

Financial Statements

UNITED WAY OF ALLEN COUNTY, INC.

*Years ended June 30, 2018 and 2017
with Independent Auditor's Report*

United Way of Allen County, Inc.

Financial Statements

Years ended June 30, 2018 and 2017

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Independent Auditor's Report

The Board of Directors
United Way of Allen County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Allen County, Inc. which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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 the United Way of Allen County, Inc. as of June 30, 2018 and 2017, 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.

Haines, Asenbarger & Skiba, LLC

August 28, 2018

United Way of Allen County, Inc.

Statements of Financial Position

	June 30	
	2018	2017
Assets		
Cash and cash equivalents	\$ 1,111,459	\$ 997,063
Contributions receivable, net of allowance of \$145,723 in 2018 and \$176,746 in 2017	1,412,651	1,274,946
Grants and pledges receivable	-	299,828
Other receivables	109,857	150,558
Prepaid expenses	70,000	14,757
Investments, at fair value	2,046,865	1,935,710
Property and equipment:		
Leasehold improvements	76,024	76,024
Furniture and equipment	170,562	152,246
	<u>246,586</u>	<u>228,270</u>
Less accumulated depreciation	191,218	168,167
Total property and equipment, net	<u>55,368</u>	60,103
Other assets:		
Beneficial interest in perpetual trust	150,926	144,409
Contributions receivable from remainder trust	183,777	201,638
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	1,072,266	973,224
Cash surrender value of life insurance	30,441	35,370
Total other assets	<u>1,437,410</u>	<u>1,354,641</u>
Total assets	<u><u>\$ 6,243,610</u></u>	<u><u>\$ 6,087,606</u></u>
Liabilities and net assets		
Accounts payable	\$ 67,648	\$ 35,136
Accrued payroll and benefits	83,923	79,107
Designations payable, net of allowance of \$3,552 in 2018 and \$26,574 in 2017	134,365	543,581
Deferred rent	56,766	66,197
Total liabilities	<u>342,702</u>	724,021
Net assets:		
Unrestricted	4,354,743	3,662,934
Temporarily restricted	676,254	819,396
Permanently restricted	869,911	881,255
Total net assets	<u>5,900,908</u>	<u>5,363,585</u>
Total liabilities and net assets	<u><u>\$ 6,243,610</u></u>	<u><u>\$ 6,087,606</u></u>

See accompanying notes.

United Way of Allen County, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains:								
Campaign contributions	\$ 4,065,307	\$ 332,660	\$ -	\$ 4,397,967	\$ 4,059,677	\$ 330,994	\$ -	\$ 4,390,671
Donor designations	(682,265)	-	-	(682,265)	(725,816)	-	-	(725,816)
Provision for uncollectible pledges	(145,723)	-	-	(145,723)	(176,746)	-	-	(176,746)
Campaign contributions, net	3,237,319	332,660	-	3,569,979	3,157,115	330,994	-	3,488,109
Program funding, grants and other contributions	401,749	256,895	-	658,644	92,242	567,602	10,000	669,844
Administrative and service fees	326,929	-	-	326,929	352,182	-	-	352,182
Other income	-	-	-	-	2,589	-	-	2,589
Special events, net of expenses	2,128	-	-	2,128	99,672	-	-	99,672
Interest and dividends, net	24,353	-	-	24,353	32,975	-	-	32,975
Realized and unrealized gain on investments	86,129	-	-	86,129	139,270	-	-	139,270
Change in value of beneficial interest in perpetual trust	-	-	6,517	6,517	-	-	59	59
Change in value of contributions receivable from remainder trust	-	-	(17,861)	(17,861)	-	-	(25,548)	(25,548)
Change in value of cash surrender value of life insurance	(4,929)	-	-	(4,929)	(4,181)	-	-	(4,181)
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	26,120	72,922	-	99,042	23,009	64,069	-	87,078
Net assets released from restrictions	862,479	329,817	(11,344)	1,180,952	737,758	631,671	(15,489)	1,353,940
Total support, revenues and gains	4,905,417	(143,142)	(11,344)	4,750,931	5,100,929	(243,391)	(15,489)	4,842,049
Expenses:								
Program services	3,364,701	-	-	3,364,701	3,596,748	-	-	3,596,748
Management and general	144,702	-	-	144,702	126,634	-	-	126,634
Resource development	704,205	-	-	704,205	659,440	-	-	659,440
Total expenses	4,213,608	-	-	4,213,608	4,382,822	-	-	4,382,822
Increase (decrease) in net assets	691,809	(143,142)	(11,344)	537,323	718,107	(243,391)	(15,489)	459,227
Net assets at beginning of year	3,662,934	819,396	881,255	5,363,585	2,944,827	1,062,787	896,744	4,904,358
Net assets at end of year	\$ 4,354,743	\$ 676,254	\$ 869,911	\$ 5,900,908	\$ 3,662,934	\$ 819,396	\$ 881,255	\$ 5,363,585

See accompanying notes.

United Way of Allen County, Inc.

Statements of Functional Expenses

	Year ended June 30							
	2018				2017			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Salaries and wages	\$ 725,970	\$ 24,601	\$ 334,729	\$ 1,085,300	\$ 709,031	\$ 22,682	\$ 360,675	\$ 1,092,388
Employee benefits	163,905	6,707	72,061	242,673	170,069	5,440	86,512	262,021
Total salaries and benefits	889,875	31,308	406,790	1,327,973	879,100	28,122	447,187	1,354,409
Community investment	1,885,128	-	-	1,885,128	2,266,202	-	-	2,266,202
Advertising and promotion	69,611	1,981	13,283	84,875	59,256	1,641	6,563	67,460
Depreciation	14,616	1,095	7,339	23,050	17,058	1,837	7,348	26,243
Equipment rental and maintenance	10,136	655	3,975	14,766	19,827	2,225	7,021	29,073
Insurance	7,108	532	3,569	11,209	7,132	768	3,072	10,972
Dues and subscriptions	43,125	4,844	27,345	75,314	45,873	9,116	25,002	79,991
Miscellaneous	-	18	-	18	47	1,091	20	1,158
Occupancy	95,344	7,624	47,285	150,253	91,631	9,838	39,980	141,449
Postage	3,337	390	2,144	5,871	7,897	380	3,562	11,839
Printing and publications	12,681	1,525	37,724	51,930	13,364	498	15,898	29,760
Professional services	194,850	79,143	92,995	366,988	83,077	66,385	59,303	208,765
Public events	22,858	10	8,009	30,877	20,840	-	6,125	26,965
Supplies	5,315	3,577	2,024	10,916	7,716	417	2,762	10,895
Technology and telephone	72,869	5,341	25,295	103,505	51,669	3,524	21,036	76,229
Travel and training	37,848	6,659	26,428	70,935	26,059	792	14,561	41,412
Total expenses	<u>\$ 3,364,701</u>	<u>\$ 144,702</u>	<u>\$ 704,205</u>	<u>\$ 4,213,608</u>	<u>\$ 3,596,748</u>	<u>\$ 126,634</u>	<u>\$ 659,440</u>	<u>\$ 4,382,822</u>

See accompanying notes.

United Way of Allen County, Inc.

Statements of Cash Flows

	Year ended June 30	
	2018	2017
Operating activities		
Increase in net assets	\$ 537,323	\$ 459,227
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,050	26,243
Provision for uncollectible pledges	145,723	176,746
Realized and unrealized gain on investments	(86,129)	(139,270)
Change in value of beneficial interest in perpetual trust	(6,517)	(59)
Change in value of contributions receivable from remainder trust	17,861	25,548
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(99,042)	(87,078)
Changes in operating assets and liabilities:		
Contributions receivable	(283,428)	(222,618)
Grants and pledges receivable	299,828	(32,328)
Other receivables	40,701	(136,128)
Prepaid expenses	(55,243)	32,453
Cash surrender value of life insurance	4,929	4,181
Accounts payable	32,512	15,089
Accrued payroll and benefits	4,816	7,344
Accrued fees	-	(5,621)
Designations payable, net	(409,216)	35,147
Deferred rent	(9,431)	(6,472)
Cash provided by operating activities	<u>157,737</u>	<u>152,404</u>
Investing activities		
Purchases of property and equipment	(18,315)	(29,451)
Purchases of investments	(1,250,617)	(2,846,083)
Proceeds from the sale and maturities of investments	1,225,591	3,012,948
Contributions to beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	(10,000)
Grant from beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	55,791
Cash provided by (used in) investing activities	<u>(43,341)</u>	<u>183,205</u>
Increase in cash and cash equivalents	114,396	335,609
Cash and cash equivalents at beginning of year	997,063	661,454
Cash and cash equivalents at end of year	<u>\$ 1,111,459</u>	<u>\$ 997,063</u>

See accompanying notes.

United Way of Allen County, Inc.

Notes to Financial Statements

June 30, 2018

1. Organization

The Vision of United Way of Allen County (UWAC) is:

An Allen County where all individuals and families discover and achieve their potential.

The Mission of UWAC is to:

Unite our community's time, talent and treasure to cultivate and advance community solutions that address the most critical issues around basic needs, education, financial stability and healthy lives.

UWAC completed a strategic planning process in the summer of 2018, which will guide the organization through June 30, 2021. Through that process, the identified goals were set for the success of the organization:

1. UWAC will grow as a thought leader and model organization as measured by the principles of the National Council of Nonprofits.
2. Grow the number of individuals that give, advocate, or volunteer with and through UWAC by 15% each year.
3. Increase the number of UWAC stakeholders engaged through digital platforms by 10% each year.
4. Develop and implement three impact strategies that improve the lives of ALICE households.

UWAC initiates conversations in and about the community around its most pressing social dilemmas. To solve these multi-faceted issues, UWAC takes a multi-faceted approach. In addition to allocating funding, they act as a connector, conduit and catalyst. They lead advocacy campaigns, to give a voice to those who can't speak for themselves, and they mobilize volunteers, helping individuals and companies change their community. This multi-faceted approach reflects the collaborative spirit of the place they call home. It also addresses the systemic problems that still plague so many of our neighbors. But most importantly, it helps them leverage the impact of every dollar donated. Through this work, millions of dollars are saved and received by our community every year because of the 2-1-1 Service Center, Advocacy Efforts, Kindergarten Countdown, On My Way Pre-K, Paths to QUALITY™, VITA and Day of Caring.

UWAC conducts annual campaigns to support the well being of the community. The annual campaign is generally recorded as unrestricted unless a pledge is specifically restricted due to timing (a future year pledge). UWAC allows donors the choice to designate all or part of their contributions.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

UWAC is incorporated as a nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50 percent charitable contributions deduction limitation. UWAC has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Management believes UWAC is no longer subject to examination by tax authorities for years before June 30, 2015.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. All cash and cash equivalents are held at local financial institutions. UWAC periodically has cash accounts with balances in excess of federally insured limits.

Investments

UWAC's investments are reported at fair value. 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. See *Note 8* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

UWAC's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation. Items with a cost of \$1,000 or more and a useful life of one year or more are capitalized. Leasehold improvements are depreciated over the lesser of the lease term or their estimated useful life. Furniture and equipment is depreciated over their estimated useful life. Depreciation is computed by the straight-line method over the following periods:

Leasehold improvements	15 years
Furniture and equipment	3 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. In addition, UWAC has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of UWAC pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently, but permits UWAC to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

Contributions and Contributions Receivable

Contributions, including gifts, grants, bequests, pledges and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions that are time restricted by the donor are reported as increases in unrestricted net assets if the time restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions and Contributions Receivable (continued)

restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions of assets other than cash are recorded at their fair market value. UWAC reports gifts of land, buildings and equipment as unrestricted support 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 restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, UWAC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. UWAC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

In addition to receiving cash contributions, UWAC receives in-kind contributions from various donors. It is the policy of UWAC to record the estimated fair market value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. During the years ended June 30, 2018 and 2017, the value of contributed services and materials recognized in the accompanying statements of activities and changes in net assets was \$210 and \$1,346, respectively.

Contributions receivable and related revenue are recorded at the amounts pledged by donors and recognized in the period that the pledge is received. UWAC provides an allowance for uncollectible pledges, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Contributions receivable are ordinarily due in accordance with the pledge commitment made by the donor. Accounts are considered delinquent and subsequently written off based on individual credit evaluation and specific circumstances of the donor.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions and Contributions Receivable (continued)

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met. During the year ended June 30, 2015, UWAC was awarded a matching grant from the Foellinger Foundation, Inc. (Foundation) that would provide project support to match new gifts to the Tocqueville Society. Grant funds would only match new individual donor gifts of cash in the amount of \$10,000 to the Tocqueville Society. Qualifying matching gift payments received in full and reported to the Foundation resulted in conditional grant funds being recognized in the financial statements in the amount of \$50,000 during the year ended June 30, 2017.

Community Investment

Agency investments are estimated in three year cycles and are contingent upon actual campaign results. The actual amounts invested are expensed as paid.

Funded Partner Investments

Investments in funded partner non-profit agencies are determined by volunteers. These investments are based upon programmatic and agency outcomes and are reviewed annually by volunteers.

These investments are estimated in three year cycles and are contingent upon actual campaign results. The actual amounts invested are expensed as paid.

Designations

Designations to specific nonprofit organizations other than UWAC are excluded from contribution revenue and allocation expenses. Designations are included within unrestricted pledge receivable totals with a related offsetting unrestricted liability. The cost to generate and distribute designated pledges is recorded as fundraising expense and the costs are deducted from designated contributions as the funds are disbursed. This cost reimbursement is recorded as administrative fee income. Effective July 1, 2017, all designations are treated as first-in dollars and are included in UWAC's Funded Partners' annual grant allocations. Total donor designations that exceed the allocated amount to a funded partner will be given in addition to that funded partner's allocation.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Deferred Rent

Rent expense on operating leases is recognized on a straight-line basis over the lease term. The difference between the expensed amounts and actual payments is recorded as deferred rent.

Use of Estimates

Preparation of the 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassification

Certain amounts as of and for the year ended June 30, 2017 have been reclassified to conform with the presentation as of and for the year ended June 30, 2018.

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*, to change the way a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements and presents information in the financial statements and accompanying notes about the NFP's liquidity, financial performance and cash flows. The ASU changes the way a NFP reports classes of net assets, from the currently required three classes to two, by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions. The amendment also requires the NFP to provide enhanced disclosure about various types of donor-imposed restrictions, the NFP's management of its liquidity to meet short-term demands for cash, and the types of resources used and how they are allocated to carrying out the NFP's activities. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Early application is permitted. UWAC is currently evaluating the impact of the adoption of the standard on its financial statements.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, to provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. UWAC is currently evaluating the impact of the adoption of the standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. GAAP require the asset and liability be recognized only for capital leases. The amendment also requires qualitative and specific quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. UWAC is evaluating the guidance of ASU 2016-02 and the impact that the adoption of this update will have on its financial statements.

3. Contributions Receivable

Contributions receivable at June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Total
Contributions receivable	\$ 1,544,874	\$ 13,500	\$ 1,558,374
Less allowance for uncollectible pledges	145,723	-	145,723
Contributions receivable, net	<u>\$ 1,399,151</u>	<u>\$ 13,500</u>	<u>\$ 1,412,651</u>

Contributions receivable, net are presented by campaign year as follows:

2018 campaign	\$ 13,500
2017 campaign	1,399,151
	<u>\$ 1,412,651</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

3. Contributions Receivable (continued)

Contributions receivable at June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Total
Contributions receivable	\$ 1,431,067	\$ 20,625	\$ 1,451,692
Less allowance for uncollectible pledges	176,746	-	176,746
Contributions receivable, net	<u>\$ 1,254,321</u>	<u>\$ 20,625</u>	<u>\$ 1,274,946</u>

4. Beneficial Interest in Perpetual Trust

UWAC has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, UWAC has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. Distributions from the perpetual trust are recorded as temporarily restricted income based on the donor's restriction. The estimated value of UWAC's beneficial interest in the perpetual trust was \$150,926 and \$144,409 at June 30, 2018 and 2017, respectively. The change in the estimated value is recorded in permanently restricted net assets as a gain or loss in the beneficial interest in perpetual trust.

5. Contributions Receivable from Remainder Trust

UWAC is also a beneficiary pursuant to a charitable remainder trust administered by an outside party. Pursuant to the terms of the trust, UWAC has the irrevocable right to receive the net assets of the trust at the end of the trust's term. The portion of the trust attributable to the future interest of UWAC is recorded in the statements of financial position as a contribution receivable from remainder trust. The contribution receivable from this remainder trust is recorded at the present value of the expected future cash flows using applicable mortality tables and a discount rate of 3.4 percent at June 30, 2018. The estimated value of the expected future cash flows is \$183,777 and \$201,638 at June 30, 2018 and 2017, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

**6. Beneficial Interest in Funds Held by the
Community Foundation of Greater Fort Wayne Inc.**

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) is the result of an agreement whereby UWAC has transferred assets to the Community Foundation and benefits from those assets. UWAC is allocated its funds' proportionate share of the Community Foundation's pooled funds' investment returns on an annual basis. UWAC may draw up to a certain percent of the value of the funds each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. The cumulative amount of the retained beneficial interest in funds held by the Community Foundation included in the statements of financial position was \$1,072,266 and \$973,224 at June 30, 2018 and 2017, respectively.

Amounts invested in the Community Foundation's pooled investment funds are exposed to a variety of uncertainties, including interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments in the pooled fund, it is possible that changes in the values of these investments may occur in the near term. Such changes could materially affect the amounts reported in UWAC's financial statements.

Additionally, donors have also contributed funds for the benefit of UWAC to the Community Foundation. At June 30, 2018 and 2017, the fair market value of the funds was \$118,683 and \$106,571, respectively. UWAC is precluded from recognizing these assets in UWAC's statements of financial position because of the explicitly granted variance power held by the Community Foundation. Accordingly, UWAC only recognizes its annual grants by the Community Foundation from these funds as contributions.

7. Investments

Investments consist of the following:

	June 30	
	2018	2017
Money market funds	\$ 38,263	\$ 41,962
Exchange traded funds	875,696	781,767
Mutual funds	1,132,906	1,111,981
Total investments at fair value	<u>\$ 2,046,865</u>	<u>\$ 1,935,710</u>
Total investments, at historical cost	<u>\$ 1,903,142</u>	<u>\$ 1,847,493</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

7. Investments (continued)

The composition of investment return recognized in the statements of activities and changes in net assets is as follows:

	Year ended June 30	
	2018	2017
Investment income:		
Interest and dividends	\$ 37,142	\$ 32,975
Realized gain (loss) on investments	30,623	(21,979)
Unrealized gain on investments	55,506	173,743
	123,271	184,739
Less investment management and custodial fees	(12,789)	(12,494)
Net investment income	\$ 110,482	\$ 172,245

8. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UWAC has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2018 and 2017.

Money market funds: Valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by UWAC at year-end.

Mutual funds and exchange traded funds: Valued at the daily closing price. Mutual funds held by UWAC are open-end funds that are registered with the Securities and Exchange Commission. The mutual funds and exchange traded funds held by UWAC are deemed to be actively traded.

Beneficial interest in perpetual trust and contribution receivable from remainder trust: Based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income. UWAC is able to compare the valuation model inputs and results to widely available published industry data for reasonableness.

Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.: Valued based upon UWAC's proportionate share of the Community Foundation's pooled investment portfolio, as reported by the Community Foundation at year-end. UWAC's management and investment committee review the valuations and returns in comparison to industry benchmarks and other information provided by the Community Foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UWAC 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 Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The following sets forth by level, within the fair value hierarchy, UWAC's assets at fair value:

	Assets at Fair Value at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 38,263	\$ -	\$ -	\$ 38,263
Exchange traded funds				
Consumer discretionary	114,874	-	-	114,874
Consumer staples	62,300	-	-	62,300
Energy	50,196	-	-	50,196
Financial	119,735	-	-	119,735
Health care	117,261	-	-	117,261
Industrial	80,154	-	-	80,154
Technology	233,836	-	-	233,836
Materials	23,518	-	-	23,518
Real estate	20,150	-	-	20,150
Utilities	24,629	-	-	24,629
Developed markets	29,043	-	-	29,043
	<u>875,696</u>	-	-	<u>875,696</u>
Mutual funds				
Equity funds:				
Mid-cap growth	68,963	-	-	68,963
Mid-cap value	89,826	-	-	89,826
Small-cap growth	41,527	-	-	41,527
Small-cap value	35,979	-	-	35,979
Small-cap blend	20,609	-	-	20,609
Diversified emerging markets	37,412	-	-	37,412
International value	62,321	-	-	62,321
International growth	63,661	-	-	63,661
Fixed income funds:				
Intermediate-term bonds	516,188	-	-	516,188
Short-term bonds	196,420	-	-	196,420
Total mutual funds	<u>1,132,906</u>	-	-	<u>1,132,906</u>
Total investments at fair value	<u>2,046,865</u>	-	-	<u>2,046,865</u>
Beneficial interest in perpetual trust	-	150,926	-	150,926
Contribution receivable from remainder trust	-	183,777	-	183,777
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	1,072,266	1,072,266
Total other assets at fair value	-	334,703	1,072,266	1,406,969
Total assets at fair value	<u>\$ 2,046,865</u>	<u>\$ 334,703</u>	<u>\$ 1,072,266</u>	<u>\$ 3,453,834</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

	Assets at Fair Value at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 41,962	\$ -	\$ -	\$ 41,962
Exchange traded funds				
Consumer discretionary	94,201	-	-	94,201
Consumer staples	66,423	-	-	66,423
Energy	36,290	-	-	36,290
Financial	91,180	-	-	91,180
Health care	111,332	-	-	111,332
Industrial	70,085	-	-	70,085
Technology	141,725	-	-	141,725
Materials	14,959	-	-	14,959
Real estate	13,589	-	-	13,589
Utilities	15,172	-	-	15,172
Developed markets	126,811	-	-	126,811
	<u>781,767</u>	-	-	<u>781,767</u>
Mutual funds				
Equity funds:				
Mid-cap growth	35,722	-	-	35,722
Mid-cap value	35,312	-	-	35,312
Small-cap growth	13,358	-	-	13,358
Small-cap value	13,485	-	-	13,485
Diversified emerging markets	13,811	-	-	13,811
Fixed income funds:				
Intermediate-term bonds	305,612	-	-	305,612
Mortgage-backed bonds	43,746	-	-	43,746
Short-term bonds	650,935	-	-	650,935
Total mutual funds	<u>1,111,981</u>	-	-	<u>1,111,981</u>
Total investments at fair value	1,935,710	-	-	1,935,710
Beneficial interest in perpetual trust	-	144,409	-	144,409
Contribution receivable from remainder trust	-	201,638	-	201,638
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	973,224	973,224
Total other assets at fair value	-	346,047	973,224	1,319,271
Total assets at fair value	<u>\$ 1,935,710</u>	<u>\$ 346,047</u>	<u>\$ 973,224</u>	<u>\$ 3,254,981</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The table below sets forth a summary of changes in the fair value of UWAC's Level 3 assets:

	Year ended June 30	
	2018	2017
Balance at beginning of year	\$ 973,224	\$ 931,937
Interest and dividend income	40,378	26,448
Net unrealized gain	50,166	56,525
Net realized gain on sale of securities	12,722	8,883
Investment fees	(1,823)	(2,473)
Administrative fees	(2,401)	(2,305)
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	99,042	87,078
Contributions	-	10,000
Grant to UWAC	-	(55,791)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	99,042	41,287
Balance at end of year	\$ 1,072,266	\$ 973,224

9. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

UWAC may hold donor restricted endowment funds where the gift instrument clearly stipulates that UWAC is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede UWAC's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

UWAC's endowment primarily consists of three funds held at the Community Foundation. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. In addition, the endowment also includes a perpetual trust and a remainder trust that are administered by outside parties. As required by accounting principles generally accepted in the United States of America, 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.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 150,926	\$ 150,926
Contributions receivable from remainder trust	-	-	183,777	183,777
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	254,269	535,208	789,477
	-	254,269	869,911	1,124,180
Board-designated endowment funds:				
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	282,789	-	-	282,789
Total funds	<u>\$ 282,789</u>	<u>\$ 254,269</u>	<u>\$ 869,911</u>	<u>\$ 1,406,969</u>

Changes in endowment net assets for the year ended June 30, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 256,669	\$ 181,347	\$ 881,255	\$ 1,319,271
Investment income:				
Investment income, net	9,535	26,619	-	36,154
Realized and unrealized gain on investments	16,585	46,303	-	62,888
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	26,120	72,922	-	99,042
Other changes:				
Change in value of beneficial interest in perpetual trust	-	-	6,517	6,517
Change in value of contributions receivable from remainder trust	-	-	(17,861)	(17,861)
Endowment net assets at end of year	<u>\$ 282,789</u>	<u>\$ 254,269</u>	<u>\$ 869,911</u>	<u>\$ 1,406,969</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 144,409	\$ 144,409
Contributions receivable from remainder trust	-	-	201,638	201,638
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	181,347	535,208	716,555
	-	181,347	881,255	1,062,602
Board-designated endowment funds:				
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	256,669	-	-	256,669
Total funds	<u>\$ 256,669</u>	<u>\$ 181,347</u>	<u>\$ 881,255</u>	<u>\$ 1,319,271</u>

Changes in endowment net assets for the year ended June 30, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 248,538	\$ 158,191	\$ 896,744	\$ 1,303,473
Investment income:				
Investment income, net	5,693	15,977	-	21,670
Realized and unrealized gain on investments	17,316	48,092	-	65,408
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	23,009	64,069	-	87,078
Other changes:				
Contributions	-	-	10,000	10,000
Distribution from funds held by the Community Foundation of Greater Fort Wayne Inc.	(14,878)	(40,913)	-	(55,791)
Change in value of beneficial interest in perpetual trust	-	-	59	59
Change in value of contributions receivable from remainder trust	-	-	(25,548)	(25,548)
Endowment net assets at end of year	<u>\$ 256,669</u>	<u>\$ 181,347</u>	<u>\$ 881,255</u>	<u>\$ 1,319,271</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of UWAC has interpreted UPMIFA 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 stipulation to the contrary. As a result of this interpretation, UWAC classifies as permanently restricted net assets (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. In accordance with UPMIFA, UWAC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of UWAC 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 (depreciation) of investments.
- Other resources of UWAC.
- The investment policies of UWAC.

Return Objectives and Risk Parameters

UWAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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 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 is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. UWAC expects its endowment funds, over time, to provide an average rate of return while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Strategies Employed for Achieving Objectives

The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for UWAC. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (1) stabilize agency funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance our ability to meet changing community needs in both the short and long-term; and (v) support the administrative expenses of UWAC as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWAC's Board of Directors has approved a spending policy whereby in the year following the attainment of the initial disbursement restriction of \$1 million and in all subsequent years, distributions will be limited to the lesser of 6 percent of the market value of the Endowment Fund balance at year-end, or 90 percent of annual investment income (defined as dividends, interest, and both realized and unrealized securities appreciation). Within these parameters, the amount of the disbursement shall be determined annually by the UWAC Board of Directors, who may also elect to take no distribution in any given year.

Endowment Fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the UWAC Board of Directors will be required.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

10. Net Assets

Temporarily restricted net assets are to be used for the following purposes:

	June 30	
	2018	2017
Time restriction, campaign	\$ 332,660	\$ 330,994
Purpose restrictions:		
On My Way Pre-K Pilot program	50,469	86,257
UnitedIN16 grant	33,856	134,803
UWW County Health Rank Cohort grant	5,000	-
Goldstine Matching Campaign grant	-	85,995
Accumulated operating endowment earnings	254,269	181,347
	\$ 676,254	\$ 819,396

Temporarily restricted net assets released from donor restrictions as a result of incurring expenses to satisfy the restricted purposes, by passage of time, or by occurrence of other events specified by donors were as follows:

	Year ended June 30,	
	2018	2017
Time restrictions released, campaign	\$ 330,994	\$ 325,543
Purpose restrictions accomplished:		
UnitedIN16 grant	206,994	159,150
Goldstine Matching Campaign grant	85,995	199,321
211 designation	50,400	101,150
VITA designation	37,500	62,500
On My Way Pre-K Pilot program	35,788	112,406
Benefactor program	24,130	47,500
Education initiatives	19,564	49,844
UWW County Health Rank Cohort grant	13,000	-
PIT designation	1,254	-
Work2Gether grant	-	107,730
Distribution from funds held by Community Foundation of Greater Fort Wayne Inc.	-	40,912
	\$ 805,619	\$ 1,206,056

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

10. Net Assets (continued)

Permanently restricted net assets consist of funds provided by:

	June 30	
	2018	2017
Investment in perpetuity, the income of which is expendable to support programs for the elimination of racism	\$ 10,185	\$ 10,185
Investment in perpetuity, the income of which is expendable to support any activity of UWAC:		
Beneficial interest in perpetual trust	150,926	144,409
Contributions receivable from remainder trust	183,777	201,638
Community Foundation of Greater Fort Wayne Inc.	525,023	525,023
	\$ 869,911	\$ 881,255

11. Lease Commitments

UWAC leases equipment using operating lease arrangements. These leases expire at various dates through March 2021. Rental expense for these leases for the years ended June 30, 2018 and 2017 was \$14,178 and \$15,009, respectively.

UWAC is currently leasing an office building pursuant to a fifteen year lease agreement that began in January 2007, with escalating rent payments through 2022. UWAC has two successive options of five years each to renew the term of the lease subject to certain terms, conditions, and provisions. In order to properly recognize rent expense on a straight-line basis over the lease term, a deferred rent balance of \$56,766 and \$66,197 is recorded on the statements of financial position at June 30, 2018 and 2017, respectively. Rental expense for office space for the years ended June 30, 2018 and 2017 was \$141,449. Actual lease payments on the facility leases totaled \$150,880 and \$147,921 for the years ended June 30, 2018 and 2017, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

11. Lease Commitments (continued)

Future minimum payments under noncancelable operating leases with initial terms of one year or more consisted of the following at June 30, 2018:

Year ended June 30	Office Building	Equipment	Total
2019	\$ 153,898	\$ 5,668	\$ 159,566
2020	156,976	5,419	162,395
2021	160,115	1,050	161,165
2022	80,850	-	80,850
	\$ 551,839	\$ 12,137	\$ 563,976

12. Employee Retirement Plan

UWAC sponsors a Section 403(b) defined-contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. UWAC's contribution consists of a Board-established contribution of eligible compensation, at a rate of 2 percent for the year ended June 30, 2018. UWAC also contributes a matching contribution of 50 percent of employee contributions, up to 4 percent of eligible employee compensation. UWAC's cash contributions to the plan were \$30,082 and \$30,025 for the years ended June 30, 2018 and 2017, respectively.

13. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have provided banking, legal, and other services for UWAC. The fees received or paid for these services were based on customary and reasonable rates for such services.

UWAC has outsourced pledge processing services to UniFi Solutions, previously Nonprofit Processing and Accounting Services, an operating program of Indiana United Ways (IUW). The fees paid for these services for the years ended June 30, 2018 and 2017 were \$38,130 and \$37,320, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

13. Related Party Transactions (continued)

UWAC pays annual dues to United Way Worldwide, the leadership and support organization for the network of nearly 1,800 community based United Ways across more than 40 countries and territories worldwide. Those dues are used to help underwrite television advertising, defray the costs of marketing and campaign materials used locally, and support training of United Way staff. Dues expense for the years ended June 30, 2018 and 2017 was \$49,888 and \$50,869, respectively. UWAC also pays membership dues to IUW; these dues amounted to \$11,525 and \$8,271 for the years ended June 30, 2018 and 2017, respectively.

In July 2016, UWAC was awarded a \$400,000 UnitedIN16 grant from IUW to support community work in education, financial stability or health, matching local fund raising increases during the 2016 and 2017 campaigns. Pursuant to this grant, UWAC recognized revenue of \$106,048 and \$293,952 in the years ended June 30, 2018 and 2017, respectively.

14. Subsequent Events

Management has evaluated subsequent events through August 28, 2018, the date on which the financial statements were available to be issued.