

UNITED MIDCOAST CHARITIES
FINANCIAL AND OPERATING REPORTS
DECEMBER 31, 2022





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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Midcoast Charities
Camden, Maine

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Midcoast Charities as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Midcoast Charities 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, which raise substantial doubt about United Midcoast Charities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, including omissions, 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 Midcoast Charities' 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, which raise substantial doubt about United Midcoast Charities' 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.

Haverlock, Estey & Curran

HAVERLOCK, ESTEY & CURRAN

April 16, 2023
Hampden, Maine



UNITED MIDCOAST CHARITIES
Statements of Financial Position
December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 412,424	\$ 398,049
Cash held as agency funds	28	28
Contributions receivable	5,729	23,582
Prepaid expenses	<u>1,336</u>	<u>1,157</u>
Total Current Assets	<u>419,517</u>	<u>422,816</u>
<u>Other Assets</u>		
Security deposit	700	700
Investments - Note 3	4,215,400	5,204,785
Operating lease right-of-use asset - Net - Note 10	15,581	-
Investments held for charitable gift annuity - Split-interest agreement - Note 5	<u>-</u>	<u>11,735</u>
Total Other Assets	<u>4,231,681</u>	<u>5,217,220</u>
Total Assets	<u>\$ 4,651,198</u>	<u>\$ 5,640,036</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 6,487	\$ 1,507
Payroll liabilities	10,531	8,960
Agency funds - Note 4	28	28
Current portion of operating lease liability	9,757	-
Current portion of charitable gift annuity	<u>-</u>	<u>779</u>
Total Current Liabilities	<u>26,803</u>	<u>11,274</u>
<u>Long-Term Liabilities</u>		
Operating lease payable - Net of current portion - Note 10	5,824	-
Charitable gift annuity - Net of current portion - Note 5	<u>-</u>	<u>2,036</u>
Total Long-Term Liabilities	<u>5,824</u>	<u>2,036</u>
Total Liabilities	<u>32,627</u>	<u>13,310</u>
<u>Net Assets</u>		
Without donor restrictions - Note 9	3,029,085	3,728,550
With donor restrictions - Note 8	<u>1,589,486</u>	<u>1,898,176</u>
Total Net Assets - Exhibit B	<u>4,618,571</u>	<u>5,626,726</u>
Total Liabilities and Net Assets	<u>\$ 4,651,198</u>	<u>\$ 5,640,036</u>

The accompanying notes are an integral
part of these statements.



UNITED MIDCOAST CHARITIES
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Changes in Net Assets without Donor Restrictions:</u>		
Revenues and Gains:		
Contributions	\$ 429,904	\$ 514,956
Miscellaneous	151	-
In-kind contributions	9,480	10,236
Gross contributions received	<u>439,535</u>	<u>525,192</u>
Net investment income	51,016	60,628
Net gain on sale of securities	7,446	130,816
Net unrealized holding gain (loss) on investments	(503,705)	120,905
Change in value of charitable gift annuity	1,709	1,267
Total Revenues and Gains without Donor Restrictions	<u>(3,999)</u>	<u>838,808</u>
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	12,000	28,463
Appropriation of endowment with donor restrictions	50,000	128,066
Total Net Assets Released from Restrictions	<u>62,000</u>	<u>156,529</u>
Total Revenues, Gains, and Other Support without Donor Restrictions	<u>58,001</u>	<u>995,337</u>
Expenses - Exhibit C		
Program	613,166	565,594
Administrative and general	96,683	82,279
Fundraising	47,617	38,919
Total Expenses	<u>757,466</u>	<u>686,792</u>
Change in Net Assets without Donor Restrictions	<u>(699,465)</u>	<u>308,545</u>
<u>Changes in Net Assets with Donor Restrictions:</u>		
Contributions	12,000	5,000
Net investment income	29,733	37,572
Net gain on sale of securities	3,400	70,550
Net unrealized holding gain (loss) on investments	(291,823)	76,666
Net assets released from restrictions	(62,000)	(156,529)
Change in Net Assets with Donor Restrictions	<u>(308,690)</u>	<u>33,259</u>
Change in Total Net Assets - Exhibit D	(1,008,155)	341,804
Net Assets - Beginning	<u>5,626,726</u>	<u>5,284,922</u>
Net Assets - Ending - Exhibit A	<u>\$4,618,571</u>	<u>\$5,626,726</u>

The accompanying notes are an integral part
of these statements.



UNITED MIDCOAST CHARITIES
 Statements of Functional Expenses
 For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program	Administrative and General	Fund- raising	Total	Program	Administrative and General	Fund- raising	Total
<u>Functional Expenses</u>								
Program grants	\$ 516,075	\$ -	\$ -	\$ 516,075	\$ 489,518	\$ -	\$ -	\$ 489,518
Less donor-designated distributions	-	-	-	-	9,950	-	-	9,950
Gross program grants	516,075	-	-	516,075	479,568	-	-	479,568
Building capacity program	-	-	-	-	86	-	-	86
Wages, benefits and payroll taxes	74,084	49,391	41,158	164,633	58,373	38,917	32,431	129,721
Facilities	6,125	4,083	3,402	13,610	5,450	3,633	3,028	12,111
Professional services	2,383	15,597	-	17,980	2,586	19,580	-	22,166
Insurance	-	4,224	-	4,224	-	4,060	-	4,060
Organization	880	7,779	541	9,200	5,914	2,087	944	8,945
Outreach	11,985	14,000	351	26,336	12,020	14,002	351	26,373
Postage and mailings	1,634	-	2,165	3,799	1,443	-	2,165	3,608
Other	-	1,609	-	1,609	154	-	-	154
Total Functional Expenses - Exhibit B	<u>\$ 613,166</u>	<u>\$ 96,683</u>	<u>\$ 47,617</u>	<u>\$ 757,466</u>	<u>\$ 565,594</u>	<u>\$ 82,279</u>	<u>\$ 38,919</u>	<u>\$ 686,792</u>

The accompanying notes are an integral
part of these statements.



UNITED MIDCOAST CHARITIES
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets - Exhibit B	\$(1,008,155)	\$ 341,804
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on sale of securities	(10,846)	(201,366)
Unrealized holding (gains) losses	795,528	(197,571)
Change in value of charitable gift annuity - Split-interest agreement	(1,709)	(1,267)
Stock donations	(44,523)	(102,231)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	17,853	(23,582)
Prepaid expenses	(179)	1,041
Increase (decrease) in liabilities:		
Accounts payable	4,980	(197)
Agency funds	-	(9,950)
Payroll liabilities	1,571	2,428
Net Cash Used by Operating Activities	<u>(245,480)</u>	<u>(190,891)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of investments	587,252	935,695
Proceeds from charitable gift annuity investments	10,628	-
Purchase of investments	<u>(338,025)</u>	<u>(772,752)</u>
Net Cash Provided by Investing Activities	<u>259,855</u>	<u>162,943</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,375	(27,948)
Cash and Cash Equivalents at Beginning of Year	<u>398,077</u>	<u>426,025</u>
Cash and Cash Equivalents at End of Year	<u>\$ 412,452</u>	<u>\$ 398,077</u>
Reconciliation of Cash and Cash Equivalents - End of Year		
Cash and cash equivalents - Exhibit A	\$ 412,424	\$ 398,049
Cash held as agency funds - Exhibit A	<u>28</u>	<u>28</u>
Cash and Cash Equivalents - End of Year	<u>\$ 412,452</u>	<u>\$ 398,077</u>

The accompanying notes are an integral part of these statements.



UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 classified as long-term investments.

The Organization's accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2022, the Organization had \$96,739 in excess of the FDIC insured limit.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies – continued

Donor-Restricted 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.

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 net assets with restrictions until they have been appropriated for expenditure by the board.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Many individuals volunteer their time providing assistance with fundraising, fundraising events, governance, and the grantmaking process, all of which assist the Organization with its operations. The Organization estimates that it receives approximately 430 hours per year in assistance from volunteers. The services of these volunteers throughout the year are not recognized as contributions in the financial statements since the recognition criteria under authoritative guidance were not met.

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, 2022 and 2021, with fair values on dates of donation of \$9,480 and \$10,236, 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.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies - continued

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, 2022 and 2021 were \$5,022 and \$9,936, respectively.

Leases

The determination of whether an arrangement is a lease is made at the lease's inception. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense for these leases are recognized on a straight-line basis over the lease terms. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of the remaining lease payments and discounted using the implicit rate when readily determinable. When the implicit rate is not readily available, the Organization will use a risk-free borrowing rate.

Operating lease cost is recognized on a straight-line basis over the lease term. A lease term may include options to extend or terminate the lease when it is reasonably certain that such an option will be exercised.

Income Taxes

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

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, 2022, management has concluded that the Organization had no uncertain income tax positions.

Subsequent Events

The Organization has evaluated subsequent events through April 16, 2023, the date which the financial statements were available to be issued.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

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.

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 spending rule to allow for withdrawals up to 5% of the sum total of investment funds per year based on a rolling 12-month average for each fund. Restricted funds will be treated according to the gift agreement. 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.

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

2. Endowment Investments - continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law, or the historical value of the endowment gift. The Board of Trustees of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The aggregated deficiencies of this nature for all donor-restricted endowment funds totaled \$54,007 as of December 31, 2022. As of March 31, 2023, this deficiency was reduced to \$2,352 due to favorable market fluctuations.

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>2022</u>			
Board-designated funds	\$ 2,625,909	\$ -	\$ 2,625,909
Donor-restricted funds			
Original gift amounts and amounts required to be maintained in perpetuity by donor	-	1,143,493	1,143,493
Welbourne funds required to be maintained in perpetuity by donor	-	500,000	500,000
Accumulated investment gains (losses)	<u>-</u>	<u>(54,007)</u>	<u>(54,007)</u>
Total Endowment Funds	<u>\$ 2,625,909</u>	<u>\$ 1,589,486</u>	<u>\$ 4,215,395</u>
<u>2021</u>			
Board-designated funds	\$ 3,247,065	\$ -	\$ 3,247,065
Donor-restricted funds			
Original gift amounts and amounts required to be maintained in perpetuity by donor	-	1,143,493	1,143,493
Welbourne funds required to be maintained in perpetuity by donor	-	500,000	500,000
Accumulated investment gains	<u>-</u>	<u>254,683</u>	<u>254,683</u>
Total Endowment Funds	<u>\$ 3,247,065</u>	<u>\$ 1,898,176</u>	<u>\$ 5,145,241</u>

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

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>2022</u>			
Endowment Net Assets - Beginning of Year	\$ 3,247,065	\$ 1,898,176	\$ 5,145,241
Contributions	-	-	-
Net investment income	50,112	29,733	79,845
Net realized gains	7,318	3,400	10,718
Net appreciation (depreciation)	(503,586)	(291,823)	(795,409)
Amounts appropriated for expenditure	<u>(175,000)</u>	<u>(50,000)</u>	<u>(225,000)</u>
Endowment Net Assets - End of Year	<u>\$ 2,625,909</u>	<u>\$ 1,589,486</u>	<u>\$ 4,215,395</u>
<u>2021</u>			
Endowment Net Assets - Beginning of Year	\$ 2,991,148	\$ 1,841,454	\$ 4,832,602
Contributions	-	-	-
Net investment income	60,342	37,572	97,914
Net realized gains	127,737	70,550	198,287
Net appreciation (depreciation)	120,904	76,666	197,570
Amounts appropriated for expenditure	<u>(53,066)</u>	<u>(128,066)</u>	<u>(181,132)</u>
Endowment Net Assets - End of Year	<u>\$ 3,247,065</u>	<u>\$ 1,898,176</u>	<u>\$ 5,145,241</u>

Net investment income for the years ended December 31, 2022 and 2021 is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Investment Income</u>
<u>2022</u>			
Interest and dividend income	\$ 56,703	\$ 33,709	\$ 90,412
Investment expenses	<u>(6,591)</u>	<u>(3,976)</u>	<u>(10,567)</u>
Net Investment Income	<u>\$ 50,112</u>	<u>\$ 29,733</u>	<u>\$ 79,845</u>
<u>2021</u>			
Interest and dividend income	\$ 66,943	\$ 41,575	\$ 108,518
Investment expenses	<u>(6,601)</u>	<u>(4,003)</u>	<u>(10,604)</u>
Net Investment Income	<u>\$ 60,342</u>	<u>\$ 37,572</u>	<u>\$ 97,914</u>

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

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 different from 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>2022</u>		
Money market	\$ 161,667	\$ 161,667
Corporate bonds	20,332	19,880
Mutual funds – Fixed income	241,929	212,654
Exchange traded products – Equity	1,633,882	2,138,145
Exchange traded products – Fixed income	1,535,699	1,332,370
Exchange traded products – Other	<u>310,471</u>	<u>350,684</u>
Total	<u>\$3,903,980</u>	<u>\$4,215,400</u>
<u>2021</u>		
Money market	\$ 315,161	\$ 315,161
Corporate bonds	20,332	20,980
Mutual funds – Fixed income	251,911	254,708
Exchange traded products – Equity	1,575,236	2,594,630
Exchange traded products – Fixed income	1,618,041	1,603,651
Exchange traded products – Other	<u>317,276</u>	<u>415,655</u>
Total	<u>\$4,097,957</u>	<u>\$5,204,785</u>

Principal maturities of debt securities are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2023	<u>\$ 20,000</u>

UNITED MIDCOAST CHARITIES
Notes to Financial Statements
December 31, 2022 and 2021

3. Investments - continued

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

	<u>2022</u>	<u>2021</u>
Gross proceeds	\$ 258,056	\$ 674,834
Gross realized gains	\$ 25,884	\$ 203,928
Gross realized losses	\$ 15,038	\$ 2,562

4. 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.

5. 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 investments 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 charitable gift annuity was terminated during the year ended December 31, 2022 and the remaining liability was reduced to zero.

6. Retirement Plan

Effective January 1, 2020, the Organization adopted a Simple IRA Retirement Plan (the Plan). The Plan is open to employees who have received at least \$5,000 in compensation during the prior year. The Organization matches 100% of employee contributions up to 3% of compensation for the calendar year. Contributions totaling \$2,649 and \$2,135 for the years ended December 31, 2022 and 2021, respectively, were made by the Organization.

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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>2022</u>	<u>2021</u>
Cash	\$ 412,424	\$ 398,049
Contributions receivable	5,729	23,582
Endowment investments appropriated for current use	245,000	238,710
Less cash restricted by donor	<u>-</u>	<u>-</u>
Total financial assets available within one year of the balance sheet date	<u>\$ 663,153</u>	<u>\$ 660,341</u>

The Organization's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments are restricted until they have been appropriated for expenditure.

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:

	2022	2021
Subject to the Organization's spending policy and appropriation:		
Original gift amounts held in perpetuity	\$1,143,493	\$1,143,493
Welbourne funds held in perpetuity	500,000	500,000
Amounts in excess (deficit) of original gift once appropriated, is expendable to support:		
Operations	(54,007)	254,683
Total subject to the Organization's spending policy and appropriation	1,589,486	1,898,176
Total Net Assets with Donor Restrictions – Exhibit A	<u>\$1,589,486</u>	<u>\$1,898,176</u>

9. Board Designated Net Assets

The Organization's Board has designated net assets without donor restrictions of \$2,625,909 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.

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10. Leasing Arrangements

The Organization leases office space for operations with lease and non-lease components. Non-lease components include common area maintenance. The Organization accounts for the lease and non-lease components as a single lease.

The Organization uses the risk-free borrowing rate to calculate the present value of the lease payments.

	<u>2022</u>
Weighted average discount rate	2.9%
Weighted average remaining lease terms	1.5 years
Operating lease cost included in facilities expense in the statement of functional expenses	\$ 4,200

Future lease payments for operating leases with initial terms of one year or more as of December 31, 2022 are as follows:

2023	\$10,080
2024	<u>5,880</u>
Total undiscounted payments	15,960
Less imputed interest	<u>379</u>
Net lease liability	<u>\$15,581</u>
Current portion of lease liability:	\$ 9,757
Lease liability net of current portion:	<u>5,824</u>
Total Lease Liability	<u>\$15,581</u>

Supplemental Cash Flow Information

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,200	\$ -
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$19,611	\$ -