

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

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position	1 - 2
---------------------------------	-------

Statement of Activities	3 - 4
-------------------------	-------

Statement of Cash Flows	5 - 6
-------------------------	-------

Statement of Functional Expenses	7 - 8
----------------------------------	-------

NOTES TO FINANCIAL STATEMENTS	9 - 22
--------------------------------------	---------------



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 statement of financial position as of June 30, 2018 and 2017, 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.

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, 2018 and 2017, 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.

Whitinger & Company LLC

Certified Public Accountants
Muncie, Indiana

May 24, 2019

FINANCIAL STATEMENTS

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 1 and 9)	\$ 1,281,161	\$ 1,240,363
Pledges receivable, net of allowance for uncollectible pledges of \$110,922 in 2018 and \$121,438 in 2017 (Note 4)	380,143	345,925
Other receivables	14,925	
Legacy fund receivable (Note 3)	61,836	66,643
Prepaid expense	<u>24,812</u>	<u>15,818</u>
Total Current Assets	<u>\$ 1,762,877</u>	<u>\$ 1,668,749</u>
PROPERTY AND EQUIPMENT (Note 1)		
Furniture and fixtures	\$ 58,673	\$ 80,782
Less accumulated depreciation	<u>(45,228)</u>	<u>(62,231)</u>
Total Property and Equipment, Net	<u>\$ 13,445</u>	<u>\$ 18,551</u>
OTHER ASSETS		
Investments (Note 2)	\$ 1,435,378	\$ 1,382,114
Beneficial interest in assets held by Community Foundation (Note 3)	<u>535,075</u>	<u>509,917</u>
Total Other Assets	<u>\$ 1,970,453</u>	<u>\$ 1,892,031</u>
Total Assets	<u><u>\$ 3,746,775</u></u>	<u><u>\$ 3,579,331</u></u>

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,956	\$ 44,479
Accrued expenses	33,813	34,994
Allocations payable	688,794	600,459
Designations payable (Note 5)	<u>106,253</u>	<u>104,448</u>
Total Current Liabilities	<u>\$ 876,816</u>	<u>\$ 784,380</u>
NET ASSETS		
Unrestricted	\$ 2,189,695	\$ 2,044,427
Temporarily restricted (Note 6)	145,189	240,607
Permanently restricted (Note 3)	<u>535,075</u>	<u>509,917</u>
Total Net Assets	<u>\$ 2,869,959</u>	<u>\$ 2,794,951</u>
Total Liabilities and Net Assets	<u><u>\$ 3,746,775</u></u>	<u><u>\$ 3,579,331</u></u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
			Total
SUPPORT AND REVENUE			
Gross campaign results	\$ 1,378,969	\$ 96,688	\$ 1,475,657
Donor designations	(132,600)		(132,600)
Provision for uncollectible pledges	(36,757)		(36,757)
Net Campaign Results	\$ 1,209,612	\$ 96,688	\$ 1,306,300
Designations from other United Ways	7,927		7,927
Service fees	12,793		12,793
Grants	37,000		37,000
In-kind contributions	15,079		15,079
Special events	41,887		41,887
Indiana Not-for-Profit Resource Network	19,645		19,645
Income from endowment fund	29,975		29,975
Interest income	2,483		2,483
Investment income	88,733		88,733
Change in beneficial interest in assets held by Community Foundation	(4,807)		\$ 25,158
Loss on disposal of assets	(437)		(437)
Miscellaneous income	1,094		1,094
Total Support and Revenue	\$ 1,460,984	\$ 96,688	\$ 1,582,830
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 192,106	\$ (192,106)	
EXPENSES			
Net funds distributed	\$ 746,125		\$ 746,125
Other program services	473,424		473,424
Total Program Services	\$ 1,219,549		\$ 1,219,549
Management and general	\$ 130,225		\$ 130,225
Fundraising	143,813		143,813
Unallocated payment to affiliate	14,235		14,235
Total Support Services	\$ 288,273		\$ 288,273
Total Expenses	\$ 1,507,822		\$ 1,507,822
CHANGE IN NET ASSETS	\$ 145,268	\$ (95,418)	\$ 25,158
NET ASSETS, BEGINNING OF YEAR	2,044,427	240,607	509,917
NET ASSETS, END OF YEAR	\$ 2,189,695	\$ 145,189	\$ 535,075

See accompanying Notes to Financial Statements.

2017				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Change
\$ 1,188,272	\$ 95,729		\$ 1,284,001	\$ 191,656
(132,844)			(132,844)	244
(43,271)			(43,271)	6,514
<u>\$ 1,012,157</u>	<u>\$ 95,729</u>		<u>\$ 1,107,886</u>	<u>\$ 198,414</u>
9,337			9,337	(1,410)
13,232			13,232	(439)
81,000	163,000		244,000	(207,000)
19,496			19,496	(4,417)
13,015			13,015	28,872
32,719			32,719	(13,074)
19,864			19,864	10,111
2,633			2,633	(150)
92,384			92,384	(3,651)
5,296		\$ 37,371	42,667	(22,316)
1,130			1,130	(437)
<u>\$ 1,302,263</u>	<u>\$ 258,729</u>	<u>\$ 37,371</u>	<u>\$ 1,598,363</u>	<u>\$ (15,533)</u>
<u>\$ 217,031</u>	<u>\$ (217,031)</u>			
\$ 727,959			\$ 727,959	\$ 18,166
457,485			457,485	15,939
<u>\$ 1,185,444</u>			<u>\$ 1,185,444</u>	<u>\$ 34,105</u>
\$ 123,806			\$ 123,806	\$ 6,419
145,645			145,645	(1,832)
15,837			15,837	(1,602)
<u>\$ 285,288</u>			<u>\$ 285,288</u>	<u>\$ 2,985</u>
<u>\$ 1,470,732</u>			<u>\$ 1,470,732</u>	<u>\$ 37,090</u>
\$ 48,562	\$ 41,698	\$ 37,371	\$ 127,631	<u>\$ (52,623)</u>
<u>1,995,865</u>	<u>198,909</u>	<u>472,546</u>	<u>2,667,320</u>	
<u>\$ 2,044,427</u>	<u>\$ 240,607</u>	<u>\$ 509,917</u>	<u>\$ 2,794,951</u>	

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 1,407,479	\$ 1,460,300
Cash paid for designations and allocations	(655,985)	(923,982)
Cash paid to suppliers and employees	(759,531)	(714,031)
Interest received	<u>28,514</u>	<u>33,136</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 20,477</u>	<u>\$ (144,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	\$ (1,239)	\$ (658)
Cash paid for certificates of deposit	(1,361)	(1,437)
Cash paid for purchases of investments	(18,497)	(75,057)
Proceeds from sale of investments	<u>41,418</u>	<u>21,687</u>
Net Cash Provided By (Used For) Investing Activities	<u>\$ 20,321</u>	<u>\$ (55,465)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 40,798</u>	<u>\$ (200,042)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,240,363</u>	<u>1,440,405</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,281,161</u></u>	<u><u>\$ 1,240,363</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS	<u>\$ 75,008</u>	<u>\$ 127,631</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation expense	\$ 5,906	\$ 5,848
Loss on disposal of assets	437	
Realized gain on sale of investments	(25,179)	(2,495)
Unrealized gain on investments	(49,643)	(70,605)
Change in beneficial interest in assets held	(20,351)	(42,667)
Cash flows provided by (used for) asset changes:		
Pledges receivable	(23,702)	52,657
Allowance for uncollectible pledges	(10,516)	(34,419)
Other receivables	(14,925)	877
Prepaid expense	(8,994)	1,471
Cash flows provided by (used for) liability changes:		
Accounts payable	3,477	9,276
Accrued expenses	(1,181)	3,872
Allocations payable	88,335	(165,416)
Designations payable	<u>1,805</u>	<u>(30,607)</u>
Total Adjustments	<u>\$ (54,531)</u>	<u>\$ (272,208)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ 20,477</u></u>	<u><u>\$ (144,577)</u></u>

SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES

In-kind contributions	<u><u>\$ 15,079</u></u>	<u><u>\$ 19,496</u></u>
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UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	Total
Gross distributions	\$ 688,794				\$ 688,794
Emergency allocations	36,271				36,271
Allocations to Legacy Fund	3,000				3,000
Designations paid by others	18,060				18,060
Net Funds Distributed	\$ 746,125				\$ 746,125
Salaries and wages	\$ 220,839	\$ 31,050	\$ 51,750		\$ 303,639
Payroll taxes and benefits	55,532	12,528	20,881		88,941
Total Personnel Costs	\$ 276,371	\$ 43,578	\$ 72,631		\$ 392,580
Processing and accounting services		41,880			41,880
Professional fees	15,231	20,389	3,117		38,737
Contract service fees			667		667
Campaign	23,165		21,485		44,650
Grant expense	35,000				35,000
Marketing and advertising	48,068	9,570	16,455		74,093
Postage	963	223	372		1,558
Office supplies	2,301	556	927		3,784
Telephone	3,118	568	947		4,633
Repair and maintenance	404	119	198		721
Equipment rental and maintenance	7,499	2,037	3,395		12,931
Rent	17,558	4,979	8,298		30,835
Insurance	1,968	580	966		3,514
Conferences, training, and meetings	8,986	2,121	2,926		14,033
Travel	1,996	904	674		3,574
Small equipment	345	102	170		617
Special events	339	44	6,139		6,522
State and local association dues	2,426	715	1,521		4,662
Web page	132	39	65		236
Depreciation	3,391	943	1,572		5,906
Miscellaneous	24,163	878	1,288		26,329
Subtotal	\$ 473,424	\$ 130,225	\$ 143,813		\$ 747,462
United Way of America dues				\$ 14,235	14,235
Total Expenses	\$ 1,219,549	\$ 130,225	\$ 143,813	\$ 14,235	\$ 1,507,822

See accompanying Notes to Financial Statements.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

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

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	Total
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
Net Funds Distributed	\$ 727,959				\$ 727,959
Salaries and wages	\$ 190,895	\$ 30,725	\$ 63,133		\$ 284,753
Payroll taxes and benefits	43,915	9,037	18,569		71,521
Total Personnel Costs	\$ 234,810	\$ 39,762	\$ 81,702		\$ 356,274
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	61,536				61,536
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	9,474	55	4,244		13,773
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	\$ 457,485	\$ 123,806	\$ 145,645		\$ 726,936
United Way of America dues				\$ 15,837	15,837
Total Expenses	\$ 1,185,444	\$ 123,806	\$ 145,645	\$ 15,837	\$ 1,470,732

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, 2018 and 2017, was \$5,906 and \$5,848, 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 Mutual Wealth 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, 2018 and 2017, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling \$15,079 and \$19,496, respectively. In-kind contribution revenue is recognized as follows:

	2018	2017
Professional fees	\$ 79	1,500
Books		2,996
Advertising	15,000	\$ 15,000
	<u>\$ 15,079</u>	<u>\$ 19,496</u>

Contributed Services

During the years ended June 30, 2018 and 2017, 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.

Recent Accounting Pronouncements

In May 2014, the FASB issued the Accounting Standards Update, *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create *Topic 606, Revenue from Contracts with Customers*, and supersede the revenue requirements in *Topic 605, Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification (the Codification). In summary, the core principle of *Topic 606* is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Organization for annual reporting periods beginning July 1, 2019. Management is evaluating the potential impact of this new guidance on the financial statements.

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842)*. The standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard will be effective for fiscal years beginning July 1, 2020. Management is evaluating the potential impact of this new guidance on the financial statements.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued *ASU No. 2016-14 Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*. Under the guidance, not-for-profit entities are required to: (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. That is, a Not For Profit ("NFP") will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes; (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation if using the direct method; (4) provide enhanced disclosure on (a) governing board designations, appropriation, and similar actions that result in self-imposed limits on use of resources without donor-imposed restrictions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period; (c) qualitative information that communicates how the Organization manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date; (d) qualitative information that communicates availability of the Organization's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date; (e) amount of expenses by both their natural and functional classification; (f) methods used to allocate costs among programs and support functions; (g) additional disclosures on underwater endowment funds. The new reporting guidance is effective for fiscal years beginning July 1, 2018. Management is evaluating the potential impact of this new guidance on the financial statements.

In June 2018, the FASB issued *ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for contributions received by the Organization for annual reporting periods beginning July 1, 2019 and for contributions made by the Organization for periods beginning July 1, 2020 with early adoption permitted. Management is evaluating the potential impact of this new guidance on the financial statements.

Date of Management's Review

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.

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.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

The Organization's investments are as follows:

	2018	2017
Investments in certificates of deposit	\$ 374,414	\$ 373,052
United Way Stabilization Fund	544,239	515,572
MutualWealth Management Group investments	516,725	493,490
Total Investments	<u>\$ 1,435,378</u>	<u>\$ 1,382,114</u>

Investment return is as follows:

	2018	2017
Interest and dividends	\$ 26,032	\$ 30,503
Realized gain on investment	25,179	2,495
Unrealized gain on investment	49,643	70,605
Administrative and investment fees	(12,121)	(11,219)
Total Return on Investments	<u>\$ 88,733</u>	<u>\$ 92,384</u>

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, 2018, was as follows:

	Unrestricted	Permanently Restricted	Total
Net Assets, Beginning of Year	\$ 66,643	\$ 509,917	\$ 576,560
Contributions		200	200
Transfers	25,168	(25,168)	
Investment Return:			
Investment income, net of fees		29,410	29,410
Appreciation of investment		20,716	20,716
Grants	(29,975)		(29,975)
Net Assets, End of Year	<u>\$ 61,836</u>	<u>\$ 535,075</u>	<u>\$ 596,911</u>

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

	Unrestricted	Permanently Restricted	Total
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	(19,864)		(19,864)
Net Assets, End of Year	<u>\$ 66,643</u>	<u>\$ 509,917</u>	<u>\$ 576,560</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, 2018 and 2017, are summarized as follows:

	2018	2017
Beneficial interest in assets held by Community Foundation	\$ 535,075	\$ 509,917
Legacy Fund receivable	61,836	66,643
Total assets held by Community Foundation	<u>\$ 596,911</u>	<u>\$ 576,560</u>

4. PLEDGES RECEIVABLE

The pledges receivable balances at June 30, 2018 and 2017, is summarized as follows:

	Pledge Receivable	Allowance for Uncollectible Pledges	Net Balance
June 30, 2018			
2018 campaign, due within one year	\$ 156		\$ 156
2017 campaign, due within one year	446,962	\$ 66,975	379,987
2016 campaign, due within one year	43,947	43,947	
	<u>\$ 491,065</u>	<u>\$ 110,922</u>	<u>\$ 380,143</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	48,053	48,053	
	<u>\$ 467,363</u>	<u>\$ 121,438</u>	<u>\$ 345,925</u>

5. DESIGNATIONS PAYABLE

The designations payable balance at June 30, 2018 and 2017, is summarized as follows:

	2018	2017
2017 Campaign	\$ 89,363	
2016 Campaign	16,890	\$ 88,138
2015 Campaign		16,310
	<u>\$ 106,253</u>	<u>\$ 104,448</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	2018	2017
UnitedIN16	\$ 48,501	\$ 155,255
Time restrictions	96,688	85,352
	<u>\$ 145,189</u>	<u>\$ 240,607</u>

During the years ended June 30, 2018 and 2017, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2018	2017
UnitedIN16	\$ 106,753	\$ 7,745
Work2Gether		87,149
Time restrictions	85,353	122,137
	<u>\$ 192,106</u>	<u>\$ 217,031</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 \$24,507 and \$17,488, respectively, for the years ended June 30, 2018 and 2017.

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, strengthened nonprofits with capacity-building opportunities to successfully carry out their missions. This program was provided in partnership with the Indiana Association of United Ways and served nineteen counties in the Eastern Region of Indiana. The Indiana Nonprofit Network was the leader in delivering practical, easy-to-use information for all levels of nonprofit staff and volunteers. Services offered included workshops and webinars, consulting and custom training services, executive coaching and technical assistance, and library resources. The Network's services provided affordable, accessible, and high-quality public and private workshops, board retreats, consultations, and resource referrals for Indiana nonprofits. Workshops offered included board governance, strategic planning, fundraising, staff and volunteer management, program outcomes and evaluation, as well as, marketing and communications. The Indiana Nonprofit Resource Network program was ended in December 2017.

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, 2018 and 2017, the cash and cash equivalent balance on the statement of financial position included temporarily restricted net assets totaling \$145,189 and \$240,607, 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 years ended June 30, 2018 and 2017, campaign pledges were received from three local contributors which were approximately 21% and 23%, respectively, of the Organization's total current year 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, 2018 and 2017, the balances in these accounts may have exceeded the maximum insurable amount of \$250,000. At June 30, 2018 and 2017, the Organization had accounts in excess of the \$250,000 totaling \$858,551 and \$822,148, respectively. The Organization has not experienced any losses.

12. 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, 2018 and 2017, was \$30,835 and \$29,934, respectively.

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

Year Ending June 30,	Amounts
2019	\$ 30,360
2020	30,360
2021	28,590
2022	28,000
2023	4,667
	<u>\$ 121,977</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****13. 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 MutualWealth Management Group use Level 1 inputs.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

13. 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, 2018				
Legacy Fund receivable	\$ 61,836			\$ 61,836
United Way Stabilization Fund	544,239			544,239
MutualWealth investments	516,725	\$ 516,725		
Beneficial interest in assets held by Community Foundation	535,075			535,075
	<u>\$ 1,657,875</u>	<u>\$ 516,725</u>	<u>\$ 0</u>	<u>\$ 1,141,150</u>
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>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

13. 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, 2018 and 2017:

	2018	2017
Beginning of year	\$ 1,092,132	\$ 994,225
Total Increases (Decreases) Included in		
Changes in Net Assets:		
Interest and dividends	25,008	36,039
Realized gains	44,442	5,564
Unrealized gains - Stabilization Fd	18,803	41,496
Unrealized gains - Beneficial Int	20,716	46,922
Contributions received	200	100
Grants paid	(46,995)	(19,864)
Investment expense	(13,156)	(12,350)
End of year	<u>\$ 1,141,150</u>	<u>\$ 1,092,132</u>

14. 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, 2018 and 2017.



WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

We have audited the financial statements of United Way of Delaware County, Indiana, Inc. for the year ended June 30, 2018, and have issued our report thereon dated May 24, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the *Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 31, 2018. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United Way of Delaware County, Indiana, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2018. Relevant recent accounting pronouncements are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- a. Depreciation: Management depreciates property and equipment using the straight-line method over the estimated useful life of the asset.
- b. Allowance for uncollectible pledges: 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 financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material adjusted items were provided to management as a result of our audit procedures and have been recorded in the general ledger:

- Stabilization Fund activity for the year
- Beneficial interest activity for the year in investments held at the Community Foundation
- MutualWealth investment account activities during the year

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of United Way of Delaware County, Indiana, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



Certified Public Accountants
Muncie, Indiana

May 24, 2019



WHITINGER & COMPANY_{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

May 24, 2019

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

In planning and performing our audit of the financial statements of United Way of Delaware County, Indiana, Inc. as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered United Way of Delaware County, Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in United Way of Delaware County, Indiana, Inc.'s internal control to be significant deficiencies:

Revenue Classification (repeated from prior year)

During our audit field work we noted that MutualWealth investment account distributions had been misapplied as campaign contributions against Old National Bank's remaining pledge balance. MutualWealth distributions are periodically received by the Organization to offset building lease commitments. When received, the funds appear within the checking statement as a direct deposit with little supporting description. We recommend that distributions made from the MutualWealth investment account be requested by the Organization in a manner that would allow notification of incoming funds for the correct accounting classification by UniFi staff.

Bank Reconciliations (repeated from prior year)

During our review of the general operating checking account, we noted there were approximately 70 outstanding checks totaling roughly \$6,200 that were listed on the bank reconciliation work papers which ranged between 6 months and 6 years in age. We recommend upon review of the Organization's bank reconciliations that all outstanding checks and deposits-in-transit not clearing the bank after a few months be investigated to determine whether they are valid so appropriate action may be taken.

Internally Generated Transfers

During the year, a \$5,000 internal transfer of funds within the Community Foundation "health and independence fund" was initiated for the benefit of the Funder's Forum as a grant to CASA. This transfer was not recorded in the accounting records for the Organization because a physical distribution record had not been created or sent for processing. We have discussed with management some possible solutions to these limited situations requiring some form of communication with UniFi staff to record the actual transaction.

Mail Log Review

From our discussion and observation of internal accounting procedures, we noted that the Organization diligently maintains an incoming log of documented mail received. This log has served to provide needed answers to subsequent follow-up questions; however, the log is not necessarily utilized as part of the monthly bank reconciliation process. We recommend that management incorporate a periodic review of the log in conjunction with the review of the detail bank reconciliation by UniFi as a control to assist with ensuring that all incoming deposits are appropriately deposited to the bank and recorded in the accounting records.

This communication is intended solely for the information and use of management, board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Whitiger & Company LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Muncie, Indiana