

FINANCIAL REPORT

UNITED WAY OF ST. JOSEPH COUNTY, INC.

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of St. Joseph County, Inc.
South Bend, Indiana

We have audited the accompanying financial statements of United Way of St. Joseph County, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 St. Joseph County, 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.

Cullar & Associates, P.C.

South Bend, Indiana
September 27, 2018

UNITED WAY OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018			2017		
	<u>Unrestricted</u>	Temporarily		<u>Unrestricted</u>	Temporarily	
		<u>Restricted</u>	<u>Totals</u>		<u>Restricted</u>	<u>Totals</u>
Assets:						
Current Assets:						
Cash and cash equivalents	\$ 1,191,431	\$ 278,799	\$ 1,470,230	\$ 1,355,256	\$ 271,467	\$ 1,626,723
Certificates of deposit	410,612	-	410,612	410,000	-	410,000
Accounts receivable	42,054	27,000	69,054	61,543	6,000	67,543
Pledges receivable	-	708,428	708,428	-	782,842	782,842
Prepaid expenses	9,533	-	9,533	9,589	-	9,589
<i>Total current assets</i>	<u>1,653,630</u>	<u>1,014,227</u>	<u>2,667,857</u>	<u>1,836,388</u>	<u>1,060,309</u>	<u>2,896,697</u>
Long-Term Assets:						
Certificates of deposit	100,000	-	100,000	100,000	-	100,000
Beneficial interests in assets held by the Community Foundation	499,014	-	499,014	479,395	-	479,395
Property and equipment	84,995	-	84,995	109,300	-	109,300
<i>Total long-term assets</i>	<u>684,009</u>	<u>-</u>	<u>684,009</u>	<u>688,695</u>	<u>-</u>	<u>688,695</u>
<i>Total assets</i>	<u>\$ 2,337,639</u>	<u>\$ 1,014,227</u>	<u>\$ 3,351,866</u>	<u>\$ 2,525,083</u>	<u>\$ 1,060,309</u>	<u>\$ 3,585,392</u>
Liabilities and Net Assets:						
Current Liabilities:						
Accounts payable	\$ 1,646	\$ -	\$ 1,646	\$ 6,683	\$ -	\$ 6,683
Accrued liabilities	24,694	-	24,694	30,892	-	30,892
Allocations payable	700,000	-	700,000	930,000	-	930,000
Designations payable	147,755	-	147,755	166,719	-	166,719
Funds held for others	51,547	-	51,547	144,450	-	144,450
Current portion of capital lease obligations	2,318	-	2,318	2,129	-	2,129
<i>Total current liabilities</i>	<u>927,960</u>	<u>-</u>	<u>927,960</u>	<u>1,280,873</u>	<u>-</u>	<u>1,280,873</u>
Long-term portion of capital lease obligation	8,256	-	8,256	10,574	-	10,574
<i>Total liabilities</i>	<u>936,216</u>	<u>-</u>	<u>936,216</u>	<u>1,291,447</u>	<u>-</u>	<u>1,291,447</u>
Net Assets:						
Unrestricted:						
Board designated	1,082,575	-	1,082,575	1,029,259	-	1,029,259
Undesignated	318,848	-	318,848	204,377	-	204,377
<i>Total unrestricted net assets</i>	<u>1,401,423</u>	<u>-</u>	<u>1,401,423</u>	<u>1,233,636</u>	<u>-</u>	<u>1,233,636</u>
Temporarily restricted	-	1,014,227	1,014,227	-	1,060,309	1,060,309
<i>Total net assets</i>	<u>1,401,423</u>	<u>1,014,227</u>	<u>2,415,650</u>	<u>1,233,636</u>	<u>1,060,309</u>	<u>2,293,945</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,337,639</u>	<u>\$ 1,014,227</u>	<u>\$ 3,351,866</u>	<u>\$ 2,525,083</u>	<u>\$ 1,060,309</u>	<u>\$ 3,585,392</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Contributions and Revenues:						
Annual campaign contributions:						
Total donor pledges	\$ -	\$ 1,856,384	\$ 1,856,384	\$ -	\$ 2,149,921	\$ 2,149,921
Less donor designations	-	(193,128)	(193,128)	-	(253,269)	(253,269)
Less provision for uncollectible pledges	-	(104,885)	(104,885)	-	(104,796)	(104,796)
<i>Net annual campaign contributions</i>	-	1,558,371	1,558,371	-	1,791,856	1,791,856
Other contributions	13,357	37,490	50,847	106,619	215,554	322,173
Grants	234,108	388,678	622,786	378,014	315,277	693,291
Sponsorships	46,347	-	46,347	49,292	-	49,292
Donated goods and services	185,907	-	185,907	173,712	-	173,712
Contracted services	107,415	-	107,415	100,363	-	100,363
Investment income	28,470	-	28,470	26,580	-	26,580
Change in beneficial interests in assets						
held by the Community Foundation	19,619	-	19,619	30,637	-	30,637
Other	38	-	38	1,621	-	1,621
Net assets released from restrictions	<u>2,030,621</u>	<u>(2,030,621)</u>	<u>-</u>	<u>2,149,802</u>	<u>(2,149,802)</u>	<u>-</u>
<i>Total contributions and revenues</i>	<u>2,665,882</u>	<u>(46,082)</u>	<u>2,619,800</u>	<u>3,016,640</u>	<u>172,885</u>	<u>3,189,525</u>
Expenses:						
Community impact	1,601,927	-	1,601,927	1,863,134	-	1,863,134
Communications impact	37,395	-	37,395	79,884	-	79,884
Labor and financial stability	155,551	-	155,551	131,855	-	131,855
My United Way 2-1-1	<u>107,845</u>	<u>-</u>	<u>107,845</u>	<u>129,706</u>	<u>-</u>	<u>129,706</u>
<i>Total program service expenses</i>	1,902,718	-	1,902,718	2,204,579	-	2,204,579
Management and general	242,771	-	242,771	254,077	-	254,077
Fundraising	<u>352,606</u>	<u>-</u>	<u>352,606</u>	<u>332,012</u>	<u>-</u>	<u>332,012</u>
<i>Total expenses</i>	<u>2,498,095</u>	<u>-</u>	<u>2,498,095</u>	<u>2,790,668</u>	<u>-</u>	<u>2,790,668</u>
Change in net assets	167,787	(46,082)	121,705	225,972	172,885	398,857
Net assets, beginning of year	<u>1,233,636</u>	<u>1,060,309</u>	<u>2,293,945</u>	<u>1,007,664</u>	<u>887,424</u>	<u>1,895,088</u>
<i>Net assets, end of year</i>	<u>\$ 1,401,423</u>	<u>\$ 1,014,227</u>	<u>\$ 2,415,650</u>	<u>\$ 1,233,636</u>	<u>\$ 1,060,309</u>	<u>\$ 2,293,945</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Community <u>Impact</u>	Communications <u>Impact</u>	Labor and Financial <u>Stability</u>	My United Way <u>2-1-1</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Funds allocated to							
member agencies	\$ 697,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697,500
Project expenses	187,021	-	-	-	-	-	187,021
Personnel	466,798	595	117,284	-	181,336	248,380	1,014,393
Data processing	-	-	-	-	3,373	-	3,373
Outside services	28,206	2,896	2,377	107,500	10,887	1,884	153,750
Printing and office supplies	15,803	5,721	3,132	326	2,679	27,547	55,208
Telephone	1,853	1,853	1,853	-	1,853	1,853	9,265
Postage and shipping	1,027	286	332	19	1,507	3,889	7,060
Conferences and travel	16,302	823	2,276	-	1,468	6,818	27,687
Local transportation	1,627	-	697	-	1,164	2,023	5,511
Equipment rentals							
and repairs	7,711	3,589	5,457	-	7,569	8,402	32,728
Occupancy	7,333	8,154	7,332	-	9,237	7,333	39,389
Dues to affiliated organizations	7,246	7,246	7,246	-	7,246	7,246	36,230
Other dues, permits, and fees	461	894	43	-	633	273	2,304
Recruiting	3,558	-	-	-	-	-	3,558
Donated goods							
and services	152,579	-	-	-	3,806	29,522	185,907
Other	1,664	100	2,284	-	4,775	2,198	11,021
Depreciation	5,238	5,238	5,238	-	5,238	5,238	26,190
<i>Totals</i>	<u>\$ 1,601,927</u>	<u>\$ 37,395</u>	<u>\$ 155,551</u>	<u>\$ 107,845</u>	<u>\$ 242,771</u>	<u>\$ 352,606</u>	<u>\$ 2,498,095</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Community <u>Impact</u>	Communications <u>Impact</u>	Labor and Financial <u>Stability</u>	My United Way <u>2-1-1</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Funds allocated to							
member agencies	\$ 875,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,000
Project expenses	304,560	-	-	-	-	-	304,560
Personnel	412,692	31,677	100,484	19,173	180,736	227,891	972,653
Data processing	-	-	-	-	2,860	-	2,860
Outside services	41,547	4,437	78	109,500	14,737	4,968	175,267
Printing and office supplies	22,620	12,577	4,054	120	5,120	32,447	76,938
Telephone	1,789	1,789	1,789	-	1,789	1,789	8,945
Postage and shipping	4,238	350	493	-	1,780	4,425	11,286
Conferences and travel	19,961	704	526	-	1,433	4,362	26,986
Local transportation	3,260	70	4	776	1,810	1,607	7,527
Equipment rentals							
and repairs	14,040	3,904	4,372	-	7,736	6,919	36,971
Occupancy	6,827	6,827	6,827	-	9,908	7,314	37,703
Dues to affiliated organizations	6,156	6,156	6,156	-	6,156	6,156	30,780
Other dues, permits, and fees	269	980	170	137	670	554	2,780
Recruiting	1,332	-	-	-	1,338	-	2,670
Donated goods							
and services	139,893	3,511	-	-	4,921	25,387	173,712
Other	2,048	-	-	-	6,181	1,291	9,520
Depreciation	6,902	6,902	6,902	-	6,902	6,902	34,510
<i>Totals</i>	<u>\$ 1,863,134</u>	<u>\$ 79,884</u>	<u>\$ 131,855</u>	<u>\$ 129,706</u>	<u>\$ 254,077</u>	<u>\$ 332,012</u>	<u>\$ 2,790,668</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Change in net assets	\$ 121,705	\$ 398,857
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,190	34,510
Accrued interest on certificate of deposit	(612)	-
Changes in assets and liabilities:		
Accounts receivable	(1,511)	(38,839)
Pledges receivable	74,414	85,868
Prepaid expenses	56	4,282
Beneficial interests in assets held by the Community Foundation	(19,619)	(30,637)
Accounts payable	(5,037)	4,983
Accrued liabilities	(6,198)	(18,176)
Allocations payable	(230,000)	40,000
Designations payable	(18,964)	7,547
Funds held for others	<u>(92,903)</u>	<u>(215,400)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(152,479)</u>	<u>272,995</u>
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	-	(100,000)
Purchase of property and equipment	<u>(1,885)</u>	-
<i>Net cash (used in) financing activities</i>	<u>(1,885)</u>	<u>(100,000)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	<u>(2,129)</u>	<u>(7,590)</u>
Net change in cash and cash equivalents	(156,493)	165,405
Cash and cash equivalents, beginning of year	<u>1,626,723</u>	<u>1,461,318</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,470,230</u>	<u>\$ 1,626,723</u>
 <i>Supplemental Cash Flows Information:</i>		
Interest paid	<u>\$ 998</u>	<u>\$ 602</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Equipment acquired by capital lease	<u>\$ -</u>	<u>\$ 12,703</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

United Way of St. Joseph County, Inc. (the Organization) is an Indiana nonprofit corporation that, with the help of thousands of volunteers, strives to identify, address, and, where possible, resolve human service needs in St. Joseph County, Indiana. Its operations are supported primarily by individual and corporate donations and grants.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Significant estimates used in the accompanying financial statements include-

- The allowance for uncollectible pledges receivable, which is based on historical loss experience, known information about individual donors, and general economic conditions. It is reasonably possible that uncollectible pledges will exceed the allowance.
- The valuation of the beneficial interests in assets held by the Community Foundation, which is based on the value of the underlying assets, as provided by the Community Foundation that holds the assets and which approximates the present value of expected future distributions.
- The allocations of certain costs among functions, which are based on time and facility usage studies and other cost allocation methods.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets-

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* are those received with permanent donor stipulations. Investment return on permanently restricted net assets that is available for distribution is recorded as unrestricted or temporarily restricted net assets, depending upon whether there are donor restrictions on investment return. The Organization does not currently have any permanently restricted net assets.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Certificates of deposit:

Certificates of deposit are stated at maturity value, which approximates market value. Certificates with original maturities of more than three months and with remaining maturities of twelve months or less are classified as current assets. Certificates with remaining maturities of more than twelve months are classified as long-term assets.

Accounts receivable and fees-for-service and grants awards:

Revenue from fee-for-service awards is recognized when eligible services are rendered under the terms of the awards. Revenue from cost-reimbursement awards is recognized when costs allowable under the terms of the awards are incurred. Advances received in excess of eligible services or allowable costs are reported as liabilities.

Accounts receivable are stated at the outstanding principle balance, net of any charge-offs and an allowance for doubtful accounts. The Organization provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer deemed probable and an allowance based upon the level of total accounts receivable balances. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not generally charge interest on its accounts receivable. No allowance for doubtful accounts receivable was considered necessary at either June 30, 2018 or 2017.

Pledges:

The Organization reports gifts and grants of cash and other assets as revenue when unconditionally promised, and considers such gifts to be available for unrestricted use unless specifically restricted by donor. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Organization conducts an annual pledge campaign, from which allocations are made to member agencies. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

A portion of pledges received are designated by the donors for specific member agencies (Donors Choice). Because the Organization acts as an agent with respect to such pledges, no income or expense is recognized for Donor's Choice pledges. Donor's Choice pledges are

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

included in pledges receivable, with a related liability recorded for the same amount, which is reported as designations payable in the accompanying statements of financial position. The costs to generate and distribute designated pledges are reported as fundraising expenses. The Organization is generally allowed to deduct a certain portion of such pledges, which is recognized as income when the related pledges are received and included in annual campaign contributions the accompanying statements of activities.

Pledges for specific priorities, programs, or population groups are recorded as temporarily restricted net assets.

The Organization provides an allowance for doubtful pledges based upon the specific identification of receivables where collection is no longer deemed probable and an allowance based upon the level of receivable balances. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received. The Organization does not charge interest on its pledges receivable.

Donated goods and services:

The Organization receives donated goods and services for its annual campaign and for other programs. Contributed goods are recorded at estimated fair value. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. In addition, a substantial number of unpaid volunteers make significant contributions of their time to the Organization that does not meet the criteria to be recognized in the financial statements.

Beneficial interests in assets held by the Community Foundation:

The Organization recognizes its beneficial rights in assets held by others unless the donor has granted the recipient organization variance power. However, if the Organization is both the donor and the beneficiary of the assets, those rights are recognized even if the recipient organization has been granted variance power.

Beneficial interests in assets held by the Community Foundation of St. Joseph County, Inc. is stated at fair value, based on the value of the underlying assets, as provided by the Community Foundation and which approximates the present value of expected future distributions. Changes in the value of beneficial interests are included in revenues in the statements of activity.

Property and equipment:

Property and equipment is stated at cost if purchased, or at fair market value at the date of receipt if donated, less accumulated depreciation and less any impairment. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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Building and improvements..... 10-25 years
Furniture and equipment 5-10 years

Allocations to member agencies:

The Organization provides annual allocations to its member agencies from its annual fundraising campaign, generally by June 30, payable over the next twelve months provided that the member agencies comply with the agency agreement. Such allocations are recorded when unconditionally promised, and the balance of amounts payable is reported as allocations payable in the accompanying statements of financial position. Allocations payable at June 30, 2018 pertain to the campaign year ended June 30, 2018, and allocations payable at June 30, 2017 pertain to the campaign year ended June 30, 2017. All allocations are payable in the next year, and there is no unamortized discount on the allocations.

Funds held for others:

The Organization participates in Project Lead the Way, a regional education initiative with the objective of providing access to STEM-focused curriculum to all schools in St. Joseph County. As part of its participation, the Organization acts as fiscal agent for the Project. The Organization also occasionally acts as a fiscal agent for other entities. The amount of cash and pledges collected under these agreements is reported in the accompanying statements of financial position as both an asset and a liability. No revenues or expenses are reported in the accompanying statements of activities and functional expenses for pledges collected or disbursed under these agreements.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated business income. Consequently, the accompanying financial statements do not include any provision for income taxes except for tax on unrelated business income. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either June 30, 2018 or 2017, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years ending prior to June 30, 2014.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Functional expense allocations:

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of time and facility usage studies and other cost allocation methods.

Subsequent events:

The date through which events occurring subsequent to June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosure is September 27, 2018, the date on which the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give to the Organization's annual campaign, and are reported net of an allowance for uncollectibles of \$104,559 and \$120,631 at June 30, 2018 and 2017, respectively. All amounts are expected to be collected in the next year; consequently, there is no discount for imputed interest on pledges receivable at either June 30, 2018 or 2017.

NOTE 3. BENEFICIAL INTERESTS IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Organization is the beneficiary of two endowment funds held by the Community Foundation of St. Joseph County, Inc. (the Community Foundation) to which both the Organization and others have donated. The Organization and the other donors granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. The Organization has made total accumulated contributions to the funds of \$291,200, all of which were made prior to 2017. The value of that portion of the funds attributable to contributions by the Organization is \$499,014 and \$479,395 at June 30, 2018 and 2017, respectively. Distributions of \$23,289 and \$23,324 were made from that portion of the funds in the years ended June 30, 2018 and 2017, respectively, which are included in investment income. The change in value of that portion of the funds, net of distributions, was \$19,619 and \$30,637 for the years ended June 30, 2018 and 2017, respectively, which is included in revenues in the accompanying statements of activities.

The value of the portions of the funds attributable to contributions by others is not recorded as an asset because those portions were funded by other donors who granted Community Foundation variance power. The value of that portion of the funds was \$106,046 and \$102,728, at June 30, 2018 and 2017, respectively. Distributions of \$4,985 and \$3,709 were made from that portion of the funds in the years ended June 30, 2018 and 2017, respectively, which are included in other contributions revenue in the accompanying statements of activities.

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NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 717,300	\$ 715,415
Furniture and equipment	<u>157,995</u>	<u>157,995</u>
	875,295	873,410
Less accumulated depreciation	<u>(790,300)</u>	<u>(764,110)</u>
<i>Net property and equipment</i>	<u>\$ 84,995</u>	<u>\$ 109,300</u>

NOTE 5. CAPITAL LEASE OBLIGATIONS

At June 30, 2018, the Organization was leasing certain office equipment requiring monthly payments of \$261 through June 2022. The assets and liabilities for these leases were originally recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The cost of the capital-leased assets was \$12,703 at both June 30, 2018 and 2017, and the related accumulated amortization was \$2,752 and \$212 at June 30, 2018 and 2017, respectively. The assets are amortized over the lesser of the related lease terms or productive lives of the assets, and amortization of the capital-leased assets included in depreciation expense is \$2,540 and \$212 for the years ended June 30, 2018 and 2017, respectively. Total minimum future lease payments under the capital lease at June 30, 2018 are due as follows:

2019	\$ 3,127
2020	3,127
2021	3,128
2022	<u>3,128</u>
<i>Total minimum future lease payments</i>	12,510
Less amount representing interest	<u>(1,936)</u>
<i>Total obligation under capital lease</i>	10,574
Less current portion	<u>(2,318)</u>
<i>Long-term portion</i>	<u>\$ 8,256</u>

NOTE 6. NET ASSETS INFORMATION

A portion of unrestricted net assets has been appropriated by the Board of Directors for the following purposes at June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
For capital purposes	\$ 222,525	\$ 188,828
For operating purposes	361,036	361,036
Community Foundation endowment	<u>499,014</u>	<u>479,395</u>
<i>Total Board designated net assets</i>	<u>\$ 1,082,575</u>	<u>\$ 1,029,259</u>

Temporarily restricted net assets are available for the following periods or purposes at June 30, 2018 and 2017, respectively:

UNITED WAY OF ST. JOSEPH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Annual campaign pledges for the next year	\$ 708,428	\$ 782,842
Education	266,933	275,259
Volunteer income tax assistance (VITA) program	-	2,208
Collective Impact Strategy	19,553	-
Community School Project	<u>19,313</u>	<u>-</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 1,014,226</u>	<u>\$ 1,060,309</u>

Temporarily restricted net assets were released from restrictions by the expiration of time or by incurring expenses for restricted purposes specified by donors as follows for the years ended June 30, 2018 and 2017, respectively:

Expiration of time for campaign pledges	\$ 1,632,784	\$ 1,877,942
My United Way 2-1-1	10,000	25,500
Education	88,316	91,879
Collective Impact	138,444	-
Community School Project	5,687	-
VITA program	51,440	68,051
Team HEAT program	<u>103,950</u>	<u>86,430</u>
<i>Total net assets released from restrictions</i>	<u>\$ 2,030,621</u>	<u>\$ 2,149,802</u>

NOTE 7. ENDOWMENT INFORMATION

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Indiana enacted the *Uniform Prudent Management of Institutional Funds Act of 2006* (“UPMIFA”) effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors and management have determined that certain net assets meet the definition of endowment funds under UPMIFA. These consist of the beneficial interests in assets held by the Community Foundation discussed in Note 3, which were funded by unrestricted net assets. Funds held at Community Foundation are subject to Community Foundation’s investment and spending policies and are subject to variance power, as discussed in Note 3.

Changes in the endowment for the years ended June 30, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Balance beginning of year	\$ 479,395	\$ 448,758
Distributions	(23,289)	(23,324)
Change in value	<u>42,908</u>	<u>53,961</u>
<i>Balance end of year</i>	<u>\$ 499,014</u>	<u>\$ 479,395</u>

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NOTE 8. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. That hierarchy describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of assets measured on a recurring basis at June 30, 2018 and 2017, respectively, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>For 2018:</i>				
Beneficial interests in assets held by Community Foundation	\$ 499,014	\$ -	\$ -	\$ 499,014
<i>For 2017:</i>				
Beneficial interests in assets held by Community Foundation	\$ 479,395	\$ -	\$ -	\$ 479,395

Fair value for the beneficial interest in assets held by Community Foundation is based on the fair value of the underlying assets, as provided by the Community Foundation and which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs for the years ended June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Fair value, beginning of year	\$ 479,395	\$ 448,758
Distributions	(23,289)	(23,324)
Change in value	<u>42,908</u>	<u>53,961</u>
<i>Fair value, end of year</i>	<u>\$ 499,014</u>	<u>\$ 479,395</u>

The change in value of the beneficial interests in assets held by Community Foundation is reported as such in revenues in the accompanying statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at June 30, 2018 and 2017, respectively.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
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NOTE 9. RETIREMENT PLAN

The Organization maintains a defined-contribution tax-deferred annuity pension plan covering substantially all of its employees. Pension costs are funded in the period that they accrue. Pension expense was \$24,055 and \$20,414 for the years ended June 30, 2018 and 2017, respectively.

NOTE 10. CONCENTRATIONS

All of the programs and activities of the Organization occur in St. Joseph County, Indiana and the surrounding area; consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the years ended June 30, 2018 and 2017, approximately 59% and 56%, respectively, of total revenues were received from the Organization's annual campaign.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. At June 30, 2018 the Organization had deposits with financial institutions that exceeded the federal deposit insurance coverage by approximately \$1,296,000. Pledges receivable, which are all due from individuals and entities in the St. Joseph County, Indiana area, represents a geographic concentration of credit risk. In addition, pledges receivable from four employers and their employees represented approximately 54% and 47% of total pledges receivable at June 30, 2018 and 2017, respectively.