

Report of Independent Auditors
and Financial Statements for

UNITED WAY OF MORGAN COUNTY

June 30, 2020 and 2019

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Independent Auditor's Report

The Board of Directors
United Way of Morgan County
Decatur, Alabama

We have audited the accompanying financial statements of the United Way of Morgan County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the United Way of Morgan County as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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 supplemental schedules of Receipts and Disbursements for the State Combined Campaign 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 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.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama

January 22, 2021

UNITED WAY OF MORGAN COUNTY
Statement of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 898,823	\$ 994,529
Contributions receivable (Note 2)	499,872	505,813
Other receivables	<u>1,900</u>	<u>-</u>
Total current assets	<u>1,400,595</u>	1,500,342
NON-CURRENT ASSETS		
Property and equipment, net (Note 3)	<u>472,239</u>	<u>466,785</u>
TOTAL ASSETS	<u>\$ 1,872,834</u>	<u>\$ 1,967,127</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 43,438	\$ 35,885
Allocations payable to agencies (Note 10)	412,138	1,056,842
Donor designations payable (Note 10)	124,472	142,937
Short-term debt (Note 6)	44,617	-
Current portion, long-term debt (Note 7)	<u>14,636</u>	<u>11,395</u>
Total current liabilities	<u>639,301</u>	1,247,059
LONG-TERM LIABILITIES		
Long-term debt, less current portion (Note 7)	<u>252,373</u>	<u>253,610</u>
Total liabilities	<u>891,674</u>	<u>1,500,669</u>
NET ASSETS		
Net assets without donor restrictions	887,851	336,547
Net assets with donor restrictions	<u>93,309</u>	<u>129,911</u>
Total net assets	<u>981,160</u>	<u>466,458</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,872,834</u>	<u>\$ 1,967,127</u>

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Statement of Activities
For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUE AND GAINS			
Public Support			
Campaign revenue	\$ 1,670,498	\$ -	\$ 1,670,498
Less designated contributions (Note 10)	(124,472)	-	(124,472)
Less direct-paid designated contributions (Note 10)	(68,231)	-	(68,231)
Less allowance for uncollectible contributions	<u>(138,039)</u>	<u>-</u>	<u>(138,039)</u>
Total Public Support	1,339,756	-	1,339,756
Revenue and Gains			
Other contributions	10,821	113,247	124,068
Service fees	2,008	-	2,008
Interest income	1,918	-	1,918
Rent income	11,400	-	11,400
Gain on disposal of fixed assets	8,000	-	8,000
Special events income	\$ 48,750		
Less: Costs of direct benefit to donor	<u>(45,550)</u>	<u>-</u>	<u>3,200</u>
Total Revenues and Gains	37,347	113,247	150,594
Net Assets Released From Restrictions			
Satisfaction of Donor Restrictions	<u>149,849</u>	<u>(149,849)</u>	<u>-</u>
Total Public Support, Revenue and Gains	1,526,952	(36,602)	1,490,350
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES			
Program Services			
Agency allocations	563,726	-	563,726
Agency relations and services	<u>221,244</u>	<u>-</u>	<u>221,244</u>
Total Program Services	784,970	-	784,970
Supporting Services			
Management and general	103,709	-	103,709
Fundraising and marketing	67,085	-	67,085
Unallocated payments to national organization	<u>19,884</u>	<u>-</u>	<u>19,884</u>
Total Supporting Services	<u>190,678</u>	<u>-</u>	<u>190,678</u>
Total Expenses	<u>975,648</u>	<u>-</u>	<u>975,648</u>
CHANGE IN NET ASSETS	551,304	(36,602)	514,702
Net Assets, Beginning of Year	<u>336,547</u>	<u>129,911</u>	<u>466,458</u>
Net Assets, End of Year	<u>\$ 887,851</u>	<u>\$ 93,309</u>	<u>\$ 981,160</u>

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Statement of Activities
For the year ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUE AND GAINS			
Public Support			
Campaign revenue	\$ 1,783,788	\$ -	\$ 1,783,788
Less designated contributions (Note 10)	(142,937)	-	(142,937)
Less direct-paid designated contributions (Note 10)	(90,924)	-	(90,924)
Less allowance for uncollectible contributions	(128,991)	-	(128,991)
Total Public Support	1,420,936	-	1,420,936
Revenue and Gains			
Other contributions	3,656	-	3,656
Service fees	2,583	-	2,583
Interest income	1,076	-	1,076
Rent income	11,400	-	11,400
Loss on disposal of fixed assets	(165)	-	(165)
Special events income	\$ 60,945	-	-
Less: Expenses	(23,808)	-	-
Total Revenues and Gains	55,687	-	55,687
Net Assets Released From Restrictions			
Satisfaction of Donor Restrictions	269,164	(269,164)	-
Total Public Support, Revenue and Gains	1,745,787	(269,164)	1,476,623
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES			
Program Services			
Agency allocations	1,351,911	-	1,351,911
Agency relations and services	196,034	-	196,034
Total Program Services	1,547,945	-	1,547,945
Supporting Services			
Management and general	101,655	-	101,655
Fundraising and marketing	43,180	-	43,180
Unallocated payments to national organization	27,068	-	27,068
Total Supporting Services	171,903	-	171,903
Total Expenses	1,719,848	-	1,719,848
CHANGE IN NET ASSETS			
	25,939	(269,164)	(243,225)
Net Assets, Beginning of Year	310,608	399,075	709,683
Net Assets, End of Year	\$ 336,547	\$ 129,911	\$ 466,458

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Statement of Functional Expenses
Year Ended June 30, 2020

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and general	Fundraising and Marketing		
Allocations to agencies	\$ 412,138	\$ -	\$ -	\$ -	\$ 412,138
Other Allocations	151,588	-	-	-	151,588
Total allocations	563,726	-	-	-	563,726
Compensation					
Salaries	110,084	44,389	23,081	67,470	177,554
Employee benefits	21,759	8,774	4,561	13,335	35,094
Payroll taxes	8,994	3,627	1,886	5,513	14,507
Total compensation	140,837	56,790	29,528	86,318	227,155
Campaign expenses	3,090	-	-	-	3,090
Professional fees	27,411	27,411	27,411	54,822	82,233
Supplies	1,544	622	323	945	2,489
Telephone	6,770	2,729	1,418	4,147	10,917
Shipping and postage	1,522	-	-	-	1,522
Occupancy	9,821	3,960	2,059	6,019	15,840
Equipment maintenance	5,231	2,109	1,096	3,205	8,436
Travel and meetings	1,085	437	227	664	1,749
Miscellaneous	5,725	2,309	1,206	3,515	9,240
Interest expense	6,823	2,751	1,430	4,181	11,004
Depreciation	11,385	4,591	2,387	6,978	18,363
Total functional expenses	784,970	103,709	67,085	170,794	955,764
Unallocated payments to national organization	-	-	-	19,884	19,884
Total expenses	\$ 784,970	\$ 103,709	\$ 67,085	\$ 190,678	\$ 975,648

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Statement of Functional Expenses--Restated
Year Ended June 30, 2019

	Program Services	Supporting Services			Total Expenses
		Management and general	Fundraising and Marketing	Total Supporting Services	
Allocations to agencies	\$ 1,056,842	\$ -	\$ -	\$ -	1,056,842
Other Allocations	<u>295,069</u>	-	-	-	295,069
Total allocations	1,351,911	-	-	-	1,351,911
Compensation					
Salaries	101,208	40,810	21,220	62,030	163,238
Employee benefits	16,576	6,684	3,475	10,159	26,735
Payroll taxes	<u>7,979</u>	<u>3,217</u>	<u>1,673</u>	<u>4,890</u>	12,869
Total compensation	125,763	50,711	26,368	77,079	202,842
Campaign expenses	6,964	-	-	-	6,964
Professional fees	7,963	33,924	7,963	41,887	49,850
Supplies	12,714	324	169	493	13,207
Telephone	5,311	2,142	1,113	3,255	8,566
Shipping and postage	1,228	-	-	-	1,228
Occupancy	6,930	2,795	1,453	4,248	11,178
Equipment maintenance	7,228	2,915	1,515	4,430	11,658
Travel and meetings	583	235	122	357	940
Miscellaneous	6,198	2,499	1,300	3,799	9,997
Interest expense	5,862	2,364	1,229	3,593	9,455
Depreciation	<u>9,290</u>	<u>3,746</u>	<u>1,948</u>	<u>5,694</u>	14,984
Total functional expenses	1,547,945	101,655	43,180	144,835	1,692,780
Unallocated payments to national organization	-	-	-	27,068	27,068
Total expenses	<u>\$ 1,547,945</u>	<u>\$ 101,655</u>	<u>\$ 43,180</u>	<u>\$ 171,903</u>	\$ 1,719,848

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Statement of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 514,702	\$ (243,225)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	18,363	14,984
Gain/Loss on disposal of assets	-	165
In-kind donations for building renovation	-	(110,637)
(Increase) decrease in contributions receivable	5,941	51,592
(Increase) decrease in other receivables	(1,900)	-
Increase (decrease) in accounts payable and accrued expenses	7,553	(4,013)
Increase (decrease) in allocations payable	(644,704)	26,856
Increase (decrease) in designations payable	(18,465)	(47,922)
Net cash provided (used) by operating activities	<u>(118,510)</u>	<u>(312,200)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(29,838)</u>
Net cash used by investing activities	-	(29,838)
 Cash flows from financing activities:		
Proceeds from loans	44,617	-
Repayment of loan principal	<u>(21,813)</u>	<u>(11,779)</u>
Net cash used by financing activities	22,804	(11,779)
 Net increase (decrease) in cash and cash equivalents	(95,706)	(353,817)
 Cash and cash equivalents at beginning of year	<u>994,529</u>	<u>1,348,346</u>
 Cash and cash equivalents at end of year	<u>\$ 898,823</u>	<u>\$ 994,529</u>
 Supplemental Information		
Interest paid	<u>\$ 11,004</u>	<u>\$ 9,455</u>
In-kind donations for operating activities	<u>\$ -</u>	<u>\$ 21,000</u>
Equipment purchased in exchange for note payable	<u>\$ 23,817</u>	<u>\$ -</u>

See accompanying notes.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 ORGANIZATION OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization Operations

United Way of Morgan County (United Way) was established in 1940 as a not-for-profit organization to promote the social welfare of Morgan County by encouraging cooperation and community planning among citizens of Morgan County and among its Civic, Health, Recreational and Welfare agencies, and the Department of Government. Annual campaigns are conducted to raise support for allocations to participating agencies in the subsequent calendar year. The Board of Directors, pursuant to the Bylaws, disburses funds for the maintenance of health, recreation, and welfare services.

Revenue Recognition

Annual campaigns are conducted in the fall of each year to raise support for participating agencies in the subsequent calendar year. Campaign production (contributions and pledges) received or receivable is recognized as support in the year of the campaign and is allocated to agencies as an expense in that same year. Written pledges are recorded as receivables, and allowances are provided for amounts estimated to be uncollectible. Subsequent changes in pledges, uncollectible estimates and allocations are recognized when the changes are identified. Revenues from grants are recognized as revenues when such amounts are received. Donor-designated allocations are not included in revenues, gains, and other support or in allocations to agencies in the statements of activities in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as United Way passes these contributions on to the donor designated party.

Basis of Presentation

The financial statements of United Way have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net assets of United Way and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions.

Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions that will be met either by actions of United Way and/or the passage of time. There were \$93,309 and \$129,911 of net assets with donor restriction as of June 30, 2020 and 2019, respectively.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 ORGANIZATION OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Cash and Cash Equivalents

For the purpose of financial statement presentation, the Organization considers all investments with an initial maturity of three months or less to be cash equivalents.

United Way maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. United Way has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash accounts.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. United Way reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

United Way reports gifts of goods as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 ORGANIZATION OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Contributions (Continued)

Donors have the option to designate their contribution to a specific organization. The collection of these contributions and distribution to donor specified agencies or other regional United Way Organizations are transactions in which United Way is acting as an agent or intermediary. In accordance with ASC 958-605, these transactions are not reported in the statement of activities as revenues and expenses but are included in the total campaign amounts raised on the statement and then deducted as amounts raised on behalf of others before arriving at net current year contributions. Designations to member organizations do not increase the current allocation to that agency, unless the total designations exceed the current allocation.

Donated Services

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Volunteer services are not recorded in the financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

Contributions Receivable

Contributions receivable represent unconditional promises to give made by donors, which have not yet been received in cash. United Way estimates the amounts of contributions which will not be paid by donors and provides a collection allowance for uncollectible contributions. Factors which impact the allowance for uncollectible contributions include historical collection experience, local economic conditions and various attributes pertaining to the donor base.

Property and Equipment

Property and equipment is carried at cost. Repairs and maintenance, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income. Donated property and equipment is recorded as a contribution at its estimated fair value at the date of donation.

Depreciation and amortization of property and equipment are provided on the straight-line method over the following estimated useful lives:

Equipment	5-7 years
Software	3 years
Improvements	10 years

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 ORGANIZATION OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

United Way is a nonprofit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision is made in these financial statements for income taxes.

United Way has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertainty in income taxes of the organization. United Way's income tax filings are subject to audit by various taxing authorities.

In evaluating United Way's tax provisions and accruals, interpretations and tax planning strategies are considered. United Way believes their estimates are appropriate based on current facts and circumstances and have not recorded any reserves, or related accruals for interest and penalties for uncertainty in income taxes at June 30, 2020 and 2019.

Campaign and Advertising Expenses

Campaign and advertising expenses are charged to expense as incurred. Advertising costs were approximately \$6,964 and \$6,476 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

United Way allocates its expenses on a functional basis among its various programs including fundraising activities and support services by estimating the relative attention and effort exerted towards specific functional areas. The expenses include compensation, occupancy and certain other expenses. Other expenses and support services that can be identified with a specific function are allocated directly according to their natural expenditure classification.

Fair Value

Fair value is the price that would be received from the sale of an asset or settlement of a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, United Way considers the principal or most advantageous market in which a hypothetical sale or transfer would take place and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 ORGANIZATION OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fair Value (Continued)

The fair value hierarchy is made of three levels of inputs which may be used to measure fair value: Level 1—observable inputs such as quoted prices for identical instruments in active markets; Level 2—observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations in which all significant inputs are observable in active markets and Level 3—unobservable inputs for which there is little or no market data and which require us to develop our own assumptions. United Way categorizes fair value measurements within the fair value hierarchy based upon the lowest level of the most significant inputs used to determine such fair value measurement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Campaign shrinkage and functional expense allocations are based on estimates provided by the management.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Contributions collectible in less than one year	\$ 693,453	\$ 659,477
Less allowance for uncollectible	<u>(193,581)</u>	<u>(153,664)</u>
Net contributions receivable	<u>\$ 499,872</u>	<u>\$ 505,813</u>

The allowance for uncollectible contributions, referred to as shrinkage, is an estimate by management.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,

	<u>2020</u>	<u>2019</u>
Land	\$ 29,955	\$ 29,955
Building and Improvements	447,620	447,620
Furniture and Equipment	<u>59,462</u>	<u>59,185</u>
	537,037	536,760
Less: Accumulated Depreciation	<u>(64,798)</u>	<u>(69,975)</u>
Property and Equipment, net	<u>\$ 472,239</u>	<u>\$ 466,785</u>

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 4 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give receivable. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries. The small geographical area from which these funds are collected is considered a concentration of credit risk.

The Organization maintains its cash balances in various financial institutions located in Decatur, Alabama. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, the Organization's uninsured cash balances total \$213,216 and \$271,524, respectively.

NOTE 5 ACCRUED COMPENSATED ABSENCES

United Way of Morgan County's policy concerning compensated absences is that an employee may accrue up to a maximum of 300 hours of leave time. Upon separation from United Way of Morgan County, employees who choose to give notice as prescribed in United Way's Separation Policy will receive payment for one-half of their accrued leave bank. At June 30, 2020 and 2019, the approximate amount that could be paid would be \$8,032 and \$6,526 respectively.

NOTE 6 SHORT-TERM DEBT

On April 16, 2020, United Way of Morgan County (the "Borrower"), was granted a loan from Progress Bank in the amount of \$44,617, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. In accordance with FASB ASC 470, the transaction is being accounted for as debt.

The Loan, which was in the form of a Note dated April 16, 2020 issued by the Borrower, matures on April 16, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 16, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. United Way of Morgan County intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 7 LONG-TERM DEBT

Current and non-current debt consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Promissory Note dated July 10, 2019 due in Monthly installments of \$335.73 for 48 months. The interest rate on this note is 0.9% and the Note is secured by a vehicle.	\$ 12,241	\$ -
Promissory Note dated July 18, 2016 due in monthly installments of \$1,760.08 for 83 months with the final payment being a balloon payment due at maturity on July 20, 2023. The interest rate on this note is 3.75% and the note is secured by real estate	<u>254,768</u>	<u>265,005</u>
Total Long-term Debt	267,009	265,005
Less current maturities	<u>(14,636)</u>	<u>(11,395)</u>
Long-term debt, net	<u>\$ 252,373</u>	<u>\$ 253,610</u>

Long-term debt matures as follows:

Fiscal Year Ending:	
2021	\$ 14,636
2022	17,381
2023	16,756
2024	218,236
2025	-
	<u>\$ 267,009</u>

NOTE 8 LEASES

The organization has entered into an agreement with a member agency to rent office space. This agreement is an informal arrangement that is on a month-to-month basis. The rental amount is \$950 per month, which includes 4 offices, staff kitchen, utilities and common area janitorial services. As of June 30, 2020, the tenant is behind in the rent and owes \$1,900.

NOTE 9 DEFINED CONTRIBUTION PLAN

The organization sponsors a defined contribution plan covering all employees. Contributions and costs are determined as a percent of each covered employee's salary and totals \$6,764 and \$6,753 for the years ending June 30, 2020 and 2019, respectively.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 10 ALLOCATIONS TO AGENCIES

United Way of Morgan County has notified agencies of the amount of allocation each will receive in the subsequent year. While this award has been made prior to the completion of the annual campaign, the probability of the payment not being completed is remote.

	<u>2020</u>	<u>2019</u>
Allocations to agencies, including designations	\$ 500,000	\$ 1,146,485
Less designations	<u>(87,862)</u>	<u>(89,643)</u>
Allocations payable to agencies	<u>\$ 412,138</u>	<u>\$ 1,056,842</u>

Payment of designations to United Way Partner Agencies: The United Way Partner Agency will receive the greater amount of either the total designations or the amount approved through the United Way fund distribution process.

Payment of designations to Other United Way Organizations: The amount paid to other United Way organizations will be the total amount designated less the actual percentage of uncollected contributions from the previous year's campaign. Payment of designations will be made quarterly.

Payment of Designations to Non-United Way Agencies: The amount paid to Non-United Way agencies will be the total amount designated less the estimated percentage of uncollected contributions, and a service fee. The United Way Board of Directors may choose to disallow designations to any organization that conducts an organized effort to encourage businesses or employee groups in Morgan County to designate their donations to a specific agency.

	<u>2020</u>	<u>2019</u>
Designations, net of shrinkage:		
United Way of Morgan County Agencies	\$ 87,862	\$ 89,643
Other United Ways	16,180	30,281
Non--UW agencies	<u>22,438</u>	<u>25,596</u>
Total Designations	126,480	145,520
Less: Service fees	<u>(2,008)</u>	<u>(2,583)</u>
Donor designations payable	<u>\$ 124,472</u>	<u>\$ 142,937</u>

Direct-paid designations are designated funds that United Way of Morgan County accounts for as campaign revenue, but funds are not actually received by the organization. Rather, the funds are paid to the designated agencies directly by companies conducting United Way campaigns. Other allocations are paid to organizations from designated contributions.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 11 DONOR-IMPOSED RESTRICTED CONTRIBUTION

In a prior year, United Way of Morgan County accepted a donor-restricted contribution in the amount of \$379,075 to benefit local pre-kindergarten programs. This restricted account has a balance of \$60,000 and \$119,349 as of June 30, 2020 and 2019, respectively.

In a prior year, the United Way of Morgan County was awarded a \$30,000 grant, that is restricted for renovations of the new United Way of Morgan County office building. This restricted account has a balance of \$10,562 as of June 30, 2020.

The Community Crisis Fund was set-up during fiscal year June 30, 2020. This fund is used for community assistance for anyone that has been affected by the COVID-19 pandemic. The fund raised \$113,247 and has expended \$90,500, leaving a balance of \$22,747 as of June 30, 2020.

NOTE 12 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United Way monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. United Way has the following financial assets that could readily be made available within one year of the statements of financial position dates to fund expenses without limitations at June 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 898,823	\$ 994,529
Contributions Receivable	499,872	505,813
Other Assets	<u>1,900</u>	<u>-</u>
Total	<u>\$ 1,400,595</u>	<u>\$ 1,500,342</u>

In addition to financial assets available to meet general expenditures over the year, United Way operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions and other revenues, and by utilizing donor-restricted resources from current and prior years gifts as needed.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 13 SUBSEQUENT EVENTS

On October 13, 2020 United Way of Morgan County fulfilled the requirements for forgiveness of its Paycheck Protection Loan (Note 6) and was notified the debt was cancelled.

In December 2020, the Board approved additional allocations to member agencies of fixed and conditional amounts that will not exceed \$500,000.

Management has evaluated subsequent events through January 22, 2021 which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively affect contribution income, the amount of which is unknown at this time.

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information

The Board of Directors
United Way of Morgan County
Decatur, Alabama

We have audited the financial statements of the United Way of Morgan County (a nonprofit organization) as of and for the period ended June 30, 2020 and our report thereon dated January 22, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Receipts and Disbursements for the State Combined Campaign on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
January 22, 2021

UNITED WAY OF MORGAN COUNTY
Schedule of Receipts and Disbursements for the State Combined Campaign
Year Ended June 30, 2020

	State Combined Campaign
Beginning Cash as of July 1, 2019	\$ 1,460
<u>2019-2020 Campaign</u>	
Receipts	21,326
Disbursements	<u>(17,415)</u>
Ending Cash as of June 30, 2020	<u>\$ 5,371</u>