

United Way of the Cape Fear Area, Inc.
Statement of Financial Position
As of June 30, 2019

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
ASSETS				
Current Assets				
Cash & cash equivalents	\$ 1,718,347	\$ 217,990	\$ 1,936,337	\$ 1,530,699
Investments	380,231	-	380,231	359,222
Annual campaign pledges receivable, net of allowance for doubtful pledges of \$101,109 and \$98,747, respectively	752,764	-	752,764	603,938
Grants & other receivables	31,151	130,782	161,933	38,212
Prepaid expenses	8,354	-	8,354	9,324
Total Current Assets	<u>2,890,847</u>	<u>348,772</u>	<u>3,239,619</u>	<u>2,541,395</u>
Net property (Note 2)	<u>14,275</u>	<u>-</u>	<u>14,275</u>	<u>15,485</u>
Total Assets	<u>\$ 2,905,122</u>	<u>\$ 348,772</u>	<u>\$ 3,253,894</u>	<u>\$ 2,556,880</u>
LIABILITIES & NET ASSETS				
Current Liabilities				
Accounts payable & accrued expenses	\$ 24,236	\$ -	\$ 24,236	\$ 12,696
Deferred revenue	12,216	-	12,216	12,500
Grants payable	900,318	-	900,318	775,026
Due to designated agencies	242,799	-	242,799	142,189
Total Current Liabilities/Total Liabilities	<u>1,179,569</u>	<u>-</u>	<u>1,179,569</u>	<u>942,411</u>
Net Assets				
Without donor restrictions	1,725,553	-	1,725,553	1,614,469
With donor restrictions	-	348,772	348,772	-
Total Net Assets	<u>1,725,553</u>	<u>348,772</u>	<u>2,074,325</u>	<u>1,614,469</u>
Total Liabilities & Net Assets	<u>\$ 2,905,122</u>	<u>\$ 348,772</u>	<u>\$ 3,253,894</u>	<u>\$ 2,556,880</u>

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	2019			2018 Comparative Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE & SUPPORT				
Annual campaign, net	\$ 2,028,972	\$ -	\$ 2,028,972	\$ 2,078,677
Less: Designations	(369,391)	-	(369,391)	(343,510)
Disaster relief fund	-	1,820,798	1,820,798	-
Federal grant - Senior Aides Program	-	537,461	537,461	555,403
Blue Ribbon Commission grants	-	-	-	18,200
In-kind contributions	25,000	-	25,000	25,340
Investment income	5,658	-	5,658	2,590
Gain (loss) on market securities	21,009	-	21,009	30,086
Miscellaneous income	28,203	-	28,203	40,317
Net assets released from restriction	2,009,487	(2,009,487)	-	-
Total Revenue & Support	3,748,938	348,772	4,097,710	2,407,103
EXPENSES				
Program				
Allocations & grants	716,585	-	716,585	871,508
Senior Aides	646,157	-	646,157	635,414
Community Impact	1,580,908	-	1,580,908	190,519
Marketing & communications	122,077	-	122,077	78,867
Other programs	24,886	-	24,886	31,354
General & administrative	188,274	-	188,274	96,600
Fundraising	358,967	-	358,967	413,933
Total Expenses	3,637,854	-	3,637,854	2,318,195
Change in Net Assets	111,084	348,772	459,856	88,908
Net Assets, Beginning	1,614,469	-	1,614,469	1,525,561
Net Assets, Ending	\$ 1,725,553	\$ 348,772	\$ 2,074,325	\$ 1,614,469

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	2019							2018 Comparative Total	
	Program								
	Allocations & Grants	Senior Aides	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising		
Operating Expenses									
Salaries	\$ -	\$ -	\$ 70,078	\$ 68,676	\$ 11,643	\$ 66,980	\$ 177,323	\$ 394,700	\$ 375,021
Employee benefits	-	-	10,705	10,950	1,858	9,276	28,276	61,065	70,021
Payroll taxes	-	-	8,338	8,001	1,360	6,771	20,668	45,138	42,300
Total Salaries & Related Expenses	-	-	89,121	87,627	14,861	83,027	226,267	500,903	487,342
Professional fees	-	3,873	1,834	1,810	317	2,770	10,520	21,124	29,512
Supplies	-	3,153	2,878	1,466	258	3,748	12,045	23,548	13,373
Campaign grant supplies	-	305	2,198	482	90	420	14,478	17,973	38,715
Telephone	-	3,622	2,185	2,057	318	2,839	6,558	17,579	15,518
Utilities & housekeeping	-	894	457	428	77	673	1,317	3,846	4,699
Postage	-	661	456	316	57	517	1,525	3,532	4,047
Occupancy	-	23,508	11,760	11,254	2,001	17,023	34,514	100,060	100,374
Computer software & maintenance	-	7,036	8,803	3,524	766	3,978	10,465	34,572	34,167
Advertising & printing	-	6,083	3,433	3,495	596	4,006	10,540	28,153	27,986
Travel	-	4,152	2,478	209	27	1,174	6,139	14,179	10,662
Annual meeting	-	-	-	-	-	-	2,453	2,453	-
Membership dues	-	5,684	5,625	4,824	873	5,527	13,237	35,770	38,881
Insurance	-	700	340	366	62	4,221	1,083	6,772	6,307
Conferences & training	-	304	2,614	433	397	2,633	3,132	9,513	7,142
211 project	-	-	15,784	-	-	-	-	15,784	15,784
Community impact	-	-	1,957	-	-	-	-	1,957	-
In-kind expense	-	3,000	5,500	3,750	3,750	4,500	4,500	25,000	19,499
Senior Aides - salaries & related	-	583,025	-	-	-	-	-	583,025	561,554
Special grants & events	-	-	72,299	-	-	-	-	72,299	29,383
Disaster relief grants	-	-	1,351,017	-	-	51,000	-	1,402,017	-
Allocations & grants	1,085,976	-	-	-	-	-	-	1,085,976	1,215,018
Less: Designations	(369,391)	-	-	-	-	-	-	(369,391)	(343,510)
Total Operating Expenses	716,585	646,000	1,580,739	122,041	24,450	188,056	358,773	3,636,644	2,316,473
Non-Operating Expenses									
Depreciation	-	157	169	36	436	218	194	1,210	1,722
Total Non-Operating Expenses	-	157	169	36	436	218	194	1,210	1,722
Special Events	-	-	-	-	-	-	47,239	47,239	65,353
Total Functional Expenses	716,585	646,157	1,580,908	122,077	24,886	188,274	406,206	3,685,093	2,383,548
Special Events Net in Revenue	-	-	-	-	-	-	(47,239)	(47,239)	(65,353)
Statement of Activity Expenses	\$ 716,585	\$ 646,157	\$ 1,580,908	\$ 122,077	\$ 24,886	\$ 188,274	\$ 358,967	\$ 3,637,854	\$ 2,318,195

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019

	2019		2018 Comparative Total
	Without Donor Restrictions	With Donor Restrictions	
Cash Flows From Operating Activities			
Cash Collections for:			
Contributions & other	\$ 3,587,134	\$ 217,990	\$ 3,805,124
Less: Cash Payments for:			
Total expenses	<u>(3,399,486)</u>	<u>-</u>	<u>(3,399,486)</u>
Net Cash Provided (Used) By Operating Activities	<u>187,648</u>	<u>217,990</u>	<u>405,638</u>
Cash Flows From Investing Activities			
Purchases & proceeds of investments, net	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>-</u>	<u>33,000</u>
Cash Flows From Financing Activities			
Payments of principal	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	<u>187,648</u>	<u>217,990</u>	<u>405,638</u>
Cash & Cash Equivalents, Beginning	<u>1,530,699</u>	<u>-</u>	<u>1,530,699</u>
Cash & Cash Equivalents, Ending	<u>\$ 1,718,347</u>	<u>\$ 217,990</u>	<u>\$ 1,936,337</u>
Reconciliation of Change in Net Assets to Cash Provided (Used)			
By Operating Activities:			
Change in net assets	\$ 111,084	\$ 348,772	\$ 459,856
Depreciation & loss on retirement	1,210	-	1,210
(Gain) loss on market securities	(21,009)	-	(21,009)
Non-cash donations	-	-	-
(Increase) Decrease in:			
Pledges receivable & other current assets	(141,765)	(130,782)	(272,547)
Prepaid expenses	970	-	970
Increase (Decrease) in:			
Grants payable	125,292	-	125,292
Accounts payable & other current liabilities	<u>111,866</u>	<u>-</u>	<u>111,866</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 187,648</u>	<u>\$ 217,990</u>	<u>\$ 405,638</u>
Supplemental Disclosure			
Interest paid		\$ -	\$ -
Income taxes paid		\$ -	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

1. ORGANIZATION

United Way of the Cape Fear Area, Inc. (the "Organization") is a nonprofit organization organized under the laws of the state of North Carolina for the primary purpose of soliciting and distributing funds to local human service agencies serving Brunswick, Columbus, New Hanover, and Pender Counties. The Organization was incorporated on July 3, 1953 and is governed by a volunteer Board of Directors. The Organization also directly sponsors and administers a federal grant program and carries out several smaller community programs. The mission of the Organization is to provide community-wide leadership to develop resources and assure their effective use for delivery of needed human care services.

The Organization uses the following program service categories for reporting purposes:

Allocations and Grants: Funds directed to other nonprofit agencies through 35 programs to address critical health and human service needs in a four county area.

Senior Aides Program: A federally funded program sponsored by the Organization placing low-income seniors in community service positions that provide them with valuable training and work experiences.

Community Impact: The Community Impact department identifies the most critical health and human service needs in our community, establishes strategies, and applies resources to achieve results. In recent years, the department has focused on three different impact areas identifying needs, strategies, and solutions specific to each area. The areas have been defined as education, health, and financial stability. Going forward, the department will refocus on areas related to children, families, and neighborhoods. Each impact area has two sets of dedicated volunteers either establishing needs and strategies or determining the best possible solutions to apply resources. Another set of volunteer experts oversee all three impact areas and make recommendations to the Board of Directors, who approve all needs assessments and resource allocations.

Marketing and Communications: This division works in conjunction with and serves to promote the Organization's mission and vision and all the programs listed above. It develops and executes a yearly strategic plan designed to enhance the annual Community Impact process and all campaign-related activities. It produces and disseminates collateral materials created specifically to educate and inform the public while creating a positive image for the Organization. It maintains all social media functions in coordination with the Organization's strategic messaging and performs all duties pertaining to crisis communication as needed.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

During the year ended June 30, 2019, the Organization adopted Accounting Standards Update ("ASU") 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This accounting standard is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2019 only as allowed by ASU 2016-14. The retrospective application resulted in unrestricted net assets of \$1,614,469 being reported as net assets without donor restrictions as of June 30, 2018.

Basis of Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, income is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Classes of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- a) **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets for an operating reserve and board-designated endowment from net assets without donor restrictions.
- b) **Net Assets With Donor Restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. As of June 30, 2019, the balance of net assets with donor restrictions was \$348,772 restricted for hurricane relief.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts. From time to time during the periods presented, the United Way of the Cape Fear Area, Inc. has had cash balances in financial institutions that have exceeded the federal depository insurance limits. The United Way of the Cape Fear Area, Inc. deposits its cash with high quality institutions, and management believes the United Way of the Cape Fear Area, Inc. is not exposed to significant credit risk on those amounts.

Cash and cash equivalents for financial reporting purposes are as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Petty Cash	\$ 1,375	\$ 1,375
Checking - Operating	195,931	49,360
Checking - Senior Aides	34,330	56,066
Checking - Other	283,912	497,466
Money Markets & Savings	<u>1,420,789</u>	<u>926,432</u>
Total Cash & Cash Equivalents	<u>\$ 1,936,337</u>	<u>\$ 1,530,699</u>

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Fair Value Measurement

The United Way of the Cape Fear Area, Inc. reports fair value measurement of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use for fair value measures in the United Way of the Cape Fear Area, Inc.'s financial statements is for recurring measurement of investments (Note 4).

Annual Campaign Pledges Receivable and Allowance for Doubtful Pledges

Annual campaign pledges receivable are stated at the full amount of outstanding pledges made by donors, less an allowance for doubtful pledges. Donor pledge balances may be paid in lump-sum billings or received in monthly or quarterly employee payroll deductions. No interest is charged against unpaid balances. The carrying amount of pledges receivable is reduced by an allowance for doubtful pledges that reflects management's best estimate of the pledges that will not be collected. Management evaluates historical write-offs as a percentage of the total pledges received for each campaign year to estimate the allowance for the current year campaign pledges. This allowance may be adjusted for management's estimate of any changes in current economic conditions that might give rise to results that differ from past experience, and at times, the amount of the adjustment can be material.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Property

Equipment is reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method for buildings and furniture and equipment over the estimated useful lives of the assets as follows:

Furniture and equipment – 5 to 7 Years
 Technology – 3 to 7 Years

Equipment reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of June 30:

	2019	2018
Property and equipment	\$ 126,261	\$ 126,261
Equipment and furniture Sr Aides	<u>2,724</u>	<u>2,724</u>
	128,985	128,985
Less: Accumulated Depreciation	<u>(114,710)</u>	<u>(113,500)</u>
Net Property	<u>\$ 14,275</u>	<u>\$ 15,485</u>

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises, such as matching grants, are not recognized until they become unconditional, which is until all conditions on which they depend are substantially met.

In-Kind Contributions

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

During fiscal 2019, advertising donated by local media, fundraising items, and a phone system were valued at \$25,000 and recorded. During fiscal 2018, advertising donated by local media and fundraising items were valued at \$25,340 and recorded. No other amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising and advertising costs are expensed as incurred, even though they may result in contributions received in future years. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Income Taxes

The Organization is a nonprofit corporation and is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code on related income. The Organization files Form 990, *Return of Organization Exempt from Income Tax*, with the IRS and North Carolina Department of Revenue and is generally no longer subject to examination by taxing authorities for fiscal years prior to 2016.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year then ended, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

Subsequent Events

Subsequent events have been evaluated through October 9, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. The following subsequent event has been noted:

3. LIQUIDITY AND THE AVAILABILITY OF RESOURCES

Financial assets available to meet general expenditures over the next 12 months are as follows as of June 30:

	<u>2019</u>
Operating Assets at Year End:	
Cash & cash equivalents	\$ 1,718,347
Investments convertible to cash in next 12 months	380,231
Annual campaign pledge receivables	752,764
Grants & other receivables	<u>31,151</u>
Total Operating Assets at Year End	2,882,493
Plus net assets with purpose or time restrictions to be met in less than a year	<u>348,772</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 3,231,265</u>

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows (page 6) identifies the sources and uses of cash and shows positive cash generated by operations. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

4. INVESTMENTS

Investments include mutual fund investments which are carried at fair value as determined by quoted market prices (the highest of three fair value measurement levels identified in accounting principles generally accepted in the United States of America). Fair values of assets measured on a recurring basis as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 100	\$ 98
Bond funds	111,579	103,952
Mid-Cap equity	144,820	143,057
Equity index	<u>123,732</u>	<u>112,115</u>
	<u>\$ 380,231</u>	<u>\$ 359,222</u>

5. FEDERAL GRANTS

The Organization sponsors the Senior Community Service Employment Program ("Senior Aides Program"), which hires people who meet certain age and income requirements and places them into part-time jobs at local nonprofit and public agencies which provide human services to the community. Grant revenue recognized under this program was \$537,461 for the year ended June 30, 2019 and \$555,403 for the year ended June 30, 2018.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

6. OPERATING LEASES

Effective April 2019, the Organization entered into a new operating lease agreement on their current facility. The lease has a term of five years ending May 31, 2024. Rent payments will be \$8,354 per month for the first fiscal year and will increase each succeeding year. Under the terms of the lease agreement, the Organization has the right to sublease any portion of the leased premises. Rent expense totaling \$100,060 was recorded for the year ended June 30, 2019 and \$100,374 for the year ended June 30, 2018. The Organization also leases a postage meter and copies for \$272 per month.

Future total minimum lease payments are as follows for the years ending June 30:

2020	\$ 103,516
2021	104,845
2022	106,660
2023	107,355
2024	<u>108,492</u>
Total	<u>\$ 530,867</u>

7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES

In June 2018, the Organization approved its 2018 operating budget, including grant allocations communicated to partner agencies in the amount of \$900,318, as well as \$242,799 of donor designations (due to designated agencies). Prior year grants and donor designations were \$775,026 and \$142,189, respectively. The Organization's partner agencies do not pay dues or fees, and the Organization honors donor intent with regard to designations.

8. DEFINED CONTRIBUTION PENSION PLAN

The Organization maintains a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The plan covers employees who are at least age 21 and have one year of eligible service. The plan provides for monthly employer contributions on behalf of participants of 10% of the participants' compensation. Total employer contributions were \$21,933 for the year ended June 30, 2019 and \$40,672 for the year ended June 30, 2018.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2019

9. CONCENTRATIONS OF RISK

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals located in the Lower Cape Fear area in Southeastern North Carolina. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Organization's services.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets by investment advisors of mutual funds should mitigate the impact of changes in any one class. As of June 30, 2019, the Organization held \$380,231 in mutual funds subject to these risks.

10. RISK MANAGEMENT

From time to time, the Organization may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Organization purchases commercial insurance coverage against risk of loss due to property damage, theft, and various other insurable risks. The Organization carries personal property insurance in the amount of \$150,000 in 2019 and 2018 with a deductible of \$1,000 for all perils. The Organization carries wind and hail insurance in the amount of \$165,000 for personal property in 2019 and 2018 with a deductible of \$2,500. The Organization carries a commercial package policy with a \$2,000,000 aggregate. The Organization carries directors and officers insurance in the amount of \$2,000,000 per policy period with an aggregate of \$2,000,000 and \$1,000 retention. The Organization also carries employee theft insurance in the amount of \$50,000 with a deductible of \$500.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.

United Way of the Cape Fear Area, Inc.
Schedule of Support Allocations and Donor Designations for the 2018
Campaign
For the Period From July 1, 2018 to June 30, 2019

Cape Fear Health Net	\$ 207,072
Good Shepherd Center	49,196
Coastal Horizons Center Inc	44,303
Communities In Schools Cape Fear	41,250
Salvation Army	40,500
Kids Making It, Inc.	39,421
BRC - Youth Enrichment Zone	37,500
Brigade Boys & Girls Club	30,459
StepUp Wilmington	23,500
Brunswick Family Assistance	22,500
LINC, Inc.	20,300
Smart Start of New Hanover County	20,247
YWCA of the Lower Cape Fear	20,000
Columbus County DREAM Center, Inc.	18,500
Carousel Center	18,000
Food Bank of Central & Eastern NC	17,100
Cape Fear Literacy Council	17,000
DREAMS Center for Arts Education	16,250
Domestic Violence Shelter & Services	15,721
United Way of Cumberland County	15,397
Communities In Schools - Brunswick	15,145
PATH	15,000
Boys & Girls Home of NC	14,500
Wilmington Area Rebuilding Ministry Inc.	13,713
American Red Cross Cape Fear Chapter	13,500
Lower Cape Fear Hospice Inc	10,827
Matthews Ministry	9,000
Mother Hubbards Cupboard of Wilmington	9,000
Nourish NC	9,000
United Way of Onslow County	7,602
United Way of Pitt County	5,216
United Way of Robeson County	5,078
Columbus Back Pack Program	5,000
Community Boys & Girls Club of Wilm.	5,000
United Way Coastal Carolina	3,433
Disabled American Veterans DAV	3,372
Shiloh Missionary Baptist Church	3,284
Black River Project	3,150
Brunswick Christian Recovery Center	3,000
Diaper Bank of NC	3,000
United Way of the Cape Fear Area	2,310
United Way of Wilson County	2,263
United Way of Lee County	2,250
United Way of Moore County	2,219
United Way Tar River	1,837
Boy Scouts of America-Cape Fear	1,544
Albemarle Area United Way	1,459
United Way of Central Carolinas	1,341
Catholic Charities of the Diocese of Raleigh, Inc.	1,338
Harrelson Center	1,200
Wilmington Police Recreation Association	1,092
Direct pay & other designations	196,087
	<u>1,085,976</u>
Less: Contributions designated by donors	<u>(369,391)</u>
Total Support Allocations & Donor Designations for the 2018 Campaign	<u>\$ 716,585</u>

United Way of the Cape Fear Area, Inc.
Schedule of Disaster Relief Grants

Wilmington Area Rebuilding Ministry Inc.	\$ 165,805
Catholic Cahrities of the Diocese of Raleigh, Inc.	154,300
Brunswick Family Assistance	127,500
Good Shepherd Center	98,600
Harrelson Center	91,000
Food Bank of Central & Eastern NC	89,405
Salvation Army	82,805
Baptist on Mission	76,400
Nourish NC	51,305
American Red Cross Cape Fear Chapter	38,500
Cape Fear Habitat for Humanity	35,000
New Hanover County Long Term Recovery Group	32,936
Columbus Baptist Association	30,000
Columbus County Disaster Response	20,000
Kids Making It	18,000
LINC, inc.	15,300
Pender County Christian	15,000
Domestic Violence Shelter and Services	13,500
StepUp Wilmington	13,500
Blue Ribbon Commission	11,250
Mother Hubbard's Cupboard	9,000
Coastal Horizons	9,000
Mathews Ministry	9,000
Columbus County Dream Center	4,500
Disabled American Veterans	3,150
Other grants	<u>187,261</u>
Total Disaster Relief Grants	<u>\$ 1,402,017</u>