

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

FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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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 statement of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 17, 2020

FINANCIAL STATEMENTS

1.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2 and 10)	\$ 1,189,798	\$ 1,281,161
Pledges receivable, net of allowance for uncollectible pledges of \$96,654 in 2019 and \$110,922 in 2018 (Note 7)	411,013	380,143
Other receivables		14,925
Legacy fund receivable (Notes 5 and 6)	59,925	61,836
Prepaid expense	<u>27,708</u>	<u>24,812</u>
Total Current Assets	<u>\$ 1,688,444</u>	<u>\$ 1,762,877</u>
PROPERTY AND EQUIPMENT (Note 2)		
Furniture and fixtures	\$ 59,833	\$ 58,673
Less accumulated depreciation	<u>(44,775)</u>	<u>(45,228)</u>
Total Property and Equipment, Net	<u>\$ 15,058</u>	<u>\$ 13,445</u>
OTHER ASSETS		
Investments (Note 4 and 6)	\$ 1,471,980	\$ 1,435,378
Beneficial interest in assets held by Community Foundation (Notes 5 and 6)	<u>524,591</u>	<u>535,075</u>
Total Other Assets	<u>\$ 1,996,571</u>	<u>\$ 1,970,453</u>
Total Assets	<u><u>\$ 3,700,073</u></u>	<u><u>\$ 3,746,775</u></u>

See accompanying Notes to Financial Statements.

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 40,901	\$ 47,956
Accrued expenses	38,461	33,813
Allocations payable	788,401	688,794
Designations payable (Note 8)	<u>107,194</u>	<u>106,253</u>
Total Current Liabilities	<u>\$ 974,957</u>	<u>\$ 876,816</u>
 NET ASSETS		
Without donor restrictions	<u>\$ 2,058,937</u>	<u>\$ 2,189,695</u>
With donor restrictions (Note 9 and 10)		
Subject to purpose and time restrictions	\$ 141,588	\$ 145,189
Perpetual in nature	<u>524,591</u>	<u>535,075</u>
	<u>\$ 666,179</u>	<u>\$ 680,264</u>
Total Net Assets	<u>\$ 2,725,116</u>	<u>\$ 2,869,959</u>
Total Liabilities and Net Assets	<u><u>\$ 3,700,073</u></u>	<u><u>\$ 3,746,775</u></u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Gross campaign results	\$ 1,353,517	\$ 130,983	\$ 1,484,500
Donor designations	(141,676)		(141,676)
Provision for uncollectible pledges	(19,588)		(19,588)
Net Campaign Results	\$ 1,192,253	\$ 130,983	\$ 1,323,236
Designations from other United Ways	3,826		3,826
Service fees	11,220		11,220
Grants		5,000	5,000
In-kind contributions	22,260		22,260
Special events	49,271	2,500	51,771
Indiana Not-for-Profit Resource Network			
Income from endowment fund	26,213		26,213
Interest income	2,420		2,420
Investment income	29,461		29,461
Change in beneficial interest in assets held by Community Foundation	(1,911)	(10,484)	(12,395)
Loss on disposal of assets			
Miscellaneous income	1,410		1,410
Total Support and Revenue	\$ 1,336,423	\$ 127,999	\$ 1,464,422
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 142,084	\$ (142,084)	
EXPENSES			
Net funds distributed	\$ 804,382		\$ 804,382
Other program services	457,867		457,867
Total Program Services	\$ 1,262,249		\$ 1,262,249
Management and general	\$ 133,675		\$ 133,675
Fundraising	198,534		198,534
Unallocated payment to affiliate	14,807		14,807
Total Support Services	\$ 347,016		\$ 347,016
Total Expenses	\$ 1,609,265		\$ 1,609,265
CHANGE IN NET ASSETS	\$ (130,758)	\$ (14,085)	\$ (144,843)
NET ASSETS, BEGINNING OF YEAR	2,189,695	680,264	2,869,959
NET ASSETS, END OF YEAR	\$ 2,058,937	\$ 666,179	\$ 2,725,116

See accompanying Notes to Financial Statements.

2018			
Without Donor Restrictions	With Donor Restrictions	Totals	Change
\$ 1,378,969	\$ 96,688	\$ 1,475,657	\$ 8,843
(132,600)		(132,600)	(9,076)
(36,757)		(36,757)	17,169
\$ 1,209,612	\$ 96,688	\$ 1,306,300	\$ 16,936
7,927		7,927	(4,101)
12,793		12,793	(1,573)
37,000		37,000	(32,000)
15,079		15,079	7,181
41,887		41,887	9,884
19,645		19,645	(19,645)
29,975		29,975	(3,762)
2,483		2,483	(63)
88,733		88,733	(59,272)
(4,807)	25,158	20,351	(32,746)
(437)		(437)	437
1,094		1,094	316
\$ 1,460,984	\$ 121,846	\$ 1,582,830	\$ (118,408)
\$ 192,106	\$ (192,106)		
\$ 746,125		\$ 746,125	\$ 58,257
473,424		473,424	(15,557)
\$ 1,219,549		\$ 1,219,549	\$ 42,700
\$ 130,225		\$ 130,225	\$ 3,450
143,813		143,813	54,721
14,235		14,235	572
\$ 288,273		\$ 288,273	\$ 58,743
\$ 1,507,822		\$ 1,507,822	\$ 101,443
\$ 145,268	\$ (70,260)	\$ 75,008	\$ (219,851)
2,044,427	750,524	2,794,951	
\$ 2,189,695	\$ 680,264	\$ 2,869,959	

5.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 1,406,731	\$ 1,407,479
Cash paid for designations and allocations	(703,834)	(655,985)
Cash paid to suppliers and employees	(796,924)	(759,531)
Interest received	33,265	28,514
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Operating Activities	\$ (60,762)	\$ 20,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	\$ (4,834)	\$ (1,239)
Cash paid for certificates of deposit	(1,272)	(1,361)
Cash paid for purchases of investments	(189,561)	(18,497)
Proceeds from sale of investments	165,066	41,418
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Investing Activities	\$ (30,601)	\$ 20,321
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (91,363)	\$ 40,798
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,281,161</u>	<u>1,240,363</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,189,798</u></u>	<u><u>\$ 1,281,161</u></u>

See accompanying Notes to Financial Statements.

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

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS	\$ (144,843)	\$ 75,008
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation expense	\$ 3,222	\$ 5,906
Loss on disposal of assets		437
Realized gain on sale of investments	(9,627)	(25,179)
Unrealized gain on investments	(1,209)	(49,643)
Change in beneficial interest in assets held	12,395	(20,351)
Cash flows provided by (used for) asset changes:		
Pledges receivable	(16,602)	(23,702)
Allowance for uncollectible pledges	(14,268)	(10,516)
Other receivables	14,925	(14,925)
Prepaid expense	(2,896)	(8,994)
Cash flows provided by (used for) liability changes:		
Accounts payable	(7,055)	3,477
Accrued expenses	4,648	(1,181)
Allocations payable	99,607	88,335
Designations payable	<u>941</u>	<u>1,805</u>
Total Adjustments	<u>\$ 84,081</u>	<u>\$ (54,531)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (60,762)</u>	<u>\$ 20,477</u>

SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES

In-kind contributions	<u>\$ 22,260</u>	<u>\$ 15,079</u>
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UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	Total
Gross distributions	\$ 786,830				\$ 786,830
Emergency allocations	14,387				14,387
Designations paid by others	<u>3,165</u>				<u>3,165</u>
Net Funds Distributed	<u>\$ 804,382</u>				<u>\$ 804,382</u>
Salaries and wages	\$ 215,774	\$ 40,027	\$ 67,558		\$ 323,359
Payroll taxes and benefits	<u>66,798</u>	<u>10,188</u>	<u>17,192</u>		<u>94,178</u>
Total Personnel Costs	\$ 282,572	\$ 50,215	\$ 84,750		\$ 417,537
Processing and accounting services		41,662			41,662
Professional fees	(500)	19,056			18,556
Contract service fees	1,106		18		1,124
Campaign	21,589		45,403		66,992
Grant expense	30,471				30,471
Marketing and advertising	44,072	7,534	18,359		69,965
Postage	1,558	437	738		2,733
Office supplies	2,203	157	961		3,321
Telephone	2,502	702	1,185		4,389
Repair and maintenance	4,471	1,255	2,118		7,844
Equipment rental and maintenance	11,637	3,266	5,512		20,415
Rent	17,569	4,932	8,322		30,823
Insurance	3,437	965	1,628		6,030
Conferences, training, and meetings	3,307	784	4,714		8,805
Travel	1,166	208	351		1,725
Small equipment	154	43	73		270
Special events	524	68	15,933		16,525
State and local association dues	5,040	1,387	2,477		8,904
Web page	533	150	253		936
Depreciation	1,873	502	847		3,222
Miscellaneous	22,583	352	4,892		27,827
Subtotal	<u>\$ 457,867</u>	<u>\$ 133,675</u>	<u>\$ 198,534</u>		<u>\$ 790,076</u>
United Way of America dues				\$ 14,807	14,807
Total Expenses	<u>\$ 1,262,249</u>	<u>\$ 133,675</u>	<u>\$ 198,534</u>	<u>\$ 14,807</u>	<u>\$ 1,609,265</u>

See accompanying Notes to Financial Statements.

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.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

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.

During the year, the Organization expanded its services within Indiana to provide support to the community of Henry County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization maintains its accounting on the accrual basis, and accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: "net assets with donor restrictions" and "net assets without donor restrictions".

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Cash and Cash Equivalents*

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

The Organization maintains certificates of deposits with local financial institutions having maturity dates that exceed three months. It also holds assets invested with The Community Foundation of Muncie & Delaware County, Inc. (the Foundation) in a fund known as the United Way Stabilization Fund and in a brokerage account with MutualWealth Management Group.

The Foundation combines all participating organizations' funds, which it manages, as a pooled fund. Investment earnings within the Foundation fund 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 fund consists of various investments such as, alternative investments, equities, and equity and fixed income mutual funds.

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 held in the brokerage account are recorded on the trade date and 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.

Property and Equipment

Property and equipment are stated at cost as of the date of purchase or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. It is generally the policy of the Organization to capitalize fixed assets over the amount of \$1,000.

Depreciation expense is computed using the straight-line method over the estimated useful lives of office furniture and equipment of 3 to 20 years.

Depreciation expense for the years ended June 30, 2019 and 2018, was \$3,222 and \$5,906, respectively.

When assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in activities. Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the assets involved are treated as additions to property and equipment.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support, Revenue, and Pledges

In accordance with FASB ASC 958, *Not-for-Profit Entities*, contributions received are recorded as support “with donor restrictions” and “without donor restrictions”, depending on the existence and/or nature of any donor restrictions. FASB ASC 605-205-15 *Accounting for Contributions Received and Made*, requires that “unconditional promises to give” be recorded as receivables and revenue; and requires the organization to distinguish between contributions received for each net asset category in accordance with donor restrictions.

Contributions are generally considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received as restricted by the donor for a specific purpose are reported as restricted until such time as the donor’s restriction expires. Restrictions are normally removed when the contributions are expended for the purpose restricted by the donor or the project for which the contributions were specifically donated is completed. When a donor stipulated time restriction ends, or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

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 by the donor for future periods, or for specific purposes, are reported as support with donor restrictions.

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, 2019 and 2018, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling \$22,260 and \$15,079, respectively. In-kind contribution revenue is recognized as follows:

	2019	2018
Professional fees	\$ 30	\$ 79
Special events	5,879	
Advertising	16,351	15,000
	<u>\$ 22,260</u>	<u>\$ 15,079</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Donated Services*

During the years ended June 30, 2019 and 2018, 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.

Advertising

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

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. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting services benefited. 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.

Income Taxes

The Organization is a not-for-profit organization incorporated under the laws of the State of Indiana and is exempt from the payment of federal income taxes under *Section 501(c)(3)* of the *Internal Revenue Code*. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after they were filed.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***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 prior year amounts have been reclassified in the financial statements to conform to the current year presentation format.

Change in Accounting Principle

In August 2016, the FASB issued the Accounting Standards Update, *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 previously 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 previously 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 previously 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 reporting guidance in this *ASU* is effective for the Organization's year ended June 30, 2019.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***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 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.

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, 2021. 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

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, are comprised as follows:

	2019	2018
Operating Financial Assets:		
Cash and cash equivalents (without donor restriction)	\$ 1,048,210	\$ 1,135,972
Pledges receivable, net of allowance for uncollectible pledges	411,013	380,143
Other receivables		14,925
Legacy fund receivable	59,925	61,836
Investments	1,212,124	1,204,143
	<u>\$ 2,731,272</u>	<u>\$ 2,797,019</u>

Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:

Net assets without donor restrictions	\$ 2,058,937	\$ 2,189,695
Less:		
Prepaid expense	(27,708)	(24,812)
Property and equipment, net	(15,058)	(13,445)
Investments (long-term)	(259,856)	(231,235)
Add:		
Accounts payable	40,901	47,956
Accrued expenses	38,461	33,813
Allocations payable	788,401	688,794
Designations payable	107,194	106,253
	<u>\$ 2,731,272</u>	<u>\$ 2,797,019</u>

The Organization's annual operating cash needs are determined during their budgeting process. Cash is regularly monitored and evaluated by management. General expenditures include administration, fundraising, and program services that are expected to be paid in a subsequent year. Investments included in operating financial assets exclude the certificates of deposit with long-term maturities.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

The Organization's investments are as follows:

	2019	2018
Investments in certificates of deposit	\$ 375,686	\$ 374,414
United Way Stabilization Fund	569,453	544,239
MutualWealth Management Group investments	526,841	516,725
Total Investments	<u>\$ 1,471,980</u>	<u>\$ 1,435,378</u>

Investment return is as follows:

	2019	2018
Interest and dividends	\$ 30,845	\$ 26,032
Realized gain on investment	9,627	25,179
Unrealized gain on investment	1,209	49,643
Administrative and investment fees	(12,220)	(12,121)
Total Return on Investments	<u>\$ 29,461</u>	<u>\$ 88,733</u>

5. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization retains a beneficial interest in five 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 perpetual donor 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 prior to the year of distribution. 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 assets without donor restrictions. Any change in the value of the beneficial interest in the funds is reported as an increase or decrease in net assets with donor restrictions.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Change in endowment net assets for the year ended June 30, 2019, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	\$ 61,836	\$ 535,075	\$ 596,911
Contributions		100	100
Transfers	24,810	(24,810)	
Investment Return:			
Investment income, net of fees		14,043	14,043
Appreciation of investment		183	183
Grants	(26,721)		(26,721)
Net Assets, End of Year	<u>\$ 59,925</u>	<u>\$ 524,591</u>	<u>\$ 584,516</u>

Change in endowment net assets for the year ended June 30, 2018, was as follows:

	Without Donor Restrictions	With Donor Restrictions	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>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

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

Assets held by Community Foundation as of June 30, 2019 and 2018, are summarized as follows:

	2019	2018
Beneficial interest in assets held by Community Foundation	\$ 524,591	\$ 535,075
Legacy Fund receivable	59,925	61,836
Total assets held by Community Foundation	<u>\$ 584,516</u>	<u>\$ 596,911</u>

6. 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 the 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

6. 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, 2019				
Legacy Fund receivable	\$ 59,925			\$ 59,925
United Way Stabilization Fund	569,453			569,453
MutualWealth investments	526,841	\$ 526,841		
Beneficial interest in assets held by Community Foundation	524,591			524,591
	<u>\$ 1,680,810</u>	<u>\$ 526,841</u>	<u>\$ 0</u>	<u>\$ 1,153,969</u>
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>

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, 2019 and 2018:

	2019	2018
Beginning of year	\$ 1,141,150	\$ 1,092,132
Total Increases (Decreases) Included in Changes in Net Assets:		
Interest and dividends	30,179	25,008
Realized gains	10,261	44,442
Unrealized gains - Stabilization Fund	11,820	18,803
Unrealized gains - Beneficial Interest	183	20,716
Contributions received	100	200
Grants paid	(26,721)	(46,995)
Investment expense	(13,003)	(13,156)
End of year	<u>\$ 1,153,969</u>	<u>\$ 1,141,150</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

7. PLEDGES RECEIVABLE

The pledges receivable balances at June 30, 2019 and 2018, is summarized as follows:

	Pledge Receivable	Allowance for Uncollectible Pledges	Net Balance
June 30, 2019			
2019 campaign, due within one year	\$ 30,023		\$ 30,023
2018 campaign, due within one year	434,905	\$ 53,915	380,990
2017 campaign, due within one year	42,739	42,739	
	<u>\$ 507,667</u>	<u>\$ 96,654</u>	<u>\$ 411,013</u>
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>

8. DESIGNATIONS PAYABLE

The designations payable balance at June 30, 2019 and 2018, is summarized as follows:

	2019	2018
2018 Campaign	\$ 90,302	
2017 Campaign	16,892	\$ 89,363
2016 Campaign		16,890
	<u>\$ 107,194</u>	<u>\$ 106,253</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, donor restricted net assets consist of:

	2019	2018
Perpetual endowment funds	\$ 524,591	\$ 535,075
UnitedIN16	3,105	48,501
Time restrictions	138,483	96,688
	<u>\$ 666,179</u>	<u>\$ 680,264</u>

During the years ended June 30, 2019 and 2018, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2019	2018
UnitedIN16	\$ 45,396	\$ 106,753
Time restrictions	96,688	85,353
	<u>\$ 142,084</u>	<u>\$ 192,106</u>

10. DONOR RESTRICTED NET ASSET CASH BALANCES

At June 30, 2019 and 2018, the cash and cash equivalent balance on the statement of financial position included donor restricted net assets totaling \$141,588 and \$145,189, respectively.

11. OPERATING LEASES

The Organization leases real estate and office equipment under operating leases which require monthly minimum lease payments totaling approximately \$2,824. Total lease expense for the years ended June 30, 2019 and 2018, was \$30,823 and \$30,835, respectively.

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

Year Ending June 30,	Amounts
2020	\$ 33,892
2021	34,523
2022	32,753
2023	5,360
	<u>\$ 106,528</u>

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****12. DESCRIPTION OF PROGRAM SERVICES**

United Way of Delaware County fights for the education, financial stability and health of every person in every community. The organization works with donors, volunteers, and advocates with a goal to end generational poverty. Nearly half of Delaware and Henry Counties' households struggle. Respectively between the two counties, 21% and 16% live in poverty and 27% and 28% of households are working, yet they are living one crisis away from sliding into poverty. Through community investments, as well as direct service programs, the Organization positively impacts the quality of life for all who reside in the communities. 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 to prevent future problems.

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, employee working to address reading proficiency for third graders. United Way of Delaware County runs direct service programs, utilizing community volunteers at elementary schools to ensure reading success for students. 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.

13. RETIREMENT 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 \$18,620 and \$24,507, respectively, for the years ended June 30, 2019 and 2018.

14. 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, 2019 and 2018, campaign pledges were received from three local contributors which were approximately 22% and 21%, respectively, of the Organization's total current year gross campaign results.

UNITED WAY OF DELAWARE COUNTY, INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****15. 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, 2019 and 2018, the balances in these accounts may have exceeded the maximum insurable amount of \$250,000. At June 30, 2019 and 2018, the Organization had accounts in excess of the \$250,000 totaling \$781,481 and \$858,551, respectively. The Organization has not experienced any losses.

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.

16. 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, 2019 and 2018.

17. SUBSEQUENT EVENTS

Subsequent to year end, the Organization assumed responsibilities for the United Way campaign and program services operated within Randolph County, Indiana.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization declared that the outbreak constituted a "Public Health Emergency of International Concern." The outbreak has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of the outbreak on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees and vendors all of which are uncertain and cannot be predicted. The extent of impact to financial condition or results of operations is uncertain.