

**UNITED WAY OF DELAWARE, HENRY
& RANDOLPH COUNTIES**
MUNCIE, INDIANA

FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Delaware, Henry & Randolph Counties
Muncie, Indiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Way of Delaware, Henry & Randolph Counties (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Delaware, Henry & Randolph Counties as of June 30, 2020 and 2019, 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 4, 2021

FINANCIAL STATEMENTS

1.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2 and 11)	\$ 2,547,935	\$ 1,189,798
Pledges receivable, net of allowance for uncollectible pledges of \$147,552 in 2020 and \$96,654 in 2019 (Note 7)	476,177	411,013
Other receivables	8,186	
Legacy fund receivable (Notes 5 and 6)	63,994	59,925
Prepaid expense	<u>18,466</u>	<u>27,708</u>
Total Current Assets	<u>\$ 3,114,758</u>	<u>\$ 1,688,444</u>
PROPERTY AND EQUIPMENT (Note 2)		
Furniture and fixtures	\$ 59,262	\$ 59,833
Less accumulated depreciation	<u>(46,272)</u>	<u>(44,775)</u>
Total Property and Equipment, Net	<u>\$ 12,990</u>	<u>\$ 15,058</u>
OTHER ASSETS		
Investments (Note 4 and 6)	\$ 1,330,301	\$ 1,471,980
Beneficial interest in assets held by Community Foundation (Notes 5 and 6)	<u>507,807</u>	<u>524,591</u>
Total Other Assets	<u>\$ 1,838,108</u>	<u>\$ 1,996,571</u>
Total Assets	<u><u>\$ 4,965,856</u></u>	<u><u>\$ 3,700,073</u></u>

See accompanying Notes to Financial Statements.

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 67,229	\$ 40,901
Accrued expenses	43,082	38,461
Allocations payable	788,401	788,401
Designations payable (Note 8)	133,177	107,194
Current portion of long-term debt obligations (Note 9)	<u>36,756</u>	
Total Current Liabilities	<u>\$ 1,068,645</u>	<u>\$ 974,957</u>
LONG-TERM LIABILITIES		
Debt obligations (Note 9)	\$ 74,100	
Less current portion of debt obligations	<u>(36,756)</u>	
Total Long-Term Liabilities	<u>\$ 37,344</u>	
Total Liabilities	<u>\$ 1,105,989</u>	<u>\$ 974,957</u>
NET ASSETS		
Without donor restrictions	<u>\$ 1,923,915</u>	<u>\$ 2,058,937</u>
With donor restrictions (Note 10 and 11)		
Subject to purpose and time restrictions	\$ 1,428,145	\$ 141,588
Perpetual in nature	<u>507,807</u>	<u>524,591</u>
	<u>\$ 1,935,952</u>	<u>\$ 666,179</u>
Total Net Assets	<u>\$ 3,859,867</u>	<u>\$ 2,725,116</u>
Total Liabilities and Net Assets	<u><u>\$ 4,965,856</u></u>	<u><u>\$ 3,700,073</u></u>

3.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Gross campaign results	\$ 1,353,596	\$ 189,356	\$ 1,542,952
Donor designations	(128,966)		(128,966)
Provision for uncollectible pledges	(64,294)		(64,294)
Net Campaign Results	\$ 1,160,336	\$ 189,356	\$ 1,349,692
Designations from other United Ways	12,672		12,672
Service fees	11,730		11,730
Grants		1,470,893	1,470,893
In-kind contributions	25,266		25,266
Special events	38,777		38,777
Income from endowment fund	21,001		21,001
Interest income	6,915		6,915
Investment income (loss)	(24,005)		(24,005)
Change in beneficial interest in assets held by Community Foundation	4,069	(16,784)	(12,715)
Loss on disposal of assets	(688)		(688)
Miscellaneous income	6,000		6,000
Total Support and Revenue	<u>\$ 1,262,073</u>	<u>\$ 1,643,465</u>	<u>\$ 2,905,538</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 373,692</u>	<u>\$ (373,692)</u>	
EXPENSES			
Net funds distributed	\$ 817,115		\$ 817,115
Other program services	554,607		554,607
Total Program Services	<u>\$ 1,371,722</u>		<u>\$ 1,371,722</u>
Management and general	\$ 154,372		\$ 154,372
Fundraising	229,799		229,799
Unallocated payment to affiliate	14,894		14,894
Total Support Services	<u>\$ 399,065</u>		<u>\$ 399,065</u>
Total Expenses	<u>\$ 1,770,787</u>		<u>\$ 1,770,787</u>
CHANGE IN NET ASSETS	\$ (135,022)	\$ 1,269,773	\$ 1,134,751
NET ASSETS, BEGINNING OF YEAR	<u>2,058,937</u>	<u>666,179</u>	<u>2,725,116</u>
NET ASSETS, END OF YEAR	<u>\$ 1,923,915</u>	<u>\$ 1,935,952</u>	<u>\$ 3,859,867</u>

See accompanying Notes to Financial Statements.

2019			
Without Donor Restrictions	With Donor Restrictions	Totals	Change
\$ 1,353,517	\$ 130,983	\$ 1,484,500	\$ 58,452
(141,676)		(141,676)	12,710
(19,588)		(19,588)	(44,706)
<u>\$ 1,192,253</u>	<u>\$ 130,983</u>	<u>\$ 1,323,236</u>	<u>\$ 26,456</u>
3,826		3,826	8,846
11,220		11,220	510
	5,000	5,000	1,465,893
22,260		22,260	3,006
49,271	2,500	51,771	(12,994)
26,213		26,213	(5,212)
2,420		2,420	4,495
29,461		29,461	(53,466)
(1,911)	(10,484)	(12,395)	(320)
			(688)
1,410		1,410	4,590
<u>\$ 1,336,423</u>	<u>\$ 127,999</u>	<u>\$ 1,464,422</u>	<u>\$ 1,441,116</u>
<u>\$ 142,084</u>	<u>\$ (142,084)</u>		
\$ 804,382		\$ 804,382	\$ 12,733
457,867		457,867	96,740
<u>\$ 1,262,249</u>		<u>\$ 1,262,249</u>	<u>\$ 109,473</u>
\$ 133,675		\$ 133,675	\$ 20,697
198,534		198,534	31,265
14,807		14,807	87
<u>\$ 347,016</u>		<u>\$ 347,016</u>	<u>\$ 52,049</u>
<u>\$ 1,609,265</u>		<u>\$ 1,609,265</u>	<u>\$ 161,522</u>
\$ (130,758)	\$ (14,085)	\$ (144,843)	<u>\$ 1,279,594</u>
<u>2,189,695</u>	<u>680,264</u>	<u>2,869,959</u>	
<u>\$ 2,058,937</u>	<u>\$ 666,179</u>	<u>\$ 2,725,116</u>	

5.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 2,837,414	\$ 1,406,731
Cash paid for designations and allocations	(776,132)	(703,834)
Cash paid to suppliers and employees	(912,568)	(796,924)
Interest received	34,851	33,265
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Operating Activities	\$ 1,183,565	\$ (60,762)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	\$ (1,564)	\$ (4,834)
Cash paid for certificates of deposit	(119,137)	(1,272)
Cash received from certificates of deposit	231,726	
Cash paid for purchases of investments	(412,984)	(189,561)
Proceeds from sale of investments	402,431	165,066
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Investing Activities	\$ 100,472	\$ (30,601)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt obligations	\$ 74,100	
	<u> </u>	
Net Cash Provided By Financing Activities	\$ 74,100	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,358,137	\$ (91,363)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,189,798</u>	<u>1,281,161</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,547,935</u>	<u>\$ 1,189,798</u>

See accompanying Notes to Financial Statements.

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

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	\$ 1,134,751	\$ (144,843)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation expense	\$ 2,944	\$ 3,222
Loss on disposal of assets	688	
Realized gain on sale of investments	(45,755)	(9,627)
Unrealized (gain) loss on investments	85,398	(1,209)
Change in beneficial interest in assets held	12,715	12,395
Cash flows provided by (used for) asset changes:		
Pledges receivable	(116,062)	(16,602)
Allowance for uncollectible pledges	50,898	(14,268)
Other receivables	(8,186)	14,925
Prepaid expense	9,242	(2,896)
Cash flows provided by (used for) liability changes:		
Accounts payable	26,328	(7,055)
Accrued expenses	4,621	4,648
Allocations payable		99,607
Designations payable	25,983	941
Total Adjustments	<u>\$ 48,814</u>	<u>\$ 84,081</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,183,565</u>	<u>\$ (60,762)</u>

SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITIES

In-kind contributions	<u>\$ 25,266</u>	<u>\$ 22,260</u>
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UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Unallocated Payments to Affiliate</u>	<u>Total</u>
Gross distributions	\$ 801,830				\$ 801,830
Emergency allocations	15,250				15,250
Designations paid by others	<u>35</u>				<u>35</u>
Net Funds Distributed	<u>\$ 817,115</u>				<u>\$ 817,115</u>
Salaries and wages	\$ 200,275	\$ 48,934	\$ 101,306		\$ 350,515
Payroll taxes and benefits	<u>58,677</u>	<u>12,282</u>	<u>25,127</u>		<u>96,086</u>
Total Personnel Costs	\$ 258,952	\$ 61,216	\$ 126,433		\$ 446,601
Processing and accounting services		44,244			44,244
Professional fees	7,416	21,947	4,570		33,933
Contract service fees			55		55
Campaign	3,085	(940)	39,320		41,465
Grant expense	53,060				53,060
Marketing and advertising	40,864	11,424	23,575		75,863
Postage	2,450	325	665		3,440
Office supplies	1,565	339	694		2,598
Telephone	2,187	659	1,348		4,194
Repair and maintenance	1,581	318	651		2,550
Equipment rental and maintenance	6,585	1,984	4,058		12,627
Rent	16,430	4,949	10,126		31,505
Insurance	3,552	1,003	2,053		6,608
Conferences, training, and meetings	17,131	2,147	4,392		23,670
Travel	1,371	321	656		2,348
Small equipment	1,069	322	659		2,050
Special events	3,453	48	1,913		5,414
State and local association dues	6,513	1,959	4,158		12,630
Web page	565	170	348		1,083
Depreciation	1,536	462	946		2,944
Miscellaneous	125,242	1,475	3,179		129,896
Subtotal	<u>\$ 554,607</u>	<u>\$ 154,372</u>	<u>\$ 229,799</u>		<u>\$ 938,778</u>
United Way of America dues				\$ 14,894	14,894
Total Expenses	<u>\$ 1,371,722</u>	<u>\$ 154,372</u>	<u>\$ 229,799</u>	<u>\$ 14,894</u>	<u>\$ 1,770,787</u>

See accompanying Notes to Financial Statements.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Unallocated Payments to Affiliate</u>	<u>Total</u>
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, HENRY & RANDOLPH COUNTIES

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 Organization has expanded its services within Indiana to also provide support to the communities of Henry and Randolph County and is doing business as United Way of Delaware, Henry & Randolph Counties.

The mission of the Organization is to provide leadership in developing and coordinating resources which enhance the general welfare of the citizens of the counties it serves. The Organization is governed by a volunteer board of directors and solicits donations from the public in Delaware, Henry and Randolph Counties and provides grant funding to various not-for-profit agencies in the counties that it serves.

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, HENRY & RANDOLPH COUNTIES

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 Northwest Trust Services (formerly Mutual Wealth 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, 2020 and 2019, was \$2,944 and \$3,222, 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, HENRY & RANDOLPH COUNTIES

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, 2020 and 2019, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling \$25,266 and \$22,260, respectively. In-kind contribution revenue is recognized as follows:

	2020	2019
Professional fees	\$ 24	\$ 30
Special events	7,232	5,879
Advertising	18,010	16,351
	\$ 25,266	\$ 22,260

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

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

During the years ended June 30, 2020 and 2019, 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, HENRY & RANDOLPH COUNTIES

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.

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, 2020. 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, 2022. Management is evaluating the potential impact of this new guidance on the financial statements.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

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, 2020 and 2019, are comprised as follows:

	<u>2020</u>	<u>2019</u>
Operating Financial Assets:		
Cash and cash equivalents (without donor restriction)	\$ 1,119,790	\$ 1,048,210
Pledges receivable, net of allowance for uncollectible pledges	476,177	411,013
Other receivables	8,186	
Legacy fund receivable	63,994	59,925
Investments	<u>1,330,301</u>	<u>1,212,124</u>
	<u>\$ 2,998,448</u>	<u>\$ 2,731,272</u>
 Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:		
Net assets without donor restrictions	\$ 1,923,915	\$ 2,058,937
Less:		
Prepaid expense	(18,466)	(27,708)
Property and equipment, net	(12,990)	(15,058)
Investments (long-term)		(259,856)
Add:		
Accounts payable	67,229	40,901
Accrued expenses	43,082	38,461
Allocations payable	788,401	788,401
Designations payable	133,177	107,194
Debt obligations	<u>74,100</u>	
	<u>\$ 2,998,448</u>	<u>\$ 2,731,272</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, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

The Organization's investments are as follows:

	<u>2020</u>	<u>2019</u>
Investments in certificates of deposit	\$ 263,097	\$ 375,686
United Way Stabilization Fund	577,800	569,453
Northwest Trust Services (formerly MutualWealth Group Management) investments	<u>489,404</u>	<u>526,841</u>
 Total Investments	 <u>\$ 1,330,301</u>	 <u>\$ 1,471,980</u>

Investment return is as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 27,936	\$ 30,845
Realized gain on investment	45,755	9,627
Unrealized gain (loss) on investment	(85,398)	1,209
Administrative and investment fees	<u>(12,298)</u>	<u>(12,220)</u>
 Total Return on Investments	 <u>\$ (24,005)</u>	 <u>\$ 29,461</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 historically allocated 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, HENRY & RANDOLPH COUNTIES

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, 2020, was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 59,925	\$ 524,591	\$ 584,516
Transfers	25,070	(25,070)	
Investment Return:			
Investment income, net of fees		31,400	31,400
Depreciation of investment		(23,114)	(23,114)
Grants	<u>(21,001)</u>	<u> </u>	<u>(21,001)</u>
Net Assets, End of Year	<u>\$ 63,994</u>	<u>\$ 507,807</u>	<u>\$ 571,801</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>(26,721)</u>	<u> </u>	<u>(26,721)</u>
Net Assets, End of Year	<u>\$ 59,925</u>	<u>\$ 524,591</u>	<u>\$ 584,516</u>

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

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

Assets held by Community Foundation as of June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Beneficial interest in assets held by Community Foundation	\$ 507,807	\$ 524,591
Legacy Fund receivable	63,994	59,925
Total assets held by Community Foundation	<u>\$ 571,801</u>	<u>\$ 584,516</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). The investments held by Northwest Trust Services at June 30, 2020, and by MutualWealth Management Group at June 30, 2019, use Level 1 inputs.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

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, 2020				
Legacy Fund receivable	\$ 63,994			\$ 63,994
United Way Stabilization Fund	577,800			577,800
Northwest Trust Services investments	489,404	\$ 489,404		
Beneficial interest in assets held by Community Foundation	507,807			507,807
	<u>\$ 1,639,005</u>	<u>\$ 489,404</u>	<u>\$ 0</u>	<u>\$ 1,149,601</u>
June 30, 2019				
Legacy Fund receivable	\$ 59,925			\$ 59,925
United Way Stabilization Fund	569,453			569,453
Mutual Wealth 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>

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, 2020 and 2019:

	2020	2019
Beginning of year	\$ 1,153,969	\$ 1,141,150
Total Increases (Decreases) Included in Changes in Net Assets:		
Interest and dividends	26,164	30,179
Realized gains	49,851	10,261
Unrealized gains (losses) - Stabilization Fund	(23,151)	11,820
Unrealized gains (losses) - Beneficial Interest	(23,114)	183
Contributions received		100
Grants paid	(21,001)	(26,721)
Investment expense	(13,117)	(13,003)
End of year	<u>\$ 1,149,601</u>	<u>\$ 1,153,969</u>

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

7. PLEDGES RECEIVABLE

The pledges receivable balance at June 30, 2020 and 2019, is summarized as follows:

	<u>Pledge Receivable</u>	<u>Allowance for Uncollectible Pledges</u>	<u>Net Balance</u>
June 30, 2020			
2019 campaign, due within one year	\$ 522,397	\$ 47,448	\$ 474,949
2018 campaign, due within one year	101,332	100,104	1,228
	<u>\$ 623,729</u>	<u>\$ 147,552</u>	<u>\$ 476,177</u>
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>

8. DESIGNATIONS PAYABLE

The designations payable balance at June 30, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
2019 Campaign	\$ 87,973	
2018 Campaign	41,496	\$ 90,302
2017 Campaign	3,708	16,892
	<u>\$ 133,177</u>	<u>\$ 107,194</u>

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

9. DEBT OBLIGATIONS

Debt obligations at June 30, 2020 and 2019, are as follows:

	2020	2019
On April 14, 2020 the Organization entered into a promissory note with Northwest Bank under the CARES Act for Payroll Protection Program loan funds. The note calls for monthly principal and interest payments totaling \$75,000 to begin October 15, 2020 with a maturity date of March 14, 2022. Interest is fixed at a rate of 1.00% throughout the 18-month term of the loan. The Organization expects the entire loan to be forgiven based on the criteria established by the CARES Act.	\$ 74,100	—
Less current portion	\$ 74,100 (36,756)	\$ 0
	\$ 37,344	\$ 0

The minimum annual principal payments are as follows:

Year Ending June 30,	Amounts
2021	\$ 36,756
2022	37,344
	\$ 74,100

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, donor restricted net assets consist of:

	<u>2020</u>	<u>2019</u>
Perpetual endowment funds	\$ 507,807	\$ 524,591
UnitedIN16		3,105
UnitedIN18	150,294	
Economic Relief Initiative grant	1,088,495	
Time restrictions	<u>189,356</u>	<u>138,483</u>
	<u>\$ 1,935,952</u>	<u>\$ 666,179</u>

During the years ended June 30, 2020 and 2019, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
UnitedIN16	\$ 3,105	\$ 45,396
UnitedIN18	40,599	
Economic Relief Initiative grant	11,505	
Various other grants	180,000	
Time restrictions	<u>138,483</u>	<u>96,688</u>
	<u>\$ 373,692</u>	<u>\$ 142,084</u>

11. DONOR RESTRICTED NET ASSET CASH BALANCES

At June 30, 2020 and 2019, the cash and cash equivalent balance on the statement of financial position included donor restricted net assets totaling \$1,332,675 and \$141,588, respectively.

12. OPERATING LEASES

The Organization leases real estate and office equipment under operating leases which require monthly minimum lease payments totaling approximately \$2,577. Total lease expense for the years ended June 30, 2020 and 2019, was \$31,505 and \$30,823, respectively.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES

NOTES TO FINANCIAL STATEMENTS

12. OPERATING LEASES (continued)

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

Year Ending June 30,	Amounts
2021	\$ 30,920
2022	29,150
2023	4,760
	\$ 64,830

13. DESCRIPTION OF PROGRAM SERVICES

United Way of Delaware, Henry and Randolph Counties 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 all households in all three counties struggle. Among those households, the most significant, are those Asset-Limited, Income-Constrained and Employed families and individuals. They are working hard—sometimes two and three jobs, yet they are barely able to meet their basic budget and are living one crisis away from sliding into poverty. Through community investments, as well as direct service programs, United Way positively impacts the quality of life for all who reside in the communities. United Way 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 works to continuously turn outward to ensure our work is driven by community will. Through ongoing community conversations with individuals from all demographics, community members have clearly and repeatedly shared their hopes for better educational outcomes for our children. As a result, United Way crafted an impact agenda around improving early childhood education and programs that benefit the family as a whole. Throughout this work, United Way recognizes that learning is a socially and culturally rooted, everyday process involving the whole person, that a child's family are their first and most important teachers, and that systemic barriers persist in our current educational system particularly for children from historically marginalized populations. United Way has identified partners and formed a coalition to set community-wide goals and metrics to remove systemic barriers and empower our children and families to have greater educational success. While the coalition continues such long-term efforts, United Way offers several direct service programs to meet our children's immediate educational needs around grade-level reading.

14. 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 \$23,413 and \$18,620, respectively, for the years ended June 30, 2020 and 2019.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES**NOTES TO FINANCIAL STATEMENTS****15. 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, 2020 and 2019, campaign pledges were received from three local contributors which were approximately 21% and 22%, respectively, of the Organization's total current year gross campaign results.

16. CONCENTRATION OF CREDIT RISKS

The global pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets initially experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization's financial advisors closely monitor investment portfolios. Management monitors liquidity and is actively working to minimize the impact of these declines. The extent of the impact of the pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to its effects.

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, 2020 and 2019, the balances in these accounts may have exceeded the maximum insurable amount of \$250,000. At June 30, 2020 and 2019, the Organization had accounts in excess of the \$250,000 totaling \$2,110,953 and \$781,481, 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.

17. 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.

UNITED WAY OF DELAWARE, HENRY & RANDOLPH COUNTIES**NOTES TO FINANCIAL STATEMENTS****17. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES (continued)**

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, 2020 and 2019.

18. SUBSEQUENT EVENTS

The Organization has been involved in discussions with surrounding United Way agencies to determine the feasibility of a collaborative sharing of resources through possible merger. Subsequent to the Organization's year end, the directors of the involved agencies have voted affirmatively to pursue this course of action.