FINANCIAL REPORT

UNITED WAY OF ST. JOSEPH COUNTY, INC.

June 30, 2019 and 2018

CONTENTS

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CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to financial statements, in 2019 United Way of St. Joseph County, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Cullen & Associates, P.C.

South Bend, Indiana
September 26, 2019

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Assets:						
Cash and cash equivalents	$ 1,166,900	$ 390,131	$ 1,557,031	$ 1,191,431	$ 278,799	$ 1,470,230
Certificates of deposit	600,085	-	600,085	510,612	-	510,612
Promises to give	32,247	606,787	639,034	27,476	735,428	762,904
Other receivables	24,102	-	24,102	14,578	-	14,578
Prepaid expenses	15,021	-	15,021	9,533	-	9,533
Beneficial interests in assets held by Community Foundation	498,461	-	498,461	499,014	-	499,014
Property and equipment	60,411	-	60,411	84,995	-	84,995
Total assets	$ 2,397,227	$ 996,918	$ 3,394,145	$ 2,337,639	$ 1,014,227	$ 3,351,866
Liabilities and Net Assets:						
Accounts payable	$ 23,064	$ -	$ 23,064	$ 1,646	$ -	$ 1,646
Accrued liabilities	30,175	-	30,175	24,694	-	24,694
Allocations payable	670,000	-	670,000	700,000	-	700,000
Designations payable	125,077	-	125,077	147,755	-	147,755
Funds held for others	38,122	-	38,122	51,547	-	51,547
Capital lease obligation	8,256	-	8,256	10,574	-	10,574
Total liabilities	894,694	-	894,694	936,216	-	936,216
Net Assets:						
Without donor restrictions:						
Undesignated	337,165	-	337,165	233,853	-	233,853
Invested in property and equipment	60,411	-	60,411	84,995	-	84,995
Board designated:						
For operating purposes	361,036	-	361,036	361,036	-	361,036
For capital purposes	245,460	-	245,460	222,525	-	222,525
For endowment	498,461	-	498,461	499,014	-	499,014
	1,502,533	-	1,502,533	1,401,423	-	1,401,423
With donor restrictions:						
Time-restricted for future periods	-	606,787	606,787	-	708,428	708,428
Purpose restricted	-	390,131	390,131	-	305,799	305,799
	-	996,918	996,918	-	1,014,227	1,014,227
Total net assets	1,502,533	996,918	2,499,451	1,401,423	1,014,227	2,415,650
Total liabilities and net assets	$ 2,397,227	$ 996,918	$ 3,394,145	$ 2,337,639	$ 1,014,227	$ 3,351,866

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, 2019 and 2018

	2019			2018		
Support, Revenue, and Gains:	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Annual campaign contributions:						
Total donor promises	$ -	$ 1,619,494	$ 1,619,494	$ -	$ 1,856,384	$ 1,856,384
Less donor designations	-	(237,593)	(237,593)	-	(193,128)	(193,128)
Less provision for uncollectables	-	(53,254)	(53,254)	-	(104,885)	(104,885)
Net annual campaign contributions	-	1,328,647	1,328,647	-	1,558,371	1,558,371
Grants	55,982	626,905	682,887	234,108	388,678	622,786
Other contributions	120,236	22,959	143,195	13,357	37,490	50,847
Donated goods and services	128,965	-	128,965	185,907	-	185,907
Contracted services	79,893	-	79,893	107,415	-	107,415
Sponsorships	44,735	-	44,735	46,347	-	46,347
Investment income	33,142	-	33,142	28,470	-	28,470
Change in value of beneficial interests in assets held by Community Foundation	(553)	-	(553)	19,619	-	19,619
Other	359	-	359	38	-	38
Net assets released from restrictions	1,995,820	(1,995,820)	-	2,030,621	(2,030,621)	-
Total support, revenue, and gains	2,458,579	(17,309)	2,441,270	2,665,882	(46,082)	2,619,800
Expenses:						
Program services expenses:						
Community Impact	1,632,290	-	1,632,290	1,757,478	-	1,757,478
Communications Impact	83,532	-	83,532	37,395	-	37,395
My United Way 2-1-1	129,649	-	129,649	107,845	-	107,845
Total program service expenses	1,845,471	-	1,845,471	1,902,718	-	1,902,718
Supporting services expenses:						
Management and general	177,606	-	177,606	242,771	-	242,771
Fundraising	334,392	-	334,392	352,606	-	352,606
Total supporting services expenses	511,998	-	511,998	595,377	-	595,377
Total expenses	2,357,469	-	2,357,469	2,498,095	-	2,498,095
Change in net assets	101,110	(17,309)	83,801	167,787	(46,082)	121,705
Net assets, beginning of year	1,401,423	1,014,227	2,415,650	1,233,636	1,060,309	2,293,945
Net assets, end of year	$ 1,502,533	$ 996,918	$ 2,499,451	$ 1,401,423	$ 1,014,227	$ 2,415,650

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, 2019

	Community Impact	Communications Impact	My United Way 2-1-1	Management and General	Fundraising	Totals
Personnel:						
Salaries and wages	$ 415,992	$ 36,039	$ -	$ 83,056	$ 213,925	$ 749,012
Retirement expense	8,231	66	-	6,831	6,498	21,626
Other benefits	24,198	142	-	10,011	19,181	53,532
Payroll taxes	27,053	2,985	-	11,057	16,345	57,440
Total personnel	475,474	39,232	-	110,955	255,949	881,610
Funds allocated to member agencies	650,000	-	-	-	-	650,000
Project expenses	256,720	-	-	-	-	256,720
Data processing	-	-	-	3,099	-	3,099
Outside services	29,942	11,873	129,649	11,276	457	183,197
Printing and office supplies	20,601	3,155	-	3,304	20,615	47,675
Telephone	3,804	1,688	-	1,688	1,687	8,867
Postage and shipping	899	356	-	1,175	2,878	5,308
Conferences and travel	19,887	705	-	1,226	6,607	28,425
Local transportation	1,348	30	-	718	843	2,939
Equipment rentals and maintenance	17,525	3,389	-	7,935	9,844	38,693
Occupancy	17,287	8,756	-	13,935	8,756	48,734
Dues to affiliated organizations	13,901	6,951	-	6,951	6,950	34,753
Other dues, permits, and fees	908	1,480	-	500	775	3,663
Recruiting	(678)	-	-	-	52	(626)
Use of donated goods and services	113,459	1,000	-	4,182	10,324	128,965
Other	1,379	-	-	5,746	3,738	10,863
Depreciation	9,834	4,917	-	4,916	4,917	24,584
Totals	$ 1,632,290	$ 83,532	$ 129,649	$ 177,606	$ 334,392	$ 2,357,469

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 Impact	Communications Impact	My United Way 2-1-1	Management and General	Fundraising	Totals
Personnel:						
Salaries and wages	$ 502,583	$ 313	$ -	$ 142,206	$ 204,068	$ 849,170
Retirement expense	11,947	15	-	7,708	6,195	25,865
Other benefits	30,512	104	-	18,402	22,235	71,253
Payroll taxes	39,040	163	-	13,020	15,882	68,105
Total personnel	584,082	595	-	181,336	248,380	1,014,393
Funds allocated to member agencies	697,500	-	-	-	-	697,500
Project expenses	187,021	-	-	-	-	187,021
Data processing	-	-	-	3,373	-	3,373
Outside services	30,583	2,896	107,500	10,887	1,884	153,750
Printing and office supplies	18,935	5,721	326	2,679	27,547	55,208
Telephone	3,706	1,853	-	1,853	1,853	9,265
Postage and shipping	1,359	286	19	1,507	3,889	7,060
Conferences and travel	18,578	823	-	1,468	6,818	27,687
Local transportation	2,324	-	-	1,164	2,023	5,511
Equipment rentals and maintenance	13,168	3,589	-	7,569	8,402	32,728
Occupancy	14,665	8,154	-	9,237	7,333	39,389
Dues to affiliated organizations	14,492	7,246	-	7,246	7,246	36,230
Other dues, permits, and fees	504	894	-	633	273	2,304
Recruiting	3,558	-	-	-	-	3,558
Use of donated goods and services	152,579	-	-	3,806	29,522	185,907
Other	3,948	100	-	4,775	2,198	11,021
Depreciation	10,476	5,238	-	5,238	5,238	26,190
Totals	$ 1,757,478	$ 37,395	$ 107,845	$ 242,771	$ 352,606	$ 2,498,095

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash received from annual campaign contributions	$ 1,430,288	$ 1,631,274
Cash received from other contributions, grants, and sponsorships	903,522	719,980
Cash received from contracted services and other	80,252	107,453
Investment income received	33,669	27,858
Cash paid for personnel	(875,799)	(1,020,398)
Cash paid to member agencies	(736,103)	(1,039,367)
Cash paid to vendors and others	(655,842)	(578,281)
Interest paid	(868)	(998)
Net cash provided by (used in) operating activities	179,119	(152,479)
Cash Flows from Investing Activities:		
Purchase of certificates of deposit	(90,000)	-
Purchase of property and equipment	-	(1,885)
Net cash (used in) financing activities	(90,000)	(1,885)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(2,318)	(2,129)
Net change in cash and cash equivalents	86,801	(156,493)
Cash and cash equivalents, beginning of year	1,470,230	1,626,723
Cash and cash equivalents, end of year	$ 1,557,031	$ 1,470,230

	2019	2018
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$ 83,801	$ 121,705
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,584	26,190
Changes in assets and liabilities:		
Promises to give	123,870	72,903
Other receivables	(9,524)	-
Accrued interest receivable	527	(612)
Prepaid expenses	(5,488)	56
Beneficial interests in assets held by Community Foundation	553	(19,619)
Accounts payable	21,418	(5,037)
Accrued liabilities	5,481	(6,198)
Allocations payable	(30,000)	(230,000)
Designations payable	(22,678)	(18,964)
Funds held for others	(13,425)	(92,903)
Net cash provided by (used in) operating activities	$ 179,119	$ (152,479)

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

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

United Way of St. Joseph County, Inc. (the Organization, we, us, our) 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. Our operations are supported primarily by individual and corporate donations and grants. We fulfill our mission by focusing our efforts in the following areas:

- *Community Impact* – We assess the needs of St. Joseph County in relation to poverty and issues impacting ALICE (Assets Limited, Income Constrained, Employed) families and manage initiatives focused on early learning, youth success, and stable families, as well as emergency and crisis services. We then guide the investment award process for initiatives addressing those needs. We also manage, train, develop, and equip organizations that target low to moderate-income level families and individuals in the areas of financial stability, asset building, financial literacy, school readiness, volunteer recruitment, home improvement/rehabilitation, and capacity building.
- *Communications Impact* – We develop and maintain events and communication platforms to keep the general public aware of the needs and resources in our community.
- *My United Way 2-1-1* – A 24/7/365 toll-free service where specialists field non-emergency calls to provide current information and assistance to people in need of financial, food, housing, and medical resources.

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 uncollectable promises to give, which is based on historical loss experience, known information about individual donors, and general economic conditions. It is reasonably possible that uncollectable promises 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:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating purposes, capital purposes, and an endowment.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity; however, to date, we have not received any such net assets. 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.

Cash and Cash Equivalents:

We considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash equivalents.

Certificates of Deposit:

Certificates of deposit are stated at maturity value, which approximates fair value.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

Beneficial Interests in Assets Held by Community Foundation:

We have established two endowment funds that are perpetual in nature (the funds) with Community Foundation of St. Joseph County, Inc. (Community Foundation) to which both we and others have contributed and named ourselves as beneficiary. We and other donors granted variance power to Community Foundation, which allows Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by Community Foundation for our benefit. The portions of the funds that are attributable to our contributions are reported at fair value in the statements of financial position based on the value of the underlying assets, as provided by Community Foundation and which approximates the present value of expected future distributions. Distributions and changes in the value of those portions of the funds are recognized in the statements of activities. The portions of the funds attributable to contributions from others are not reported as an asset in the statements of financial positions, and distributions from those portions are included in contributions revenue in the statements of activities.

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:

Building and improvements	10-25 years
Furniture and equipment	5-10 years

Allocations to Member Agencies:

We provide annual allocations to our member agencies from the 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, 2019 pertain to the campaign year ended June 30, 2019, and allocations payable at June 30, 2018 pertain to the campaign year ended June 30, 2018. All allocations are payable in the next year, and there is no unamortized discount on the allocations.

Funds Held for Others:

We participate 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, we act as fiscal agent for the Project. We also occasionally act as a fiscal agent for other entities. The amount of cash and promises 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 promises collected or disbursed under these agreements.

Income Taxes:

We are 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 us as other than a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize 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 our tax-exempt status and positions related to potential sources of unrelated business taxable income. We have 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. We classify 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, 2019 or 2018, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years ending prior to June 30, 2015.

Revenue and Revenue Recognition:

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the expenditures are incurred or related services are performed.

A portion of promises received from our annual campaign are designated by the donors for specific member agencies (Donors' Choice). Because we act as an agent with respect to such promises, no income or expense is recognized for Donors' Choice promises. Donors' Choice promises are included in promises to give, with a related liability recorded for the same amount, which is reported as designations payable in the accompanying statements of financial position. We deduct a portion of such promises, which we recognize as income when the related promises are received and include in annual campaign contributions in the accompanying statements of activities. The costs to generate and distribute designated promises are reported as fundraising expenses.

Promises for specific priorities, programs, or population groups are recorded as net assets with donor restrictions.

We receive donated goods and services for our 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 us that do not meet the criteria to be recognized in the financial statements. Contributed services of $117,940 and $156,385 for the years ended June 30, 2019 and 2018, respectively, were recognized as support and revenue in the accompanying statements of activities.

Functional Expense Allocations:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and others, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Promises to give, which are generally due from individuals and entities located in the St. Joseph County, Indiana area, represent a geographic concentration credit risk.

Recent Accounting Pronouncements and Accounting Changes:

In 2019, we adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two net asset classes instead of the previous three; recognition of underwater endowment funds as a reduction of net assets with donor restrictions; and enhanced disclosures for board-designated amounts, composition of net assets without donor restrictions, and liquidity. There were no net asset reclassifications made as a result of adopting the new standard.

In addition, we have elected to change the reporting of our statements of financial position from a classified to an unclassified presentation and to change the presentation of our statements of cash flows from the indirect to the direct method. We believe these changes will provide more useful information to users of our financial statements.

Subsequent Events:

The date through which events occurring subsequent to June 30, 2019 have been evaluated for possible adjustment to the financial statements or disclosure is September 26, 2019, the date on which the financial statements were available to be issued.

NOTE 2. 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 are as follows:

Cash and cash equivalents	$ 1,166,900
Certificates of deposit	600,085
Promises to give	639,034
Other receivables	24,102
Distributions from beneficial interests in assets held by Community Foundation	19,766
Total financial assets available for general expenditure	$ 2,449,887

Distributions from the beneficial interests in assets held by Community Foundation reflect expected distributions based on Community Foundation's historic 4-5% distribution rate.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to our operating reserve, which was $361,036 as of June 30, 2019.

NOTE 3. PROMISES TO GIVE

Promises to give consist of unconditional promises to give to our annual campaign and other grants and contributions, and are reported net of an allowance for uncollectables of $53,254 and $104,559 at June 30, 2019 and 2018, respectively. All amounts are expected to be collected in the next year; consequently, there is no discount for imputed interest on promises to give at either June 30, 2019 or 2018. In addition, at June 30, 2019 we had one conditional promise to give for $100,000 under a cost-reimbursable grant that will be recorded if and when allowable costs are incurred, and a second conditional promise for $500,000 for our new Neighborhood Center, of which $250,000 is conditional upon starting construction and $250,000 is conditional upon raising matching funds.

NOTE 4. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATION

We are the beneficiary of two endowment funds held by Community Foundation of St. Joseph County, Inc. (Community Foundation), to which both we and others have donated. We and other donors granted variance power to Community Foundation, which allows Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Distributions to us are under the control of Community Foundation's Board of Directors. The value of that portion of the funds attributable to contributions by us is $498,461 and $499,014 at June 30, 2019 and 2018, respectively. Distributions of $24,106 and $23,289 were made from that portion of the funds in the years ended June 30, 2019 and 2018, respectively, which are included in investment income. The change in value of that portion of the funds, net of distributions, was ($553) and $19,619 for the years ended June 30, 2019 and 2018, 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 $113,177 and $106,046, at June 30, 2019 and 2018, respectively. Distributions of $5,168 and $4,985 were made from that portion of the funds in the years ended June 30, 2019 and 2018, respectively, which are included in other contributions revenue in the accompanying statements of activities.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018, respectively:

	2019	2018
Building and improvements	$ 717,300	$ 717,300
Furniture and equipment	157,995	157,995
	875,295	875,295
Less accumulated depreciation	(814,884)	(790,300)
Net property and equipment	$ 60,411	$ 84,995

NOTE 6. FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- *Level 1*: Quoted prices (unadjusted) for identical assets 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; 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.

The fair value of assets measured on a recurring basis at June 30, 2019 and 2018, respectively, is as follows:

	Fair Value	Level 1	Level 2	Level 3
For 2019:				
Beneficial interests in assets held by Community Foundation	$ 498,461	$ -	$ -	$ 498,461
For 2018:				
Beneficial interests in assets held by Community Foundation	$ 499,014	$ -	$ -	$ 499,014

Fair value for the beneficial interests in assets held by Community Foundation is based on the fair value of the underlying assets, as provided by Community Foundation and which approximates the present value of expected future distributions. We revalue the fair value of our beneficial interests annually and adjust the measurement inputs based on statements received from Community Foundation, market conditions, and other relevant data.

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, 2019 and 2018, respectively:

	2019	2018
Fair value, beginning of year	$ 499,014	$ 479,395
Distributions	(24,106)	(23,289)
Change in value	23,553	42,908
Fair value, end of year	$ 498,461	$ 499,014

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, 2019 and 2018, respectively.

NOTE 7. CAPITAL LEASE OBLIGATION

We lease office equipment under a noncancelable capital lease requiring monthly payments of $261 through June 2022. The asset and liability for this lease were originally recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The cost of the capital-leased asset was $12,703 at both June 30, 2019 and 2018, and the related accumulated amortization was $5,293 and $2,752 at June 30, 2019 and 2018, respectively. The asset is amortized over the lesser of the related lease term or productive life of the asset, and amortization of the capital-leased asset included in depreciation expense is $2,541 and $2,540 for the years ended June 30, 2019 and 2018, respectively. Total minimum future lease payments under the capital lease at June 30, 2019 are due as follows:

2020	$ 3,127
2021	3,127
2022	3,128
Total minimum future lease payments	9,382
Less amount representing interest	(1,126)
Total obligation under capital lease	$ 8,256

NOTE 8. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2019 and 2018, respectively:

	2019	2018
Subject to passage of time:		
Annual campaign promises for the next year	$ 606,787	$ 708,428
Subject to expenditure for specified purposes:		
Education	314,275	266,933
Collective Impact Strategy	14,467	19,553
Community School Project	12,289	19,313
Flood relief	12,600	-
Food program	36,500	-
Total temporarily restricted net assets	$ 996,918	$ 1,014,227

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying restricted purposes or other events specified by the donors as follows for the years ended June 30, 2019 and 2018, respectively:

	2019	2018
Expiration of time for promises to give	$ 1,430,289	$ 1,632,784
Satisfaction of purpose restrictions:		
My United Way 2-1-1	20,000	10,000
Education	251,914	88,316
Collective Impact	121,767	138,444
Community School Project	-	5,687
VITA program	50,000	51,440
Team HEAT program	74,250	103,950
Blindness prevention	45,000	-
Flood relief	600	-
Food program	2,000	-
Total net assets released from restrictions	$ 1,995,820	$ 2,030,621

NOTE 9. RETIREMENT PLAN

We maintain a defined-contribution tax-deferred annuity pension plan covering substantially all of our employees. Pension costs are funded in the period that they accrue. Pension expense was $21,626 and $25,865 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10. CONCENTRATIONS

All of our programs and activities occur in St. Joseph County, Indiana and the surrounding area; consequently, our sources of support and revenue may be affected by conditions in this area. For the years ended June 30, 2019 and 2018, approximately 54% and 59%, respectively, of total revenues were received from our annual campaign. In addition, contributions from one employer and its employees were approximately 10% of total revenues for the year ended June 30, 2019.

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give. We have cash on deposit with financial institutions that, at times, may exceed federal deposit insurance limits. At June 30, 2019, we had deposits with one financial institution that exceeded the federal deposit insurance limits by approximately $1,490,000. Promises to give, which are generally due from individuals and entities in the St. Joseph County, Indiana area, represent a geographic concentration of credit risk. In addition, promises to give from four employers and their employees represented approximately 57% and 54% of total promises to give at June 30, 2019 and 2018, respectively.