$ 1,687,558</u>	<u>\$ 2,036,299</u>	

Depreciation expense totaled \$341,298 and \$322,740 for the years ended June 30, 2019 and 2018, respectively.

6. LINE OF CREDIT

UWCM has a \$4,000,000 secured line of credit bearing interest at the London Interbank Offered Rate (LIBOR) plus 1.25% (3.69% and 3.34% as of June 30, 2019 and 2018, respectively). The line is collateralized by cash and marketable securities held by UWCM. The outstanding balance on the line of credit as of June 30, 2019 and 2018 was \$1,368,355 and \$0, respectively. Interest expense was 37,495 and 2,854, for the years ended June 30, 2019 and 2018, respectively.

7. RETIREMENT BENEFITS

UWCM provides a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code (403(b)), which covers substantially all full-time employees of UWCM. UWCM makes non-elective contributions to the 403(b). These contributions apply to all employees who have completed one year of service, regardless of whether the employee is making voluntary contributions to the 403(b). The 403(b) also provides for UWCM matching 25% of employee's voluntary contributions, up to 6% of their salary. The match begins as soon as the employee begins to contribute to the 403(b).

Both the non-elective and matching contributions are subject to a vesting period. These contributions are 50% vested after two years of service and 100% vested after four years of service. UWCM's costs under the 403(b) were \$304,364 and \$336,109 for 2019 and 2018, respectively.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

7. RETIREMENT BENEFITS (continued)

UWCM's non-elective contribution varies based on length of services as follows:

Years of Service	<u>Compensation</u>
Less than 5	2%
5 but less than 10	3%
10 or more	4%

Executives and senior staff members of UWCM are also eligible to participate in other retirement plans and may elect to contribute a portion of their compensation on a tax-deferred basis. There is a liability of \$237,858 and \$189,448 recorded as of June 30, 2019 and 2018, respectively, related to these plans. UWCM has \$237,858 and \$189,448 on deposit with a trustee as of June 30, 2019 and 2018, respectively, for future settlement of these obligations. These amounts are included in retirement benefits payable in the statements of financial position.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, are restricted to:

	<u>2019</u>	<u>2018</u>
Future year gifts, committed for subsequent year allocations to agencies	\$ 1,104,410	\$ 1,359,077
Restricted for other programs	1,755,116	1,798,295
Gifts of life insurance	88,763	89,095
Ray Sachs fund	92,237	86,703
Nachlas endowment restricted to inner city youth programs	1,482,244	1,449,054
Accumulated earnings on donor-restricted endowments	278,177	264,126
Langenfelder charitable trust	2,596,958	1,837,196
	<u>\$ 7,397,905</u>	<u>\$ 6,883,546</u>

Net assets with donor restrictions to be held in perpetuity were \$1,679,050 and \$1,096,165, as of June 30, 2019 and 2018, respectively. The income from these assets is expendable to support all activities of UWCM and included in accumulated earnings above.

UNITED WAY OF CENTRAL MARYLAND, INC.

**Notes to the Financial Statements
June 30, 2019 and 2018**

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Interpretation of Relevant Law

The provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) were enacted into law in Maryland effective April 14, 2009. UWCM has added the required disclosures which is a requirement for any organization with endowment funds.

UWCM has interpreted the State of Maryland's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, UWCM classifies net assets with donor restrictions in perpetuity as (a) the original value of gifts to the permanent endowment, and (b) the original value of the subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions unavailable for appropriation, until those amounts are appropriated for expenditure by UWCM in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, UWCM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of UWCM and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation or depreciation of investments
- f. Other resources of UWCM
- g. The investment policies of UWCM

Endowment fund composition by type as of June 30:

	2019			
	Net Assets Without Donor Restrictions	Donor Restrictions (For Appropriation)	Net Assets With Donor Restrictions (in Perpetuity)	Total
Donor-restricted endowment funds	\$ -	\$ 278,177	\$ 1,679,050	\$ 1,957,227
	2018			
	Net Assets Without Donor Restrictions	Donor Restrictions (For Appropriation)	Net Assets With Donor Restrictions (in Perpetuity)	Total
Donor-restricted endowment funds	\$ -	\$ 264,126	\$ 1,096,165	\$ 1,360,291

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Interpretation of Relevant Law (continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions (For Appropriation)	Net Assets With Donor Restrictions (in Perpetuity)	Total
Endowment funds July 1, 2017	\$ -	\$ 235,807	\$ 1,043,297	\$ 1,279,104
Investment income	-	76,782	-	76,782
Amounts appropriated for expenditure	-	(48,463)	-	(48,463)
Change in fair value of charitable trust	-	-	52,868	52,868
Endowment funds June 30, 2018	-	264,126	1,096,165	1,360,291
Investment income	-	14,051	-	14,051
Change in fair value of charitable trust	-	-	582,885	582,885
Endowment funds June 30, 2019	\$ -	\$ 278,177	\$ 1,679,050	\$ 1,957,227

Return Objectives and Risk Parameters

UWCM has established investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for use by UWCM while seeking to preserve the value of endowment assets. Endowment assets include those donor-restricted funds that UWCM must hold in perpetuity or for a donor-specified period, as well as unrestricted assets. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner intended to earn sufficient income from assets each year (interest, dividends and other current income).

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective, UWCM uses a third-party manager whose investment style maximizes the advantages of diversification and minimizes risk consistent with the stated objectives. UWCM targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Endowment Withdrawals and How the Investment Objectives Relate to the Endowment Spending Policy

UWCM has a board-approved endowment spending policy that limits withdrawals to no more than 5% of the rolling four-year average assets. The Board has the authority to exceed that limitation. Both current income and appreciation can be used with the intent that original endowment funds are preserved. This is consistent with UWCM's objective to maintain and grow endowment assets currently held as well as to provide additional real growth through new gifts and investment return. The Board must approve all recommended withdrawals.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

8. COMMITMENTS

Capital Lease

UWCM obtained a three-year \$400,000 capital equipment lease loan to finance relocation to its leased space at Montgomery Park, with an additional \$100,000 available to be used later, if needed. The lease began on April 1, 2017 and expires March 31, 2020. The lease includes a bargain purchase option for the equipment purchased on the expiration date and is collateralized by that equipment. The balance of \$104,101 is due in fiscal year 2020.

The following is an analysis of equipment acquired under the capital lease, which is included in property, plant and equipment on the statements of financial position as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Cost	\$ 400,000	\$ 400,000
Accumulated depreciation	(100,000)	(60,000)
	<u>\$ 300,000</u>	<u>\$ 340,000</u>

Operating Leases

As of June 30, 2019, UWCM has long-term operating leases for office space at three locations in Maryland. On August 23, 2016, UWCM entered into a new office space lease agreement for its main office. The ten-year lease began on March 1, 2017, and rent payments began September 1, 2017. Base annual rent was initially set at \$36,784 per month which increases at certain intervals during the lease. Total base rent payable over the lease period is approximately \$5,649,000.

Future lease payments for all locations were as follows as of June 30, 2019:

<u>Years ending June 30:</u>	<u>Amount</u>
2020	\$ 494,093
2021	552,368
2022	574,282
2023	597,075
2024	606,652
Thereafter	2,082,032
Total	<u>\$ 4,906,502</u>

Rent expense was \$467,236 and \$469,430 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

8. COMMITMENTS (continued)

Other Long-Term Commitments (continued)

UWCM has entered into contracts with certain contractual affiliates to provide allocations from 2017 through current and future campaigns. The maximum amount to be paid by UWCM during the year ending June 30, 2019, is \$925,000.

9. UNITED WAY WORLDWIDE, INC.

United Way Worldwide, Inc. (UWW) is a national trade association and owner of the United Way name and brand mark. In order for UWCM to use the name and brand mark, it is required to make a membership investment in UWW. This expense totaled \$284,260 and \$294,499 for the years ended June 30, 2019 and 2018, respectively. In addition to the use of the name and brand mark, UWCM receives many other benefits from UWW. Through its association, it has easy access to UWW's knowledge and support on marketing, program outcomes, community impact, fundraising, national trends, campaign materials and a wide array of other tools and topics. UWW also represents all United Way organizations on important legislation or issues presented to Congress.

In an effort to increase accountability and transparency, UWW has developed standards for excellence. Each year, UWCM must submit a report on its compliance with each of the standards. UWCM has committed to comply with all UWW membership standards.

10. GRANT ACTIVITY INFORMATION

2-1-1 Maryland UWCM Helpline received grants from corporate, foundation and individual funders for staffing and communication system support; from Baltimore Cash Campaign through Jobs Opportunities Task Force to continue to enhance UWCM efforts to increase awareness of the earned income tax credit and set appointments for free tax preparation at local sites through several community partners; from CareFirst to expand Maryland health care access; from the Governor's Office of Volunteerism, and from Maryland Department of Health and Mental Hygiene (DHMH) thru the State wide 2-1-1 system.

Health programs include the Access to Healthy Food Initiative, the first program created by UWCM to address the more than 345,000 food insecure people living in central Maryland. The goal is to increase the healthy food going into communities in need by 1.5 million pounds each year; increase sourcing which includes growing and gleaning through farm expansion and volunteers collecting the crops after the commercial harvest; improve distribution (refrigeration/transportation); and increase access and affordability through after-school meal programs, virtual supermarket expansion, "Veggie Vouchers" at farmers markets, education and access to public benefits. In addition, UWCM's Harvest of Plenty campaign (Thanksgiving meal baskets) serves an increasing number of families year after year. Healthy food is going

UNITED WAY OF CENTRAL MARYLAND, INC.

Notes to the Financial Statements June 30, 2019 and 2018

10. GRANT ACTIVITY INFORMATION (continued)

Health programs (continued)

to broaden and become part of a larger health program strategy to include 2-1-1 as the platform for access to health care.

UWCM also received a significant grant to update the operating platform technology for 2-1-1. This will allow for a more comprehensive streamlined approach to the health and human service system. Significant partnership and collaboration activities will be created with this new platform providing an improved delivery of services to the community.

Family stability was created by UWCM with the help of a multi-year grant that renewed for a second term from The Siemer Family Foundation to target family stability, issues concerning student mobility, and homelessness prevention. A second multi-year grant from the city of Baltimore and a multi-year grant from Howard County government both focus on shelter diversion in those jurisdictions. The initiative includes homelessness prevention, shelter diversion and financial education. The prevention program is one-of-a-kind in central Maryland and targets families with school age children who are on the brink of homelessness. Shelter diversion efforts keep families together in stable living situations, where the children can stay in their neighborhood schools. Financial education builds financial security through asset building, budgeting, and financial literacy. The program is currently located in 15 sites across Maryland.

An Education Strategy named On Track 4 Success was launched in fiscal year 2017. In partnership with Johns Hopkins University, Baltimore City Public Schools, and Anne Arundel County Schools, this dropout prevention strategy is located in a K-8 school in the Brooklyn community of Baltimore City and West County (Meade-Severn) in Anne Arundel County. This strategy focuses on identifying students on track to drop out by analyzing student data by a team of school personnel on their attendance, behavior and course work. Those students exhibiting a red flag in one or more of these areas is matched with an appropriate intervention, either with a social worker placed in the school by UWCM or another team member.

ALICE project is a grassroots movement committed to improving the lives of asset-limited, income-constrained, employed (ALICE) individuals and families. Grants from a collaborative of other local United Ways along with support from the National ALICE Advisory Council, have allowed UWCM to initiate this project, which provides a report with a framework and common language around issues facing the ALICE population in the state of Maryland. Data from the report will allow UWCM to identify advocacy priorities and implement needed programmatic services for the ALICE population. This report was published in January 2017 and has provided a mechanism for educating legislators and other stakeholders on the need in Maryland. A refreshed/updated report was published in September 2018.