

**United Community Ministries
Alexandria, VA**

Financial Statements

June 30, 2012

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Brooks, Harrison Company, L.L.C.

2275 Research Boulevard, Suite 500
Rockville, Maryland 20850

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Community Ministries

We have audited the accompanying statement of financial position of the United Community Ministries (a not-for-profit corporation) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Community Ministries as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of program expenses is presented for the purpose of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rockville, Maryland
January 22, 2013

UNITED COMMUNITY MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2012

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 948,480
Custodial cash	53,618
Accounts receivable	318,497
Prepaid expenses	5,415
Inventory	35,424
Total current assets	<u>1,361,434</u>
 PROPERTY AND EQUIPMENT	
Furniture and equipment	213,818
Vehicles	54,681
Leasehold improvements	209,400
	<u>477,899</u>
Less accumulated depreciation	<u>(374,681)</u>
Total property and equipment	103,218
 INVESTMENTS	 <u>207,764</u>
 TOTAL ASSETS	 <u><u>\$ 1,672,416</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 44,140
Custodial accounts payable	53,618
Accrued payroll obligations	159,630
Deferred revenue	3,407
Current maturities of note payable	7,075
	<u>267,870</u>
Total current liabilities	267,870
 OTHER LIABILITIES	
Note payable, less current maturities	<u>13,147</u>
Total liabilities	<u>281,017</u>
 NET ASSETS	
Unrestricted net assets:	
Board designated for reserve	346,753
Undesignated	736,437
	<u>1,083,190</u>
Total unrestricted net assets	1,083,190
Temporarily restricted net assets	164,109
Permanently restricted net assets	144,100
	<u>308,209</u>
Total net assets	<u>1,391,399</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,672,416</u></u>

These financial statements should be read only in connection
with the accompanying notes to financial statements

UNITED COMMUNITY MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 533,216	\$ 220,119	\$ -	\$ 753,335
Foundation Grants	273,862	20,000	-	293,862
In-kind contributions	-	-	-	-
Rent	296,562	-	-	296,562
Store	589,321	-	-	589,321
Food	1,128,805	-	-	1,128,805
Special events	292,959	-	-	292,959
Program service fees	1,355,014	-	-	1,355,014
Government grants	1,076,077	-	-	1,076,077
Sales	416,036	-	-	416,036
Less: cost of goods sold	(404,662)	-	-	(404,662)
Investment and interest income (loss)	(5,138)	-	-	(5,138)
Other income	10,005	-	-	10,005
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue before net assets released from restrictions	5,562,057	240,119	-	5,802,176
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	209,815	(209,815)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	5,771,872	30,304	-	5,802,176
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENSES				
Program services:				
Child care	962,578	-	-	962,578
Social Services	2,616,753	-	-	2,616,753
Workforce development	297,163	-	-	297,163
Housing	426,376	-	-	426,376
Community development	334,470	-	-	334,470
Thrift store	438,839	-	-	438,839
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	5,076,179	-	-	5,076,179
	<hr/>	<hr/>	<hr/>	<hr/>
Supporting services:				
Management and general	94,960	-	-	94,960
Fundraising	347,567	-	-	347,567
	<hr/>	<hr/>	<hr/>	<hr/>
Total supporting services	442,527	-	-	442,527
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	5,518,706	-	-	5,518,706
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	253,166	30,304	-	283,470
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	830,024	133,805	144,100	1,107,929
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$1,083,190</u>	<u>\$ 164,109</u>	<u>\$ 144,100</u>	<u>\$1,391,399</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements

**UNITED COMMUNITY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support</u>	<u>Total Expense</u>
Payroll Expenses:					
Salaries	\$ 1,780,444	\$ 405,309	\$ 129,049	\$ 534,358	\$ 2,314,802
Benefits	221,662	10,027	15,780	25,807	247,469
Taxes	148,372	30,684	10,663	41,347	189,719
Total Payroll Expense	<u>2,150,478</u>	<u>446,020</u>	<u>155,492</u>	<u>601,512</u>	<u>2,751,990</u>
Other Expenses:					
Insurance	3,606	17,589	-	17,589	21,195
Office Expense	11,461	3,208	3,991	7,199	18,660
Advertising	1,319	304	1,743	2,047	3,366
Telephone	8,904	12,456	-	12,456	21,360
Postage	241	1,980	5,853	7,833	8,074
Equipment Maintenance	7,103	12,583	2,691	15,274	22,377
Printing	4,414	3,641	9,262	12,903	17,317
Travel	32,988	497	852	1,349	34,337
Staff Development	6,040	688	1,388	2,076	8,116
Dues	-	2,530	2,796	5,326	5,326
Employee Appreciation	10	165	-	165	175
Professional Fees	57,937	30,500	1,023	31,523	89,460
Equipment	3,221	133	-	133	3,354
Occupancy	477,452	51,526	33,433	84,959	562,411
Specific Assistance	1,705,440	-	-	-	1,705,440
Depreciation	21,042	5,340	65	5,405	26,447
Administrative Expense	17,716	2,801	6,352	9,153	26,869
Activities	9,959	1,986	100,525	102,511	112,470
Program Supplies	79,962	-	-	-	79,962
Total Other Expenses	<u>2,448,815</u>	<u>147,927</u>	<u>169,974</u>	<u>317,901</u>	<u>2,766,716</u>
Total Direct Expense	4,599,293	593,947	325,466	919,413	5,518,706
Overhead allocation	<u>476,886</u>	<u>(498,987)</u>	<u>22,101</u>	<u>(476,886)</u>	<u>-</u>
TOTAL EXPENSE	<u><u>\$ 5,076,179</u></u>	<u><u>\$ 94,960</u></u>	<u><u>\$ 347,567</u></u>	<u><u>\$ 442,527</u></u>	<u><u>5,518,706</u></u>

These financial statements should be read only in connection
with the accompanying notes to financial statements

UNITED COMMUNITY MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 283,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,447
Investment Income (loss)	10,441
Loss on Disposition of Asset	27
Effects of changes in operating assets and liabilities:	
Accounts receivable	(15,050)
Prepaid expenses	(610)
Inventory	2,073
Deferred revenue	398
Accounts payable	15,784
Accrued payroll obligations	<u>(7,049)</u>
Net cash provided by operating activities	<u>315,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(2,788)
Purchases of investments	<u>(4,843)</u>
Net cash used in investing activities	<u>(7,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments of note payable	<u>(5,865)</u>
Net cash used in financing activities	<u>(5,865)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>646,045</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 948,480</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	<u>\$ 458</u>
Non-cash transactions:	
In-kind contributions received and used	
Rent	\$ 296,562
Store merchandise	\$ 589,321
Food	<u>\$ 1,128,805</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES	
Purchase of financed equipment	<u>\$ 17,200</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements

**UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Community Ministries (UCM) was formed to mobilize community, individual and church resources for community service on July 31, 1969. The area to be served in Fairfax County is known as “South County.” Special emphasis is placed on the area bounded by the west bank of the Potomac River, the north boundary of Fort Belvoir, Telegraph Road and I-95 (Beltway). UCM intervenes in crises involving housing, financial, nutritional, medical and transportation needs. Families, as well as individuals, are assisted through direct services, counseling, job training and referral or any combination of these. Direct services include food, clothing, money, furniture, emergency housing, medical care and transportation. The major sources of income for UCM are government agencies, contributions, thrift store sales, United Way contributions, and child care fees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and utilize the principles outlined in Statement of Financial Accounting Standards No. 117, which requires UCM to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated non-cash assets are recognized as contribution revenue at their estimated fair market value on the date of donation.

Unconditional promises to give are recorded in the year made. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their estimated future cash flows.

Donated Assistance Items

UCM receives contributed food, clothing, household items and cars that are used in its various client assistance programs. Clothing, household items, and cars not given directly as client assistance are sold in the thrift store to provide operating funds. The donations are recorded as inventory, revenue, and expense at their estimated market value on the date of donation.

UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statement of cash flows UCM considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are uncollateralized obligations that consist primarily of amounts due for daycare fees. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoice.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for uncollectible accounts is based on management's assessment of the collectibility of specific accounts, aging of the receivable, and historical collection experience of UCM. All accounts or portions thereof deemed to be uncollectible are written off to the allowance.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, primarily from community payroll campaigns, that are expected to be collected within one year, and are recorded at their net realizable value. Conditional promises to give are not included as support until the conditions are substantially met.

The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for uncollectible accounts is based on management's assessment of their ability to collect specific accounts, aging of the receivable, and the historical collection experience of UCM. All accounts or portions thereof deemed to be uncollectible are written off to the allowance.

Grants Receivable

Grants receivable consists of amounts due from various governmental agencies resulting from allowable expenditures incurred, which have not been recovered from the grantor agencies as of the end of the fiscal year. Management considers all grants receivable to be fully collectible; therefore, no allowance for doubtful grants receivable accounts has been established.

**UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Inventory

Inventory consists primarily of thrift store merchandise on hand at June 30, 2012, received as in-kind contributions. Inventory is valued at estimated fair market value based on historical data and current market conditions.

Property and Equipment

Property and equipment costing in excess of \$1,000 are recorded at cost, or if donated, the fair value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets (ranging from five to thirty years). Leasehold improvements are amortized over the life of the lease.

Investments

Investments consist of mutual funds and are presented in the financial statements at quoted fair values with changes in the fair value that are reflected in revenue currently. Interest, dividends and realized gains and losses are recorded as revenue when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs supporting services benefited.

Income Taxes

UCM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to UCM's tax-exempt purpose is subject to taxation as unrelated business income. In addition, UCM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Commonwealth of Virginia and the County of Fairfax impose no income taxes on UCM. No provision for income taxes is reflected in the statement of financial position as UCM did not have a tax liability for the fiscal year ended June 30, 2012.

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

The Organization has evaluated subsequent events through January 22, 2013, the date which the financial statements were available to be issued.

UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – INVESTMENTS

Investments consist of mutual funds recorded at their fair market value, based on unadjusted quoted prices for identical investments in active markets in accordance with Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*.

Investment return is summarized below and is classified as unrestricted revenue in the statement of activities.

Interest and dividends	\$ 5,303
Realized and Unrealized gains (losses)	<u>(10,441)</u>
Total	<u>\$ (5,138)</u>

Mutual fund investments are not insured by the FDIC.

NOTE 3 – NOTE PAYABLE AND LINE OF CREDIT

On August 30, 2010, UCM entered into a three-year loan agreement with a bank for \$12,000 for the purchase of a bus to be used in its program services. The note bears interest at a rate of 6.25% per annum and is secured by the bus.

Future minimum payments under the note as of June 30, 2012 total \$4,933 due in 2013, and \$728 due in 2014.

UCM has a line of credit with a bank in the amount of \$300,000, available through 10/19/2013. UCM is charged interest at the rate of 5% of the outstanding balance. No balance was outstanding as of June 30, 2012.

**UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Contributions are received to support donor specified programs and activities of UCM. The funds are expended for the purposes designated. Additional expenditures to maintain these programs are covered by unrestricted resources. Temporarily restricted net assets are restricted for the following purposes as of June 30, 2012:

<u>Purpose</u>	<u>Amount</u>
BEL Center	\$ 16,048
Basic Needs	55,796
Development	11,399
Journeys	56,880
CHRP	10,017
Sacramento	2,826
Creekside	4,643
Employment assistance	<u>6,500</u>
Total	<u>\$ 164,109</u>

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent the principal amount of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity with only the income to be utilized. The income derived from these assets is unrestricted and is used for general operations.

NOTE 6 – FINANCIAL INSTRUMENTS

Financial instruments, which potentially subject UCM to concentration of credit risk, include cash and cash equivalents and investments. It is UCM's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk.

**UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – EMPLOYEE RETIREMENT PLAN

UCM maintains a 403(b) plan. Employees over 21 are eligible after the completion of one year of service. UCM may match a percentage of the employees' contributions on an annual basis. Employees are fully vested in all amounts in their account. The employer cost of the plan for the year ended June 30, 2012, was \$29,773.

NOTE 8 – LEASES

Office

UCM rents office space from Fairfax County under an annual license agreement at no cost. The county also pays the utilities and real estate taxes. The estimated value of the donated facility, based on comparable local rentals of \$198,550 is included as revenue and expense in the statement of activities.

Daycare

UCM leases space in a local high school for daycare operations at a below-market rate. The lease renews annually on September 1. The lease has been renewed through June 30, 2013, and requires monthly payments of \$2,565. The difference of \$67,316, between the lease and estimated market rate, is recorded as in-kind rent, and rent expense, in the accompanying financial statements.

Thrift Store and Employment Center

UCM leases space for its thrift store and employment center operations under a five-year lease commencing on June 1, 2009. Monthly lease payments of \$14,536 are required under the lease, and include common area maintenance fees and real estate taxes that are subject to adjustment for actual costs.

Equipment

UCM leases office equipment under various operating leases. Future minimum lease payments under these leases total \$14,419 and are due in monthly payments of \$309 through 2017.

**UNITED COMMUNITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Rent expense for the year ended June 30, 2012 was \$477,452, including the in-kind rent of \$296,562.

Future minimum payments under the above leases are as follows:

2013	\$	178,144
2014		163,608
2015		3,712
2016		3,712
2017		3,712
Thereafter		<u>927</u>
Total minimum payments	\$	<u>353,815</u>

NOTE 9 – CONCENTRATIONS

UCM is heavily dependent upon government grants for its operations. If government funding were reduced or eliminated, it might be necessary to curtail or eliminate a portion of its program services.

SUPPLEMENTAL INFORMATION

**UNITED COMMUNITY MINISTRIES, INC.
SCHEDULE OF PROGRAM EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	Child Care	Social Services	Workforce Development	Housing	Community Development	Thrift Store	Total
Payroll Expense:							
Salaries	\$ 451,793	\$ 648,898	\$ 148,203	\$ 185,076	\$ 191,294	\$ 155,180	\$ 1,780,444
Benefits	55,983	78,560	21,577	22,697	23,056	19,789	221,662
Taxes	36,853	53,228	14,522	15,252	15,466	13,051	148,372
Total Payroll Expense	<u>544,629</u>	<u>780,686</u>	<u>184,302</u>	<u>223,025</u>	<u>229,816</u>	<u>188,020</u>	<u>2,150,478</u>
Other Expenses:							
Insurance	706	1,200	-	-	-	1,700	3,606
Office Expense	2,404	646	2,179	528	5,586	118	11,461
Advertising	789	50	185	-	255	40	1,319
Telephone	1,297	2,476	1,344	692	1,263	1,832	8,904
Postage	-	15	-	29	45	152	241
Equipment Maintenance	4,628	208	945	142	-	1,180	7,103
Printing	76	1,464	157	439	1,279	999	4,414
Travel	311	23,840	259	3,255	1,097	4,226	32,988
Staff Development	4,219	960	578	220	63	-	6,040
Dues	-	-	-	-	-	-	-
Employee Appreciation	-	-	-	-	10	-	10
Professional Fees	52,775	3,938	682	22	460	60	57,937
Equipment	959	-	1,157	-	864	241	3,221
Occupancy	97,241	109,075	54,671	12,691	41,547	162,227	477,452
Specific Assistance	743	1,534,749	11,880	153,717	4,226	125	1,705,440
Interest	-	-	-	-	-	-	-
Depreciation	643	7,256	3,753	-	-	9,390	21,042
Administrative Expense	11,643	56	28	-	-	5,989	17,716
Activities	350	-	203	-	9,406	-	9,959
Program Supplies	71,943	1,693	1,099	-	456	4,771	79,962
Total Other Expense	<u>250,727</u>	<u>1,687,626</u>	<u>79,120</u>	<u>171,735</u>	<u>66,557</u>	<u>193,050</u>	<u>2,448,815</u>
Total Direct Expense	<u>795,356</u>	<u>2,468,312</u>	<u>263,422</u>	<u>394,760</u>	<u>296,373</u>	<u>381,070</u>	<u>4,599,293</u>
Overhead Allocations	167,222	148,441	33,741	31,616	38,097	57,769	476,886
TOTAL EXPENSE	<u>\$ 962,578</u>	<u>\$ 2,616,753</u>	<u>\$ 297,163</u>	<u>\$ 426,376</u>	<u>\$ 334,470</u>	<u>\$ 438,839</u>	<u>\$ 5,076,179</u>

See Independent Auditors' Report