

UNITED COMMUNITY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
United Community Ministries, Inc.

Opinion

We have audited the accompanying financial statements of **United Community Ministries, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Community Ministries, Inc.** as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **United Community Ministries, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **United Community Ministries, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **United Community Ministries, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **United Community Ministries, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kositzka, Wicks and Company

Alexandria, Virginia
January 13, 2023

United Community Ministries, Inc.

Statement of Financial Position June 30, 2022

Assets

Current assets

Cash and cash equivalents, unrestricted	\$ 1,397,990
Cash and cash equivalents, restricted	669,588
Total cash and cash equivalents	<u>2,067,578</u>

Accounts receivable	819,346
Contributions receivable	75,000
Investments	748,759
Employee advances	1,015
Inventory	37,805
Prepaid expenses	12,853
Total current assets	<u>3,762,356</u>

Other assets

Property and equipment, net	77,410
Investments, perpetual endowment	144,100
Security deposits	2,100
Total other assets	<u>223,610</u>
Total assets	<u>\$ 3,985,966</u>

Liabilities and net assets

Current liabilities

Accounts payable	\$ 149,649
Accrued payroll	341,298
Other accrued liabilities	43,503
Refundable advances - government funds	148,295
Refundable advances - agency funds	669,628
Total current liabilities	<u>1,352,373</u>

Net assets

Without donor restrictions	
Undesignated	1,344,789
Board designated	615,352
Total net assets without donor restrictions	<u>1,960,141</u>
With donor restrictions	
Purpose restricted	529,352
Perpetual in nature	144,100
Total net assets with donor restrictions	<u>673,452</u>
Total net assets	<u>2,633,593</u>
Total liabilities and net assets	<u>\$ 3,985,966</u>

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	\$ 1,625,668	\$ 339,791	\$ 1,965,459
Government grants	3,099,946	-	3,099,946
Gifts in kind			
Facilities	765,445	-	765,445
Food	1,082,527	-	1,082,527
Program fees	659,453	-	659,453
Investment loss, net	(118,136)	-	(118,136)
Administrative fees	345,913	-	345,913
SBA Paycheck Protection Program forgiveness	500,297	-	500,297
Other income	9,077	-	9,077
Net assets released from restrictions	313,238	(313,238)	-
Total revenue	<u>8,283,428</u>	<u>26,553</u>	<u>8,309,981</u>
Expenses			
Program services			
Collective impact	538,577	-	538,577
Child development	1,419,180	-	1,419,180
Social services	3,087,004	-	3,087,004
Community development	932,809	-	932,809
Literacy and citizenship	370,605	-	370,605
Total program services	<u>6,348,175</u>	<u>-</u>	<u>6,348,175</u>
Supporting services			
Management and general	1,274,011	-	1,274,011
Fundraising	678,427	-	678,427
Total supporting services	<u>1,952,438</u>	<u>-</u>	<u>1,952,438</u>
Total expenses	<u>8,300,613</u>	<u>-</u>	<u>8,300,613</u>
Change in net assets	(17,185)	26,553	9,368
Net assets, beginning of year	<u>1,977,326</u>	<u>646,899</u>	<u>2,624,225</u>
Net assets, end of year	<u>\$ 1,960,141</u>	<u>\$ 673,452</u>	<u>\$ 2,633,593</u>

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

**Statement of Functional Expenses
for the year ended June 30, 2022**

	Program services					Total program services	Supporting Services		Total expenses
	Collective impact	Child development	Social services	Community development	Literacy and citizenship		Management and general	Fundraising	
Payroll expenses									
Salaries	\$ 269,547	\$ 884,842	\$ 779,707	\$ 506,963	\$ 185,472	\$ 2,626,531	\$ 774,315	\$ 327,436	\$ 3,728,282
Gift in kind - donated food	-	-	1,082,527	-	-	1,082,527	-	-	1,082,527
Gift in kind - donated facilities	-	167,277	188,547	174,304	109,620	639,748	125,697	-	765,445
Direct assistance	3,800	868	626,042	3,195	22,190	656,095	-	-	656,095
Employee benefits	28,251	104,669	91,806	57,814	21,548	304,088	94,827	38,225	437,140
Professional services	156,797	4,500	13,860	16,591	-	191,748	90,657	113,479	395,884
Payroll taxes	21,742	78,504	69,634	43,522	16,454	229,856	75,144	28,498	333,498
IT and communications	7,809	28,425	136,477	12,553	4,224	189,488	16,077	52,049	257,614
Program activities and supplies	38,827	70,783	21,908	105,544	2,952	240,014	-	36	240,050
Marketing	642	25,080	1,693	-	-	27,415	10,044	59,712	97,171
Occupancy	-	30,379	12,019	1,703	3,000	47,101	17,278	17,340	81,719
Depreciation and amortization	-	10,128	30,716	1,941	3,125	45,910	17,905	-	63,815
Staff development	8,515	3,984	5,427	2,358	164	20,448	29,695	5,746	55,889
Printing and publications	45	988	1,080	290	479	2,882	8,048	20,098	31,028
Insurance	1,561	4,391	4,874	1,718	802	13,346	7,114	2,096	22,556
Equipment and maintenance	39	-	18,157	180	-	18,376	1,615	100	20,091
Office supplies	190	918	1,506	2,745	451	5,810	1,397	477	7,684
Bank fees	40	1,331	65	31	89	1,556	1,858	11,471	14,885
Travel and conferences	772	1,950	959	1,317	-	4,998	213	-	5,211
Postage and shipping	-	163	-	40	35	238	2,127	1,664	4,029
Total expenses by function	\$ 538,577	\$ 1,419,180	\$ 3,087,004	\$ 932,809	\$ 370,605	\$ 6,348,175	\$ 1,274,011	\$ 678,427	\$ 8,300,613

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Statement of Cash Flows for the year ended June 30, 2022

Cash flows from operating activities

Change in net assets	\$ 9,368
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	63,815
Unrealized loss on investments	162,618
(Increase) decrease in assets	
Accounts receivable	(379,554)
Contributions receivable	32,025
Employee advances	(1,015)
Inventory	(27,955)
Prepaid expenses	36,584
Increase (decrease) in liabilities	
Accounts payable	103,839
Accrued payroll	106,912
Other accrued liabilities	38,699
Refundable advances - agency funds	(1,327,205)
Refundable advances - government funds	143,295
Net cash used in operating activities	<u>(1,038,574)</u>

Cash flows from investing activities

Purchase of equipment	(26,185)
Purchase of investments and reinvestments	(7,883)
Net cash used in investing activities	<u>(34,068)</u>

Net change in cash, cash equivalents and restricted cash	(1,072,642)
Cash, cash equivalents and restricted cash, beginning of year	3,140,220
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,067,578</u>

Supplementary disclosure of cash flow information

Interest paid	\$ -
Income taxes paid	<u>\$ -</u>

See accompanying notes and independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

1. Organization

United Community Ministries, Inc. (the Organization) is a not-for-profit corporation that works in the Fairfax County, Virginia, "South County" area to mobilize community, individual, and church resources for community service. Special emphasis is placed on the area bound by the west bank of the Potomac River, the north boundary of Fort Belvoir, Telegraph Road, and I-95 (Beltway). The Organization's major sources of income are contributions and grants from Fairfax County, foundations, corporations and individuals.

Collective impact

United Community's collective impact initiative, COMMUNITY+, strives to bring people together in a structured way to achieve social change. Working closely with the Fairfax County Opportunity Neighborhood program, COMMUNITY+ aligns resources and efforts to support communities based on the needs expressed by Mount Vernon residents in order to improve equity and reduce disparities in health, safety, economic strength, child and youth well-being, and neighborhood livability. Residents become leaders by bringing community voice to the forefront of policy and system development impacting Mount Vernon neighborhoods along the Route 1 corridor.

Child development

United Community's Healthy Families Fairfax program provides home-based parenting education, health information, community support, and school readiness for parents from pregnancy until the child reaches age three. Family Support Specialists works with families to promote positive parenting, improve child health and development, encourage school readiness, and prevent child abuse and neglect. Early Learning Center (ELC) provides high-quality daycare and childhood education for children ages six weeks to 5 years. All children receive positive classroom experiences that naturally stimulate children's curiosity and development. Children 3 years and older receive free medical, dental and vision screenings. Four- and five-year-olds work in curriculum-based classrooms focused on kindergarten readiness. Parents are supported with parenting education and referrals to appropriate resources. In FY21, ELC was mostly closed due to the pandemic. In late FY21, ELC brought back teachers and administrators in preparation for a grand re-opening July 1, 2021 and operated during the year ended June 30, 2022.

Social services

United Community's Stepping Stones program provides critical basic needs supportive services to families in need of emergency assistance. Stepping Stones coordinates with Fairfax County to distribute rental assistance for families impacted by the COVID-19 pandemic. We also provide emergency assistance for utilities, medical costs, transportation and diapers. Stepping Stones runs seasonal events such as a Thanksgiving food drive, holiday gift drive in December and back-to-school supplies in August.

The Emergency Food Distribution program manages a food pantry which provides a wide variety of food assistance on a regular basis. Families living within our service area come to the pantry to receive canned goods, fresh produce, eggs, meat, and more weekly. In addition, we work with a network of volunteers in seven neighborhoods to deliver food directly into communities along the Route 1 corridor. The Family Achievement Program (FAP) provides wrap-around social services to TANF-eligible families living below the federal poverty line. Each family is supported by a qualified social worker and may be provided with services such as child care assistance, transportation, job skills training, work experience, job readiness training, and other education and work related expenses.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

Community development

Sacramento Neighborhood Center and Creekside Village Community Center serve as hubs for 15 local neighborhoods to meet, learn, and grow as neighbors and as a larger community. These centers are places where residents connect with their neighbors, learn to lead, and make changes that strengthen their community, with programs are developed by and for local residents. Our SPARK program (Success through Purpose, Achievement, Respect and Knowledge) is a multifaceted youth development program for students in grades 1–12. SPARK provides a safe after-school and summer environment where at-risk youth can receive homework help, learn new skills, and engage in activities that promote leadership and intervention/prevention of negative behaviors. Working with Fairfax County, we provide resources for learning, mentorship, and health screenings to community residents of all ages.

United Community sponsors two Community School programs at Walt Whitman Middle School and Mount Vernon Woods Elementary School. We work with teachers to provide students and their families with direct access to the health and social services they need to succeed in and outside of the classroom. We provide students and their families with access to youth and community development programs and community engagement opportunities that promote stronger families and healthier communities.

Literacy and citizenship

Progreso Literacy and Citizenship Center empowers immigrants through education, citizenship services, and immigration assistance services. At Progreso, we open doors for our fellow community members by helping them acquire the skills and resources they need to succeed. We provide semester-long English as a Second Language (ESL) classes for adult learners of all language levels. Progreso is also dedicated to helping those on the path to obtaining US Citizenship, offering citizenship classes that are designed to prepare students for the US Citizenship Exam and Oral Interview. We have an immigration consultant on staff to help clients with immigration-related legal issues including asylum, green cards, temporary protective status, family petitions, and citizenship applications.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-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, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

Cash, restricted cash and cash equivalents

The Organization considers all short-term investments with original maturities of three months or less to be cash and cash equivalents.

Restricted cash represents funds received from Fairfax County, Virginia (the County), which are required to be maintained in a separate bank account and additional funds set aside by the board. The County funds are to be used to assist in the implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Supplemental Basic Needs Program assisting residents in the "South County" area of Fairfax County with rent and utility payments.

During the fiscal year ended June 30, 2022, the board designated additional funds to be set aside to support the vision and mission of United Community.

Investments

Investments in equity securities with readily determinable fair values, investments in debt securities, and cash in the investment accounts are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Foundation's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

Receivables

Accounts and contributions receivable are due in less than one year and are measured at net receivable value. All receivables are expected to be collected within one year. Management considers past history, current economic conditions and overall viability of the third party to determine the potential for uncollectible accounts. No allowance for uncollectible accounts nor bad debt expense was recorded for the year ended June 30, 2022.

Property

Property over \$1,000 and with an estimated useful life in excess of one year is capitalized at cost or its estimated value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the asset, generally three to fifteen years.

Revenue and revenue recognition

Contributions

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are measured at their fair values and are reported as an increase in net assets. The Organization 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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Refundable advances – government grants

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances – government grants in the statement of financial position.

Refundable advances – agency funds

During the year ended June 30, 2022, the Organization received funding via Fairfax County pursuant to the CARES Act Direct Assistance Supplemental Funding Program in the amount of \$3,698,650. The Organization serves only as a funding source. Fairfax County conducts client assessments, conducts eligibility determinations, collects verifications and requests financial assistance from the Organization. As the Organization does not have variance power over the recipients, the receipt and disbursements were treated as an agency transaction and were therefore excluded from the Organization's revenue and expenses. The portion of the funding attributable to an administrative fee for the Organization in the amount of \$345,913 was recognized as administrative fees on the accompanying statement of activities. The unspent balance of \$66,628 is presented as refundable advances – agency funds on the accompanying statements of financial position.

Contracts with customers

Sources of revenue from contracts with customers include administrative fees and program fees. Customers consist of Fairfax County and individuals located in Fairfax County. Management expects that the geographical location of customers will not have a significant impact on the nature, amount, timing, and uncertainty of future revenue and cash flows. Resources received in these exchange transactions are reported as an increase in net assets.

Contracts were evaluated using the practical expedient of a portfolio approach because each contract is with an individual person or County. Each type of contract has similar characteristics and corresponds to a revenue stream that is carried out on a consistent basis.

Revenue with performance obligations satisfied over time include administrative fee income related to services provided to the County and client program fees. Administrative fees are based on an allowance of 5 to 10 percent of the monthly CARES funding distributed. The revenue is recognized as the performance obligations are received and consumed by the County during the contract period. Client program fees are based on the individual client's financial situation and are paid on a monthly basis. The revenue is recognized as the performance obligation is received and consumed by the client within the month paid.

In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contribution as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Donated facilities in which the contributor retains legal title are recognized as unrestricted support in the period received and as an expense in the period used. The Organization uses various donated facilities in Alexandria, Virginia for its main headquarters location and other locations to carry out its exempt activities. The Fairfax County Government has donated use of these facilities.

The Organization reports the fair value of donated food and grocery products it receives as donor support without restrictions and shortly thereafter as expenses when granted to individuals and families in need. Based on the annual study performed by Feeding America (the nation's leading domestic hunger-relief charity) the approximate average value of one pound of donated nonperishable food was determined to be \$1.70. Because of the rapid turnaround time between receiving the donated products and distribution, no inventory has been recorded.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, receivables and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, and refundable advances. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Compensated absences

Employees of the Organization are entitled to paid vacation during the year. Estimated compensated absences of \$115,781 are included in accrued expenses in the accompanying statements of financial position as of June 30, 2022.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries, payroll taxes, benefits, occupancy costs, insurance, and office expenses.

Income taxes

United Community Ministries, Inc. is exempt from federal income and state income taxes (except taxes on unrelated business income) as a nonprofit organization described in Section 501(c)(3). The Organization did not have a liability for unrelated business income taxes for the year ended June 30, 2022.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2019 through 2022.

Recently adopted accounting pronouncements

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 with a retroactive application. The Organization adopted the standard on July 1, 2021 with no impact on net assets. Additional disclosures have been provided as appropriate under the new standard.

Upcoming accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2022.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and the Organization plans to adopt this standard on its effective date, July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

3. Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the year ended June 30, 2022:

Unrestricted operating accounts	\$	782,638
Unrestricted - board designated savings		615,352
Restricted for CARES funding		669,588
	\$	<u>2,067,578</u>

4. Liquidity and availability

The Organization's cash flows have seasonal variations due to the timing of contributions, program revenues and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities and other obligations as they become due.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

The Organization has line of credit available up to \$300,000 from a bank secured by investments, furniture, equipment and accounts receivable. Interest is payable monthly at the rate of 4%. The line of credit has a maturity date of May 24, 2024. There was no outstanding balance on the line of credit at June 30, 2022.

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents, unrestricted	\$ 1,397,990
Investments, general	892,859
Accounts receivable	819,346
Contributions receivable	75,000
	<u>3,185,195</u>
Less those unavailable for general expenditures within one year due to:	
Investments held in perpetuity	(144,100)
Board-designated reserves	(615,352)
With donor restrictions	(529,352)
	<u>\$ 1,896,391</u>

5. Investments

United Community Ministries, Inc. maintains its investments at fair market value based on quoted prices in active markets and accordingly recognizes the gains or losses that result from market fluctuations for the period in which fluctuations occur. Purchased investments are initially recorded at cost and donated investments at fair value on date of receipt. Unrealized gains and losses are included in the statements of activities.

The Organization classifies its investments into Level 1, Level 2, and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

United Community Ministries Inc.'s investments for the year ended June 30, 2022 are managed by a broker in a financial institution. As a result, the Organization classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets.

	Level 1	Level 2	Level 3	Total assets at fair value
Money market sweep accounts	\$ 104	\$ -	\$ -	\$ 104
Mutual funds	772,972	-	-	772,972
Stocks, options, ETFs	119,783	-	-	119,783
	<u>\$ 892,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,859</u>

6. Board-designated net assets without donor restrictions

The Organization has two savings accounts that are designated by the board for the following purposes:

The Innovations Fund was established to fund innovative efforts in support of United Community's vision and mission. Use of this fund is determined by the President & CEO.

The Messiah Lutheran Fund was opened as a result of a church selling its property and donating the proceeds among several local nonprofits. The board decided to set aside this cash as a future reserve.

On June 30, 2022, the balance for each fund was as follows:

Innovations Fund	\$ 113,051
Messiah Lutheran Fund	502,301
	<u>\$ 615,352</u>

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

7. Net assets with donor restrictions

The Organization has received certain purpose restricted donations which include the following programs and assistance:

	<u>June 30, 2021</u>	<u>Contributions</u>	<u>Restriction accomplished</u>	<u>June 30, 2022</u>
Restricted for specified purposes				
Collective impact	\$ 66,774	\$ 198,000	\$ (196,365)	\$ 68,409
Child development	-	10,000	(9,205)	795
Social services	22,639	7,000	(22,639)	7,000
Community development	22,252	60,000	(44,898)	37,354
Literacy and citizenship	242,659	7,180	(17,180)	232,659
Medical and dental assistance	148,475	7,611	(22,951)	133,135
Restricted for a specified time				
Grant for fiscal year 2023	-	50,000	-	50,000
	<u>502,799</u>	<u>339,791</u>	<u>(313,238)</u>	<u>529,352</u>
Restricted in perpetuity				
Endowment fund	144,100	-	-	144,100
	<u>\$ 646,899</u>	<u>\$ 339,791</u>	<u>\$ (313,238)</u>	<u>\$ 673,452</u>

8. Endowment funds

The Organization's endowment consists of an investment fund established to fund the Organization's programs. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

At June 30, 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

Return objectives and risk parameters

The Organization has adopted an informal investment policy for endowment assets that attempts to provide a predictable stream of funding and the growth of financial surplus while seeking to maintain the purchasing power of the endowment assets. Under this informal policy, the endowment assets are invested in a manner that is intended to produce results that are predictable while assuming a low level of risk. Actual returns in any given year may vary.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a return strategy in which investment returns are achieved through additional gifts and continued reinvestment of realized capital gains and earned income to the extent that earned income is not required for operating purposes. The Organization targets an asset allocation that places a greater emphasis on certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

Funds with deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature would be reported by the Organization as net assets without donor restrictions.

Composition of endowment funds and changes in endowment net assets

Endowment funds consisted solely of funds with donor restrictions for the year ended June 30, 2022. Changes in endowment net assets were as follows:

Endowment, beginning of the year	\$	144,100
Contributions		-
Investment return		13,919
Appropriation of endowment assets for expenditures		(13,919)
	\$	<u>144,100</u>

9. Property and equipment

Property and equipment consists of the following at June 30, 2022:

		<u>Useful life</u>
Computer equipment	\$ 270,281	3 - 5 years
Leasehold improvements	<u>319,236</u>	5 - 15 years
	589,517	
Accumulated depreciation	<u>(512,107)</u>	
	<u>\$ 77,410</u>	

Depreciation and amortization expense was \$63,815 for the year ended June 30, 2022.

See independent auditor's report.

United Community Ministries, Inc.

Notes to Financial Statements June 30, 2022

10. In-kind contributions

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statement of activities included the following:

Donated facilities	\$ 765,445
Donated food and supplies	<u>1,082,527</u>
	<u>\$ 1,847,972</u>

Fairfax County Government donates the use of facilities at five locations to the Organization. The organization receives an annual estimated value per square foot from the County. At June 30, 2022, the value of donated facilities was \$794,185. The use of the facilities is approved annually by the County.

The Organization reports the fair value of donated food and grocery products it receives as unrestricted public support and, shortly thereafter, as expenses when granted to individuals and families in need. During the year ended June 30, 2022, the Organization distributed approximately 627,500 pounds of food product.

11. Retirement Plan

The Organization has available a 403(b) retirement plan (the Plan) for employees who meet specific age and eligibility requirements. All employees earning at least \$5,000 in the current plan year may contribute to the Plan through elective deferrals of salary up to the limitation specified by the Plan. The Organization may choose to contribute a 100 percent match on the first 3 percent deferred or a 2 percent non-elective contribution on behalf of all eligible employees. For the year ended June 30, 2022, the Organization's retirement plan contribution was \$28,005.

12. Concentrations

For the year ended June 30, 2022, the Organization received approximately 28.11 percent of its revenue, including in-kind contributions, from the Fairfax County government and Northern Virginia Family Services.

13. SBA Paycheck Protection Program Loan

The Organization obtained a CARES Act Paycheck Protection Program loan for \$500,297 as a result of the COVID-19 pandemic. The Organization complied with the loan requirements and the loan was fully forgiven during the fiscal year ended June 30, 2022.

14. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2022 through January 13, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No other events occurred during that time period that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.