

**United Way of the
Cape Fear Area, Inc.**

Financial Statements
For the Year Ended June 30, 2020
(with Comparative Totals for 2019)

**United Way of the
Cape Fear Area, Inc.**

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of the Cape Fear Area, Inc.

We have audited the accompanying financial statements of United Way of the Cape Fear Area, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Cape Fear Area, Inc. as of June 30, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support Allocations and Donor Designations for the 2019 Campaign on page 19 and the Schedule of Disaster Relief Grants on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the United Way of the Cape Fear Area, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young, L.L.P.

Wilmington, North Carolina
October 21, 2020

United Way of the Cape Fear Area, Inc.
Statement of Financial Position
As of June 30, 2020

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
ASSETS				
Current Assets				
Cash & cash equivalents	\$ 1,440,673	\$ 497,183	\$ 1,937,856	\$ 1,936,337
Investments	388,981	-	388,981	380,231
Annual campaign pledges receivable, net of allowance for doubtful pledges of \$190,532 & \$101,109, respectively	586,840	-	586,840	752,764
Grants & other receivables	9,204	-	9,204	161,933
Prepaid expenses	-	-	-	8,354
Total Current Assets	<u>2,425,698</u>	<u>497,183</u>	<u>2,922,881</u>	<u>3,239,619</u>
Net property (Note 2)	<u>13,102</u>	<u>-</u>	<u>13,102</u>	<u>14,275</u>
Total Assets	<u>\$ 2,438,800</u>	<u>\$ 497,183</u>	<u>\$ 2,935,983</u>	<u>\$ 3,253,894</u>
LIABILITIES & NET ASSETS				
Current Liabilities				
Accounts payable & accrued expenses	\$ 28,316	\$ -	\$ 28,316	\$ 24,236
Deferred revenue	1,250	-	1,250	12,216
Grants payable	626,310	-	626,310	900,318
Refundable advance (Note 9)	-	50,289	50,289	-
Due to designated agencies	<u>129,769</u>	<u>-</u>	<u>129,769</u>	<u>242,799</u>
Total Current Liabilities/Total Liabilities	<u>785,645</u>	<u>50,289</u>	<u>835,934</u>	<u>1,179,569</u>
Net Assets				
Without donor restrictions	1,653,155	-	1,653,155	1,725,553
With donor restrictions	-	<u>446,894</u>	<u>446,894</u>	<u>348,772</u>
Total Net Assets	<u>1,653,155</u>	<u>446,894</u>	<u>2,100,049</u>	<u>2,074,325</u>
Total Liabilities & Net Assets	<u>\$ 2,438,800</u>	<u>\$ 497,183</u>	<u>\$ 2,935,983</u>	<u>\$ 3,253,894</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, 2020

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
REVENUE & SUPPORT				
Annual campaign, net	\$ 1,768,769	\$ -	\$ 1,768,769	\$ 2,028,972
Less: Designations	(366,999)	-	(366,999)	(369,391)
Disaster relief fund	-	549,955	549,955	1,820,798
COVID-19 fund	-	62,480	62,480	-
Federal grant - SCSEP	-	533,776	533,776	537,461
Payroll Protection Program	-	45,811	45,811	-
In-kind contributions	36,000	-	36,000	25,000
Investment income	15,016	-	15,016	5,658
Gain (loss) on market securities	8,750	-	8,750	21,009
Miscellaneous income	38,212	-	38,212	28,203
Net assets released from restriction	<u>1,093,900</u>	<u>(1,093,900)</u>	<u>-</u>	<u>-</u>
Total Revenue & Support	<u>2,593,648</u>	<u>98,122</u>	<u>2,691,770</u>	<u>4,097,710</u>
EXPENSES				
Program				
Allocations & grants	660,568	-	660,568	716,585
SCSEP	610,476	-	610,476	646,157
Community Impact	646,188	-	646,188	1,580,908
Marketing & communications	117,683	-	117,683	122,077
Other programs	6,001	-	6,001	24,886
General & administrative	269,095	-	269,095	188,274
Fundraising	<u>356,035</u>	<u>-</u>	<u>356,035</u>	<u>358,967</u>
Total Expenses	<u>2,666,046</u>	<u>-</u>	<u>2,666,046</u>	<u>3,637,854</u>
Change in Net Assets	(72,398)	98,122	25,724	459,856
Net Assets, Beginning	<u>1,725,553</u>	<u>348,772</u>	<u>2,074,325</u>	<u>1,614,469</u>
Net Assets, Ending	<u>\$ 1,653,155</u>	<u>\$ 446,894</u>	<u>\$ 2,100,049</u>	<u>\$ 2,074,325</u>

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, 2020

	2020							
	Program							Total
	Allocations & Grants	SCSEP	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising	
Operating Expenses								
Salaries	\$ -	\$ -	\$ 66,290	\$ 62,892	\$ -	\$ 97,628	\$ 188,443	\$ 415,253
Employee benefits	-	-	11,564	10,868	-	16,047	32,692	71,171
Payroll taxes	-	-	7,715	7,257	-	10,679	21,914	47,565
Total Salaries & Related Expenses	-	-	85,569	81,017	-	124,354	243,049	533,989
Professional fees	-	3,074	2,169	2,505	-	4,898	6,158	18,804
Supplies	-	1,769	1,055	643	2	11,742	2,090	17,301
Campaign grant supplies	-	1,592	8,233	467	-	1,896	17,611	29,799
Telephone	-	3,906	2,406	1,637	-	3,322	5,175	16,446
Utilities & housekeeping	-	834	404	321	-	652	918	3,129
Postage	-	1,107	412	533	-	716	1,122	3,890
Occupancy	-	25,225	12,013	9,511	169	27,816	27,947	102,681
Credit card fees	-	1,086	505	411	-	1,867	1,151	5,020
Computer software & maintenance	-	6,241	5,629	3,708	1	5,681	9,240	30,500
Advertising & printing	-	4,346	1,978	4,986	4	3,291	10,017	24,622
Travel	-	16	1,568	23	3	1,245	6,931	9,786
Annual meeting	-	-	-	-	-	140	4,263	4,403
Membership dues	-	6,623	3,463	2,800	-	12,177	8,087	33,150
Insurance	-	1,107	814	1,027	-	1,215	2,307	6,470
Conferences & training	-	2,005	2,083	2,479	-	3,550	2,779	12,896
211 project	-	-	39,076	-	-	-	-	39,076
Community Impact	-	486	1,200	180	-	342	522	2,730
In-kind expense	-	4,320	7,920	5,400	5,400	6,480	6,480	36,000
SCSEP - salaries & related	-	546,587	-	-	-	-	-	546,587
Special grants & events	-	-	8,235	-	-	-	-	8,235
Disaster relief grants	-	-	451,833	-	-	-	-	451,833
COVID-19 expenses	-	-	9,458	-	-	57,500	-	66,958
Allocations & grants	1,027,567	-	-	-	-	-	-	1,027,567
Less: Designations	(366,999)	-	-	-	-	-	-	(366,999)
Total Operating Expenses	660,568	610,324	646,023	117,648	5,579	268,884	355,847	2,664,873
Non-Operating Expenses								
Depreciation	-	152	165	35	422	211	188	1,173
Total Non-Operating Expenses	-	152	165	35	422	211	188	1,173
Special events	-	-	-	-	-	-	50,446	50,446
Total Functional Expenses	660,568	610,476	646,188	117,683	6,001	269,095	406,481	2,716,492
Special events net in revenue	-	-	-	-	-	-	(50,446)	(50,446)
Total Statement of Activities Expenses	\$ 660,568	\$ 610,476	\$ 646,188	\$ 117,683	\$ 6,001	\$ 269,095	\$ 356,035	\$ 2,666,046

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

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, 2020

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Cash Flows From Operating Activities				
Cash Collections for:				
Contributions & other	\$ 2,781,123	\$ 228,904	\$ 3,010,027	\$ 3,805,124
Less: Cash Payments for:				
Total expenses	<u>(3,058,797)</u>	<u>-</u>	<u>(3,058,797)</u>	<u>(3,399,486)</u>
Net Cash Provided (Used) By Operating Activities	<u>(277,674)</u>	<u>228,904</u>	<u>(48,770)</u>	<u>405,638</u>
Cash Flows From Investing Activities				
Purchases & proceeds of investments, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities				
Payments of principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proceeds from refundable advance	<u>-</u>	<u>50,289</u>	<u>50,289</u>	<u>-</u>
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>50,289</u>	<u>50,289</u>	<u>-</u>
Net Increase (Decrease) in Cash	<u>(277,674)</u>	<u>279,193</u>	<u>1,519</u>	<u>405,638</u>
Cash & Cash Equivalents, Beginning	<u>1,718,347</u>	<u>217,990</u>	<u>1,936,337</u>	<u>1,530,699</u>
Cash & Cash Equivalents, Ending	<u>\$ 1,440,673</u>	<u>\$ 497,183</u>	<u>\$ 1,937,856</u>	<u>\$ 1,936,337</u>
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:				
Change in net assets	\$ (72,398)	\$ 98,122	\$ 25,724	\$ 459,856
Depreciation	1,173	-	1,173	1,210
(Gain) loss on market securities	(8,750)	-	(8,750)	(21,009)
(Increase) Decrease in:				
Annual campaign pledges receivable & other current assets	187,871	130,782	318,653	(272,547)
Prepaid expenses	8,354	-	8,354	970
Increase (Decrease) in:				
Grants payable	(274,008)	-	(274,008)	125,292
Accounts payable & other current liabilities	<u>(119,916)</u>	<u>-</u>	<u>(119,916)</u>	<u>111,866</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (277,674)</u>	<u>\$ 228,904</u>	<u>\$ (48,770)</u>	<u>\$ 405,638</u>
Supplemental Disclosure				
Interest paid			<u>\$ -</u>	<u>\$ -</u>
Income taxes paid			<u>\$ -</u>	<u>\$ -</u>

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, 2020

1. ORGANIZATION

United Way of the Cape Fear Area, Inc. (the "Organization") is a non-profit corporation 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. United Way of the Cape Fear Area, Inc. works with our community to leverage resources and improve the lives of local people.

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

Allocations and Grants: Funds directed to 60 other non-profit agencies to implement programs that address critical health and human service needs in a four-county area.

Senior Community Service Employment Program (SCSEP): 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. Community Impact focuses on education, health, and financial stability. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09–Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Analysis of various provisions of the standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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 using the accrual basis of accounting. Accordingly, revenue 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 revenue and expenses during the reporting period and the reported amounts of 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. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

Net Assets

Net assets, revenue, 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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

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 without donor restricted use, unless specifically restricted by the donor or subject to other legal restrictions. As of June 30, 2020, the balance of net assets with donor restrictions was \$446,894, which was restricted for disaster 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 Organization has had cash balances in financial institutions that have exceeded federal depository insurance limits. The Organization deposits its cash with high quality institutions, and management believes the Organization 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>2020</u>	<u>2019</u>
Petty cash	\$ 1,170	\$ 1,375
Checking - operating	204,058	195,931
Checking - SCSEP	112,466	34,330
Checking - other	153,182	283,912
Payroll Protection Program	96,100	-
Money markets & savings	<u>1,370,880</u>	<u>1,420,789</u>
Total Cash & Cash Equivalents	<u>\$ 1,937,856</u>	<u>\$ 1,936,337</u>

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

Fair Value Measurement

The Organization 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 Organization'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, 2020

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 over the estimated useful lives of the assets as follows:

Furniture & equipment	5-7 years
Technology	3-7 years

Equipment is 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:

	<u>2020</u>	<u>2019</u>
Property & equipment	\$ 126,261	\$ 126,261
Furniture & equipment SCSEP	<u>2,724</u>	<u>2,724</u>
	128,985	128,985
Less: Accumulated depreciation	<u>(115,883)</u>	<u>(114,710)</u>
Net Property	<u>\$ 13,102</u>	<u>\$ 14,275</u>

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 a 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.

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.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

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 year 2020, advertising donated by local media and fundraising items were valued at \$36,000 and recorded. During fiscal year 2019, advertising donated by local media, fundraising items, and a phone system were valued at \$25,000 and recorded. No other amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

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.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

Income Taxes

The Organization is a non-profit 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 ending prior to 2017.

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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2019, 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.

Subsequent Events

Subsequent events have been evaluated through October 21, 2020, 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.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2020</u>	<u>2019</u>
Operating Assets at Year End:		
Cash & cash equivalents	\$ 1,440,673	\$ 1,718,347
Investments convertible to cash in the next 12 months	388,981	380,231
Annual campaign pledges receivable	586,840	752,764
Grants & other receivables	<u>9,204</u>	<u>31,151</u>
Total Operating Assets at Year End	<u>2,425,698</u>	<u>2,882,493</u>
 Plus: Net assets with purpose or time restrictions to be met in less than a year	 <u>497,183</u>	 <u>348,772</u>
 Financial Assets Available to Meet General Expenditures Over the Next 12 Months	 <u>\$ 2,922,881</u>	 <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 on page 7 identifies the sources and uses of cash. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

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 are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash & cash equivalents	\$ 101	\$ 100
Bond funds	121,076	111,579
Mid-cap equity	134,976	144,820
Equity index	<u>132,828</u>	<u>123,732</u>
Total Investments	<u>\$ 388,981</u>	<u>\$ 380,231</u>

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

5. FEDERAL GRANTS

The Organization sponsors the Senior Community Service Employment Program ("SCSEP"), which hires people who meet certain age and income requirements and places them into part-time jobs at local non-profit and public agencies, which provide human services to the community. Grant revenue recognized under this program was \$533,776 for the year ended June 30, 2020 and \$537,461 for the year ended 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 on May 31, 2024. Rent payments were \$8,354 per month for the first fiscal year with increases 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 \$102,681 was recorded for the year ended June 30, 2020 and \$100,060 for the year ended June 30, 2019. The Organization also leases a postage meter and copier for \$266 per month.

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

2021	\$ 105,448
2022	107,488
2023	108,183
2024	109,320
2025	<u>138</u>
Total	<u>\$ 430,577</u>

7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES

In June 2019, the Organization approved its 2019 operating budget, including grant allocations communicated to partner agencies in the amount of \$626,310, as well as \$129,769 of donor designations (due to designated agencies). Prior year grants and donor designations were \$900,318 and \$242,799, respectively. The Organization's partner agencies do not pay dues or fees, and the Organization honors donor intent with regard to designations.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Satisfaction of Restrictions:		
SCSEP	\$ 533,776	\$ 537,461
COVID-19	62,480	-
Payroll, rent, & utilities	45,811	-
Disaster relief	<u>451,833</u>	<u>1,472,026</u>
Total Net Assets Released From Restriction	<u>\$ 1,093,900</u>	<u>\$ 2,009,487</u>

9. PAYROLL PROTECTION PROGRAM/REFUNDABLE ADVANCE

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Organization could be materially and adversely affected by the risks related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19.

In April 2020, the Organization applied for the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan, which was established under the CARES Act. The Organization received loan proceeds totaling \$96,100. The PPP loan is designed to keep workers on the payroll for 24 weeks and the proceeds can be used for payroll, rent, mortgage interest, or utilities. If certain provisions of the PPP loan program are met, the loans are subject to forgiveness.

The Organization had a refundable advance of \$50,289 as of June 30, 2020 resulting from various transactions used to finance the Organization’s salaries, rent, and utilities. The advance has been recorded in the financial statements as a conditional gift and, therefore, will be recognized as revenue when the conditions are met.

10. 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 5% of the participants' compensation and match the participants for up to 2.5% additional. Total employer contributions were \$21,012 for the year ended June 30, 2020 and \$21,933 for the year ended June 30, 2019.

United Way of the Cape Fear Area, Inc.
Notes to Financial Statements
June 30, 2020

11. 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, 2020, the Organization held \$388,981 in mutual funds subject to these risks.

12. 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 2020 and 2019 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 2020 and 2019 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 2019
Campaign
For the Period From July 1, 2019 to June 30, 2020

Cape Fear HealthNet, Inc.	\$ 93,014
Communities in Schools of Cape Fear, Inc.	52,750
Voyage (Formerly Blue Ribbon Commission on the Prevention of Youth Violence)	37,290
Good Shepherd Ministries of Wilmington, Inc.	36,389
The Salvation Army	32,667
Brigade Boys and Girls Club, Inc.	30,747
Kids Making It, Inc.	30,082
Domestic Violence Shelter and Services, Inc.	26,585
The Carousel Center, Inc.	25,593
Brunswick Family Assistance Agency, Inc.	24,750
Child Development Center, Inc.	24,265
NourishNC, Inc.	23,893
Cape Fear Literacy Council	22,469
Food Bank of Central & Eastern North Carolina, Inc.	21,630
YWCA of the Lower Cape Fear, Inc.	20,143
Smart Start of New Hanover County	20,065
DREAMS Center for Arts Education	18,915
Coastal Horizons Center, Inc.	16,708
Wilmington Area Rebuilding Ministry, Inc.	16,450
Boys and Girls Homes of North Carolina, Inc.	15,853
Brunswick Christian Recovery Center, Inc.	15,286
Communities in Schools of Brunswick County, Inc.	15,027
Columbus County DREAM Center, Incorporated	14,000
Pender County Christian Services, Inc.	13,010
Matthew's Ministry, Inc.	12,155
StepUp Wilmington	10,130
Harrelson Center	10,063
Family Promise of the Lower Cape Fear, Inc.	10,000
American Red Cross Cape Fear Chapter	9,127
Columbus County Baptist Association	8,000
Pender Alliance for Teen Health (PATH)	8,000
Samara's Village, Inc.	8,000
Brunswick County Literacy Council, Inc.	7,130
Mother Hubbard's Cupboard of Wilmington, Inc.	7,130
United Way of Cumberland County	5,404
Community Boys & Girls Club of Wilmington, NC, Inc.	5,295
L.I.N.C., Inc.	5,280
Disabled American Veterans	4,885
Shiloh Missionary Baptist Church, Inc.	3,640
Diaper Bank of North Carolina	3,450
United Way of Onslow County, Inc.	3,144
The United Way of Wilson County, Inc.	3,042
NC State Natural Resources Foundation, Inc.	2,988
Cape Fear Public Utility Authority - Assist Neighbors Helping Neighbors	2,960
Wilmington Police Recreation Association	2,344
Soaring As Eagles	2,000
United Way of Pitt County, Inc.	1,866
St. Jude Children's Research Hospital	1,463
Lower Cape Fear Hospice, Incorporated	1,351
Wildlife Action, Inc.	1,200
United Way of Northwest Louisiana	1,200
United Way of Robeson County, Inc.	1,175
National Multiple Sclerosis Society	1,001
Direct pay & other designations	<u>236,563</u>
	1,027,567
Less: Contributions designated by donors	<u>(366,999)</u>
Total Support Allocations & Donor Designations for the 2019 Campaign	<u>\$ 660,568</u>

United Way of the Cape Fear Area, Inc.
Schedule of Disaster Relief Grants
For the Period From July 1, 2019 to June 30, 2020

Brunswick Housing	\$ 20,000
Cape Fear Baptist Churches	24,000
Catholic Charities of the Diocese of Raleigh, Inc.	23,264
Center for Home Ownership	183,538
Harrelson Center	61,640
New Hanover Long Term Recovery Group	59,266
Pender Long Term Recovery	51,157
SHARE Good LLC	20,800
Other grants	<u>8,168</u>
Total Disaster Relief Grants	<u>\$ 451,833</u>