

BECAUSE OF YOU
THERE IS A WAY



2019

Financial Statements & Independent Auditor's Report
December 31, 2019 and 2018



**United Way of
Benton & Franklin Counties**



INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Benton & Franklin Counties
Kennewick, Washington

We have audited the accompanying financial statements of United Way of Benton & Franklin Counties (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

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

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

Board of Directors
United Way of Benton & Franklin Counties

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Benton & Franklin Counties as of December 31, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tri-Cities, Washington
July 1, 2020

United Way of Benton & Franklin Counties

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 477,665	\$ 779,804
Campaign pledges receivable, net	1,129,087	1,255,630
Prepaid expenses	48,220	46,711
Grants receivable	19,364	-
Other assets	15,764	18,477
Total current assets	<u>1,690,100</u>	<u>2,100,622</u>
Cash value of life insurance	266,583	258,511
Investments	3,439,859	2,874,515
Certificates of deposit	-	198,244
Land, building, and equipment, net	<u>354,341</u>	<u>405,564</u>
TOTAL ASSETS	<u>\$ 5,750,883</u>	<u>\$ 5,837,456</u>
LIABILITIES		
Accounts payable and other accrued liabilities	\$ 140,827	\$ 143,331
Community funding payable	276,333	331,325
Donor designations payable	722,262	953,431
Total liabilities	<u>1,139,422</u>	<u>1,428,087</u>
NET ASSETS		
Without donor restrictions	3,454,280	3,350,966
With donor restrictions	1,157,181	1,058,403
Total net assets	<u>4,611,461</u>	<u>4,409,369</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,750,883</u>	<u>\$ 5,837,456</u>

United Way of Benton & Franklin Counties

Statement of Activities and Changes in Net Assets

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Gross campaign results (2018-19)	\$ 838,428	\$ -	\$ 838,428
Less donor designations	(340,954)	-	(340,954)
Less provision for uncollectible	(38,618)	-	(38,618)
In-kind contributions	18,420	-	18,420
Net campaign revenue	<u>477,276</u>	<u>-</u>	<u>477,276</u>
Gross campaign results (2019-20)	-	1,748,473	1,748,473
Less donor designations	-	(651,105)	(651,105)
Less provision for uncollectible	-	(90,432)	(90,432)
In-kind contributions	-	99,801	99,801
Net campaign revenue	<u>-</u>	<u>1,106,737</u>	<u>1,106,737</u>
Other revenue			
Administrative fees	83,215	-	83,215
Other contributions and grants	113,831	39,411	153,242
Investment income, net	360,018	8,072	368,090
Fundraising income	156,257	-	156,257
Miscellaneous income	9,508	-	9,508
Loss on disposal of equipment	(231)	-	(231)
Net assets released from restrictions	<u>1,055,442</u>	<u>(1,055,442)</u>	<u>-</u>
TOTAL REVENUE	<u>2,255,316</u>	<u>98,778</u>	<u>2,354,094</u>
EXPENSES			
Program services			
Community funding services	729,391	-	729,391
Community solutions	360,131	-	360,131
Youth & childhood success	393,343	-	393,343
Total program services	<u>1,482,865</u>	<u>-</u>	<u>1,482,865</u>
Supporting services			
Management and general	275,388	-	275,388
Fundraising	393,749	-	393,749
Total supporting services	<u>669,137</u>	<u>-</u>	<u>669,137</u>
TOTAL EXPENSES	<u>2,152,002</u>	<u>-</u>	<u>2,152,002</u>
CHANGES IN NET ASSETS	103,314	98,778	202,092
NET ASSETS, BEGINNING OF YEAR	<u>3,350,966</u>	<u>1,058,403</u>	<u>4,409,369</u>
NET ASSETS, END OF YEAR	<u>\$ 3,454,280</u>	<u>\$ 1,157,181</u>	<u>\$ 4,611,461</u>

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

United Way of Benton & Franklin Counties

Statement of Activities and Changes in Net Assets

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Gross campaign results (2017-18)	\$ 569,387	\$ -	\$ 569,387
Pledges collected in excess of allowance	51,333	-	51,333
Less donor designations	(229,571)	-	(229,571)
Less provision for uncollectible	(25,686)	-	(25,686)
In-kind contributions	36,741	-	36,741
Net campaign revenue	<u>402,204</u>	<u>-</u>	<u>402,204</u>
Gross campaign results (2018-19)	-	1,845,468	1,845,468
Less donor designations	-	(735,540)	(735,540)
Less provision for uncollectible	-	(89,811)	(89,811)
In-kind contributions	-	245,261	245,261
Net campaign revenue	<u>-</u>	<u>1,265,378</u>	<u>1,265,378</u>
Other revenue			
Administrative fees	55,999	-	55,999
Other contributions and grants	26,633	85,000	111,633
Investment income (loss), net	(130,231)	14,385	(115,846)
Fundraising income	125,558	-	125,558
Miscellaneous income	24,423	-	24,423
Net assets released from restrictions	<u>1,259,682</u>	<u>(1,259,682)</u>	<u>-</u>
TOTAL REVENUE	<u>1,764,268</u>	<u>105,081</u>	<u>1,869,349</u>
EXPENSES			
Program services			
Community funding services	720,210	-	720,210
Community solutions	393,427	-	393,427
Youth & childhood success	517,473	-	517,473
Total program services	<u>1,631,110</u>	<u>-</u>	<u>1,631,110</u>
Supporting services			
Management and general	286,816	-	286,816
Fundraising	440,424	-	440,424
Total supporting services	<u>727,240</u>	<u>-</u>	<u>727,240</u>
TOTAL EXPENSES	<u>2,358,350</u>	<u>-</u>	<u>2,358,350</u>
CHANGES IN NET ASSETS	(594,082)	105,081	(489,001)
NET ASSETS, BEGINNING OF YEAR	<u>3,945,048</u>	<u>953,322</u>	<u>4,898,370</u>
NET ASSETS, END OF YEAR	<u>\$ 3,350,966</u>	<u>\$ 1,058,403</u>	<u>\$ 4,409,369</u>

United Way of Benton & Franklin Counties

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services			Total Program Services	Support Services		Total Support Services	Total 2019
	Community Funding Services	Community Solutions	Youth & Childhood Success		Management and General	Fundraising		
Community funds awarded	\$ 595,966	\$ -	\$ 20,000	\$ 615,966	\$ -	\$ -	\$ -	\$ 615,966
Salaries	61,293	179,629	162,920	403,842	147,928	203,813	351,741	755,583
Employment taxes and benefits	20,310	59,520	53,981	133,811	49,016	67,525	116,541	250,352
Total salaries, taxes and benefits	81,603	239,149	216,901	537,653	196,944	271,338	468,282	1,005,935
Occupancy	1,229	5,414	3,204	9,847	856	1,584	2,440	12,287
Communication	1,020	2,990	2,712	6,722	2,462	3,392	5,854	12,576
Insurance	581	1,701	1,543	3,825	1,401	1,931	3,332	7,157
Dues and subscriptions	796	3,266	2,232	6,294	2,425	11,154	13,579	19,873
Marketing and advertising	161	4,392	4,881	9,434	345	3,198	3,543	12,977
Printing and supplies	8,559	19,363	10,435	38,357	4,997	13,796	18,793	57,150
Postage	179	514	436	1,129	1,600	3,571	5,171	6,300
Conferences and transportation	470	2,710	780	3,960	604	2,933	3,537	7,497
Professional fees	8,008	23,468	21,285	52,761	37,526	26,628	64,154	116,915
Repairs and maintenance	1,363	5,552	3,571	10,486	1,485	2,385	3,870	14,356
Special events	8,150	16,327	16,309	40,786	264	10,456	10,720	51,506
Payments to affiliates	2,664	7,807	7,081	17,552	6,430	8,859	15,289	32,841
Other expenses	6	27	16	49	141	4,008	4,149	4,198
Total cash expenses	710,755	332,680	311,386	1,354,821	257,480	365,233	622,713	1,977,534
Marketing and advertising	883	1,766	53,021	55,670	-	1,604	1,604	57,274
Printing and supplies	-	-	4,986	4,986	-	5,188	5,188	10,174
Professional fees	-	-	-	-	8,000	-	8,000	8,000
Special events	6,197	12,394	12,394	30,985	-	9,406	9,406	40,391
Total non-cash expenses	7,080	14,160	70,401	91,641	8,000	16,198	24,198	115,839
Total expenses before depreciation	717,835	346,840	381,787	1,446,462	265,480	381,431	646,911	2,093,373
Depreciation	11,556	13,291	11,556	36,403	9,908	12,318	22,226	58,629
Total functional expenses	\$ 729,391	\$ 360,131	\$ 393,343	\$ 1,482,865	\$ 275,388	\$ 393,749	\$ 669,137	\$ 2,152,002

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

United Way of Benton & Franklin Counties

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services				Support Services			Total
	Community Funding Services	Community Solutions	Youth & Childhood Success	Total Program Services	Management and General	Fundraising	Total Support Services	2018
Community funds awarded	\$ 584,099	\$ -	\$ 22,753	\$ 606,852	\$ -	\$ -	\$ -	\$ 606,852
Salaries	62,134	182,102	165,155	409,391	149,947	206,598	356,545	765,936
Employment taxes and benefits	23,034	67,504	61,225	151,763	55,589	76,585	132,174	283,937
Total salaries, taxes and benefits	85,168	249,606	226,380	561,154	205,536	283,183	488,719	1,049,873
Occupancy	1,262	5,562	3,292	10,116	881	1,627	2,508	12,624
Communication	1,098	3,245	2,917	7,260	3,194	3,612	6,806	14,066
Insurance	577	1,692	1,535	3,804	1,394	1,920	3,314	7,118
Dues and subscriptions	1,185	4,380	2,803	8,368	1,953	6,615	8,568	16,936
Marketing and advertising	660	690	11,133	12,483	231	3,299	3,530	16,013
Printing and supplies	8,255	6,036	8,926	23,217	4,271	16,523	20,794	44,011
Postage	397	625	378	1,400	1,732	3,567	5,299	6,699
Conferences and transportation	803	2,912	1,124	4,839	3,048	3,635	6,683	11,522
Professional fees	6,637	19,451	17,642	43,730	40,856	22,070	62,926	106,656
Repairs and maintenance	2,364	9,853	6,184	18,401	2,301	3,822	6,123	24,524
Special events	8,041	16,082	16,082	40,205	-	20,472	20,472	60,677
Payments to affiliates	2,617	7,669	6,955	17,241	6,315	8,701	15,016	32,257
Other expenses	42	134	111	287	197	4,137	4,334	4,621
Total cash expenses	703,205	327,937	328,215	1,359,357	271,909	383,183	655,092	2,014,449
Marketing and advertising	2,420	11,090	158,945	172,455	-	15,891	15,891	188,346
Printing and supplies	229	22,996	4,965	28,190	92	4,192	4,284	32,474
Professional fees	706	2,068	1,876	4,650	8,068	2,347	10,415	15,065
Repairs and maintenance	91	440	240	771	138	204	342	1,113
Special events	5,348	10,696	10,697	26,741	-	25,254	25,254	51,995
Total non-cash expenses	8,794	47,290	176,723	232,807	8,298	47,888	56,186	288,993
Total expenses before depreciation	711,999	375,227	504,938	1,592,164	280,207	431,071	711,278	2,303,442
Depreciation	8,211	18,200	12,535	38,946	6,609	9,353	15,962	54,908
Total functional expenses	\$ 720,210	\$ 393,427	\$ 517,473	\$ 1,631,110	\$ 286,816	\$ 440,424	\$ 727,240	\$ 2,358,350

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

United Way of Benton & Franklin Counties

Statement of Cash Flows

Year ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	<u>\$ 202,092</u>	<u>\$ (489,001)</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	58,629	54,908
Loss on disposal of equipment	231	-
Unrealized (gain) loss on investments	(215,632)	223,143
Realized gain on investments	(49,024)	(5,602)
Donated investments	(10,968)	(11,989)
Interest reinvested in certificates of deposit	(1,756)	-
Bad debt expense	129,050	115,497
Net increase in cash value of life insurance	(8,072)	(14,384)
Changes in assets and liabilities:		
Campaign pledges receivable	(2,507)	241,268
Prepaid expenses	(1,509)	(4,034)
Grants receivable	(19,364)	-
Other assets	2,713	(7,771)
Accounts payable and other accrued liabilities	(2,504)	58,833
Allocations payable to community partners	(54,992)	(104,532)
Donor designations payable	(231,169)	(416,711)
Total adjustments	<u>(406,874)</u>	<u>128,626</u>
Net cash used by operating activities	<u>(204,782)</u>	<u>(360,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of investments	631,509	385,005
Proceeds from maturities of certificates of deposit	200,000	100,000
Purchase of investments	(921,229)	(507,563)
Purchase of equipment	(7,637)	(81,552)
Net cash used by investing activities	<u>(97,357)</u>	<u>(104,110)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(302,139)	(464,485)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>779,804</u>	<u>1,244,289</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 477,665</u>	<u>\$ 779,804</u>

Supplemental Disclosures of Non-Cash Transactions:

Total donated investments amounted to \$10,968 and \$11,989 for the years ended December 31, 2019 and 2018, respectively.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 1 - ORGANIZATION

The mission of United Way of Benton & Franklin Counties (United Way) is to improve lives by mobilizing the caring power of our community to ensure that people live safe, healthy, productive lives.

We've been working in our region for over 60 years. Through our partnerships with donors, nonprofits, businesses, volunteers and community-minded leaders, we continue to collectively build a stronger hometown.

This year, we've used our expertise to bring people and data together to understand and respond to our community's most critical needs. We have:

- Mobilized thousands across our community and equipped them for action - to give, advocate and volunteer to improve the conditions in which we live.
- Connected all sectors of our community to create long-term social change that produces financially stable and healthy individuals and families - that's our workforce and customer base of today and tomorrow.
- Raised, invested and leveraged philanthropic contributions to create and support innovative solutions to generate sustained community impact.
- Held ourselves accountable through our commitment to continually measure improvements in living conditions and quality of life across our community.

In 2019, donors and companies enabled our United Way to provide funds to more than 200 not-for-profit organizations doing work within Benton and Franklin Counties. We also provided 38 grants for local programs filling service gaps in our region's areas of greatest needs. Working united, our collaborations and funded partners are solving our region's biggest problems and creating lasting change.

Community Funding Processes

Community Impact Funding Process - This ongoing process includes an open bid invitation with a two-year funding cycle. In 2018, volunteers evaluated bids against the published minimum criteria which included alliance with the most pressing needs identified in the Community Solutions Strategic Plan, meeting measurable outcomes, financial accountability, and relevant experience. This process enabled United Way to allocate funds to local health and human service providers who deliver effective and efficient services in Benton and Franklin Counties. Programs are evaluated against the agreed-upon outcomes to determine funding continuation for the second year.

Mid-Cycle Funding Process - In 2017 and 2018, United Way made additional funding available by re-evaluating net asset balances based on the current economic environment. This one-time funding process included an open bid invitation to support programs with an emphasis on prevention and roots causes and response to existing conditions. Funding options include both emerging service needs and capital funding. Programs are evaluated against the agree-upon outcomes to determine funding continuation for the second year.

Grants and Contracts

Washington Census Equity Fund Grant - United Way of Benton & Franklin Counties is committed to a fair and accurate census count. In 2019 United way was the recipient of a \$40,000 one-year grant from the Washington State Equity Fund. This grant supports census education and outreach efforts within communities that have historically been undercounted.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 1 - ORGANIZATION (Continued)

State of Washington Office of Financial Management Contract – In November 2019 United Way entered into a contract with the State of Washington the purpose, of which, is to educate Washington State residents about the 2020 Census, mobilize “trusted messengers” within communities to build confidence and support broad participation in the census, support maximum self-response to the 2020 Census and support cooperation in the Non-Response Follow-Up effort. The period of performance will continue through June 30, 2020.

Building Community Philanthropy Grant - During 2016, United Way was the recipient of a three-year grant from Philanthropy Northwest. Funds from the grant helped reduce intergenerational poverty in our community by focusing on pursuing learning goals, middle school chronic absenteeism, and preparing children for kindergarten. Selected grantees are providing services that support the purposes of the grant. Grant funding concluded on June 30, 2019.

United Way Annual Campaign

United Way solicits campaign pledges from businesses and individuals residing primarily in Benton and Franklin Counties of Washington State. The annual fundraising campaign is United Way's principal source of revenue and can be affected by economic conditions. A decrease in contributions could affect the United Way's ability to provide services and allocate resources to the community.

United Way provides a "Donor Choice" program, which was established to meet the changing needs of donors. Donors may designate their pledge to United Way's community partners, as well as other qualified 501(c)(3) not-for-profit agencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of United Way of Benton & Franklin Counties have been prepared on the accrual basis of accounting.

Financial Statement Presentation

United Way of Benton & Franklin Counties reports information regarding its financial position and activities to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets without donor restrictions – Net assets presently available for use by United Way of Benton & Franklin Counties at the discretion of management and the Board.

Net assets with donor restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of United Way of Benton & Franklin Counties. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

United Way recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on what they depend have been met. A portion of United Way's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the occurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

United Way recognizes revenue from administrative fees when the services are provided. The performance obligation of delivering this service is simultaneously received and consumed, therefore, the revenue is recognized over time.

United Way records fundraising income equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as without donor restrictions.

Gifts of goods, services, or equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Total contributed goods, services, or equipment recognized as revenue amounted to \$118,221 and \$282,002 for the years ended December 31, 2019 and 2018, respectively.

Contributed Services

United Way recognized contributed professional services in the amount of \$8,000 and \$15,065 for the years ended December 31, 2019 and 2018, respectively. Recognized contributed services were related to financial planning, legal and audit and accounting services.

Use of 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, 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.

Financial Instruments and Credit Risk

United Way manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing program services and other costs are reported on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and support service centers that benefit from such costs. Payroll and related costs are allocated to functional cost centers based upon the estimated time personnel devote to each cost center. Other costs are allocated based on reasonable estimates determined by management. All allocation methods are reviewed and revised when necessary to reflect changes in the nature, level of activities, and the delivery of services.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit, and highly liquid short-term investments with maturity of 90 days or less at the time of acquisition. United Way regularly maintains cash balances in excess of federally insured limits.

Certificates of Deposit

At December 31, 2018, \$198,244 was held in Certificates of Deposit which the FDIC had insured. The maturity dates range from October 2019 to November 2019. There were no Certificates of Deposit at December 31, 2019.

Promises to Give

Pledges for contributions are recorded when received and allowances are provided for amounts estimated to be uncollectible (see Note 3).

Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are presented in the financial statements at fair market value, with the resulting realized and unrealized gains and losses included in the Statement of Activities and Changes in Net Assets. The United Way investment policy identifies acceptable and appropriate investment strategy. Emphasis is placed on capital growth, preservation of purchasing power and diversification of risk.

Land, Building, and Equipment

Land, building, and equipment with costs of \$750 or more are recorded at cost for purchased items and estimated fair market value for assets donated. Depreciation is determined using the straight-line method based on estimated useful lives of 3 to 35 years. Assets received with donor restrictions whose restrictions are met in the same year they are received are reported as without donor restriction. Gifts of long-lived assets or gifts of cash restricted to purchase long-lived assets without stipulations about how long the assets must be used are reported as without donor restriction.

Fair Value of Financial Instruments

United Way categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that United Way can access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Subsequent to initial recognition, United Way may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. United Way has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

There have been no changes in the methodologies used at December 31, 2019 and 2018.

Income taxes

Under provisions of Section 501(c)(3) of the Internal Revenue Code, United Way is exempt from federal income taxes, except for net income from unrelated business activities. As of December 31, 2019, and 2018, United Way had no unrelated business activities subject to federal income tax.

Management has evaluated United Way's tax positions and concluded that United Way had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of ASC 740-10.

Advertising

Costs incurred for advertising are expensed when incurred. Advertising costs for the years ended December 31, 2019 and 2018 were \$12,977 and \$16,013, respectively. In-kind advertising costs for the years ended December 31, 2019 and 2018 were \$57,274 and \$188,346, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Principles

During 2019, United Way adopted FASB's ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance requires restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. There were no material changes to the presentation of cash, cash equivalents or restricted cash in 2019.

As of January 1, 2019, United Way adopted the accounting guidance in the FASB's ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Accounting Guidance for Contributions Received and Contributions Made utilizing the modified prospective method. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. There were no material changes to the recognition of contribution revenue during 2019.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Principles (continued)

As of January 1, 2019, United Way adopted FASB issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) utilizing the modified retrospective method. There was no material impact on the United Way's financial position and results of operations upon adoption of the new standard. The amended guidance clarifies the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Subsequent events

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, potential shortages member attendance, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact through measures such as applying for a Paycheck Protection Program (PPP) loan which was granted to the Organization in April 2020 totaling \$168,660. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

During the period from January 1, 2020 through July 1, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

Subsequent events have been evaluated through July 1, 2020, which is the date the financial statements were available to be issued.

NOTE 3 - CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable are composed of the following at December 31:

	<u>2019</u>	<u>2018</u>
Campaign pledges receivable	\$1,352,398	\$1,500,231
Less allowance for uncollectible pledges	<u>223,311</u>	<u>244,601</u>
Campaign pledges receivable, net	<u>\$1,129,087</u>	<u>\$1,255,630</u>

The allowance for uncollectible pledges is based upon a historical average pledge loss and is adjusted for current economic factors as determined appropriate by management. The allowance is applied to the gross campaign, including donor designations.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 4 - LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 52,000	\$ 52,000
Building	851,946	837,200
Equipment	<u>235,005</u>	<u>260,493</u>
	1,138,951	1,149,693
Less accumulated depreciation	<u>784,610</u>	<u>744,129</u>
Land, building, and equipment, net	<u>\$ 354,341</u>	<u>\$ 405,564</u>

Depreciation expense amounted to \$58,629 and \$54,908 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 - COMMUNITY FUNDING AND DONOR DESIGNATIONS PAYABLE

Community Funding

United Way of Benton & Franklin Counties' Community Solutions funding process includes an open bid invitation. In 2018, volunteers evaluated bids against minimum criteria which included, among others, alliance with the Community Solutions Strategic Plan, meeting outcomes and prior experience. The open bid process is a two-year funding cycle. Programs are evaluated to stated outcomes to determine funding continuation to the second year. United Way is using a similar evaluation process to distribute grant funds for the Community Solutions Long-Term Follow Along Project funded by the Gates Foundation. Program funding for both projects is paid on a July 1 through June 30 fiscal period basis.

Community Funding payable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Community Solutions funding	\$ 276,333	\$ 315,578
Long-Term Follow-Along grant funding	<u>-</u>	<u>15,747</u>
	<u>\$ 276,333</u>	<u>\$ 331,325</u>

Donor Designations

Cash contributions and pledges designated by donors to specific organizations are considered agency transactions as defined by ASC 958. As such, United Way considers these amounts raised on behalf of others.

Donor designations payable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Community Agencies	\$ 437,001	\$ 531,928
Alexis de Tocqueville	264,441	395,267
Combined Federal Campaign	18,017	18,017
Company Processor Campaign	923	6,082
Combined Fund Drive	<u>1,880</u>	<u>2,137</u>
	<u>\$ 722,262</u>	<u>\$ 953,431</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 6 - NET ASSETS

The establishment and maintenance of reserves is a prudent business practice. Adequate reserves without donor restrictions enable United Way to support strategic business practices, and to manage cash flow interruptions due to deficiencies in revenue attainment, larger than expected pledge receivable write-offs, business interruption with a major employer, or community disaster. The Board of Directors has designated net assets without donor restrictions for the following purposes:

Working Capital Fund

The intent of the working capital fund is to effectively manage and address current ongoing financial obligations such as budgeted expenses and agency and community services payments. The working capital funding basis is \$705,866 and \$743,349, respectively, for the years ended December 31, 2019 and 2018. The Working Capital reserve fund is fully funded.

Operating Reserve

The intent of the operating reserve is to meet the operating needs of the organization. Funds may also be used for unanticipated, unbudgeted operating needs not covered by annual revenue. The operating reserve funding basis is \$400,028 and \$415,328, respectively, for the years ended December 31, 2019 and 2018. The Operating Reserve fund is fully funded.

Community Investment Reserve Fund

This fund is used to meet strategic or emergent community needs identified by the Board of Directors. The Community Investment Reserve funding basis is \$179,657 and \$176,998, respectively, for the years ended December 31, 2019 and 2018. The Community Investment Reserve fund is fully funded.

Capital Asset Replacement

Amounts have been designated for new and replacement capital purchases as approved by the Board of Directors. In 2018, the Board approved additional funding for a major capital renewal project to renovate United Way's 25-year-old office and training center. The funding basis is \$100,000 and is funded at \$235,638 and \$235,638, respectively, for the years ended December 31, 2019 and 2018.

New Programs/Emerging Needs

Amounts designated to this fund are for new programs and needs not covered by the current Community Solutions funding process. This fund is not restricted to current United Way service providers. Multi-year provisional grants for a new program are permissible. A process separate from the routine annual allocations process is utilized to request, screen, and evaluate proposals, and recommend funding for new program areas. The funding basis shall be as designated by the Board of Directors and is funded at \$95,923 and \$165,208, respectively, for the years ended December 31, 2019 and 2018.

United Way Quasi Endowment

In 1991, the Board of Directors created a permanent fund where annual investment income from the quasi-endowment funds would be used to underwrite the cost of administration, pledge loss, and fundraising expenses. This would allow the proceeds of an annual fundraising campaign to be utilized for community needs. Investment income from the United Way Endowment should be retained in the fund until the minimum endowment objective is reached. The board-designated endowment funds are included in net assets without donor restrictions. Donor-designated endowment funds are included in net assets with donor restrictions. The Board of Directors determines the funding basis.

Community Solutions Endowment Amount Available for Distribution

In 2013, United Way received an endowed gift of \$442,064. Per the Endowment Policy, there were no earnings available for distribution for the year ended December 31, 2019 or December 31, 2018.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 6 - NET ASSETS (Continued)

Net assets without donor restrictions are composed of the following at December 31:

	<u>2019</u>	<u>2018</u>
Board designated:		
Working Capital Fund	\$ 705,866	\$ 743,349
Operating Reserve	400,028	415,328
Community Investment Reserve Fund	179,657	176,998
Capital Asset Replacement	235,638	235,638
New Programs/Emerging Needs	95,923	165,208
United Way Quasi Endowment - General	1,477,864	1,207,137
Supplemental Program Funding	4,962	-
Accumulated Reserve Fund	-	1,724
Investment in Land, Building, and Equipment (net)	<u>354,341</u>	<u>405,584</u>
	<u>\$3,454,279</u>	<u>\$3,350,966</u>

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose or period		
Time restricted current year campaign results	\$ 406,825	\$ 302,196
Programmatic support, grant funds received	<u>39,411</u>	<u>53,333</u>
Total subject to expenditure for specific purpose or period	<u>446,236</u>	<u>355,529</u>
Endowments subject to United Way's spending policy		
Investments in perpetuity to support:		
General endowment – Cash Value of Life Insurance	266,583	258,512
General endowment	2,299	2,299
Community solutions endowment	<u>442,064</u>	<u>442,063</u>
Endowments subject to United Way's spending policy	<u>710,946</u>	<u>702,874</u>
	<u>\$1,157,182</u>	<u>\$1,058,403</u>

Net assets with donor restrictions released at December 31:

	<u>2019</u>	<u>2018</u>
Time restrictions met during campaign	<u>\$1,055,442</u>	<u>\$1,259,682</u>
Total net assets released from restrictions	<u>\$1,055,442</u>	<u>\$1,259,682</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 7 - RETIREMENT PLAN

Employees of United Way meeting the prescribed length of service requirements are covered under provisions of a tax- deferred annuity retirement plan that is subject to Section 403(b) of the Internal Revenue Code providing for employer and employee contributions and a contributory master tax-deferred annuity retirement plan with employer contributions only. The contributory master tax-deferred annuity retirement plan was terminated in 2018, effective for compensation received after April 1, 2018.

Both plans are classified as defined contribution plans. United Way expenses the costs as incurred. Thrift plan costs of \$71,852 and \$63,470 were incurred for the years ended December 31, 2019 and 2018, respectively. The contributory master retirement plan costs of \$0 and \$20,835 were incurred for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 - FAIR VALUE DISCLOSURES

United Way uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how United Way measures fair value, refer to Note 2, Summary of Significant Accounting Policies.

Financial Instruments Recorded at Fair Value

The fair values of available-for-sale investments are estimated based on quoted prices in active markets for identical assets. The following tables present the fair value hierarchy for the balance of the assets and liabilities of United Way measured at fair value on a recurring basis as of December 31:

	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Assets</i>				
Bonds	\$ 637,825	\$ 637,825	\$ -	\$ -
Equities	1,281,952	1,281,952	-	-
Fixed income	<u>1,520,082</u>	<u>1,520,082</u>	<u>-</u>	<u>-</u>
	<u>\$3,439,859</u>	<u>\$3,439,859</u>	<u>\$ -</u>	<u>\$ -</u>
	2018			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Assets</i>				
Bonds	\$ 225,184	\$ 225,184	\$ -	\$ -
Equities	1,023,490	1,023,490	-	-
Fixed income	<u>1,625,841</u>	<u>1,625,841</u>	<u>-</u>	<u>-</u>
	<u>\$2,874,515</u>	<u>\$2,874,515</u>	<u>\$ -</u>	<u>\$ -</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 9 - ENDOWMENTS

United Way's endowments consist of mutual funds, bond funds, and capital markets and were established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), 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.

Interpretation of Relevant Law

The Board of Directors of United Way has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment funds:			
Community Solutions Endowment funds	\$ -	\$ 442,064	\$ 442,064
General Endowment funds	-	268,882	268,882
Board-designated Endowment funds	<u>1,477,864</u>	<u>-</u>	<u>1,477,864</u>
Total funds	<u>\$1,477,864</u>	<u>\$ 710,946</u>	<u>\$2,188,810</u>

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment funds:			
Community Solutions Endowment funds	\$ -	\$ 442,063	\$ 442,063
General Endowment funds	-	260,811	260,811
Board-designated Endowment funds	<u>1,207,137</u>	<u>-</u>	<u>1,207,137</u>
Total funds	<u>\$1,207,137</u>	<u>\$ 702,874</u>	<u>\$1,910,011</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 9 - ENDOWMENTS (continued)

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$1,207,137</u>	<u>\$ 702,874</u>	<u>\$1,910,011</u>
Distributions	-	-	-
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Investment return:			
Net investment income	<u>270,727</u>	<u>8,072</u>	<u>278,799</u>
Endowment net assets, end of year	<u>\$1,477,864</u>	<u>\$ 710,946</u>	<u>\$2,188,810</u>

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$1,374,330</u>	<u>\$ 688,489</u>	<u>\$2,062,819</u>
Distributions	(37,613)	-	(37,613)
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(37,613)</u>	<u>-</u>	<u>(37,613)</u>
Investment return:			
Net investment income (loss)	<u>(129,580)</u>	<u>14,385</u>	<u>(115,195)</u>
Endowment net assets, end of year	<u>\$1,207,137</u>	<u>\$ 702,874</u>	<u>\$1,910,011</u>

Return Objectives and Risk Parameters

United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that provides a balance that will enhance total return while avoiding undue risk concentration in any single asset class or category. The performance goal of the Endowment shall be measured as time-weighted rates of return compared to appropriate capital market indices.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 9 - ENDOWMENTS (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

It is the policy of United Way to maintain a minimum principal value plus annual contributions adjusted for inflation at the end of each calendar year. This is consistent with United Way's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Once each Endowment goal has been achieved distribution amounts will be calculated annually per the Board Approved Endowment Policy. There is a minimum distribution of \$5,000 to help stabilize endowed funds in the event of weak market results or deflation and will maintain low administration costs. In establishing this policy, United Way considered the long-term expected return on its endowment.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

United Way's financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31 :

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 477,665	\$ 779,804
Campaign pledges receivable	1,129,087	1,255,630
Grants receivable	19,364	-
Investments	3,439,859	2,874,515
Certificates of deposit	-	198,244
Total financial assets available within one year	<u>5,065,975</u>	<u>5,108,193</u>
Less amounts unavailable for general expenditures within one year:		
Time restricted current year campaign results	406,825	355,529
Endowments subject to United Way's spending policy	<u>710,945</u>	<u>702,874</u>
Total amounts unavailable for general expenditures within one year	<u>1,117,770</u>	<u>1,058,403</u>
Less amounts unavailable to management without Board approval:		
Board designated	<u>3,454,279</u>	<u>3,350,966</u>
Total amounts available for general expenditures within one year	<u>\$ 493,926</u>	<u>\$ 698,824</u>

As part of the United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, United Way invests cash in excess of cash flow requirements in short-term investments.