

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

***Financial Statements***  
*For the Year Ended June 30, 2021*  
*(with Comparative Totals for 2020)*

**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, 2021, 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, 2021, 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 2020 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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  
September 15, 2021

**United Way of the Cape Fear Area, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2021**

	2021		Total	2020
	Without Donor Restrictions	With Donor Restrictions		Comparative Total
<b>ASSETS</b>				
Current Assets				
Cash & cash equivalents	\$ 1,387,091	\$ 492,255	\$ 1,879,346	\$ 1,937,856
Investments	511,549	-	511,549	388,981
Annual campaign pledges receivable, net of allowance for doubtful pledges of \$141,200 & \$190,532, respectively	406,204	-	406,204	586,840
Grants & other receivables	8,755	-	8,755	9,204
Prepaid expenses	23,116	-	23,116	-
Total Current Assets	<u>2,336,715</u>	<u>492,255</u>	<u>2,828,970</u>	<u>2,922,881</u>
Net property (Note 2)	<u>11,929</u>	<u>-</u>	<u>11,929</u>	<u>13,102</u>
Total Assets	<u>\$ 2,348,644</u>	<u>\$ 492,255</u>	<u>\$ 2,840,899</u>	<u>\$ 2,935,983</u>
<b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities				
Accounts payable & accrued expenses	\$ 41,018	\$ -	\$ 41,018	\$ 28,316
Deferred revenue	3,756	-	3,756	1,250
Grants payable	608,954	-	608,954	626,310
Refundable advance (Note 9)	-	-	-	50,289
Due to designated agencies	101,390	-	101,390	129,769
Total Current Liabilities/Total Liabilities	<u>755,118</u>	<u>-</u>	<u>755,118</u>	<u>835,934</u>
Net Assets				
Without donor restrictions	1,593,526	-	1,593,526	1,653,155
With donor restrictions	<u>-</u>	<u>492,255</u>	<u>492,255</u>	<u>446,894</u>
Total Net Assets	<u>1,593,526</u>	<u>492,255</u>	<u>2,085,781</u>	<u>2,100,049</u>
Total Liabilities & Net Assets	<u>\$ 2,348,644</u>	<u>\$ 492,255</u>	<u>\$ 2,840,899</u>	<u>\$ 2,935,983</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, 2021**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
<b>REVENUE &amp; SUPPORT</b>				
Annual campaign, net	\$ 1,530,136	\$ -	\$ 1,530,136	\$ 1,768,769
Less: Designations	(341,954)	-	(341,954)	(366,999)
Disaster relief fund	-	227,973	227,973	549,955
COVID-19 fund	-	60,832	60,832	62,480
Federal grant - SCSEP	-	573,907	573,907	533,776
Paycheck Protection Program	-	141,766	141,766	45,811
In-kind contributions	3,000	-	3,000	36,000
Investment income	3,464	-	3,464	15,016
Gain (loss) on market securities	122,568	-	122,568	8,750
Miscellaneous income	25,618	-	25,618	38,212
Net assets released from restriction	959,117	(959,117)	-	-
<b>Total Revenue &amp; Support</b>	<u>2,301,949</u>	<u>45,361</u>	<u>2,347,310</u>	<u>2,691,770</u>
<b>EXPENSES</b>				
Program				
Allocations & grants	671,591	-	671,591	660,568
SCSEP	610,580	-	610,580	610,476
Community Impact (Note 1)	293,922	-	293,922	646,188
Marketing & communications	147,402	-	147,402	117,683
Other programs	872	-	872	6,001
General & administrative	303,829	-	303,829	269,095
Fundraising	333,382	-	333,382	356,035
<b>Total Expenses</b>	<u>2,361,578</u>	<u>-</u>	<u>2,361,578</u>	<u>2,666,046</u>
<b>Change in Net Assets</b>	(59,629)	45,361	(14,268)	25,724
<b>Net Assets, Beginning</b>	<u>1,653,155</u>	<u>446,894</u>	<u>2,100,049</u>	<u>2,074,325</u>
<b>Net Assets, Ending</b>	<u>\$ 1,593,526</u>	<u>\$ 492,255</u>	<u>\$ 2,085,781</u>	<u>\$ 2,100,049</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, 2021**

	2021							Total
	Allocations & Grants	SCSEP	Program Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising	
Operating Expenses								
Salaries	\$ -	\$ -	\$ 80,101	\$ 79,315	\$ -	\$ 109,182	\$ 185,244	\$ 453,842
Employee benefits	-	-	12,473	12,431	-	16,623	29,054	70,581
Payroll taxes	-	-	8,498	8,499	-	11,332	19,831	48,160
Total Salaries & Related Expenses	-	-	101,072	100,245	-	137,137	234,129	572,583
Professional fees	-	5,003	2,779	1,848	-	3,514	5,364	18,508
Supplies	-	1,926	1,428	517	-	2,436	3,722	10,029
Campaign grant supplies	-	-	1,828	3,376	-	-	4,267	9,471
Telephone	-	4,864	3,000	2,094	-	3,902	5,315	19,175
Utilities & housekeeping	-	845	469	313	-	582	729	2,938
Postage	-	916	724	459	-	889	1,355	4,343
Occupancy	-	28,320	15,733	10,489	-	19,929	30,418	104,889
Credit card fees	-	-	465	262	-	1,197	1,942	3,866
Computer software & maintenance	-	5,009	3,827	3,379	-	6,688	10,186	29,089
Advertising & printing	-	2,580	1,667	14,792	-	1,970	3,214	24,223
Travel	-	234	216	8	-	15	2,439	2,912
Annual meeting	-	-	-	-	-	15	220	235
Membership dues	-	-	10,774	5,788	-	11,511	18,393	46,466
Insurance	-	4,799	955	565	-	1,045	1,716	9,080
Conferences & training	-	-	216	122	-	2,806	1,050	4,194
211 project	-	-	8,623	2,660	-	5,319	8,195	24,797
Community Impact	-	-	-	-	-	-	-	-
In-kind expense	-	360	660	450	450	540	540	3,000
SCSEP - salaries & related	-	555,572	-	-	-	-	-	555,572
Special grants & events	-	-	-	-	-	416	-	416
Disaster relief grants	-	-	98,924	-	-	103,706	-	202,630
COVID-19 expenses	-	-	40,398	-	-	-	-	40,398
Allocations & grants	1,013,545	-	-	-	-	-	-	1,013,545
Less: Designations	(341,954)	-	-	-	-	-	-	(341,954)
Total Operating Expenses	671,591	610,428	293,758	147,367	450	303,617	333,194	2,360,405
Non-Operating Expenses								
Depreciation	-	152	164	35	422	212	188	1,173
Total Non-Operating Expenses	-	152	164	35	422	212	188	1,173
Special events	-	-	-	-	-	-	17,561	17,561
Total Functional Expenses	671,591	610,580	293,922	147,402	872	303,829	350,943	2,379,139
Special events net in revenue	-	-	-	-	-	-	(17,561)	(17,561)
Total Statement of Activities Expenses	\$ 671,591	\$ 610,580	\$ 293,922	\$ 147,402	\$ 872	\$ 303,829	\$ 333,382	\$ 2,361,578

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							Total
	Allocations & Grants	SCSEP	Program 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 Cash Flows**  
**For the Year Ended June 30, 2021**

	2021		2020 Comparative Total	
	Without Donor Restrictions	With Donor Restrictions		Total
<b>Cash Flows From Operating Activities</b>				
Cash Collections for:				
Contributions & other	\$ 2,337,350	\$ 45,361	\$ 2,382,711	\$ 3,010,027
Less: Cash Payments for:				
Total expenses	<u>(2,390,932)</u>	<u>(50,289)</u>	<u>(2,441,221)</u>	<u>(3,058,797)</u>
Net Cash Provided (Used) By Operating Activities	<u>(53,582)</u>	<u>(4,928)</u>	<u>(58,510)</u>	<u>(48,770)</u>
<b>Cash Flows From Investing Activities</b>				
Purchases & proceeds of investments, net	-	-	-	-
Net Cash Provided (Used) By Investing Activities	-	-	-	-
<b>Cash Flows From Financing Activities</b>				
Proceeds from refundable advance	-	-	-	50,289
Net Cash Provided (Used) By Financing Activities	-	-	-	50,289
<b>Net Increase (Decrease) in Cash</b>	(53,582)	(4,928)	(58,510)	1,519
<b>Cash &amp; Cash Equivalents, Beginning</b>	<u>1,440,673</u>	<u>497,183</u>	<u>1,937,856</u>	<u>1,936,337</u>
<b>Cash &amp; Cash Equivalents, Ending</b>	<u>\$ 1,387,091</u>	<u>\$ 492,255</u>	<u>\$ 1,879,346</u>	<u>\$ 1,937,856</u>
<b>Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:</b>				
Change in net assets	\$ (59,629)	\$ 45,361	\$ (14,268)	\$ 25,724
Depreciation	1,173	-	1,173	1,173
(Gain) loss on market securities	(122,568)	-	(122,568)	(8,750)
(Increase) Decrease in:				
Annual campaign pledges receivable & other current assets	181,085	-	181,085	318,653
Prepaid expenses	(23,116)	-	(23,116)	8,354
Increase (Decrease) in:				
Grants payable	(17,356)	-	(17,356)	(274,008)
Accounts payable & other current liabilities	<u>(13,171)</u>	<u>(50,289)</u>	<u>(63,460)</u>	<u>(119,916)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (53,582)</u>	<u>\$ (4,928)</u>	<u>\$ (58,510)</u>	<u>\$ (48,770)</u>
<b>Supplemental Disclosure</b>				
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, 2021**

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**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. The Organization provided additional disaster relief grants to help with the impacts of Hurricane Florence of \$98,924 for the year ended June 30, 2021 and \$451,833 for the year ended June 30, 2020.

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, 2021**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

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.

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, 2021, the balance of net assets with donor restrictions was \$492,255 which was restricted for disaster relief and COVID-19 relief.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**

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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>2021</u>	<u>2020</u>
Petty cash	\$ 1,164	\$ 1,170
Checking - operating	91,599	204,058
Checking - SCSEP	120,989	112,466
Checking - other	434,678	153,182
Paycheck Protection Program	-	96,100
Money markets & savings	<u>1,230,916</u>	<u>1,370,880</u>
Total Cash & Cash Equivalents	<u>\$ 1,879,346</u>	<u>\$ 1,937,856</u>

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**

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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, 2021**

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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>2021</u>	<u>2020</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>(117,056)</u>	<u>(115,883)</u>
Net Property	<u>\$ 11,929</u>	<u>\$ 13,102</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, 2021**

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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 2021, advertising donated by local media was valued at \$3,000 and recorded. During fiscal year 2020, advertising donated by local media and fundraising items were valued at \$36,000 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, 2021**

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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 2018.

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, 2020, 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 September 15, 2021, 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, 2021**

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**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>2021</u>	<u>2020</u>
Operating Assets at Year End:		
Cash & cash equivalents	\$ 1,387,091	\$ 1,440,673
Investments convertible to cash in the next 12 months	511,549	388,981
Annual campaign pledges receivable	406,204	586,840
Grants & other receivables	<u>8,755</u>	<u>9,204</u>
Total Operating Assets at Year End	<u>2,313,599</u>	<u>2,425,698</u>
 Plus: Net assets with purpose or time restrictions to be met in less than a year	 <u>492,255</u>	 <u>497,183</u>
 Financial Assets Available to Meet General Expenditures Over the Next 12 Months	 <u>\$ 2,805,854</u>	 <u>\$ 2,922,881</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>2021</u>	<u>2020</u>
Cash & cash equivalents	\$ 101	\$ 101
Bond funds	117,870	121,076
Mid-cap equity	206,714	134,976
Equity index	<u>186,864</u>	<u>132,828</u>
Total Investments	<u>\$ 511,549</u>	<u>\$ 388,981</u>

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**

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**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 \$573,907 for the year ended June 30, 2021 and \$533,776 for the year ended June 30, 2020.

**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 \$104,889 was recorded for the year ended June 30, 2021 and \$102,681 for the year ended June 30, 2020. 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:

2022	\$ 107,488
2023	108,183
2024	109,320
2025	<u>138</u>
Total	<u>\$ 325,129</u>

**7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES**

In June 2020, the Organization approved its 2020 operating budget, including grant allocations communicated to partner agencies in the amount of \$608,954, as well as \$101,390 of donor designations (due to designated agencies). Prior year grants and donor designations were \$626,310 and \$129,769, 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, 2021**

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**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>2021</u>	<u>2020</u>
Satisfaction of Restrictions:		
SCSEP	\$ 573,907	\$ 533,776
COVID-19	40,398	62,480
Payroll, rent, & utilities	141,766	45,811
Disaster relief	<u>203,046</u>	<u>451,833</u>
Total Net Assets Released From Restriction	<u>\$ 959,117</u>	<u>\$ 1,093,900</u>

**9. PAYCHECK 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 March 2021, the Organization applied for the second round of the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan, which was established under the CARES Act. The Organization received loan proceeds totaling \$91,477. 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. As of June 30, 2021, the loan was forgiven.

**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 \$23,312 for the year ended June 30, 2021 and \$21,012 for the year ended June 30, 2020.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021**

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**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, 2021, the Organization held \$511,549 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 2021 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 2021 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 2020**  
**Campaign**  
**For the Period From July 1, 2020 to June 30, 2021**

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Cape Fear HealthNet, Inc.	\$ 92,090
Good Shepherd Ministries of Wilmington, Inc.	34,358
The Salvation Army	31,810
Communities in Schools of Cape Fear, Inc.	30,737
Voyage	30,515
Kids Making It, Inc.	30,030
Brigade Boys and Girls Club, Inc.	29,373
Domestic Violence Shelter and Services, Inc.	25,126
Child Development Center, Inc.	24,250
Brunswick Family Assistance Agency, Inc.	24,216
The Carousel Center, Inc.	21,460
YMCA of Wilmington	20,000
Wilmington Area Rebuilding Ministry, Inc.	18,088
Smart Start of New Hanover County	17,160
Food Bank of Central & Eastern North Carolina, Inc.	17,065
Coastal Horizons Center, Inc.	16,260
Communities In Schools of Brunswick County, Inc.	15,420
NourishNC, Inc.	14,653
Columbus County DREAM Center, Incorporated	14,300
Cape Fear Literacy Council	13,410
Columbus Baptist Association, Inc.	13,000
Matthew's Ministry, Inc.	12,622
Pender County Christian Services, Inc.	12,260
DREAMS Center for Arts Education	12,201
Brunswick Christian Recovery	12,000
YWCA of the Lower Cape Fear, Inc.	10,040
Family Promise of Lower Cape Fear, Inc.	10,000
StepUp Wilmington	10,000
Harrelson Center	9,874
American Red Cross Cape Fear Chapter	8,932
Mother Hubbard's Cupboard of Wilmington, Inc.	8,120
Pender Alliance for Teen Health (PATH)	8,120
Columbus County Partnership for Children, Incorporated	8,000
Boys and Girls Homes of North Carolina, Inc.	7,140
Lower Cape Fear Hospice, Incorporated	6,557
Soaring As Eagles	5,500
Brunswick County Literacy Council, Inc.	5,217
Samara's Village, Inc.	5,000
United Way of Cumberland County	4,684
Disabled American Veterans	3,633
NC State Natural Resources Foundation, Inc.	2,988
Christian Recovery Centers, Inc.	2,000
The United Way of Wilson County, Inc.	1,854
United Way of Onslow County, Inc.	1,798
Community Boys & Girls Club of Wilmington, NC, Inc.	1,755
Catholic Charities of the Diocese of Raleigh, Inc.	1,048
United Way of Coastal Carolina, Inc.	1,003
Direct pay & other designations	<u>307,878</u>
	1,013,545
Less: Contributions designated by donors	<u>(341,954)</u>
Total Support Allocations & Donor Designations for the 2020 Campaign	<u>\$ 671,591</u>

**United Way of the Cape Fear Area, Inc.**  
**Schedule of Disaster Relief Grants**  
**For the Period From July 1, 2020 to June 30, 2021**

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Brunswick VOAD	\$ 12,442
Catholic Charities	100,000
New Hanover Disaster Coalition	64,147
Pender Long Term Recovery Group	25,741
Other grants	<u>300</u>
Total Disaster Relief Grants	<u>\$ 202,630</u>