

UNITED MIDCOAST CHARITIES
FINANCIAL AND OPERATING REPORTS
DECEMBER 31, 2019





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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Midcoast Charities
Camden, Maine

We have audited the accompanying financial statements of United Midcoast Charities (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditors' 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 audits 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 Midcoast Charities as of December 31, 2019 and 2018, 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.

Haverlock, Estey & Curran
HAVERLOCK, ESTEY & CURRAN

March 2, 2020
Hampden, Maine

BUILDING FINANCIAL RELATIONSHIPS

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UNITED MIDCOAST CHARITIES
 Statements of Financial Position
December 31, 2019 and 2018

Assets

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| <u>Current Assets</u> | | |
| Cash and cash equivalents | \$ 156,675 | \$ 252,581 |
| Cash held as agency funds | 9,978 | 2,418 |
| Contributions receivable | 4,339 | 12,541 |
| Prepaid expenses | 448 | 3,196 |
| Total Current Assets | <u>171,440</u> | <u>270,736</u> |
| <u>Other Assets</u> | | |
| Security deposit | 700 | 700 |
| Investments - Note 3 | 4,780,532 | 4,144,767 |
| Investments held for charitable gift annuity - Split-interest agreement - Note 6 | 11,372 | 11,487 |
| Total Other Assets | <u>4,792,604</u> | <u>4,156,954</u> |
| Total Assets | <u>\$ 4,964,044</u> | <u>\$ 4,427,690</u> |

Liabilities and Net Assets

| | | |
|--|---------------------|---------------------|
| <u>Current Liabilities</u> | | |
| Accounts payable | \$ 632 | \$ 3,240 |
| Payroll liabilities | 8,375 | 5,584 |
| Agency funds - Note 5 | 9,978 | 2,418 |
| Current portion of charitable gift annuity - Split-interest agreement payable | 779 | 779 |
| Total Current Liabilities | <u>19,764</u> | <u>12,021</u> |
| <u>Long-Term Liabilities</u> | | |
| Charitable gift annuity - Split-interest agreement payable - Net of current portion - Note 6 | <u>3,594</u> | <u>4,373</u> |
| Total Liabilities | <u>23,358</u> | <u>16,394</u> |
| <u>Net Assets - Exhibit B</u> | | |
| Without donor restrictions - Note 9 | 3,192,631 | 2,639,205 |
| With donor restrictions - Note 8 | 1,748,055 | 1,772,091 |
| Total Net Assets | <u>4,940,686</u> | <u>4,411,296</u> |
| Total Liabilities and Net Assets | <u>\$ 4,964,044</u> | <u>\$ 4,427,690</u> |

The accompanying notes are an integral
part of these statements.

UNITED MIDCOAST CHARITIES
 Statements of Activities
For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| <u>Changes in net assets without donor restrictions:</u> | | |
| Revenues and gains: | | |
| Contributions | \$ 352,814 | \$ 333,021 |
| In-kind contributions | 12,405 | 13,184 |
| Less donor designations | <u>(7,560)</u> | <u>(8,648)</u> |
| Gross contributions received | 357,659 | 337,557 |
| Event income | 3,124 | 1,702 |
| Net investment income | 71,604 | 57,239 |
| Net gain on sale of securities | 74,776 | 59,897 |
| Net unrealized holding gain (loss) on long-term investments | 484,382 | (237,729) |
| Change in value of charitable gift annuity - Split-interest agreement | <u>664</u> | <u>(794)</u> |
| Total Revenues and Gains without Donor Restrictions | <u>992,209</u> | <u>217,872</u> |
| Net assets released from restrictions: | | |
| Satisfaction of program restrictions | 66,213 | 15,602 |
| Appropriation of endowment with donor restrictions | <u>148,204</u> | <u>165,160</u> |
| Total Net Assets Released from Restrictions | <u>214,417</u> | <u>180,762</u> |
| Total Revenues, Gains, and Other Support without Donor Restrictions | <u>1,206,626</u> | <u>398,634</u> |
| Expenses - Exhibit C | | |
| Program | 531,657 | 591,561 |
| Administrative and general | 92,903 | 79,546 |
| Fundraising | <u>28,642</u> | <u>49,376</u> |
| Total Expenses | <u>653,202</u> | <u>720,483</u> |
| Change in Net Assets without Donor Restrictions | <u>553,424</u> | <u>(321,849)</u> |
| <u>Changes in net assets with donor restrictions:</u> | | |
| Contributions | 50,323 | 19,133 |
| Net investment income | 33,122 | 38,683 |
| Net gain on sale of securities | 17,945 | 16,970 |
| Net unrealized holding gain (loss) on long-term investments | 88,993 | (120,418) |
| Net assets released from restrictions | <u>(214,417)</u> | <u>(180,762)</u> |
| Change in Net Assets with Donor Restrictions | <u>(24,034)</u> | <u>(226,394)</u> |
| Change in Total Net Assets - Exhibit D | 529,390 | (548,243) |
| Net Assets - Beginning | <u>4,411,296</u> | <u>4,959,539</u> |
| Net Assets - Ending - Exhibit A | <u>\$ 4,940,686</u> | <u>\$ 4,411,296</u> |

The accompanying notes are an integral part of these statements.

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UNITED MIDCOAST CHARITIES
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

| | 2019 | | | 2018 | | | | |
|--|-------------------|----------------------------|------------------|-------------------|-------------------|----------------------------|------------------|-------------------|
| | Program | Administrative and General | Fund-raising | Total | Program | Administrative and General | Fund-raising | Total |
| <u>Functional Expenses</u> | | | | | | | | |
| Program grants | \$ 417,238 | \$ - | \$ - | \$ 417,238 | \$ 497,924 | \$ - | \$ - | \$ 497,924 |
| Building capacity program | 18,471 | - | - | 18,471 | - | - | - | - |
| Wages, benefits and payroll taxes | 58,224 | 56,952 | 15,095 | 130,271 | 60,903 | 39,140 | 23,025 | 123,068 |
| Facilities | 7,090 | 4,201 | 1,838 | 13,129 | 102 | 13,064 | 115 | 13,281 |
| Professional services | 2,745 | 18,511 | - | 21,256 | 1,655 | 17,615 | 900 | 20,170 |
| Insurance | - | 4,067 | - | 4,067 | - | 6,276 | - | 6,276 |
| Organization | 4,497 | 6,036 | 4,067 | 14,600 | 1,467 | 2,398 | 1,477 | 5,342 |
| Outreach | 21,048 | 1,075 | 6,628 | 28,751 | 20,770 | 128 | 22,044 | 42,942 |
| Postage and mailings | 864 | 605 | 639 | 2,108 | 8,478 | 144 | 1,174 | 9,796 |
| Other | 1,480 | 1,456 | 375 | 3,311 | 262 | 781 | 641 | 1,684 |
| Total Functional Expenses - Exhibit B | \$ 531,657 | \$ 92,903 | \$ 28,642 | \$ 653,202 | \$ 591,561 | \$ 79,546 | \$ 49,376 | \$ 720,483 |

The accompanying notes are an integral part of these statements.



UNITED MIDCOAST CHARITIES
 Statements of Cash Flows
 For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in net assets - Exhibit B | \$ 529,390 | \$ (548,243) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Net gain on sale of securities | (92,721) | (76,867) |
| Unrealized holding (gains)/losses | (573,375) | 358,147 |
| Net investment income remaining in the endowment | (101,780) | (95,102) |
| Change in value of charitable gift annuity - Split-interest agreement | (664) | 794 |
| Stock donations | (44,912) | (28,703) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Contributions receivable | 8,202 | (12,541) |
| Prepaid expenses | 2,748 | (2,346) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (2,608) | 2,441 |
| Agency funds | 7,560 | (2,196) |
| Payroll liabilities | 2,791 | 602 |
| Net Cash Used by Operating Activities | <u>(265,369)</u> | <u>(404,014)</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Proceeds from sale of long-term investments | 801,062 | 798,299 |
| Cash released from endowment investments | 207,328 | 426,374 |
| Purchase of long-term investments | <u>(831,367)</u> | <u>(800,989)</u> |
| Net Cash Provided by Investing Activities | <u>177,023</u> | <u>423,684</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (88,346) | 19,670 |
| Cash and Cash Equivalents at Beginning of Year | <u>254,999</u> | <u>235,329</u> |
| Cash and Cash Equivalents at End of Year - Exhibit A | <u>\$ 166,653</u> | <u>\$ 254,999</u> |
| <u>Reconciliation of Cash and Cash Equivalents - End of Year</u> | | |
| Cash and cash equivalents - Exhibit A | \$ 156,675 | \$ 252,581 |
| Cash held as agency funds - Exhibit A | 9,978 | 2,418 |
| Cash and cash equivalents - End of Year | <u>\$ 166,653</u> | <u>\$ 254,999</u> |

The accompanying notes are an integral
part of these statements.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies

Nature of Business

United Midcoast Charities (the Organization) is a nonprofit charitable organization located in Camden, Maine. The Organization grants donations to local charities benefiting the mid-coast Maine community. Contributions to the Organization are primarily derived from the general public and payroll withholdings from employers in the area.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The process of preparing 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 may differ from estimated amounts.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions – These net assets are not subject to donor-imposed restrictions. They may be used at the direction of the Organization, and may be designated by the Board for various purposes.

Net assets with donor restrictions – These net assets are subject to donor-imposed restrictions. These include restrictions for specific purposes and/or for the passage of time and include stipulations to hold resources in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except that money market funds maintained in the endowment investment account are excluded from this definition.

Donor-Designated Endowment

The Organization has received a donation to establish a permanent endowment fund to assist the Organization with costs of operations. Terms of the donation require the funds to be segregated from other Organization funds. Although a separate account is maintained for these funds, for financial statement purposes the activity is included with all other endowment activity and reported as net assets with donor restrictions.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies – continued

Investments

Investments in mutual funds, common stock, and bonds are stated at fair value, which is determined by the closing prices of stocks, bonds and mutual funds at the end of the year.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Endowment contributions are restricted in perpetuity by the donor. Investment earnings are recorded as either net assets with or without donor restrictions in accordance with the donor's restriction.

Directors and officers have made a significant contribution of their time to develop the Organization and to fundraising. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such efforts have not been satisfied.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization received contributed professional services during the years ended December 31, 2019 and 2018, with fair values on dates of donation of \$12,405 and \$13,184, respectively.

Marketing

The Organization uses marketing to promote its programs among the audiences it serves. Marketing costs are expensed as incurred. Marketing expense for the years ended December 31, 2019 and 2018 were \$11,772 and \$11,384, respectively.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and payroll taxes which are allocated based on internal time studies and facilities expense which are allocated based on a use allocation.

Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and classified as other than a private foundation. Therefore, no provision of liability for corporate income taxes has been included in the financial statements.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies - continued

Income Taxes - continued

Authoritative guidance provides that a tax benefit or liability from uncertain tax positions should be recognized when it is more likely than not that a position will not be sustained upon examination. As of December 31, 2019, management has concluded that the Organization had no uncertain income tax positions.

Subsequent Events

The Organization has evaluated subsequent events through March 2, 2020, the date which the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported change in net assets.

2. Endowment Investments

The Organization's endowment consists of various funds established to grant donations to various local charities benefiting the mid-coast Maine communities. The endowment includes both funds with donor restrictions and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

It is the Organization's main objective in managing the endowment is to provide for financial security and capital appreciation. To satisfy its long-term rate of return objectives, the Organization targets a diversified asset allocation that places emphasis on treasury and equity-based investments to achieve its long-term objectives within prudent risk parameters.

The Board of Directors of the Organization has interpreted the 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. As a result of this interpretation, the Organization classifies as net assets subject to donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

2. Endowment Investments - continued

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to support operational costs of the Organization while also attempting to maintain the purchasing power of the portfolio. Endowment assets are invested in a well-diversified asset mix, which includes a combination of high quality fixed-income, equity and cash securities. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes are well diversified to keep risk at an acceptable level, while still allowing for growth of the portfolio.

Spending Policy

The Organization, in managing the spending policy of the invested endowment, uses a combined total of current income (interest and dividends) and price appreciation to guide the investment committee in determining the appropriate rate of withdrawal from the endowment fund for operating purposes. Recognizing that the funds are to be used to support the Organization's purpose, in approving the annual operating budgets, in any given year, the investment committee may vote to exceed this annual target in that year if other funding sources are inadequate to meet approved expenses.

Endowment net asset composition by type of fund at December 31 was as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Endowment Net Assets</u> |
|---|---------------------------------------|------------------------------------|---|
| <u>2019</u> | | | |
| Board-designated funds | \$ 2,956,181 | \$ - | \$ 2,956,181 |
| Donor-restricted funds | | | |
| Original gift amounts and amounts required to be maintained in perpetuity by donor | - | 1,143,493 | 1,143,493 |
| Accumulated investment gains | | 101,352 | 101,352 |
| Term endowment | <u>-</u> | <u>500,000</u> | <u>500,000</u> |
| Total Endowment Funds | <u>\$ 2,956,181</u> | <u>\$ 1,744,845</u> | <u>\$ 4,701,026</u> |
| <u>2018</u> | | | |
| Board-designated funds | \$ 2,387,506 | \$ - | \$ 2,387,506 |
| Donor-restricted funds | | | |
| Original gift amounts and amounts required to be maintained in perpetuity by donor | - | 1,143,493 | 1,143,493 |
| Accumulated investment gains | | 109,466 | 109,466 |
| Term endowment | <u>-</u> | <u>500,000</u> | <u>500,000</u> |
| Total Endowment Funds | <u>\$ 2,387,506</u> | <u>\$ 1,752,959</u> | <u>\$ 4,140,465</u> |

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

2. Endowment Investments - continued

Change in endowment net assets at December 31 was as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Endowment Net Assets</u> |
|--|---------------------------------------|------------------------------------|---|
| <u>2019</u> | | | |
| Endowment Net Assets - Beginning of Year | \$ 2,387,506 | \$ 1,752,959 | \$ 4,140,465 |
| Contributions | 3 | - | 3 |
| Net investment income | 68,658 | 33,122 | 101,780 |
| Net realized gains | 74,138 | 17,956 | 92,094 |
| Net appreciation (depreciation) | 485,000 | 88,993 | 573,993 |
| Amounts appropriated for expenditure | <u>(59,124)</u> | <u>(148,185)</u> | <u>(207,309)</u> |
| Endowment Net Assets - End of Year | <u>\$ 2,956,181</u> | <u>\$ 1,744,845</u> | <u>\$ 4,701,026</u> |
| <u>2018</u> | | | |
| Endowment Net Assets - Beginning of Year | \$ 2,740,158 | \$ 1,982,884 | \$ 4,723,042 |
| Contributions | 30,000 | - | 30,000 |
| Net investment income | 56,419 | 38,683 | 95,102 |
| Net realized gains | 59,919 | 16,970 | 76,889 |
| Net appreciation (depreciation) | (237,777) | (120,418) | (358,195) |
| Amounts appropriated for expenditure | <u>(261,213)</u> | <u>(165,160)</u> | <u>(426,373)</u> |
| Endowment Net Assets - End of Year | <u>\$ 2,387,506</u> | <u>\$ 1,752,959</u> | <u>\$ 4,140,465</u> |

Net investment income for the years ended December 31, 2019 and 2018 is summarized as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Investment Income</u> |
|------------------------------|---------------------------------------|------------------------------------|--|
| <u>2019</u> | | | |
| Interest and dividend income | \$ 75,772 | \$ 36,554 | \$ 112,326 |
| Investment expenses | <u>(7,114)</u> | <u>(3,432)</u> | <u>(10,546)</u> |
| Net Investment Income | <u>\$ 68,658</u> | <u>\$ 33,122</u> | <u>\$ 101,780</u> |
| <u>2018</u> | | | |
| Interest and dividend income | \$ 63,292 | \$ 43,395 | \$ 106,687 |
| Investment expenses | <u>(6,873)</u> | <u>(4,712)</u> | <u>(11,585)</u> |
| Net Investment Income | <u>\$ 56,419</u> | <u>\$ 38,683</u> | <u>\$ 95,102</u> |

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

3. Investments

All investments except for bonds are measured using Level 1 measurements, which use active markets for identical assets to value the assets at fair value. Bonds are measured using Level 2 measurements, which use other observable inputs as of the reporting date, but are not the same as those used in Level 1. Stocks consist principally of large-cap companies based in the United States. Bonds primarily include corporate and U.S. government obligations. Mutual funds focus on particular sectors including international and emerging markets. At December 31, investments consisted of the following:

| | <u>Cost</u> | <u>Fair Value</u> |
|---|--------------------|--------------------|
| <u>2019</u> | | |
| Money market | \$ 334,420 | \$ 334,420 |
| Corporate bonds | 94,916 | 93,979 |
| Corporate stocks | 1,685 | 1,687 |
| Mutual funds – Fixed income | 229,919 | 232,924 |
| Exchange traded products – Equity | 1,845,396 | 2,392,665 |
| Exchange traded products – Fixed income | 1,342,106 | 1,355,012 |
| Exchange traded products – Other | <u>319,744</u> | <u>369,845</u> |
| Total | <u>\$4,168,186</u> | <u>\$4,780,532</u> |
| <u>2018</u> | | |
| Money market | \$ 203,563 | \$ 203,563 |
| Corporate bonds | 94,916 | 90,608 |
| Mutual funds – Fixed income | 221,292 | 203,740 |
| Exchange traded products – Equity | 1,961,591 | 2,082,245 |
| Exchange traded products – Fixed income | 1,287,396 | 1,234,882 |
| Exchange traded products – Other | <u>337,609</u> | <u>329,729</u> |
| Total | <u>\$4,106,367</u> | <u>\$4,144,767</u> |

Principal maturities of debt securities are as follows:

| <u>Year Ending December 31</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2020 | \$ 10,000 |
| 2021 | 20,000 |
| 2022 | 40,000 |
| 2023 | <u>20,000</u> |
| Total | <u>\$ 90,000</u> |

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

3. Investments - continued

Sales of marketable securities resulted in the following for the years ended December 31:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------|-------------|
| Gross proceeds | \$ 801,062 | \$ 798,299 |
| Gross realized gains | \$ 93,189 | \$ 87,313 |
| Gross realized losses | \$ 468 | \$ 10,447 |

4. Related Party Transactions

The Organization uses a marketing company for a majority of its printing and marketing needs. The Company is owned by a Board member. The amounts paid to the Company for the years ended December 31, 2019 and 2018 was \$12,411 and \$16,616, respectively.

5. Agency Funds

Agency funds are funds held on behalf of others. The Organization acts as an intermediary between various donors and their designated beneficiaries. Therefore, these monies are recorded as liabilities instead of contributions.

6. Charitable Gift Annuity

The Organization has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Organization and in return receive a guaranteed fixed income for life. The Organization recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability.

Investments held for a charitable gift annuity are recorded at fair value (Level 1 measurements) and the change in value of the annuity is recorded as such in the statement of activities. Level 1 measurements use active markets for identical assets to value the assets at fair value.

Annuity liabilities are initially recorded for the required life annuity payments at the present value of expected future cash payments discounted using current discount rates (3.5%). The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The present value of future payment liabilities of charitable gift annuities was \$4,373 at December 31, 2019.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2019 and 2018

7. Liquidity and Availability of Resources

The following reflects the Organization's financial assets available within one year of the balance sheet date for general expenditure:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash | \$ 156,675 | \$ 252,581 |
| Contributions receivable | 4,339 | 12,541 |
| Endowment investments appropriated for current use | 213,250 | 189,450 |
| Less cash restricted by donor | <u>3,210</u> | <u>19,132</u> |
| Total financial assets available within one year of the balance sheet date | <u>\$ 377,474</u> | <u>\$ 473,704</u> |

The Organization's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore is not available for general expenditures.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for general expenditures, liabilities, and other obligations as they come due. Occasionally, the Board designates a portion of any operating surplus to its quasi-endowment. Although the Organization does not intend to spend from its quasi-endowment, other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment fund could be made available in the event of financial distress or an immediate liquidity need.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| Subject to expenditure for specified purposes: | | |
| Capacity Building Program | \$ 2,960 | \$ 19,132 |
| Donor Restrictions Purpose | <u>250</u> | <u>-</u> |
| Total subject to expenditure for specified purposes: | <u>\$ 3,210</u> | <u>\$ 19,132</u> |
| Subject to the Organization's spending policy and appropriation: | | |
| Original gift amounts held in perpetuity | 1,143,493 | 1,143,493 |
| Welbourne funds restricted for operations | 500,000 | 500,000 |
| Amounts in excess of original gift once appropriated, is expendable to support: | | |
| Operations | <u>101,352</u> | <u>109,466</u> |
| Total subject to the Organization's spending policy and appropriation | <u>1,744,845</u> | <u>1,752,959</u> |
| Total Net Assets with Donor Restrictions – Exhibit A | <u>\$1,748,055</u> | <u>\$1,772,091</u> |

9. Board Designated Net Assets

The Organization's Board has designated net assets without donor restrictions of \$2,956,181 to the endowment for operations and grant awards. Board designated net assets have been included in net assets without donor restrictions in the statement of financial position.

