

**Independent Auditor's Report and Financial Statements**

**UNITED WAY OF UNION COUNTY, INC.**

**For the year ended DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The United Way of Union County, Inc.  
El Dorado, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of The United Way of Union County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 The United Way of Union County, Inc. as of December 31, 2018, 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.

El Dorado, Arkansas  
June 10, 2019

**The United Way of Union County, Inc.**  
**Statement of Financial Position**  
**December 31, 2018**

**ASSETS**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 485,680
Contributions receivable, net	951,907
Total current assets	1,437,587
<b>Investments</b>	
Agency accounts, at fair value	2,825,225
Beneficial interest held in trust, at fair value	3,840,149
Total investments	6,665,374
<b>Property and Equipment</b>	
Office equipment and property	36,389
Accumulated depreciation	(34,030)
Net property and equipment	2,359
<b>TOTAL ASSETS</b>	<b>\$ 8,105,320</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>	
Promises to give to others	\$ 1,050,500
Due to National Agency	11,548
Payroll taxes payable and other liabilities	2,951
Total liabilities	1,064,999
<b>Net Assets</b>	
Without Donor Restrictions	
Undesignated	3,197,813
Invested in property and equipment	2,359
	3,200,172
With Donor Restrictions	
Endowment	3,840,149
Total net assets	7,040,321
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,105,320</b>

The accompanying notes are an integral part of these financial statements.

**The United Way of Union County, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenues</b>			
Gross campaign contributions	\$ 1,132,774		1,132,774
Less provision for uncollectible pledges	(82,966)		(82,966)
Net campaign contributions	1,049,808	-	1,049,808
Contributions - other	30,343		30,343
Investment income, net of fees	46,562	165,220	211,782
Realized gain (loss) on investments	24,097	36,714	60,811
Unrealized gain (loss) on investments	(111,794)	(928,861)	(1,040,655)
Net assets released from restrictions:			-
Assets released for satisfaction of time restrictions	92,842	(92,842)	-
Total public support, revenues and reclassifications	<u>1,131,858</u>	<u>(819,769)</u>	<u>312,089</u>
<b>Expenses</b>			
Program services			
Agency allocations	1,063,806		1,063,806
Other	46,291		46,291
Total program expenses	<u>1,110,097</u>	-	<u>1,110,097</u>
Supporting services expense			
Management and general	132,297	-	132,297
Fundraising	41,749	-	41,749
	<u>174,046</u>	-	<u>174,046</u>
Total program and supporting services	1,284,143	-	1,284,143
National United Way Dues	11,548		11,548
Total expenses	<u>1,295,691</u>	-	<u>1,295,691</u>
<b>Change in net assets</b>	(163,833)	(819,769)	(983,602)
<b>Net assets beginning of year</b>	<u>3,364,005</u>	<u>4,659,918</u>	<u>8,023,923</u>
<b>Net assets end of year</b>	<u>\$ 3,200,172</u>	<u>\$ 3,840,149</u>	<u>7,040,321</u>

The accompanying notes are an integral part of these financial statements.

**The United Way of Union County, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018**

	Program Services	Supporting Services			Total Functional Expenses
		Management & General	Fund Raising	Total	
Salaries	\$ 5,663	73,613	33,975	107,588	113,250
Employee benefits	388	5,043	2,328	7,371	7,759
Payroll taxes	433	5,632	2,599	8,231	8,664
Total salaries, benefits and taxes	6,484	84,287	38,902	123,189	129,673
Agency allocations	1,063,806	-	-	-	1,063,806
Community Impact Grants	5,000				5,000
Professional fees		6,900		6,900	6,900
Office expense		2,094		2,094	2,094
Campaign supplies			2,198	2,198	2,198
Telephone		3,530		3,530	3,530
Postage		1,050		1,050	1,050
Occupancy		7,104		7,104	7,104
Insurance		3,171		3,171	3,171
Travel		809		809	809
Conference and conventions		968		968	968
Administrative		1,740		1,740	1,740
Credit card fees			649	649	649
Repair and maintenance		236		236	236
Pension expense		13,947		13,947	13,947
Public relations		103		103	103
Advertising		412		412	412
Computer and computer programs		4,704		4,704	4,704
Community Impact Initiative	761			-	761
Website		210		210	210
Imagination library	32,311			-	32,311
Power of the Purse	1,735			-	1,735
Depreciation		1,032		1,032	1,032
	<u>\$ 1,110,097</u>	<u>132,297</u>	<u>41,749</u>	<u>174,046</u>	<u>1,284,143</u>

The accompanying notes are an integral part of these financial statements.

**The United Way of Union County, Inc.  
Statement of Cash Flows  
For the Year Ended December 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Pledges collected -	
Current and prior year campaigns	\$ 1,096,502
Non-pledged contributions	30,343
	<u>1,126,845</u>
Cash paid for:	
Agency allocations and community impact grants	(1,053,306)
Salaries, employee insurance, payroll taxes and pension	(143,801)
Office operations	(14,974)
National United Way dues	(13,064)
Occupancy	(7,104)
Professional fees	(6,900)
Campaign supplies	(2,198)
Insurance	(3,171)
Public relations and advertising	(515)
Travel, conferences and conventions	(1,777)
Imagination Library/Hunger Alliance/Power of the Purse expense	(34,046)
	<u>(1,280,856)</u>
Net cash provided (used) by operating activities	<u>(154,011)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Dividends and interest from investments	57,050
Trustee fees and expenses	(11,935)
Distribution from beneficial interest in trust	161,928
Purchases of investments	(481,052)
Proceeds from maturities and sales of investments	445,937
	<u>171,928</u>
Net cash provided (used) by investing activities	<u>171,928</u>
Increase in cash and cash equivalents	17,917
Cash and cash equivalents, beginning of year	605,373
Cash and cash equivalents, end of year	<u>\$ 623,290</u>

**Cash and cash equivalents are included in the following categories in the statement of financial position:**

Current assets	\$ 485,680
Investment accounts	137,610
Total cash and cash equivalents	<u>\$ 623,290</u>

The accompanying notes are an integral part of these financial statements.

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization**

The United Way of Union County, Inc. (United Way) is a non-profit, voluntary health and welfare organization governed by a volunteer Board of Directors (the "Board"). The purposes of United Way are to stimulate interest and participation of the citizens of Union County, Arkansas on behalf of the worthy charitable, health and welfare organizations; to promote efficiency by providing a means through which annual contributions can be made in one gift or pledge by reducing to a minimum multiple fund raising efforts; and to promote cooperation not only among participating agencies but among all such organizations in Union County, Arkansas.

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits, mutual fund money market accounts and all short-term investments with maturity dates of three months or less.

**Contributions and Contributions Receivable**

United Way records unconditional promises to give that are expected to be collected within one year at net realizable value. United Way determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2018, the allowance was \$150,000.

United Way reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions over the useful lives of the donated or acquired long-lived assets.

**Property and Equipment**

Property and equipment purchased by the Organization are recorded at cost at the date of acquisition. Contributed assets are capitalized at their fair values at the date of contribution. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Following is a summary of the estimated useful lives of the different classes of assets:

Furniture and equipment	5 years
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**Investments**

Investments are carried at fair value, which is determined based on quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities. Gains and losses on sales transactions are recorded when realized based on the original cost (amortized in the case of bonds) of the investments sold based on the specific identification method. Earnings from investments are recorded as interest and dividends and are reflected in the statement of activities.



**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets**

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 as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – 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.

**Compensated Absences**

The Organization has not accrued compensated absences because the amount is considered to be immaterial to the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Promises to Give to Others**

Promises to give to others are allocations to other beneficiary agencies. The United Way records the promises to give when the Board of Directors provides its approval and the agencies are notified of their respective allocations. The recording constitutes a current liability and current expense during the year in which the allocations were approved.

**Functional Allocation of Expenses**

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs of the program or service or on management's analysis of time devoted to the respective activities for costs shared between programs and services.

**Income Taxes**

The United Way is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. United Way is

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. United Way had no unrelated business income in 2018. Additionally, no tax accrual for uncertain tax positions was recorded as management believes there are no uncertain tax positions at December 31, 2018. The organization is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2015.

**Subsequent Events**

Management has evaluated events through June 10, 2019, the date the financial statements were available to be issued.

**NOTE 2: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and equivalents	\$ 623,290
Contributions receivable	951,907
Operating investments	2,825,225
	<u>\$ 4,400,422</u>

**NOTE 3: CONTRIBUTIONS RECEIVABLE**

During 2018, the Board approved the closing of the 2016-17 fundraising campaign. As a result, all contributions receivable at December 31, 2018 relate to the prior and current year's fundraising periods. Management believes that contributions receivable, net of the reserve established for uncollectable accounts, will be fully collected during 2019.

Contributions receivable at December 31, 2018, includes the following:

	<u>Campaign Period</u>		<u>Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
Contributions due in one year	\$ 139,296	962,611	1,101,907
Allowance for uncollectible pledges	<u>(75,000)</u>	<u>(75,000)</u>	<u>(150,000)</u>
Pledges receivable, net	<u>\$ 64,296</u>	<u>887,611</u>	<u>951,907</u>

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 4: INVESTMENTS**

United Way reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three tier hierarchy categorizes the inputs as follows:

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

**Level 3** - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

A significant portion of the United Way's investment assets are classified within Level 1 because they comprise common stocks, mutual funds or exchange traded funds with readily determinable fair values based on daily redemption values. Bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 4: INVESTMENTS (continued)**

**TRUST AND AGENCY ACCOUNTS**

United Way maintains agency accounts with Wells Fargo Advisors to invest certain assets in accordance with the organization's investment policy. These accounts are classified as operating accounts of the United Way. The composition of these accounts at December 31, 2018, was as follows:

	#1493 Wells Fargo	#7814 Wells Fargo	Total
Cash equivalents	102,414	35,196	137,610
Stocks & ETFs	-	740,264	740,264
Corporate bonds	-	141,212	141,212
Foreign bonds	-	18,587	18,587
U.S. government bonds	1,594,712	192,839	1,787,550
Account total	<u>1,697,126</u>	<u>1,128,099</u>	<u>2,825,224</u>

Unrealized gains and losses on agency accounts are as follows:

	Cost	Unrealized Gains	Unrealized Losses	Market Value
Stocks & ETFs	738,003	2,261	-	740,264
Corporate bonds	145,723	-	(4,510)	141,212
Foreign bonds	18,351	236	-	18,587
U.S. government notes	1,824,756	-	(37,205)	1,787,550

Maturity date of bonds:	Government	Corporate Bonds	Foreign Bonds
2018			
2019	249,758		
2020	765,648		
2021	265,562	10,006	
2022	233,822	18,688	8,887
2023	193,182	9,265	9,700
2024		19,948	
2025	59,124	21,176	
2026		20,493	
2027		21,489	
2028		10,397	
2034		9,750	
2046	20,455		
Total	<u>1,787,550</u>	<u>141,212</u>	<u>18,587</u>

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 4: INVESTMENTS (continued)**

The Agency Account activity for the year ended December 31, 2018 is as follows:

	#1493 Wells Fargo	#7814 Wells Fargo	Total
Balance 12/31/17	1,701,606	1,197,987	2,899,593
Interest/dividends	24,614	32,435	57,050
Realized gains/losses	6	24,091	24,097
Unrealized gains/losses	2,685	(114,479)	(111,794)
Distributions	(31,786)	-	(31,786)
Investment fees	-	(11,935)	(11,935)
Balance 12/31/18	<u>1,697,126</u>	<u>1,128,099</u>	<u>2,825,224</u>

**BENEFICIAL INTEREST IN PERPETUAL TRUST**

In 1978 The United Way Board of Directors transferred assets in trust to establish an Endowment Fund (Endowment). The Organization is the beneficiary of annual income distributions from the Endowment. The trustee was not granted variance power, that is, the unilateral power to redirect the use of transferred assets to another beneficiary. Because the trust was established by the United Way, the value of the United Way's beneficial interest in the trust is reported in these financial statements at the fair market value of the trust assets.

The composition of the Endowment at December 31, 2018, was as follows:

	Average Yield	Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	2.06%	\$ 27,084	-	-	27,084
Equity Securities:					
Common stock	2.67%	818,204	2,464,157	-	3,282,361
Mutual funds	1.42%	554,265	-	(23,561)	530,704
Total equity securities		<u>1,372,469</u>	<u>2,464,157</u>	<u>(23,561)</u>	<u>3,813,066</u>
Mutual funds - Fixed Income		-	-	-	-
Total beneficial interest in trust		<u>\$ 1,399,553</u>	<u>\$ 2,464,157</u>	<u>\$ (23,561)</u>	<u>\$ 3,840,149</u>

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 4: INVESTMENTS (continued)**

The endowment fund activity for the year ended December 31, 2018 is as follows:

Balance 12/31/17	4,659,918
Interest/dividends/capital gain distributions	169,125
Realized gains/losses	36,714
Unrealized gains/losses	(928,861)
Distributions	(92,841)
Expenses	(3,905)
Balance 12/31/18	<u>3,840,149</u>

The following table presents assets measured at fair value on a recurring basis at December 31, 2018:

<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Level (2)</u>
<u>Assets</u>		
Operating investments		
Common stocks & ETFs	740,264	740,264
Corporate Bonds	141,212	141,212
Foreign Bonds	18,587	18,587
U.S. Government obligations	1,787,550	1,787,550
<u>2,687,614</u>	<u>740,264</u>	<u>1,947,350</u>
Endowment Investments		
Common stocks & ETFs	3,282,361	3,282,361
Mutual Funds	557,788	557,788
<u>3,840,149</u>	<u>3,840,149</u>	<u>-</u>

**NOTE 5: CONTRIBUTED SERVICES**

Contributed services are not recorded due to the lack of specialization of the labor, difficulty of placing a monetary value on them and the absence of control over them. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising.

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 6: PENSION PLAN**

The Organization maintains a Simplified Employee Pension plan (SEP) for all eligible employees. The organization contributed \$13,947 to the plan in 2018.

**NOTE 7: PROPERTY AND EQUIPMENT**

The following is a summary of furniture and equipment as of December 31, 2017.

Furniture and equipment	\$ 36,389
Less accumulated depreciation	<u>(34,030)</u>
Furniture and equipment, net of accumulated depreciation	<u>\$ 2,359</u>

Depreciation expense for 2018 was \$1,032.

**NOTE 8: RELATED PARTY TRANSACTIONS**

Affiliation agreements require an annual dues payment to the national United Way organization based on one percent of gross campaign revenue for the previous year. Dues paid by December 31, 2018 for 2017/2018 campaign revenues were \$13,064.

**NOTE 9: LEASES**

The Organization leases office space on a month-to-month basis. Rent expense for 2017 was \$7,104.

**NOTE 10: COMMITMENT TO AGENCY PROGRAMS**

In December 2018, the United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid January 1, 2019 through December 31, 2019. Accordingly, as of December 31, 2018, a liability of \$1,050,500 was recorded for the unconditional promises to give, and not yet paid, as of that date.

**NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS**

In 1978, the Board of Directors of the United Way transferred assets gifted to the United Way, which were intended to provide a perpetual source of income for the United Way, into an irrevocable trust to establish an endowment. Subsequent to the establishment of the irrevocable trust, other donors contributed directly to the trust. By contributing directly to the trust instead of the United Way, the donors implicitly restricted the use of the funds due to the provisions of the trust agreement. The trust is required to distribute the net income of the trust to the United Way each year but principal is retained in accordance with the trust agreement.

**NOTE 12: CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and contributions receivable. The Organization places its operating cash with local financial institutions. The Federal Deposit Insurance Corporation insures the balances in each financial institution up to \$250,000. As of December 31, 2018, there were no uninsured cash balances at these financial institutions.

**The United Way of Union County, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 12: CONCENTRATIONS OF RISK (continued)**

During the year ended December 31, 2018, the Organization had pledges from four contributors of \$867,320 which is approximately 77% of 2018-2019 total campaign pledges. The contributions for the year ending December 31, 2018 were as follows:

	<u>Pledge Amount</u>	<u>% of Total</u>
Murphy USA	\$ 605,054	54%
Murphy Oil Corporation	189,664	17%
El Dorado Chemical	39,732	4%
Lanxess	32,870	3%
Total	<u>\$ 867,320</u>	<u>77%</u>

**NOTE 13: PROGRAM EXPENSES**

Program expenses are incurred for the following programs:

Allocations to partner agencies	\$ 1,063,806
Community Initiatives	7,496
Education Focus Area	<u>32,311</u>
Total cost by program	1,103,613
Salaries and costs related to Program Activities	<u>6,484</u>
Total program costs	<u>\$ 1,110,097</u>