

**UNITED WAY OF
VOLUSIA-FLAGLER COUNTIES, INC.**

**Financial Statements And
Independent Auditor's Report
June 30, 2019**



OLIVARI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

United Way Of Volusia-Flagler Counties, Inc.
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Volusia-Flagler Counties, Inc.

We have audited the accompanying financial statements of United Way of Volusia-Flagler Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Volusia-Flagler Counties, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Volusia-Flagler Counties, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script, appearing to read 'Olivari & Associates'.

Olivari & Associates
Certified Public Accountants and Consultants
Ormond Beach, Florida
January 14, 2020

United Way Of Volusia-Flagler Counties, Inc.
Statement of Financial Position
As of June 30, 2019 (With Comparative Totals As of June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 687,500	\$ -	\$ 687,500	\$ 701,435
Annual campaign pledges receivable, net	674,541	-	674,541	666,144
Other receivables	66,219	-	66,219	54,166
Prepaid expenses	58,332	-	58,332	54,673
Investments	-	-	-	108,010
Total current assets	<u>1,486,592</u>	<u>-</u>	<u>1,486,592</u>	<u>1,584,428</u>
Noncurrent Assets:				
Pooled income fund	-	63,108	63,108	60,234
Life insurance cash surrender value	205,196	-	205,196	199,213
Investments	6,923,444	1,473,791	8,397,235	8,246,115
Property and equipment - net	168,078	-	168,078	190,328
Total noncurrent assets	<u>7,296,718</u>	<u>1,536,899</u>	<u>8,833,617</u>	<u>8,695,890</u>
Total assets	<u>\$ 8,783,310</u>	<u>\$ 1,536,899</u>	<u>\$ 10,320,209</u>	<u>\$ 10,280,318</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 41,425	\$ -	\$ 41,425	\$ 95,299
Accrued expenses	37,148	-	37,148	40,494
Allocations and designations payable	1,163,932	-	1,163,932	1,299,499
Deferred revenue	15,000	-	15,000	26,000
Donor advised funds	5,029	-	5,029	-
Total current liabilities	<u>1,262,534</u>	<u>-</u>	<u>1,262,534</u>	<u>1,461,292</u>
Noncurrent Liabilities:				
Gift annuity obligations	-	64,078	64,078	65,732
Total liabilities	<u>1,262,534</u>	<u>64,078</u>	<u>1,326,612</u>	<u>1,527,024</u>
Net Assets:				
Without donor restrictions				
Undesignated without donor restrictions	809,992	-	809,992	988,823
Designated for Community Foundation Fund	6,432,298	-	6,432,298	5,958,242
Designated for Women's Affinity Group	65,760	-	65,760	56,022
Designated for Donor Advised Funds	212,726	-	212,726	177,829
With donor restrictions				
Purpose Restricted	-	616,896	616,896	936,170
In Perpetuity	-	855,925	855,925	636,208
Total net assets	<u>7,520,776</u>	<u>1,472,821</u>	<u>8,993,597</u>	<u>8,753,294</u>
Total liabilities and net assets	<u>\$ 8,783,310</u>	<u>\$ 1,536,899</u>	<u>\$ 10,320,209</u>	<u>\$ 10,280,318</u>

See accompanying notes to financial statements
and independent auditor's report



United Way Of Volusia-Flagler Counties, Inc.
Statement of Activities
For the year ended June 30, 2019
(With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<u>Public support and revenue</u>				
Public support:				
Gross annual campaign contributions and pledges	\$ 2,262,521	\$ 47,833	\$ 2,310,354	\$ 2,253,578
Less: Allowance for uncollectible pledges	(158,024)	-	(158,024)	(192,083)
Less: Donor designations	(97,258)	-	(97,258)	(75,435)
Total annual campaign contributions and pledges	2,007,239	47,833	2,055,072	1,986,060
Other contributions and support	276,093	157,795	433,888	824,128
Bequests and memorial gifts	60,881	-	60,881	270,551
Donated services and space rental	-	-	-	9,420
Total public support	2,344,213	205,628	2,549,841	3,090,159
Revenue:				
Grants, contracts and fees for service	287,257	18,545	305,802	365,508
Other income	3,220	-	3,220	5,461
Change in value of charitable gift annuities	(10,970)	-	(10,970)	(5,410)
Change in value of pooled income fund	-	2,875	2,875	859
Investment income, net	401,610	71,201	472,811	833,225
Total revenue	681,117	92,621	773,738	1,199,643
Net assets released from restrictions:				
Satisfaction of purpose restrictions	397,806	(397,806)	-	-
Total net assets released from restriction	397,806	(397,806)	-	-
Total public support, revenue, and net assets released from restrictions	3,423,136	(99,557)	3,323,579	4,289,802
<u>Expenses</u>				
Agency allocations	1,238,317	-	1,238,317	1,337,789
Less: Donor designations	(97,258)	-	(97,258)	(75,435)
Net agency allocations	1,141,059	-	1,141,059	1,262,354
Scholarships, direct assistance and distributions	318,008	-	318,008	488,126
Total allocations and distributions	1,459,067	-	1,459,067	1,750,480
Operating expenses				
Program services	874,791	-	874,791	954,838
Community foundation	256,596	-	256,596	289,117
Fundraising	244,832	-	244,832	268,432
Special events	133,159	-	133,159	97,284
Management and general	114,831	-	114,831	116,703
Total operating expenses	1,624,209	-	1,624,209	1,726,374
Total expenses	3,083,276	-	3,083,276	3,476,854
Change in net assets	339,860	(99,557)	240,303	812,948
Net assets, beginning of year	7,180,916	1,572,378	8,753,294	7,940,346
Net assets, end of year	<u>\$ 7,520,776</u>	<u>\$ 1,472,821</u>	<u>\$ 8,993,597</u>	<u>\$ 8,753,294</u>

See accompanying notes to financial statements
and independent auditor's report

United Way Of Volusia-Flagler Counties, Inc.
Statement of Functional Expenses
For the year ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services					Support Services					Total	
	First Call For Help	Volunteer Center	Community Planning	Community Programs	Total Program Services	Community Foundation	Fund Raising	Special Events	Management and General	Total Support Services	2019	2018
Compensation and related expenses												
Salaries	\$ 60,259	\$ 53,411	\$ 243,237	\$ -	\$ 356,907	\$ 138,659	\$ 145,014	\$ 63,083	\$ 46,119	\$ 392,875	\$ 749,782	\$ 744,566
Employee benefits	18,850	11,354	39,776	-	69,980	22,667	27,720	9,211	14,377	73,975	143,955	121,792
Payroll taxes	4,444	3,781	16,839	-	23,064	10,635	10,634	4,213	3,844	29,326	54,390	53,108
	83,553	68,546	299,852	-	451,951	171,961	183,368	76,507	64,340	496,176	948,127	919,466
Other expenses												
Professional and consulting fees	38,168	12,751	45,202	98,445	194,566	23,634	548	3,590	25,153	52,925	247,491	229,965
Supplies	2,199	4,320	11,119	29	17,667	2,461	2,842	7,059	2,640	15,002	32,669	20,526
Telephone and communications	3,604	1,327	3,617	2,666	11,214	4,005	3,884	1,576	1,626	11,091	22,305	25,092
Postage and shipping	450	166	451	141	1,208	998	657	216	337	2,208	3,416	4,047
Occupancy	12,331	4,571	12,817	1,397	31,116	12,927	13,603	5,136	7,080	38,746	69,862	63,593
Equipment rental and service	6,651	5,111	3,304	-	15,066	12,736	1,797	695	636	15,864	30,930	25,811
Printing and publications	2,420	660	7,378	3,385	13,843	2,662	9,871	1,362	1,123	15,018	28,861	33,010
Travel	2,412	2,556	5,686	-	10,654	3,339	9,417	1,085	1,125	14,966	25,620	26,070
Conferences, meetings and training	1,598	340	6,075	25,552	33,565	4,869	3,429	29,925	331	38,554	72,119	77,630
Dues	7,692	2,607	7,470	5,711	23,480	11,288	8,934	4,424	5,790	30,436	53,916	52,421
Recognition and awards	-	17	10	1,500	1,527	-	252	65	2,205	2,522	4,049	1,694
Insurance	324	120	324	1,875	2,643	312	285	144	132	873	3,516	1,656
Advertising	2,265	11	8,536	3,380	14,192	-	1,050	180	-	1,230	15,422	1,586
Program expenses	-	-	-	41,550	41,550	-	-	-	-	-	41,550	214,047
Depreciation	1,113	1,113	8,455	-	10,681	2,448	4,895	-	4,228	11,571	22,252	25,739
Miscellaneous	-	-	(150)	18	(132)	2,956	-	1,195	(1,915)	2,236	2,104	4,021
	\$ 164,780	\$ 104,216	\$ 420,146	\$ 185,649	\$ 874,791	\$ 256,596	\$ 244,832	\$ 133,159	\$ 114,831	\$ 749,418	\$ 1,624,209	\$ 1,726,374
Total operating expenses												

See accompanying notes to financial statements
and independent auditor's report

United Way Of Volusia-Flagler Counties, Inc.
Statement of Cash Flows
For the year ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contributions and pledges	\$ 2,046,675	\$ 2,061,794
Cash received from other contributions and support	421,835	848,712
Cash received from bequests and memorial gifts	60,881	270,551
Cash received from grants, contracts and fees for service	305,802	365,508
Cash received from other income	3,220	5,461
Cash received from investment income	469,587	535,085
Cash paid for allocations and distributions	(1,594,634)	(1,823,607)
Cash paid for operating expenses	(1,721,518)	(1,812,364)
Cash paid for charitable gift annuities	(12,624)	(12,624)
Net cash (used) provided by operating activities	(20,776)	438,516
 Cash flows from investing activities:		
Proceeds from sale and maturities of investments	6,020,045	2,180,167
Purchase of investments	(6,013,204)	(2,696,126)
Net cash provided (used) by investing activities	6,841	(515,959)
 Net (decrease) in cash and cash equivalents	(13,935)	(77,443)
 Cash and cash equivalents, beginning of year	701,435	778,878
 Cash and cash equivalents, end of year	\$ 687,500	\$ 701,435
 Cash flows from operating activities:		
Change in net assets	\$ 240,303	\$ 812,948
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	22,250	25,739
Net realized (gain) on sale of investments	(301,916)	(378,954)
Net unrealized loss on investments	251,965	28,747
Increase in cash surrender value of life insurance	(5,983)	(6,299)
Provision for uncollectible pledges	158,024	192,083
(Increase) Decrease in certain assets:		
Annual campaign pledges receivable	(166,421)	(116,349)
Other receivables	(12,053)	24,585
Prepaid expenses	(3,658)	6,653
Pooled income fund	(2,875)	(859)
Increase (Decrease) in certain liabilities:		
Accounts payable	(53,874)	45,772
Accrued expenses	(3,346)	9,101
Allocations and designations payable	(135,567)	(73,127)
Agency designations payable	-	(91,160)
Deferred revenue	(11,000)	(33,150)
Donor advised fund	5,029	-
Split-interest agreements	(1,654)	(7,214)
Net cash (used) provided by operating activities	\$ (20,776)	\$ 438,516

See accompanying notes to financial statements
and independent auditor's report

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements
June 30, 2019

1. Nature of Organization:

The United Way of Volusia-Flagler Counties, Inc. (the Organization) is a not-for-profit organization incorporated under the laws of Florida. The mission of the Organization is to increase the organized capacity of the community to care for its people. The Organization brings its mission to life through an annual fund-raising campaign which results in the allocation of funds to its human service member agencies in Volusia and Flagler counties. All funds are allocated through a volunteer driven, citizen-review process. Distributions are reported as "agency allocations" in the accompanying statement of activities. The distribution of funds by trained and knowledgeable volunteers sets the Organization apart from other funding sources. To be the best stewards of donor investments and in an effort to align community resources for maximum impact, the Organization has made the transition to Community Impact model. Through this transition, the Organization will place a greater strategic emphasis on specific priority areas within Education, Financial Stability, and Health arenas that have a stronger focus on community-level outcomes. This model will allow the Organization to report measurable results for the community through their support partner programs. In addition, the Organization provides funding for several community building programs and services directly managed by the Organization. Program service areas directly managed by the Organization are summarized as follows:

First Call for Help - This program is the only comprehensive information and referral program that is available to anyone seeking information about human service agencies in Volusia and Flagler Counties. Trained and certified information and referral specialists are available 24 hours per day 365 days per year by phone to provide information about human service agencies in Volusia and Flagler counties. A searchable index of services is available at the Organization's online website.

Volunteer Center - This program is devoted solely to the promotion and nurturing of volunteerism and community service. The Volunteer Center recruits, develops, places and recognizes volunteers for hundreds of organizations and agencies community wide, and trains and matches potential leadership-caliber volunteers for various boards and committees. The Volunteer Center also administers the Reading Pals Program. It is a United Way program where volunteers provide positive reinforcement and personal attention to a child (kindergarten through 3rd grade) who would benefit from extra reading support. The goal is to improve children's reading skills and impart a love of reading.

Community Planning - The Organization engages in community planning through the Public Policy Committee, Partner Agency Council, and the Human Services Coordinating Council for the purposes of assessing community needs, coordinating public and private funding, and aiding in the development of other human services efficiencies and collaborations. In addition, the community planning function coordinates the following initiatives:

Campaign For Working Families (CFWF) - The CFWF is a coalition of community business, government, and non-profit partners whose mission is to help provide financial stability to low-and-moderate-income working families in Volusia and Flagler Counties by providing free tax return preparation, providing financial education classes to help individuals manage their money in a way that helps them build financial assets, providing outreach and education about the Earned Income Tax Credit, and promoting and encouraging savings.

Help Me Grow - The HMG system is designed to help the community leverage existing resources to ensure identification of vulnerable children, link families to proper community-based services, and empower families to support their children's healthy development through a centralized access point, data collection, and family & health care provider outreach.

Community Programs - The Organization provides fiscal sponsor services for several community service programs. Each of the programs has a steering committee of community residents who provide all the support for fundraising and fund distribution decisions.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

2. Summary of Significant Accounting Policies:

The following is a summary of the Organization's significant accounting policies:

Basis of Presentation - The Organization reports its financial information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate from net assets without donor restrictions, net assets for an operating reserve and board-designated assets and liabilities of the Organization. Revenue and support received by the Organization without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as without donor restrictions to the Organization.

In general, net assets without donor restrictions of the Organization may be used at the discretion of the Organization's management and the Board of Directors to support the Organization's purposes and operations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When the donor stipulated the investment of the gift corpus in perpetuity, the income generated from the investment of corpus is available for the Organization's operations in accordance with the donor restrictions. Appreciation related to the net assets with donor restrictions, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate net asset class based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking and money market accounts.

Investments - Investments are reported at fair value. Realized gains and losses are recognized at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Interest and dividend income is recognized when earned. Investment income (loss) is included in the change in net assets without donor restrictions, unless its use is restricted by donor stipulations or law. When a donor restriction is met the amount is reclassified and reported as released from restriction.

Property and Equipment - Purchases of land, buildings and equipment having a unit cost of \$2,500 or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 33 years.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

2. Summary of Significant Accounting Policies: (Continued)

Contributions - The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property, buildings and equipment as support 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction expenses have been incurred.

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services generally do not require specialized skills. Nevertheless, a substantial number of volunteers from the area donated their time to the Organization.

Annual Campaign Pledges Receivable - Annual campaigns are conducted from July 1 through June 30 to raise funds for allocation to participating agencies in the subsequent calendar year. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. An allowance for uncollectible pledges is established by the Organization's management based on past collection experience and current economic conditions. Because of uncertainties in the estimation process it is at least reasonably possible that management's estimate of uncollectible pledges will change in the near term. It is the Organization's policy to write-off uncollectible pledges within two years after an annual campaign has ended. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donor Designations - The Organization offers contributors the opportunity to designate their contributions to specific agencies. Contributions over which the Organization has little or no discretion in determining how funds are to be used are considered an agency relationship and, therefore, not recorded as a contribution when received or an agency allocation when disbursed. Donor designations are shown as reductions in gross annual campaign and agency allocations in the accompanying statement of activities.

Functional Allocation of Expenses - Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses are allocated based on program revenue and other bases, as determined by management. Although methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

2. Summary of Significant Accounting Policies: (Continued)

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. The Organization follows accounting standards relating to accounting for uncertainty in income taxes. The Organization assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements.

The Organization files tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2016.

Agency Allocations - Allocations to agencies are distributed over the year from July 1 through June 30, based on the preceding year's campaign. The Organization follows professional standards for contributions received and contributions made. Professional standards require recognition of allocations pledged to agencies as an expense in the period the pledge or allocation is made at their fair values. Therefore, amounts pledged or allocated as of June 30 but unpaid have been recorded as allocations and designations payable as of June 30, 2019.

Impairment of Long-Lived Assets - Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Deferred Revenue - The organization receives grants for various programs. The deferred revenue represents the amount of revenue that will be earned in the future periods.

Concentration of Credit Risk - The Organization's financial instruments that are exposed to concentrations of credit risk consist of checking and money market accounts held at creditworthy financial institutions. Such accounts may at times exceed federally insured limits. The organization has not experienced any losses on such accounts.

Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information. With respect to the statement of financial position and activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassification - Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

2. Summary of Significant Accounting Policies: (Continued)

Accounting Pronouncement Adopted - On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize 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 fiscal years beginning after December 15, 2018, the Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: Topic 958*. This ASU provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, the Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02 *Leases: Topic 842*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

Subsequent Events - The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 14, 2020 which is prior to the date of availability of January 15, 2020. No subsequent events have been recognized or disclosed.

3. Annual Campaign Pledges Receivable:

At June 30, 2019, annual campaign pledges receivable consists of the following:

2017 - 2018 campaign	\$ 825,987
2016 - 2017 campaign	158,799
	984,786
2017 - 2018 allowance for uncollectible pledges	(151,439)
2016 - 2017 allowance for uncollectible pledges	(158,806)
Annual campaign pledges receivable, net	\$ 674,541

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

4. Investments:

At June 30, 2019, investments consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 174,264	\$ 174,264	\$ -
Mutual funds	4,890,464	5,310,411	419,947
Equity securities	74,014	142,339	68,325
Limited partnerships	2,442,947	2,944,485	501,538
	<u>\$ 7,581,689</u>	<u>\$ 8,571,499</u>	<u>\$ 989,810</u>

Reflected in the statement of financial position as follows:

Cash and cash equivalents	\$ 174,264
Investments-current portion	-
Investments-noncurrent portion	8,397,235
	<u>\$ 8,571,499</u>

Investment income (loss) is summarized as follows:

Interest and dividends	\$ 400,639
Net increase in cash surrender value of life insurance	5,983
Net realized gains (losses) on investments	301,916
Net unrealized gains (losses) on investments	(251,965)
Increase in Ltd Partnerships	68,949
Investment management fees	(52,711)
	<u>\$ 472,811</u>

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of June 30, 2019. However, the diversification of the Organization's invested assets among these various asset classes is management's strategy to mitigate the impact of any dramatic change on any one asset class.

5. Fair Value Measurements:

The Organization utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, "Fair Value Measurements," fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Level 1 - Values measured using quoted prices in active markets for identical investments. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

5. Fair Value Measurements: (Continued)

Level 2 - Values measured using observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in active markets that are not active; or other inputs that are observable by market data for substantially the full term of the assets or liabilities.

Level 3 - Values measured using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement. Investments measured using net asset value are classified as Level 2 if they are redeemable at or near year-end otherwise they are considered Level 3.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Cash and cash equivalents and certificates of deposit: Valued at cost, which approximates fair value.

Contributions receivable: For contributions receivable that are due within one year, carrying amount is a reasonable estimate of fair value. For contributions receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

Mutual funds: Valued at the closing price reported on the active markets on which the individual funds are traded.

Equity securities: Valued at the closing price reported on the active markets on which the individual securities are traded.

Limited partnerships: These investments include limited partnerships, private equity funds, and other types of non-traditional investments. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. The fair values of these investments are estimated based on a review of all available information provided by fund managers and general partners. These fair value estimates are evaluated on a regular basis and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

Allocations and designations payable: For allocations and designations payable that are due within one year, carrying amount is a reasonable estimate of fair value. For allocations and designations payable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

5. Fair Value Measurements: (Continued)

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

Mutual funds:				
Fixed income funds	\$ 1,455,973	\$ -	\$ -	\$ 1,455,973
Equity funds	3,854,437	-	-	3,854,437
Equity securities:				
Financials	15,790	-	-	15,790
Consumer	49,893	-	-	49,893
Information technology	57,443	-	-	57,443
Healthcare	10,828	-	-	10,828
Industrials	8,386	-	-	8,386
Limited partnerships	-	2,944,485	-	2,944,485
	<u>\$ 5,452,750</u>	<u>\$ 2,944,485</u>	<u>\$ -</u>	<u>\$ 8,397,235</u>

The following table represents fair value measurements of investments in certain entities that calculate net asset value per share:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Polaris International Equity Fund	\$ 1,816,211	\$ -	Monthly	30 days
U.S. Real Estate Investment Fund	1,128,274	-	Quarterly	90 days
	<u>\$ 2,944,485</u>	<u>\$ -</u>		

The limited partnerships include one private equity fund that invests primarily in stock of foreign companies that are publicly traded and one that invests in real estate and is not publicly traded. The fair value of the investment has been estimated using the net asset value of the Organization's ownership interest in partners' capital.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

6. Property and Equipment:

Property and equipment as of June 30, 2019 consist of the following:

Land	\$ 92,056
Building and improvements	401,591
Furniture and equipment	<u>137,985</u>
	631,632
Less: Accumulated depreciation	<u>463,554</u>
	<u>\$ 168,078</u>

Depreciation expense was \$22,252 for the year ended June 30, 2019.

7. Pooled Income Funds:

For the Pooled Income Fund, the donor has contributed the asset to United Way Worldwide. All similar donations are pooled in a investment account managed by United Way Worldwide. The responsibility for future payments to the donor is held by United Way Worldwide. At the death of the last surviving income beneficiary, the then value of the principal of the gift will be distributed to the organization.

The organization records an asset on their books for the current market value of the Pooled Income Fund. At June 30, 2019 the amount is \$63,108.

8. Gift Annuity Obligations:

The Organization sells and administers several charitable gift annuities. A charitable gift annuity is an arrangement between a donor and the Organization in which the donor contributes assets in exchange for a promise by the Organization to pay a fixed amount for a specified period of time (typically the life of the donor or a designated beneficiary). Subject to certain reserve and other regulatory requirements, the contributed assets are held as general assets of the Organization and the annuity liability is a general obligation of the Organization.

The assets received are recognized at fair market value when received, and an annuity payment liability is recognized at the present value of annuity payments expected to be paid. The annuity payment liability is based on life expectancies of the donors and payout rate from 3.8% to 8.0% depending upon the year of the donation. Contribution revenue (gift value) is recognized as the difference between these two amounts. Payments to beneficiaries reduce the annuity liability. Adjustments are made to the annuity liability at the end of each subsequent year to reflect the current present value of future annuity payments. These adjustments are recognized in the statement of activities as changes in the value of gift annuities in net assets without donor restrictions. Reserve funds required by the State of Florida amounted to \$80,097 as of June 30, 2019.

As of June 30, 2019, the present value of future annuity payments for existing gift annuities was \$64,078.

9. Employee Benefit Plan:

The Organization sponsors a 403(b) thrift plan that covers all salaried employees with at least one year of service and who are at least 21 years of age and work over 1,000 hours in the calendar year. The Organization contributes 5% of the participant's salary and will match up to 2% of the employees' contributions. Participant's account balance shall be 100% non-forfeitable after completion of 3 years of vesting services or at 59.5 years of age. Total expense for the year ended June 30, 2019 was \$46,829.

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

10. Board Designated Net Assets:

At June 30, 2019, the Organization's board of directors has chosen to place the following limitations on net assets without donor restrictions:

Designated for Community Foundation Fund	\$ 6,432,298
Designated for Donor Advised Funds	212,726
Designated for Women's Affinity Group	65,760
	<u>\$ 6,710,784</u>

The Community Foundation Fund is established to combine legacy gifts, using the growth and income of the corpus to ensure funding for changing community needs for many future years. Currently that fund is managed by the Community Foundation, a Division of the United Way of Volusia-Flagler Counties. The Women's Affinity Group raises funds to improve the life of women and children in Volusia and Flagler Counties. The United Way of Volusia-Flagler Counties currently has three Donor Advised Funds in which the Donors can make recommendations on how to grant monies from these Funds, but ultimately, the United Way of Volusia-Flagler Counties has complete authority on how to grant from these funds as they are unrestricted gifts to the United Way of Volusia-Flagler Counties.

11. Net Assets with Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019:

Restricted for specified purposes:	
Publix Designated Corporate Gift	\$ 47,833
Pooled Income Funds directed by United Way Worldwide	63,108
Gift annuity reserves in excess of gift annuity obligations	16,019
Fiscal sponsor community programs	488,460
Families in need	1,476
	<u>616,896</u>
Restricted in perpetuity	
EDGE - Every Dollar Gets Empowered	219,717
Endowment funds	636,208
	<u>855,925</u>
Total net assets with donor restrictions	<u>\$ 1,472,821</u>

Net assets with donor restrictions that are perpetual in nature consist of the Organization's five endowment funds established to support a variety of programs and specific agencies (See Note 12: Endowments).

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors as follows:

Publix designated corporate gift	\$ 44,710
Gift annuity reserves in excess of gift annuity obligations	414
Utility assistance	18,538
Fiscal sponsor community programs	334,144
Total donor restricted net assets released from restrictions	<u>\$ 397,806</u>

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

12. Concentrations

The Organization maintains a single bank account in Daytona Beach, Florida. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash for the year ended June 30, 2019 exceeded federally insured limits by \$341,255.

In the current year, approximately 45% of all public support was provided by one corporation and their employees. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

13. Endowments:

The Organization's endowments consist of five funds established to support a variety of programs and specific agencies. Its endowments consist of only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with FUPMIFA, the Organization considers the following factors in taking a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

13. Endowments: (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies for the year ended June 30, 2019.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and organizations supported by the endowments. The endowment assets are invested in a manner that is intended to produce positive results, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for distribution each year all of its endowment fund's earnings to the programs and organizations the donor has specified.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Endowment net asset composition consisted of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
EDGE - Every Dollar Gets Empowered	\$ -	\$ 219,717	\$ 219,717
Restricted in perpetuity	-	636,208	636,208
	<u>\$ -</u>	<u>\$ 855,925</u>	<u>\$ 855,925</u>

Changes in endowment net assets consist of the following for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of July 1, 2018	\$ -	\$ 841,597	\$ 841,597
Contributions	-	100	100
Investment gains	-	14,228	14,228
Endowment net assets as of June 30, 2019	<u>\$ -</u>	<u>\$ 855,925</u>	<u>\$ 855,925</u>

United Way Of Volusia-Flagler Counties, Inc.
Notes to Financial Statements (continued)
June 30, 2019

14. Liquidity and Availability of Resources:

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 687,500
Annual campaign pledges receivable, net	674,541
Other receivables	66,219
Life insurance cash surrender value	205,196
Investments – Without Donor Restriction	<u>6,923,444</u>
	8,556,900
Board Designated Net Assets	<u>(6,710,784)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 1,846,116</u></u>

As a federated fundraising organization, The Organization receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period from July to June. During a different 12-month period of January to December, additional contributions are received from donors. In addition, all board designated net assets can be made available to meet operating needs if necessary. During the year ended June 30, 2019, the organization was able to meet its cash needs without utilizing board designated net assets.