

**UNITED WAY OF DELAWARE
COUNTY, INDIANA, INC.
MUNCIE, INDIANA**

**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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WHITINGER & COMPANY_{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Delaware County, Indiana, Inc.
Muncie, Indiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Way of Delaware County, Indiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Board of Directors
United Way of Delaware County, Indiana, Inc.
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OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Delaware County, Indiana, Inc. as of June 30, 2017 and 2016, 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.

Whitiger & Company LLC

Certified Public Accountants
Muncie, Indiana

February 12, 2018

FINANCIAL STATEMENTS

1.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,240,363	\$ 1,440,405
Pledges receivable, net of allowance for uncollectible pledges of \$121,438 in 2017 and \$155,857 in 2016 (Note 4)	345,925	364,163
Other receivables		877
Legacy fund receivable (Note 3)	66,643	61,347
Prepaid expense	<u>15,818</u>	<u>17,289</u>
 Total Current Assets	 <u>\$ 1,668,749</u>	 <u>\$ 1,884,081</u>
PROPERTY AND EQUIPMENT (Note 1)		
Furniture and fixtures	\$ 80,782	\$ 96,801
Less accumulated depreciation	<u>(62,231)</u>	<u>(73,060)</u>
 Total Property and Equipment, Net	 <u>\$ 18,551</u>	 <u>\$ 23,741</u>
OTHER ASSETS		
Investments (Note 2)	\$ 1,382,114	\$ 1,254,207
Beneficial interest in assets held by Community Foundation (Note 3)	<u>509,917</u>	<u>472,546</u>
 Total Other Assets	 <u>\$ 1,892,031</u>	 <u>\$ 1,726,753</u>
 Total Assets	 <u><u>\$ 3,579,331</u></u>	 <u><u>\$ 3,634,575</u></u>

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable	\$ 44,479	\$ 35,203
Accrued expenses	34,994	31,122
Allocations payable	600,459	765,875
Designations payable (Note 5)	<u>104,448</u>	<u>135,055</u>
 Total Current Liabilities	 <u>\$ 784,380</u>	 <u>\$ 967,255</u>
 NET ASSETS		
Unrestricted	\$ 2,044,427	\$ 1,995,865
Temporarily restricted (Note 6)	240,607	198,909
Permanently restricted (Note 3)	<u>509,917</u>	<u>472,546</u>
 Total Net Assets	 <u>\$ 2,794,951</u>	 <u>\$ 2,667,320</u>
 Total Liabilities and Net Assets	 <u>\$ 3,579,331</u>	 <u>\$ 3,634,575</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Gross campaign results	\$ 1,176,929	\$ 95,729		\$ 1,272,658
Donor designations	(132,844)			(132,844)
Provision for uncollectible pledges	(43,271)			(43,271)
Net Campaign Results	\$ 1,000,814	\$ 95,729		\$ 1,096,543
Designations from other United Ways	20,680			20,680
Service fees	13,232			13,232
Grants	81,000	163,000		244,000
In-kind contributions	19,496			19,496
Special events	13,015			13,015
Indiana Not-for-Profit Resource Network	32,719			32,719
Income from bequests	19,864			19,864
Interest income	2,633			2,633
Investment income	92,384			92,384
Change in beneficial interest in assets held by Community Foundation	5,296		\$ 37,371	42,667
Miscellaneous income	1,130			1,130
Total Support and Revenue	\$ 1,302,263	\$ 258,729	\$ 37,371	\$ 1,598,363
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 217,031	\$ (217,031)		
EXPENSES				
Net funds distributed	\$ 727,959			\$ 727,959
Other program services	457,485			457,485
Total Program Services	\$ 1,185,444			\$ 1,185,444
Management and general	\$ 123,806			\$ 123,806
Fundraising	145,645			145,645
Unallocated payment to affiliate	15,837			15,837
Total Support Services	\$ 285,288			\$ 285,288
Total Expenses	\$ 1,470,732			\$ 1,470,732
CHANGE IN NET ASSETS	\$ 48,562	\$ 41,698	\$ 37,371	\$ 127,631
NET ASSETS, BEGINNING OF YEAR	1,995,865	198,909	472,546	2,667,320
NET ASSETS, END OF YEAR	\$ 2,044,427	\$ 240,607	\$ 509,917	\$ 2,794,951

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Change
\$ 1,186,412	\$ 111,760		\$ 1,298,172	\$ (25,514)
(169,648)			(169,648)	36,804
(25,343)			(25,343)	(17,928)
<u>\$ 991,421</u>	<u>\$ 111,760</u>		<u>\$ 1,103,181</u>	<u>\$ (6,638)</u>
8,283			8,283	12,397
19,579			19,579	(6,347)
88,000			88,000	156,000
15,000			15,000	4,496
19,618			19,618	(6,603)
33,138			33,138	(419)
27,039			27,039	(7,175)
3,421			3,421	(788)
2,889			2,889	89,495
(2,549)		\$ (45,334)	(47,883)	90,550
516			516	614
<u>\$ 1,206,355</u>	<u>\$ 111,760</u>	<u>\$ (45,334)</u>	<u>\$ 1,272,781</u>	<u>\$ 325,582</u>
<u>\$ 258,167</u>	<u>\$ (258,167)</u>			
\$ 761,648			\$ 761,648	\$ (33,689)
473,251			473,251	(15,766)
<u>\$ 1,234,899</u>			<u>\$ 1,234,899</u>	<u>\$ (49,455)</u>
\$ 114,217			\$ 114,217	\$ 9,589
105,359			105,359	40,286
16,824			16,824	(987)
<u>\$ 236,400</u>			<u>\$ 236,400</u>	<u>\$ 48,888</u>
<u>\$ 1,471,299</u>			<u>\$ 1,471,299</u>	<u>\$ (567)</u>
\$ (6,777)	\$ (146,407)	\$ (45,334)	\$ (198,518)	<u>\$ 326,149</u>
<u>2,002,642</u>	<u>345,316</u>	<u>517,880</u>	<u>2,865,838</u>	
<u>\$ 1,995,865</u>	<u>\$ 198,909</u>	<u>\$ 472,546</u>	<u>\$ 2,667,320</u>	

5.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 1,460,300	\$ 1,422,587
Cash paid for designations and allocations	(923,982)	(865,985)
Cash paid to suppliers and employees	(714,031)	(737,539)
Interest received	<u>33,136</u>	<u>17,860</u>
Net Cash Used For Operating Activities	<u>✓\$ (144,577)</u>	<u>\$ (163,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	\$ (658)	\$ (9,756)
Cash paid for certificates of deposit	(1,437)	(1,749)
Cash paid for purchases of investments	(75,057)	(416,597)
Proceeds from sale of investments	<u>21,687</u>	<u>15,561</u>
Net Cash Used For Investing Activities	<u>\$ (55,465)</u>	<u>\$ (412,541)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (200,042)	\$ (575,618)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,440,405</u>	<u>2,016,023</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,240,363</u></u>	<u><u>\$ 1,440,405</u></u>

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED FOR OPERATING ACTIVITIES

	2017	2016
CHANGE IN NET ASSETS	\$ 127,631	\$ (198,518)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
Depreciation expense	\$ 5,848	\$ 6,440
Realized gain on sale of investments	(2,495)	(17,866)
Unrealized (gain) loss on investments	(70,605)	21,791
Change in beneficial interest in assets held	(42,667)	47,883
 Cash flows provided by (used for) asset changes:		
Pledges receivable	52,657	161,049
Allowance for uncollectible pledges	(34,419)	(38,027)
Other receivables	877	210
Prepaid expense	1,471	(4,047)
 Cash flows provided by (used for) liability changes:		
Accounts payable	9,276	(39,779)
Accrued expenses	3,872	2,124
Allocations payable	(165,416)	(34,125)
Designations payable	(30,607)	(70,212)
 Total Adjustments	\$ (272,208)	\$ 35,441
NET CASH USED FOR OPERATING ACTIVITIES	✓\$ (144,577)	\$ (163,077)

SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES

In-kind contributions	\$ 19,496	\$ 15,000
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UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Unallocated Payments to Affiliate</u>	<u>Total</u>
Gross distributions	\$ 700,002				\$ 700,002
Special projects	1,084				1,084
Emergency allocations	16,530				16,530
Allocations to Legacy Fund	6,000				6,000
Designations paid by others	4,343				4,343
	<u>\$ 727,959</u>				<u>\$ 727,959</u>
Net Funds Distributed					
Salaries and wages	\$ 190,895	\$ 30,725	\$ 63,133		\$ 284,753
Payroll taxes and benefits	43,915	9,037	18,569		71,521
	<u>\$ 234,810</u>	<u>\$ 39,762</u>	<u>\$ 81,702</u>		<u>\$ 356,274</u>
Total Personnel Costs					
Processing and accounting services		45,370			45,370
Professional fees	20,680	17,122	297		38,099
Contract service fees	230	61	308		599
Campaign	18,040		16,563		34,603
Grant expense	36				36
Marketing and advertising	54,500	7,547	16,759		78,806
Postage	1,272	342	689		2,303
Office supplies	1,729	448	921		3,098
Telephone	4,097	495	1,016		5,608
Repair and maintenance	1,330	350	720		2,400
Equipment rental and maintenance	9,476	2,177	4,473		16,126
Rent	16,583	4,370	8,981		29,934
Insurance	2,852	2,047	1,544		6,443
Conferences, training, and meetings	7,238	721	1,775		9,734
Travel	3,383	447	919		4,749
Special events	70,974	55	4,244		75,273
State and local association dues	2,801	738	1,655		5,194
Depreciation	3,240	854	1,754		5,848
Miscellaneous	4,214	900	1,325		6,439
Subtotal	<u>\$ 457,485</u>	<u>\$ 123,806</u>	<u>\$ 145,645</u>		<u>\$ 726,936</u>
United Way of America dues				\$ 15,837	15,837
Total Expenses	<u><u>\$ 1,185,444</u></u>	<u><u>\$ 123,806</u></u>	<u><u>\$ 145,645</u></u>	<u><u>\$ 15,837</u></u>	<u><u>\$ 1,470,732</u></u>

See accompanying Notes to Financial Statements.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	Total
Gross distributions	\$ 745,969				\$ 745,969
Special projects	6,390				6,390
Emergency allocations	1,000				1,000
Allocations to Legacy Fund	6,000				6,000
Designations paid by others	2,289				2,289
Net Funds Distributed	<u>\$ 761,648</u>				<u>\$ 761,648</u>
Salaries and wages	\$ 194,286	\$ 28,234	\$ 38,596		\$ 261,116
Payroll taxes and benefits	57,408	11,222	15,412		84,042
Total Personnel Costs	\$ 251,694	\$ 39,456	\$ 54,008		\$ 345,158
Processing and accounting services		41,880	796		42,676
Professional fees	19,529	16,856	105		36,490
Contract service fees	64	15	1,361		1,440
Campaign	11,416		15,073		26,489
Grant expense	29,907				29,907
Marketing and advertising	51,892	3,582	9,397		64,871
Postage	1,566	372	694		2,632
Office supplies	2,495	553	760		3,808
Telephone	4,000	452	621		5,073
Repair and maintenance	1,739	405	556		2,700
Equipment rental and maintenance	9,126	1,853	2,545		13,524
Rent	18,424	4,291	5,894		28,609
Insurance	3,836	894	1,227		5,957
Web page	394	92	126		612
Conferences, training, and meetings	7,530	1,021	1,626		10,177
Travel	2,893	355	487		3,735
Small equipment	117	27	37		181
Special events	44,442	30	6,904		51,376
State and local association dues	2,230	519	851		3,600
Depreciation	4,147	966	1,327		6,440
Miscellaneous	5,810	598	964		7,372
Subtotal	<u>\$ 473,251</u>	<u>\$ 114,217</u>	<u>\$ 105,359</u>		<u>\$ 692,827</u>
United Way of America dues				\$ 16,824	16,824
Total Expenses	<u>\$ 1,234,899</u>	<u>\$ 114,217</u>	<u>\$ 105,359</u>	<u>\$ 16,824</u>	<u>\$ 1,471,299</u>

See accompanying Notes to Financial Statements.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Delaware County, Indiana, Inc. (the Organization) was formed in 1925 as a voluntary not-for-profit organization benefiting the Delaware County, Indiana, community. The mission of the Organization is to provide leadership in developing and coordinating resources which enhance the general welfare of the citizens of Delaware County. The Organization is governed by a volunteer board of directors and solicits donations from the public in Delaware County and grants funding to various not-for-profit agencies.

Basis of Presentation

The Organization records income and expense using the accrual method of accounting and accordingly reflects all significant receivables, payables, and other liabilities. Financial statement presentation follows *Financial Accounting Standards Board (FASB) ASC 958-225-45-5, Financial Statements on Not-for-Profit Organizations*. Under *FASB ASC 958-225-45-5*, the Organization is required 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.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its by-laws.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor imposed stipulations that are maintained permanently by the Organization.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. It is the policy of the Organization to capitalize fixed assets over the amount of \$1,000.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Maintenance and repairs are expensed as they are incurred. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective asset as follows:

Land and land improvements	0 - 10 years
Building and improvements	10 - 45 years
Office furniture and equipment	3 - 20 years

Depreciation expense for the years ended June 30, 2017 and 2016, was \$5,848 and \$6,440, respectively.

Investments

The Organization maintains certificates of deposit, equity securities, and assets invested with the Community Foundation of Muncie & Delaware County, Inc. (the Foundation) in a fund known as the United Way Stabilization Fund. The Organization has a brokerage account with MutualWealth Management Group and also holds certificates of deposit with local financial institutions having maturity dates that exceed three months. The Foundation combines all participating organizations' funds which it manages into one Foundation fund account. Investment earnings with the Foundation are distributed to the participants pro-rata based on the overall performance of the Foundation's investments and the amount each organization has invested. The Foundation's investment consists of money markets, common stock, common trust, mutual funds, alternative investments, corporate bonds, U.S. government bonds, taxable municipal bonds, and real estate. The Organization's investments are recorded at fair value. The fair value of investments is generally determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification on the securities sold. Realized and unrealized gains and losses are reflected in the statement of activities.

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to the changes in the values of investments, it is at least reasonably possible that changes in risks in the near-term would materially affect the amount reported in the statement of financial position and the statement of activities.

Support, Revenue, and Pledges

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as a receivable when the pledge is received. An allowance is provided for pledges which are determined to be uncollectible. Amounts received that are restricted for future periods or donor restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support, Revenue, and Pledges (continued)

When a donor stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

The allowance for uncollectible pledges is maintained at a level which, in management's judgment, is adequate to absorb potential bad debts inherent with pledges receivable. The amount of the allowance is based on management's evaluation of the collectability of the pledges receivable, trends in historical bad debt experience and economic conditions, applied to gross campaign, including donor designations. The allowance is increased by a provision for uncollectible pledges, which is charged to expense and reduced by charge-offs, net of recoveries. Because of uncertainties inherent in the estimation process, management's estimate of bad debts and the related allowance may change in the near-term. However, the amount of the change that is reasonably possible cannot be estimated.

In-Kind Contributions

During the years ended June 30, 2017 and 2016, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling \$19,496 and \$15,000, respectively. In-kind contribution revenue is recognized as follows:

	2017	2016
Professional fees	\$ 1,500	
Books	2,996	
Advertising	15,000	\$ 15,000
	\$ 19,496	\$ 15,000

Contributed Services

During the years ended June 30, 2017 and 2016, a substantial number of volunteers have contributed significant amounts of their time to the Organization and its fundraising campaigns. These services do not meet the requirements for recognition in the financial statements in accordance with *FASB ASC 958-605, Accounting for Contributions Received and Contributions Made* and are not included in the financial statements.

Cost Deduction

The Organization is committed to compliance with United Way of America's cost deduction requirements for recovering actual costs associated with processing and transferring designated funds.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 for personnel and office overhead costs as well as fundraising costs have been allocated among the programs and supporting services based upon the distribution of staff time.

Use of Estimates

The preparation of 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 could differ from those estimates.

Advertising

Advertising costs are expensed when incurred and are classified under the statement of functional expenses.

Income Taxes

The Organization is a not-for-profit, charitable organization, other than a private foundation, as defined by *Internal Revenue Code Section 501(c)(3)* and is not subject to federal or Indiana income taxes.

Reclassification

Certain account combinations from the prior year financial statements have been reclassified in the financial statements to conform to the current year presentation format.

2. **INVESTMENTS**

The Organization's investments are as follows:

	2017	2016
Investments in certificates of deposit	\$ 373,052	\$ 371,616
United Way Stabilization Fund	515,572	460,332
MutualWealth Management Group investments	493,490	422,259
Total Investments	\$ 1,382,114	\$ 1,254,207

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. **INVESTMENTS** (continued)

Investment return is as follows:

	2017	2016
Interest and dividends	\$ 30,503	\$ 14,440
Realized gain on investment	2,495	17,866
Unrealized gain (loss) on investment	70,605	(21,791)
Administrative and investment fees	(11,219)	(7,626)
Total Return on Investments	\$ 92,384	\$ 2,889

3. **BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Organization retains a beneficial interest in six endowment funds held by the Community Foundation of Muncie and Delaware County, Inc. The funds have been established by the Organization's Board of Directors at various times beginning in 1992. The Foundation has retained variance authority of all funds and therefore the beneficial interest is recorded as a permanently restricted net asset. The Organization is specified as the beneficiary of future allocations based on the Foundation's spending policy, which currently allocates 4.5% of a twelve-quarter rolling average of the fair value of the fund on an annual basis. The Organization's Board then has the ability to accept allocations or allow them to remain with the Foundation. These allocations that remain with the Foundation are recorded as unrestricted net assets. Any change in the value of the beneficial interest in the funds is reported as an increase or decrease in permanently restricted net assets.

The Organization established the endowments to preserve a predictable stream of future cash flows to fund programs supported by the Organization while maintaining the purchasing power of the original investment. The Foundation's return objectives are to maximize total return, net of inflation, spending and expenses, with prudent risk levels.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION (continued)

Change in endowment net assets for the year ended June 30, 2017, was as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 61,347	\$ 472,546	\$ 533,893
Contributions		100	100
Transfers	25,160	(25,160)	
Investment Return:			
Investment income, net of fees		12,543	12,543
Appreciation of investment		49,888	49,888
Grants	<u>(19,864)</u>		<u>(19,864)</u>
Net Assets, End of Year	<u>\$ 66,643</u>	<u>\$ 509,917</u>	<u>\$ 576,560</u>

Change in endowment net assets for the year ended June 30, 2016, was as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 63,896	\$ 517,880	\$ 581,776
Contributions		100	100
Transfers	24,490	(24,490)	
Investment Return:			
Investment income, net of fees		6,495	6,495
Depreciation of investment		(27,439)	(27,439)
Grants	<u>(27,039)</u>		<u>(27,039)</u>
Net Assets, End of Year	<u>\$ 61,347</u>	<u>\$ 472,546</u>	<u>\$ 533,893</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

3. **BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION** (continued)

Assets held by Community Foundation as of June 30, 2017 and 2016, are summarized as follows:

	<u>2017</u>	<u>2016</u>
Beneficial interest in assets held by Community Foundation	\$ 509,917	\$ 472,546
Legacy Fund receivable	<u>66,643</u>	<u>61,347</u>
Total assets held by Community Foundation	<u>\$ 576,560</u>	<u>\$ 533,893</u>

4. **PLEDGES RECEIVABLE**

The pledges receivable balances at June 30, 2017 and 2016, is summarized as follows:

	<u>Pledge Receivable</u>	<u>Allowance for Uncollectible Pledges</u>	<u>Net Balance</u>
June 30, 2017			
2017 campaign, due within one year	\$ 13,964		\$ 13,964
2016 campaign, due within one year	405,346	\$ 73,385	331,961
2015 campaign, due within one year	<u>48,053</u>	<u>48,053</u>	
	<u>\$ 467,363</u>	<u>\$ 121,438</u>	<u>\$ 345,925</u>
June 30, 2016			
2016 campaign, due within one year	\$ 1,500		\$ 1,500
2015 campaign, due within one year	441,058	\$ 78,395	362,663
2014 campaign, due within one year	<u>77,462</u>	<u>77,462</u>	
	<u>\$ 520,020</u>	<u>\$ 155,857</u>	<u>\$ 364,163</u>

5. **DESIGNATIONS PAYABLE**

The designations payable balance at June 30, 2017 and 2016, is summarized as follows:

	<u>2017</u>	<u>2016</u>
2016 Campaign	\$ 88,138	
2015 Campaign	16,310	\$ 113,137
2014 Campaign		<u>21,918</u>
	<u>\$ 104,448</u>	<u>\$ 135,055</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS

As of June 30, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
UnitedIN16	\$ 155,255	
Work2Gether		\$ 87,149
Time restrictions	<u>85,352</u>	<u>111,760</u>
	<u>\$ 240,607</u>	<u>\$ 198,909</u>

During the years ended June 30, 2017 and 2016, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2017</u>	<u>2016</u>
UnitedIN16	\$ 7,745	
Youth Empowerment		\$ 42,016
Work2Gether	87,149	80,851
Time restrictions	<u>122,137</u>	<u>135,300</u>
	<u>\$ 217,031</u>	<u>\$ 258,167</u>

7. PENSION PLAN

The Organization has established a retirement plan under *Section 403(b)* of the *Internal Revenue Code*. The plan is funded through a combination of employee salary deferrals, employer matching contributions, and employer discretionary contributions. Employer matching percentage and discretionary contributions are determined by the Organization on an annual basis. The Organization's contributions were \$17,488 and \$20,250, respectively, for the years ended June 30, 2017 and 2016.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

8. DESCRIPTION OF PROGRAM SERVICES

United Way of Delaware County unites the caring power of our community to improve lives. The organization works with donors, volunteers, and advocates to secure resources and focus them on the building blocks of a good life - Education, Income, and Health. United Way of Delaware County is positioned to focus on the whole community, identifying gaps in services available to those in need, and aligning efforts with proven programs and partners to address those gaps. By taking this broad view, United Way not only meets immediate needs, but also attacks root causes in an effort to create lasting change. Through community investments, as well as direct service programs, United Way impacts the quality of life for all who reside in Delaware County.

The Indiana Nonprofit Resource Network-Eastern Region, a program of United Way of Delaware County, strengthens nonprofits with capacity-building opportunities to successfully carry out their missions. This program is provided in partnership with the Indiana Association of United Ways and serves nineteen counties in the Eastern Region of Indiana. The Indiana Nonprofit Network is the leader in delivering practical, easy-to-use information for all levels of nonprofit staff and volunteers. Services offered include: workshops and webinars; consulting and custom training services; executive coaching and technical assistance; and library resources. The Network's services provide affordable, accessible, and high-quality public and private workshops, board retreats, consultations, and resource referrals for Indiana nonprofits. Workshops offered include: board governance; strategic planning; fundraising; staff and volunteer management; program outcomes and evaluation; as well as, marketing and communications.

United Way of Delaware County is the coordinator and sponsor of the Local Connection program. Local Connection increases access to resources and services for those living in poverty throughout the community. United Way of Delaware County partners with Open Door Health Services, Interlocal Community Action Program, Muncie Community Schools, and Wes-Del Community Schools to offer enrollment in public assistance and access to services and support in school and community settings that are convenient for clients.

United Way of Delaware County is the sponsoring organization for the Campaign for Grade Level Reading. Reading at or above third grade reading level at the end of the third grade year is one of the greatest indicators of a child's future success in school. This is a pivotal year for reading because children are transitioning from learning how to read into students who read to learn. Eighty percent of children living in poverty do not read at grade level. Currently, United Way has a full-time, AmeriCorps VISTA employee working to address reading proficiency for third graders. United Way of Delaware County runs a book club for at-risk readers at two elementary schools. United Way of Delaware County has identified partners and formed a coalition to set community-wide goals and metrics to monitor children's reading proficiency, which will provide a full picture of the impact of community-wide efforts.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****9. TEMPORARILY RESTRICTED NET ASSET CASH BALANCES**

At June 30, 2017 and 2016, the cash and cash equivalent balance on the statement of financial position included temporarily restricted net assets totaling \$240,607 and \$198,909, respectively.

10. CONCENTRATION OF CAMPAIGN PLEDGES

Substantially all of the Organization's pledges receivable, and support and revenue are derived from organizations and individuals who reside in Delaware County, Indiana.

During the year ended June 30, 2017, campaign pledges were received from three local contributors which were approximately 23% of the Organization's total current year gross campaign results. For the previous year ended June 30, 2016, a campaign pledge was received from one local contributor which was approximately 24% of the Organization's gross campaign results.

11. CONCENTRATION OF CREDIT RISKS

The Organization maintains several cash accounts and certificates of deposit at four financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, during the years ended June 30, 2017 and 2016, the balances in these accounts may have exceeded the maximum insurable amount of \$250,000. At June 30, 2017 and 2016, the Organization had accounts in excess of the \$250,000 totaling \$822,148 and \$980,457, respectively. The Organization has not experienced any losses.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.

13. OPERATING LEASES

The Organization leases real estate and office equipment under operating leases which require monthly minimum lease payments totaling approximately \$2,530. Total lease expense for the years ended June 30, 2017 and 2016, was \$29,934 and \$28,609, respectively.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

13. **OPERATING LEASES** (continued)

The future minimum lease payments under operating lease agreements are as follows:

Year Ending June 30,	Amounts
2018	\$ 30,360
2019	7,026
2020	2,360
2021	590
	\$ 40,336

14. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy under *FASB ASC 820* are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The investments held in the Stabilization Fund with the Community Foundation of Muncie and Delaware County, Inc. (Foundation) represent the Organization's proportionate share of the Foundation's pooled investment portfolio (Level 3). The Legacy Fund receivable and the beneficial interest in assets held by Community Foundation are based on inputs provided by the trustee and the Community Foundation (Level 3). Investments held by the Mutual Wealth Management Group use Level 1 inputs.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

14. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

Assets measured at fair value on a recurring basis are summarized below by the three levels of hierarchy:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Legacy Fund receivable	\$ 66,643			\$ 66,643
United Way Stabilization Fund	515,572			515,572
MutualWealth investments	493,490	\$ 493,490		
Beneficial interest in assets held by Community Foundation	509,917			509,917
	<u>\$ 1,585,622</u>	<u>\$ 493,490</u>	<u>\$ 0</u>	<u>\$ 1,092,132</u>
June 30, 2016				
Legacy Fund receivable	\$ 61,347			\$ 61,347
United Way Stabilization Fund	460,332			460,332
MutualWealth investments	422,259	\$ 422,259		
Beneficial interest in assets held by Community Foundation	472,546			472,546
	<u>\$ 1,416,484</u>	<u>\$ 422,259</u>	<u>\$ 0</u>	<u>\$ 994,225</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below represents a reconciliation of activities classified in the statement of activities reflecting gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning of year	\$ 994,225	\$ 1,067,256
Total Increases (Decreases) Included in		
Changes in Net Assets:		
Interest and dividends	36,039	23,698
Realized gains	5,564	39,205
Unrealized gains (losses) - Stabilization Fd	41,496	(40,678)
Unrealized gains (losses) - Beneficial Int	46,922	(48,690)
Contributions received	100	100
Grants paid	(19,864)	(35,039)
Investment expense	<u>(12,350)</u>	<u>(11,627)</u>
End of year	<u>\$ 1,092,132</u>	<u>\$ 994,225</u>

15. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization has adopted guidelines in accordance with *FASB ASC 740-10, Accounting for Uncertainty in Income Taxes*. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For the tax positions not meeting the more likely than not test, no tax benefit is recorded. The adoption had no effect on the Organization's financial statements.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after filing. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next year.

The Organization recognizes interest and penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties as of June 30, 2017 and 2016.