

Audited Financial Statements

Fraternal Order of the Umbrella, Inc.

*As of and for the year ended December 31, 2019
with Independent Auditors' Report*



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Fraternal Order of the Umbrella, Inc.

Audited Financial Statements
As of and for the year ended December 31, 2019

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Independent Auditors' Report

To the Board of Directors of
Fraternal Order of the Umbrella, Inc.
Stamford, Connecticut

We have audited the accompanying financial statements of Fraternal Order of the Umbrella, Inc. (the Organization), which comprise the statement of assets and net assets - modified cash basis as of December 31, 2019 and the related statement of revenue collected, expenses paid and change in net assets - modified cash basis, statement of functional expenses- modified cash basis 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Organization as of December 31, 2019, and revenue collected, expenses paid and changes in net assets for the year then ended, in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Fiondella, Milone & LaSaracina LLP

Glastonbury, Connecticut
November 24, 2020

Fraternal Order of the Umbrella, Inc.
Statement of Assets and Net Assets
Modified Cash Basis

December 31, 2019

Assets

Cash	\$	12,998
Investments, at fair value		443,595
Total assets	\$	<u>456,593</u>

Net assets

Undesignated	\$	456,593
Total net assets without donor restrictions		<u>456,593</u>
Total net assets	\$	<u>456,593</u>

See accompanying notes

Fraternal Order of the Umbrella, Inc.
Statement of Revenue Collected, Expenses Paid and Changes in Net
Assets - Modified Cash Basis

For the year ended December 31, 2019

Revenues	
Events, net of direct expense	\$ 207,133
Contributions	44,772
Membership dues	14,585
Total revenues	266,490
Expenses	
Program expenses	254,613
Administration	45,723
Total expenses	300,336
Change in net assets without restriction before investment income, net	(33,846)
Net investment income	77,040
Changes in net assets without donor restrictions	43,194
Net assets - beginning of year	413,399
Net assets - end of year	\$ 456,593

See accompanying notes

Fraternal Order of the Umbrella, Inc.
Statement of Functional Expenses
Modified Cash Basis

Year Ended December 31, 2019

	Program	General and Administrative	Total
Expenses:			
Donations	\$ 254,613	\$ -	\$ 254,613
Strategy meetings	-	22,761	22,761
Operating expenses	-	20,004	20,004
Fees	-	2,958	2,958
Total expenses	\$ 254,613	\$ 45,723	\$ 300,336

See accompanying notes

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements

As of and for the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The Fraternal Order of the Umbrella Club, Inc. (the Umbrella Club or the Organization) was established as a non-profit, 501(c) (3) organization dedicated to providing compassion, support and financial assistance to families and children primarily in Fairfield County.

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. The primary variances from GAAP include the omission of receivables and accruals. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect investments at fair value, which includes the recording of unrealized appreciation/(depreciation) on investments. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with GAAP.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. They are described as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. These funds are available for general operating purposes and/or to use at the discretion of the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for general use by Management. There are no Board designated funds at December 31, 2019.

With Donor Restrictions - Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provision of additional donor imposed stipulations or a board approved spending policy. At December 31, 2019 there were no donor restricted net assets.

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments, which consist principally of exchange traded funds (ETF) and money market funds are measured at fair value on the Statement of Assets and Net Assets. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets without donor restrictions unless restricted by donor or law. Realized gains and losses on sales of securities are recorded at the time of the transaction. Dividends and interest income are recorded when received.

Fair Value Measurements

The Organization classifies its investments in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value under GAAP and requires certain disclosures about fair value measurements. The definition of fair value under FASB ASC 820 focuses on the price that would be received to sell the asset, which is referred to as the exit price.

Revenue Recognition

Special Events and Fundraising

Special event and fundraising revenue is recognized as revenue when the event occurs. The Organization has three major events each year: a summer reception, golf tournament and raffle. The revenue is netted with the direct costs of each event. The expense netted against revenue for the year ended December 31, 2019 was \$153,364. See Note 4 for a summary of the revenues and expenses for the Organization's events.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions (continued)

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires (is satisfied) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the accompanying statements of expenditures. The donations provided to individuals and families is the only program expenditure.

2. Investments

Investments as of December 31, 2019 are summarized as follows:

	Cost	Fair Value	Unrealized Gain/ (Loss)
Exchange traded funds:			
Equity	\$ 225,156	\$ 262,981	\$ 37,825
Fixed	165,627	175,344	9,717
Money market funds	5,270	5,270	-
Total investments	<u>\$ 396,053</u>	<u>\$ 443,595</u>	<u>\$ 47,542</u>

3. Fair Value Measurements of Financial Instruments

ASC 825, *Financial Instruments*, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

- Level 1 – Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements (continued)

3. Fair Value Measurements of Financial Instruments (continued)

- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The Organization’s assets that are measured at fair value on a recurring basis as of December 31, 2019 consists of exchange traded funds and money market funds, which are classified as Level 1 investments.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Special Events

Special events and fundraising are a significant portion of the Organization’s revenue. Below is a summary of the revenues and expenses for the Organization’s major events for the year ended December 31, 2019:

	Revenue	Expense	Net
Summer reception	\$ 108,921	\$ 54,130	\$ 54,791
Golf tournament	111,776	49,252	62,524
Raffle	140,170	50,352	89,818
Total	\$ 360,867	\$ 153,734	\$ 207,133

5. Donations

The Organization grants donations based on the Board of Directors’ recommendations to various individuals and families that are in need of financial support due to an unexpected event or challenge in their lives. Donations are recorded as expenses when the cash is disbursed.

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements (continued)

6. Tax Exempt Status

The Organization is organized as a nonprofit corporation exempt under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state corporate income taxes.

Management of the Organizations evaluates all significant tax positions required by accounting principles generally accepted in the United States of America. At December 31, 2019, management does not believe that it has taken any tax position that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months.

The Organizations tax returns are subject to examination by the appropriate taxing jurisdictions. The Organization is no longer subject to tax examinations for years prior to December 31, 2016.

7. Concentrations of Credit Risk

Cash

The Organization maintains cash balances at financial institutions located in Connecticut. At various times during the year, cash held at the Organization's banking institutions may exceed the federally insured limits.

Investments

The Organization invests in ETF's and money market funds which are measured at fair value. Accordingly, the investment securities can fluctuate because of market factors, interest rates and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements.

8. Information about Liquidity and Availability of Financial Assets

The operations and programs of the Organization are primarily funded through its special events and fundraisers. The Organization has three major events each year: a summer reception, golf tournament and a raffle. Funds from these events support the donations provided to individuals and families of children in need. Investment income assists to cover the operating costs of the Organization. The donations are limited to available cashflows.

Fraternal Order of the Umbrella, Inc.
Notes to the Financial Statements (continued)

8. Information about Liquidity and Availability of Financial Assets (continued)

The Organization's financial assets as of December 31, 2019, that are available within one year include cash and investments totaling \$456,243. There are no amounts unavailable for general use within one year of the financial position date because of contractual or donor-imposed restrictions or internal designations.

9. Commitments

The Organization has future donor commitments to provide \$90,000 over the next two years.

10. Subsequent Events

The Organization has evaluated subsequent events through November 24, 2020, which is the date the financial statements were available to be issued.

In early March 2020, there was a global outbreak of COVID-19 that has resulted in significant changes in the global economy and fluctuations in the market. As a result of COVID-19, the Organization canceled two events that are typically held each year. In reaction to canceling these two events, future donations may be reduced.