

UNITED WAY OF WAYNE & HOLMES COUNTIES, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Wayne & Holmes Counties, Inc.
Wooster, Ohio

We have audited the accompanying financial statements of United Way of Wayne & Holmes Counties, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of changes in net assets, activities, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Wayne & Holmes Counties, Inc. as of December 31, 2019 and 2018, and the results of 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.

Meaden & Moore Ltd.

Meaden & Moore, Ltd.
Wooster, Ohio

December 8, 2020

STATEMENT OF FINANCIAL POSITION

United Way of Wayne & Holmes Counties, Inc.

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and cash equivalents	\$ 188,828	\$ 669,584	\$ 858,412
Beneficial interest investment	661,181	287,232	948,413
Accounts receivable	1,137	-	1,137
Campaign pledges receivable, net of allowance for uncollectible	-	514,588	514,588
Prepaid expenses and deposits	9,579	-	9,579
Property and equipment - net	304,026	-	304,026
	<u>304,026</u>	<u>-</u>	<u>304,026</u>
Total Assets	<u>\$ 1,164,751</u>	<u>\$ 1,471,404</u>	<u>\$ 2,636,155</u>
LIABILITIES			
Allocations and membership fees payable	\$ 11,700	\$ -	\$ 11,700
Other United Way designations	9,303	-	9,303
Accrued expenses	18,621	-	18,621
Other liabilities - custodial funds	5,532	-	5,532
	<u>5,532</u>	<u>-</u>	<u>5,532</u>
Total Liabilities	45,156	-	45,156
NET ASSETS			
Without Donor Restrictions:			
Non-designated	696,074	-	696,074
Board designated	423,521	-	423,521
With Donor Restrictions:			
Time and Purpose restricted	-	1,184,172	1,184,172
Permanently restricted	-	287,232	287,232
	<u>-</u>	<u>287,232</u>	<u>287,232</u>
Total Net Assets	<u>1,119,595</u>	<u>1,471,404</u>	<u>2,590,999</u>
Total Liabilities and Net Assets	<u>\$ 1,164,751</u>	<u>\$ 1,471,404</u>	<u>\$ 2,636,155</u>

See accompanying notes.

December 31, 2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 146,860	\$ 587,771	\$ 734,631
558,352	196,164	754,516
1,237	-	1,237
-	472,368	472,368
10,767	-	10,767
<u>295,808</u>	<u>-</u>	<u>295,808</u>
<u>\$ 1,013,024</u>	<u>\$ 1,256,303</u>	<u>\$ 2,269,327</u>
\$ 12,626	\$ -	\$ 12,626
7,762	-	7,762
14,314	-	14,314
<u>3,916</u>	<u>-</u>	<u>3,916</u>
38,618	-	38,618
582,902	-	582,902
391,504	-	391,504
-	1,060,139	1,060,139
<u>-</u>	<u>196,164</u>	<u>196,164</u>
<u>974,406</u>	<u>1,256,303</u>	<u>2,230,709</u>
<u>\$ 1,013,024</u>	<u>\$ 1,256,303</u>	<u>\$ 2,269,327</u>

STATEMENT OF CHANGES IN NET ASSETS

United Way of Wayne & Holmes Counties, Inc.

Year Ended December 31, 2019 and 2018

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Net Assets - December 31, 2017	\$ 986,875	\$ 924,611	\$ 1,911,486
Change in net assets - 2018	<u>(12,469)</u>	<u>331,692</u>	<u>319,223</u>
Net Assets - December 31, 2018	974,406	1,256,303	2,230,709
Change in net assets - 2019	<u>145,189</u>	<u>215,101</u>	<u>360,290</u>
Net Assets - December 31, 2019	<u>\$ 1,119,595</u>	<u>\$ 1,471,404</u>	<u>\$ 2,590,999</u>

See accompanying notes.

STATEMENT OF ACTIVITIES

United Way of Wayne & Holmes Counties, Inc.

Year Ended December 31

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
Gross 2018 campaign contributions	226,965	\$ -	\$ 226,965
Gross campaign results in prior year released from restriction	1,077,660	(1,077,660)	-
Total campaign results 2018	1,304,625	(1,077,660)	226,965
Less: Donor designations	(7,761)	7,761	-
Less: Provision for uncollectible	(28,077)	13,511	(14,566)
Net campaign revenue 2018	1,268,787	(1,056,388)	212,399
Gross 2019 campaign contributions	-	1,217,902	1,217,902
Less: Special event revenue released from restriction	18,258	(18,258)	-
Less: Donor designations	-	(9,303)	(9,303)
Less: Provision for uncollectible	-	(14,633)	(14,633)
Net campaign revenue 2019	18,258	1,175,708	1,193,966
Total Public Support	1,287,045	119,320	1,406,365
Other revenue (expense):			
Contributions and grants	-	55,922	55,922
Special initiatives	-	32,267	32,267
Other United Ways	1,200	-	1,200
Information and referral contract	4,190	-	4,190
Rental income	20,400	-	20,400
Investment income	110,229	35,146	145,375
Other income	3,021	-	3,021
Total Other Revenue (expense)	139,040	123,335	262,375
Other revenue released from restriction	27,554	(27,554)	-
Total Support and Revenue	1,453,639	215,101	1,668,740
EXPENSES:			
Program Services:			
Information and referral	57,576	-	57,576
Community problem solving	866,069	-	866,069
Total Program Services	923,645	-	923,645
Supporting Services:			
Management and general	199,664	-	199,664
Marketing and communications	4,509	-	4,509
Fundraising	168,932	-	168,932
Total Supporting Services	373,105	-	373,105
United Way Worldwide dues	11,700	-	11,700
Total Expenses	1,308,450	-	1,308,450
Change in Net Assets	\$ 145,189	\$ 215,101	\$ 360,290

See accompanying notes.

	2018		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
SUPPORT AND REVENUE:			
Gross 2017 campaign contributions	\$ 458,902	\$ -	\$ 458,902
Gross campaign results in prior year released from restriction	725,409	(725,409)	-
Total campaign results 2017	1,184,311	(725,409)	458,902
Less: Donor designations	(15,568)	15,568	-
Less: Provision for uncollectible	(33,724)	9,885	(23,839)
Net campaign revenue 2017	1,135,019	(699,956)	435,063
Gross 2018 campaign contributions	-	1,077,660	1,077,660
Less: Special event revenue released from restriction	-	-	-
Less: Donor designations	-	(7,761)	(7,761)
Less: Provision for uncollectible	-	(13,511)	(13,511)
Net campaign revenue 2018	-	1,056,388	1,056,388
Total Public Support	1,135,019	356,432	1,491,451
Other revenue (expense):			
Contributions and grants	-	5,000	5,000
Special initiatives	-	7,878	7,878
Other United Ways	1,000	-	1,000
Information and referral contract	4,190	-	4,190
Rental income	20,400	-	20,400
Investment loss	(43,496)	(17,763)	(61,259)
Other income	2,746	-	2,746
Total Other Revenue	(15,160)	(4,885)	(20,045)
Other revenue released from restriction	19,855	(19,855)	-
Total Support and Revenue	1,139,714	331,692	1,471,406
EXPENSES:			
Program Services:			
Information and referral	58,041	-	58,041
Community problem solving	760,531	-	760,531
Total Program Services	818,572	-	818,572
Supporting Services:			
Management and general	165,400	-	165,400
Marketing and communications	23,982	-	23,982
Fundraising	132,539	-	132,539
Total Supporting Services	321,921	-	321,921
United Way Worldwide dues	11,690	-	11,690
Total Expenses	1,152,183	-	1,152,183
Change in Net Assets	\$ (12,469)	\$ 331,692	\$ 319,223

STATEMENT OF FUNCTIONAL EXPENSES
 United Way of Wayne & Holmes Counties, Inc.
 Year Ended December 31

2019

	Program Services			Support Services				
	Information and Referral - WHIRE	Community Problem Solving	Total Program Services	Management and General	Fundraising	Marketing and Communications	Total Support Services	Total Expenses
Allocation to agencies	\$ -	798,876	\$ 798,876	\$ -	\$ -	\$ -	\$ -	\$ 798,876
Less: Donor designations	-	(9,303)	(9,303)	-	-	-	-	(9,303)
Total net allocation to agencies	-	789,573	789,573	-	-	-	-	789,573
Salaries	13,419	16,131	29,550	94,960	82,537	-	177,497	207,047
Employee benefits	1,626	1,821	3,447	12,743	8,380	-	21,123	24,570
Payroll taxes and fringes	1,008	1,608	2,616	7,342	6,452	-	13,794	16,410
Total salaries and related expenses	16,053	19,560	35,613	115,045	97,369	-	212,414	248,027
Grant expense	-	11,336	11,336	-	-	-	-	11,336
Community Initiative Expense	-	27,555	27,555	-	-	-	-	27,555
Registration fees	-	1,495	1,495	3,407	800	-	4,207	5,702
Professional fees	2,920	-	2,920	11,680	-	-	11,680	14,600
Contract labor	-	-	-	-	-	-	-	-
2-1-1 contract fees	17,085	-	17,085	-	-	-	-	17,085
Supplies	289	408	697	4,223	1,441	439	6,103	6,800
Telephone	1,412	1,412	2,824	2,387	1,412	1,412	5,211	8,035
Postage and shipping	212	279	491	516	6,861	123	7,500	7,991
Rental and maintenance of equipment	5,903	589	6,492	21,949	750	589	23,288	29,780
Printing and publications	5,163	599	5,762	2,045	21,581	273	23,899	29,661
Travel	62	2,749	2,811	6,205	4,361	1,567	12,133	14,944
Insurance	1,051	-	1,051	4,206	-	-	4,206	5,257
Membership dues	-	514	514	2,336	-	60	2,396	2,910
Awards and recognition	-	-	-	-	891	46	937	937
Occupancy	4,014	-	4,014	12,319	4,848	-	17,167	21,181
Special event	-	-	-	-	18,258	-	18,258	18,258
Miscellaneous	28	10,000	10,028	(3,107)	10,360	-	7,253	17,281
Total operating expenses	38,139	56,936	95,075	68,166	71,563	4,509	144,238	239,313
Total expenses before depreciation	54,192	866,069	920,261	183,211	168,932	4,509	356,652	1,276,913
Depreciation	3,384	-	3,384	16,453	-	-	16,453	19,837
Total Functional Expenses	\$ 57,576	\$ 866,069	\$ 923,645	\$ 199,664	\$ 168,932	\$ 4,509	\$ 373,105	\$ 1,296,750

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

United Way of Wayne & Holmes Counties, Inc.

Year Ended December 31

2018

	Program Services			Support Services				Total Expenses
	Information and Referral	Community Problem Solving	Total Program Services	Management and General	Fundraising	Marketing and Communications	Total Support Services	
Allocation to agencies	\$ -	\$ 674,024	\$ 674,024	\$ -	\$ -	\$ -	\$ -	\$ 674,024
Less: Donor designations	-	(7,761)	(7,761)	-	-	-	-	(7,761)
Total net allocation to agencies	-	666,263	666,263	-	-	-	-	666,263
Salaries	2,496	50,584	53,080	69,891	82,902	15,039	167,832	220,912
Employee benefits	456	4,343	4,799	8,894	8,046	1,264	18,204	23,003
Payroll taxes and fringes	311	4,016	4,327	5,476	6,555	1,317	13,348	17,675
Total salaries and related expenses	3,263	58,943	62,206	84,261	97,503	17,620	199,384	261,590
Grant expense	-	11,300	11,300	-	-	-	-	11,300
Community Initiative Expense	-	10,922	10,922	-	-	-	-	10,922
Payment to state organizations	-	-	-	-	-	-	-	-
Registration fees	-	360	360	645	6,099	-	6,744	7,104
Professional fees	2,640	-	2,640	10,560	-	-	10,560	13,200
2-1-1 contract fees	30,000	-	30,000	-	-	-	-	30,000
Supplies	428	692	1,120	2,067	1,643	1,488	5,198	6,318
Telephone	1,412	1,495	2,907	1,495	1,495	1,462	4,452	7,359
Postage and shipping	130	176	306	306	4,704	178	5,188	5,494
Rental and maintenance of equipment	5,444	1,283	6,727	19,952	883	609	21,444	28,171
Printing and publications	6,608	4,336	10,944	3,679	12,637	1,835	18,151	29,095
Travel	-	3,974	3,974	1,584	3,038	225	4,847	8,821
Insurance	990	-	990	3,959	-	-	3,959	4,949
Membership dues	22	411	433	2,888	-	-	2,888	3,321
Awards and recognition	-	376	376	25	-	-	25	401
Occupancy	3,618	-	3,618	11,841	4,185	-	16,026	19,644
Miscellaneous	102	-	102	7,837	352	565	8,754	8,856
Total operating expenses	51,394	35,325	86,719	66,838	35,036	6,362	108,236	194,955
Total expenses before depreciation	54,657	760,531	815,188	151,099	132,539	23,982	307,620	1,122,808
Depreciation	3,384	-	3,384	14,301	-	-	14,301	17,685
Total Functional Expenses	\$ 58,041	\$ 760,531	\$ 818,572	\$ 165,400	\$ 132,539	\$ 23,982	\$ 321,921	\$ 1,140,493

STATEMENT OF CASH FLOWS

United Way of Wayne & Holmes Counties, Inc.

	Year Ended December 31	
	2019	2018
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	\$ 360,290	\$ 319,223
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	19,837	17,685
Change in fair value of beneficial interest	(142,690)	62,077
Proceeds contributed to beneficial trust	(55,922)	-
Increase (Decrease) in Cash from Changes in:		
Accounts receivable	100	1,110
Campaign pledges receivable	(42,220)	(110,108)
Prepaid expenses and deposits	1,188	(3,337)
Allocations and membership fees payable	(926)	(3,598)
Other United Way designations	1,541	(6,506)
Accrued expenses	4,307	(5,025)
Other liabilities - custodial funds	1,616	523
Total Adjustments	(213,169)	(47,179)
Cash Provided by Operating Activities	147,121	272,044
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28,055)	(8,000)
Proceeds from beneficial interest trust	4,715	1,861
Cash Used in Investing Activities	(23,340)	(6,139)
Increase in Cash and Cash Equivalents	123,781	265,905
Cash and Cash Equivalents - Beginning of the Year	734,631	468,726
Cash and Cash Equivalents - End of the Year	\$ 858,412	\$ 734,631

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

1 Summary of Significant Accounting Policies

Nature of the Organization:

United Way of Wayne & Holmes Counties, Inc. ("United Way" or "Organization") was incorporated in the state of Ohio in 1957 as a local, private not-for-profit United Way governed by a volunteer board of directors. The United Way was originally established to collect and distribute public donations to various local non-profits.

Today, United Way's mission is "Uniting people and resources in a community-wide effort to improve lives." The organization believes that by bringing the strengths and resources of cross sector partners, and by building a "Culture of Shared Accountability," we can transform our community's outcomes in a measurable and lasting way.

The Organization has spent the last few years working with the community to assess current community needs. Using that information, the Organization will now bring community volunteers together to work with agency partners to set community-wide goals with measurable outcomes. These goals will drive the investment of community raised dollars. By working with community volunteers, the Organization conducts its "Community Problem Solving Program." This is accomplished using public donations which are distributed to local, not-for-profit organizations through grants directed to specific programs which address the outcomes identified by the volunteers.

In 2019, United Way updated their information and referral source hotline from 2-1-1 to WHIRE. The Wayne Holmes Information Referral Exchange ("WHIRE") resource line provides residents a local resource number to get connected with a network of services and local agencies to meet their needs.

The United Way is committed to complying with the United Way of America's Reporting Standards.

Basis of Accounting:

The financial statements of the United Way have been prepared on the accrual basis of accounting.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets:

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

Net Assets Without Donor Restrictions – Net assets available for use in continuing activities, grants, and operations of the Organization at the discretion of the governing body. Designations by the Board of Trustees (“Board”), while separately stated, are considered without donor restrictions.

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 purpose specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents:

For the purposes of the Statement of Cash Flows, the United Way considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At times during the year, the United Way maintained funds on deposit at its banks in excess of FDIC insurance limits. The United Way closely monitors its bank deposit accounts on a regular basis and believes it is not exposed to any significant financial risk on cash.

Beneficial Interest Investments:

The United Way has invested funds with the Wayne County Community Foundation (“WCCF” or “Foundation”). The United Way has an unconditional right to the assets held as a beneficial interest in an identifiable pool. As a result, the beneficial interest has been recorded at fair market value based on the fair market value of the underlying assets. The underlying investments are valued based on published market prices through a commercial quotation service. The fair value of the investments is allocated among the contract holders based on a unit value. The change in fair market value is recorded as a component of investment income in the Statement of Activities, net of related investment expenses.

Campaign Pledge Receivables:

Campaign pledge receivables consist of amounts due from individuals, corporations and their employees and are stated at the amount management expects to collect from the balances outstanding at year-end. The allowance for uncollectible pledges is calculated based on historical collections from previous campaigns. All pledges outstanding at year-end are deemed collectible within one year.

Accounts and pledges receivable are net of allowance for doubtful accounts of \$14,549 (2019) and \$13,493 (2018).

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition:

United Way has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Without donor restricted campaign contributions, as shown on the Statement of Activities, reflect the prior year campaign revenue distributed during the current calendar year for agency allocations. Without donor restricted campaign contributions include campaign receipts or pledges that were received during the current year, in addition to amounts pledged or collected during the prior year that were released from restriction.

Time and purpose restricted campaign contributions, as shown on the Statement of Activities, represent the current year campaign to be distributed through Board approved allocations in the following year. Only pledges that were supported by documentation substantiating both the donor's unconditional promise to give and instructions on the use of those campaign funds, were recorded as of December 31, 2019 and 2018.

Campaign efforts include amounts raised on behalf of others. Pledges received where the donor designates that the gift is for a specific United Way or not-for-profit agency are accounted for as agency transactions. Accordingly, while such amounts raised on behalf of others are included in total campaign revenue in the Statement of Activities, they are deducted prior to reporting net campaign revenue and included as a liability on the Statement of Financial Position.

The WHIRE program is funded through private grants and campaign allocations, which are used to provide referral services.

Donated Services:

The United Way received donated services (general assistance, fundraising events, etc.) which do not meet the criteria for recognition under FASB ACS 958-605 or cannot be objectively measured. These donations, while not recognized in the financial statements, provide valuable resources to the United Way.

Property and Equipment:

Property and equipment purchased by the United Way are carried at cost. Donated property and equipment is recorded at estimated fair value at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred. Additions and betterments that extend the useful lives of assets beyond one year and are in excess of \$500, are capitalized. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

1 Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued:

	<u>2019</u>	<u>2018</u>
Land, buildings and improvements	\$ 494,472	\$ 467,914
Equipment	<u>127,900</u>	<u>126,403</u>
	622,372	594,317
Less: Accumulated depreciation	<u>(318,346)</u>	<u>(298,509)</u>
	<u>\$ 304,026</u>	<u>\$ 295,808</u>
Depreciation Expense	<u>\$ 19,837</u>	<u>\$ 17,685</u>

The United Way primarily follows the straight-line method of depreciation utilizing the following lives:

<u>Class</u>	<u>Years</u>
Buildings and improvements	7 - 40
Equipment	3 - 10

Allocations to Agencies:

Allocations to local agencies are determined by an outside volunteer committee and are based on a percentage of the total funds raised in the annual campaign. The actual dollar allocations are calculated once total proceeds from the campaign are determined, which is typically in the following calendar year of the campaign. The allocations are recorded as a liability, once the Board has approved the recommendations of the allocations committee and paid to the agencies during the same calendar year.

Functional Expense Allocations:

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of United Way. The costs of providing the various program and supporting services have been summarized on a functional basis. Those expenses include employee salaries and benefits, facility and general administrative expenditures. Salaries and benefits are allocated based on estimates of time and effort utilized. Facility and general administrative expenditures are allocated based on time spent by employees and square footage of space used for various programs. Allocations to agencies, grant expense and community initiatives and contract fees are considered all as program expense.

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

1 Summary of Significant Accounting Policies, Continued

Income Taxes:

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and operates as a public charity. The United Way is required to operate in conformity with the Code to maintain its tax-exempt status.

Accounting for Uncertainty in Income Taxes:

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the United Way and recognize a tax liability if the United Way has taken certain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The United Way would recognize interest and penalties accrued, if any, related to unrecognized tax uncertainties in income tax expense. Management has analyzed tax positions taken and has concluded that there are no material uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Vacation, Personal Annual Leave Policy:

Vacation and personal leave compensation is expensed when paid. Accrual of these benefits as earned would not have a material effect on the financial statements.

Subsequent Events:

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through December 8, 2020, which is the date the financial statements were available to be issued.

2 Investments

	December 31	
Fair Value at NAV:	<u>2019</u>	<u>2018</u>
Beneficial interest - WCCF	<u>\$ 948,413</u>	<u>\$ 754,516</u>
	<u>2019</u>	<u>2018</u>
Investment income (loss) consists of the following:		
Change in fair value of beneficial interests	\$ 142,690	\$ (62,077)
Interest income - cash accounts	<u>2,685</u>	<u>818</u>
Change in fair value of beneficial interest	<u>\$ 145,375</u>	<u>\$ (61,259)</u>

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

2 Investments, Continued

The following is a description of the valuation methodologies used for instruments measured at fair value:

Beneficial Interest - WCCF:

The value of the beneficial interest is recorded at fair value based on the fair value of the underlying assets held at the Wayne County Community Foundation (“WCCF”). The fair value is allocated among the contract holders based on a unit value of the Organization’s ownership percentage of the value of the underlying assets, as confirmed by WCCF. These investments are measured at fair value using the NAV per share (or its equivalent) practical expedient. There were no unfunded commitments and no specific redemption restrictions, or time restrains at December 31, 2019 and 2018.

3 Liquidity and Availability

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 858,412	\$ 734,631
Beneficial interest investment	948,413	754,516
Accounts receivable - trade due within one year	1,137	1,237
Campaign pledges receivable	<u>514,588</u>	<u>472,368</u>
	2,322,550	1,962,752
Less: Financial assets not available to be used within one year		
Board designated reserve funds	(423,521)	(391,504)
Special initiative restricted cash	(8,464)	(3,751)
Beneficial interest investment with restriction	<u>(287,232)</u>	<u>(196,164)</u>
	<u>(719,217)</u>	<u>(591,419)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,603,333</u>	<u>\$ 1,371,333</u>

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

3 Liquidity and Availability, Continued

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Included in cash and cash equivalents is \$661,121 (2019) and \$584,020 (2018) of donor restricted cash. These funds represent campaign contributions that are time/purpose restricted and will be expended in 2020 for allocations to agencies and support services. Due to the availability of the funds for expenditure within one year, they are included in the Organizations presentation of current liquidity. Additionally, the Organization has Board Designated net assets (see footnote 6) without donor restrictions that the Organization does not intend to spend for purposes other than those identified. The board of directors must approve expenditures out of the reserve funds, as such they do not consider them liquid funds available for general expenditures within one year.

4 Leases

The United Way maintains operating leases for various office equipment. The leases expire in 2023. Rent expense was \$21,168 (2019) and \$19,109 (2018).

Minimum lease payments due under the operating lease obligations are as follows:

2020	\$	20,906
2021		20,906
2022		20,906
2023		<u>6,401</u>
Total	\$	<u><u>69,119</u></u>

5 Time and Purpose Restricted Net Assets

Time and Purpose restricted net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Specific Time and Purpose:		
Campaign	\$ 1,175,708	\$ 1,056,388
Special initiatives	<u>8,464</u>	<u>3,751</u>
Total	<u><u>\$ 1,184,172</u></u>	<u><u>\$ 1,060,139</u></u>

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

5 Time and Purpose Restricted Net Assets, Continued

Net asset released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of Specific Purpose:		
Campaign	\$ 1,056,388	\$ 699,956
Contributions and grants	-	5,000
Special initiatives	<u>27,554</u>	<u>14,855</u>
Total	<u>\$ 1,083,942</u>	<u>\$ 719,811</u>

6 Board-Designated Funds

United Way maintains a Board-restricted reserve fund to provide for future program development or meet specific operating needs. The Board maintains an operating reserve fund, which approximates 90 days of United Way's operating expenses (which includes a component for 90-day agency allocation obligations). The fund is reviewed annually and adjusted through a reclassification from Without donor restriction - non-designated funds. In addition, the Board has designated a building and equipment fund to cover capital expenditures. These funds are replenished based on annual depreciation.

In 2017, the board approved and allocated funds to be transferred into a venture projects board designated fund.

	<u>2019</u>	<u>2018</u>
90-day operating reserve	\$ 353,045	\$ 321,504
Weather shelter	5,000	-
Venture projects	3,694	-
Building fund (\$60,000 cap)	51,782	60,000
Equipment fund (\$10,000 cap)	<u>10,000</u>	<u>10,000</u>
	<u>\$ 423,521</u>	<u>\$ 391,504</u>

7 Retirement Plan

The United Way has a 403(b) Defined Contribution Plan covering substantially all employees with at least 1,000 hours of service. The United Way contributed an amount equal to 4.0% of each participant's gross pay in 2019 and 2018.

The United Way contributions to this Plan amounted to \$5,614 (2019) and \$4,901 (2018).

NOTES TO FINANCIAL STATEMENTS

United Way of Wayne & Holmes Counties, Inc.

8 Special Events

The United Way conducts one fundraising event during the year, which the net proceeds are restricted to and included in the current year campaign revenue. Revenues and expenses related to the event is as follows:

	2019		
	Revenue	Expenses	Net Income
Heart & Sole Race	<u>\$ 39,957</u>	<u>\$ 18,258</u>	<u>\$ 21,699</u>
	2018		
	Revenue	Expenses	Net Income
Heart & Sole Race	<u>\$ 32,232</u>	<u>\$ 10,883</u>	<u>\$ 21,349</u>

9 Lease Income

The United Way subleased a portion of its building under a 3-year term, beginning April 2017, with an option to renew annually thereafter. The rental payments are \$1,700 a month. The lease income was \$20,400 (2019) and \$20,400 (2018).

10 Support Services

The United Way calculates its overhead ratio in accordance with standards established by the United Way of America as membership criteria. These standards provide a uniform method of calculating the overhead ratio for all United Ways.

The uniform overhead calculation uses prescribed lines from United Way's federal tax return, Form 990. It should be noted that certain items of revenue are reported differently on Form 990 than as required by accounting principles generally accepted in the United States of America in the financial statements. The overhead allocation percentage is approximately 23% (2019) and 21% (2018).

11 Risk and Uncertainties

With the COVID-19 outbreak in the United States, economic uncertainties have arisen. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, its impact on the Organization's donors, and grantees, and the general economy, all of which are uncertain.