



UNITED WAY OF ADDISON COUNTY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2019 AND 2018

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

UNITED WAY OF ADDISON COUNTY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

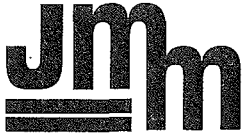
JUNE 30, 2019 AND 2018

UNITED WAY OF ADDISON COUNTY, INC.

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VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Addison County, Inc.
Middlebury, Vermont

We have audited the accompanying financial statements of United Way of Addison County, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of 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 audits 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.

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Addison County, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of fiscal agent activity on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such matter is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is stated fairly in all material aspects in relation to the financial statements as a whole.

Jmm & Associates

December 18, 2019

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash - operating	\$ 110,964	\$ 248,399
Cash - fiscal agent funds	19,700	23,015
Pledges receivable - net of allowance	131,156	137,583
Accounts receivable	21,292	43,928
Prepaid expenses	<u>7,185</u>	<u>9,920</u>
TOTAL CURRENT ASSETS	<u>290,297</u>	<u>462,845</u>
PROPERTY AND EQUIPMENT		
Land	80,000	80,000
Building and building improvements	196,941	182,540
Office equipment and furniture	<u>17,454</u>	<u>17,454</u>
	294,395	279,994
Less accumulated depreciation	<u>(85,556)</u>	<u>(78,198)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>208,839</u>	<u>201,796</u>
OTHER ASSETS		
Investments	1,085,212	1,022,175
Beneficial interest with Vermont Community Foundation	180,657	184,610
Beneficial interest - fiscal agent funds	<u>37,559</u>	<u>29,282</u>
TOTAL OTHER ASSETS	<u>1,303,428</u>	<u>1,236,067</u>
TOTAL ASSETS	<u>\$ 1,802,564</u>	<u>\$ 1,900,708</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,740	\$ 4,525
Accrued payroll and related costs	6,673	7,121
Deferred revenue	2,281	16,614
Current portion of long term debt	6,500	6,100
Designated donations payable	26,536	27,606
Allocations and grants payable	<u>198,908</u>	<u>198,177</u>
TOTAL CURRENT LIABILITIES	<u>243,638</u>	<u>260,143</u>
LONG-TERM LIABILITIES		
Fiscal agent funds	57,259	52,297
Annuity payable	3,589	4,851
Long-term debt, net of current portion	<u>91,605</u>	<u>97,931</u>
TOTAL LONG-TERM LIABILITIES	<u>152,453</u>	<u>155,079</u>
TOTAL LIABILITIES	<u>396,091</u>	<u>415,222</u>
NET ASSETS		
Net assets without donor restrictions	915,991	999,882
Net assets with donor restrictions	<u>490,482</u>	<u>485,604</u>
TOTAL NET ASSETS	<u>1,406,473</u>	<u>1,485,486</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,802,564</u>	<u>\$ 1,900,708</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF ACTIVITIES - 2019

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2019	Total 2018
PUBLIC SUPPORT AND REVENUE				
Gross campaign results:	\$ 615,044	\$ -	\$ 615,044	\$ 665,336
Donor designations - others	(23,482)	-	(23,482)	(54,575)
Donor designations - partners	(35,602)	-	(35,602)	(29,661)
Amounts from other United Ways	(19,723)	-	(19,723)	(33,819)
Amounts raised from events	(12,711)	-	(12,711)	(29,695)
Provision for uncollectible pledges	(27,696)	-	(27,696)	(29,700)
Net campaign results	495,830	-	495,830	487,886
Event revenue	14,661	-	14,661	33,645
Contributions designated UWAC	36,371	4,964	41,335	141,297
Grants	551,394	-	551,394	569,527
In-kind contributions	12,805	-	12,805	34,327
Recovery of prior year writeoffs	16,316	-	16,316	745
Program revenue	46,602	-	46,602	42,630
Investment income, net of fees	63,415	14,941	78,356	39,068
Change in beneficial interest	-	4,938	4,938	12,998
Other income	5,643	-	5,643	10,525
Subtotal - support and revenue	1,243,037	24,843	1,267,880	1,372,648
Net assets released from restrictions	19,965	(19,965)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,263,002	4,878	1,267,880	1,372,648
EXPENSES				
Program services:				
Funding & agency relations	314,684	-	314,684	333,737
Organizational development	377,815	-	377,815	382,366
Community leadership & initiatives	351,077	-	351,077	278,559
Volunteer programs	56,396	-	56,396	52,550
Total program services	1,099,972	-	1,099,972	1,047,212
Support services:				
General and administrative	114,026	-	114,026	79,044
Fundraising	132,895	-	132,895	149,033
Total support services	246,921	-	246,921	228,077
TOTAL EXPENSES	1,346,893	-	1,346,893	1,275,289
TOTAL CHANGE IN NET ASSETS	(83,891)	4,878	(79,013)	97,359
BEGINNING NET ASSETS	999,882	485,604	1,485,486	1,388,127
ENDING NET ASSETS	\$ 915,991	\$ 490,482	\$ 1,406,473	\$ 1,485,486

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF ACTIVITIES - 2018

FOR THE YEAR ENDED JUNE 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2018
PUBLIC SUPPORT AND REVENUE			
Gross campaign results:	\$ 665,336	\$ -	\$ 665,336
Donor designations - others	(54,575)	-	(54,575)
Donor designations - partners	(29,661)	-	(29,661)
Amounts from other United Ways	(33,819)	-	(33,819)
Amounts raised from events	(29,695)	-	(29,695)
Provision for uncollectible pledges	(29,700)	-	(29,700)
Net campaign results	<u>487,886</u>	<u>-</u>	<u>487,886</u>
Event revenue	33,645	-	33,645
Contributions designated UWAC	50,735	90,562	141,297
Grants	569,527	-	569,527
In-kind contributions	34,327	-	34,327
Recovery of prior year writeoffs	745	-	745
Program revenue	42,630	-	42,630
Investment income, net of fees	30,896	8,172	39,068
Change in beneficial interest	-	12,998	12,998
Other income	10,525	-	10,525
Subtotal - support and revenue	<u>1,260,916</u>	<u>111,732</u>	<u>1,372,648</u>
Net assets released from restrictions	<u>13,920</u>	<u>(13,920)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,274,836</u>	<u>97,812</u>	<u>1,372,648</u>
EXPENSES			
Program services:			
Funding & agency relations	333,737	-	333,737
Organizational development	382,366	-	382,366
Community leadership & initiatives	278,559	-	278,559
Volunteer programs	52,550	-	52,550
Total program services	<u>1,047,212</u>	<u>-</u>	<u>1,047,212</u>
Support services:			
General and administrative	79,044	-	79,044
Fundraising	149,033	-	149,033
Total support services	<u>228,077</u>	<u>-</u>	<u>228,077</u>
TOTAL EXPENSES	<u>1,275,289</u>	<u>-</u>	<u>1,275,289</u>
TOTAL CHANGE IN NET ASSETS	(453)	97,812	97,359
BEGINNING NET ASSETS	<u>1,000,335</u>	<u>387,792</u>	<u>1,388,127</u>
ENDING NET ASSETS	<u>\$ 999,882</u>	<u>\$ 485,604</u>	<u>\$ 1,485,486</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2019

**FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Funding & Agency Relations</u>	<u>Organizational Development</u>	<u>Community Leadership & Initiatives</u>	<u>Volunteer Programs</u>	<u>Total Program Services</u>
Salaries and wages	\$ 16,587	\$ 5,843	\$ 116,554	\$ 30,005	\$ 168,989
Payroll taxes and benefits	1,969	715	21,765	3,412	27,861
Subtotal - personnel	18,556	6,558	138,319	33,417	196,850
Community investment	291,375	367,351	63,891	-	722,617
Advertising and promotion	519	60	31,233	6,664	38,476
Professional fees	587	368	34,769	3,145	38,869
Program supplies	-	-	43,901	248	44,149
Information technology	1,531	1,977	2,474	3,105	9,087
Office expenses	250	220	4,971	776	6,217
Payments to affiliate	696	472	4,467	1,607	7,242
Travel	25	36	9,976	39	10,076
Occupancy	297	201	3,289	2,264	6,051
Conferences and training	-	-	8,340	-	8,340
Depreciation	339	230	2,174	2,469	5,212
Interest expense	300	203	1,925	2,187	4,615
Bank fees	3	-	29	-	32
Insurance	206	139	1,319	475	2,139
TOTAL EXPENSES	<u>\$ 314,684</u>	<u>\$ 377,815</u>	<u>\$ 351,077</u>	<u>\$ 56,396</u>	<u>\$ 1,099,972</u>

See accompanying notes.

	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Expenses</u>	<u>Total 2019</u>	<u>Total 2018</u>
Salaries and wages	\$ 81,830	\$ 62,763	\$ 144,593	\$ 313,582	\$ 251,600
Payroll taxes and benefits	20,985	6,869	27,854	55,715	69,867
Subtotal - personnel	102,815	69,632	172,447	369,297	321,467
Community investment	-	-	-	722,617	697,672
Advertising and promotion	1,039	21,615	22,654	61,130	74,772
Professional fees	4,135	4,731	8,866	47,735	55,852
Program supplies	-	-	-	44,149	7,682
Information technology	724	14,886	15,610	24,697	28,026
Office expenses	1,149	6,346	7,495	13,712	15,224
Payments to affiliate	1,233	3,469	4,702	11,944	11,016
Travel	95	1,088	1,183	11,259	9,626
Occupancy	526	3,130	3,656	9,707	15,330
Conferences and training	325	87	412	8,752	15,032
Depreciation	457	1,688	2,145	7,357	7,186
Interest expense	532	1,495	2,027	6,642	7,483
Bank fees	632	3,703	4,335	4,367	4,740
Insurance	364	1,025	1,389	3,528	4,181
TOTAL EXPENSES	<u>\$ 114,026</u>	<u>\$ 132,895</u>	<u>\$ 246,921</u>	<u>\$ 1,346,893</u>	<u>\$ 1,275,289</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2018

FOR THE YEAR ENDED JUNE 30, 2018

	Funding & Agency Relations	Organizational Development	Community Leadership & Initiatives	Volunteer Programs	Total Program Services
Salaries and wages	\$ 23,791	\$ 12,774	\$ 100,084	\$ 35,810	\$ 172,459
Payroll taxes and benefits	7,185	3,869	23,212	3,868	38,134
Subtotal - personnel	30,976	16,643	123,296	39,678	210,593
Community investment	292,785	360,148	44,539	200	697,672
Advertising and promotion	643	11	15,445	7,448	23,547
Professional fees	1,121	604	35,741	604	38,070
Information technology	3,621	2,329	4,722	1,580	12,252
Occupancy	832	448	7,524	448	9,252
Office expenses	499	269	6,815	517	8,100
Conferences and training	-	-	12,484	-	12,484
Payments to affiliate	996	536	3,854	536	5,922
Travel	-	162	8,969	145	9,276
Program supplies	-	-	7,503	179	7,682
Interest expense	781	420	2,863	420	4,484
Depreciation	934	503	3,018	503	4,958
Bank fees	5	-	30	-	35
Insurance	544	293	1,756	292	2,885
TOTAL EXPENSES	\$ 333,737	\$ 382,366	\$ 278,559	\$ 52,550	\$ 1,047,212

See accompanying notes.

	General and Administrative	Fundraising	Total Support Expenses	Total 2018
Salaries and wages	\$ 35,211	\$ 43,930	\$ 79,141	\$ 251,600
Payroll taxes and benefits	22,890	8,843	31,733	69,867
Subtotal - personnel	58,101	52,773	110,874	321,467
Community investment	-	-	-	697,672
Advertising and promotion	2,245	48,980	51,225	74,772
Professional fees	1,501	16,281	17,782	55,852
Information technology	2,249	13,525	15,774	28,026
Occupancy	3,093	2,985	6,078	15,330
Office expenses	1,799	5,325	7,124	15,224
Conferences and training	1,114	1,434	2,548	15,032
Payments to affiliate	3,868	1,226	5,094	11,016
Travel	165	185	350	9,626
Program supplies	-	-	-	7,682
Interest expense	2,038	961	2,999	7,483
Depreciation	1,078	1,150	2,228	7,186
Bank fees	1,166	3,539	4,705	4,740
Insurance	627	669	1,296	4,181
TOTAL EXPENSES	\$ 79,044	\$ 149,033	\$ 228,077	\$ 1,275,289

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 537,061	\$ 539,438
Cash received from contributions	559,181	596,959
Interest and dividends received	39,136	36,981
Other miscellaneous receipts	91,197	48,151
Cash paid for personnel	(369,745)	(322,116)
Cash paid for goods and services	(949,111)	(914,594)
Interest paid	(6,642)	(7,483)
	<u>(98,923)</u>	<u>(22,664)</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	358,860	614,422
Purchases of investments	(382,063)	(621,748)
Purchases of fixed assets	(14,400)	(740)
	<u>(37,603)</u>	<u>(8,066)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment gifts, net of receivables	2,964	78,562
Net change in annuity payable	(1,262)	(577)
Principal payments on long-term debt	(5,926)	(5,086)
	<u>(4,224)</u>	<u>72,899</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH	(140,750)	42,169
BEGINNING CASH	<u>271,414</u>	<u>229,245</u>
ENDING CASH	<u>\$ 130,664</u>	<u>\$ 271,414</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

United Way of Addison County, Inc. (the Organization) is a nonprofit organization that is supported by contributions from local individuals and businesses. The Organization fulfills its mission "to be a leader and catalyst, mobilizing and supporting the caring power of individuals and organizations to improve lives and strengthen the community" through the following programs: Funding & Agency Relations, Organizational Development Assistance, Community Leadership & Initiatives, and Volunteer programs. The Organization focuses its efforts around three community impact areas: health, education and financial stability. In addition to granting funds directly to local health and human service organizations, the Organization also facilitates collaborative efforts and manages specific initiatives. Examples of Community Initiatives related to these impact areas include:

Health

Distribution of *Familywize* discount prescription cards which can help individuals and families save 30% or more on prescription costs.

Building on past facilitation of the 5-Town Drug and Safety Alliance, the Organization is now coordinating with the Regional Prevention Partnerships under the Vermont Department of Health to forge new coalitions in Addison County to combat and treat alcohol and drug abuse. These conditions will continue to bring together other nonprofits, businesses, individuals, medical providers, faith communities, and local law enforcement to inspire new prevention and treatment initiatives to be funded by grant monies received by the Organization over the next five fiscal years.

Education

Partnering with Addison County Readers to help facilitate early childhood literacy by the distribution of books to Addison County households with young children.

Financial Stability

Working with local employers to provide workplace financial literacy programs (EKG - Earn It, Keep It, Grow It Program) to low and moderate wage earners at the workplace to learn about and encourage budgeting skills, financial goal setting, increased savings, proper use of credit, and improving credit scores.

Partnering with three additional United Ways of Vermont members and the Internal Revenue Service to bring the self-prepared Tax Program to the western half of the State in an effort to provide free tax services, improve the utilization of the Earned Income Tax Credit by working families and to empower low and moderate income earners to learn how to prepare their own returns.

Basis of accounting

The financial statements of the United Way of Addison County, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

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 ASU 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. United Way of Addison County, Inc. implemented ASU 2016-14 as of July 1, 2018 and has adjusted the presentation in these financial statements accordingly.

Financial statement presentation

With the adoption of ASU 2016-14, United Way of Addison County, Inc. reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the Statements of Activities as net assets released from restrictions.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. There were no amounts on deposit in excess of the amount insured by the FDIC (\$250,000) at June 30, 2019 or 2018.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the Statements of Financial Position. Unrealized gain and loss are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Pledges receivable

The Organization uses the allowance method to determine net pledges receivable. The allowance amount for pledges receivable is based on prior years' experience, management's analysis of specific promises to give and currently known economic conditions. The uncollectible rate is applied to the total campaign goal. The campaign and the related allowance for uncollectible pledges are closed two years after the close of the campaign, regardless of collection date.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable is comprised of amounts receivable from government and other grants. Receivables are stated at the amount management expects to collect from outstanding balances. Management has deemed these amounts to be fully collectible.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and promotion

The Organization uses advertising to promote its programs among the audiences it serves. Costs of advertising are expensed as incurred. Total advertising costs were \$61,130 and \$74,772 for the years ended June 30, 2019 and 2018, respectively. Amounts included in advertising included donated media of \$10,441 and \$14,314 for the years ended June 30, 2019 and 2018, respectively. Other advertising consisted of promotional supplies, food, catering, printing, and publications.

Reclassification

Portions of the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Property and equipment

Property and equipment is stated at cost. The Organization capitalizes any item with an original value of \$1,000 or more and with a useful life greater than one year. Donations of property and equipment are recorded as support at their estimated market value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the expiration of donor restrictions when donated assets are placed into service as instructed by the donor, and reclassifies net assets with restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method over the estimated useful lives.

Contributed services

The Organization receives various types of in-kind support including professional services and unskilled labor. Contributed professional services are recognized at fair market value if the services rendered (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. Donated services were \$12,805 and \$34,327 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Indirect salaries have been allocated to the various programs based on estimated time spent by each person. Other indirect costs are allocated based on the payroll allocation percentages.

Income taxes

United Way of Addison County, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 501(a) of the Code. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

2) LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, United Way of Addison County, Inc. considers all expenditures related to its ongoing activities of community investment and community impact and volunteer mobilization, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2019, the following tables show the total financial assets held by United Ways of Addison County, Inc., and the amounts of those financial assets that could readily be made available within one year of the Statement of Financial Position date to meet general expenditures:

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2) LIQUIDITY (continued)

Financial assets at June 30, 2019:

Cash - operating	\$ 110,964
Cash - fiscal agent funds	19,700
Pledges receivable - net of allowance	131,156
Accounts receivable	21,292
Investments	1,085,212
Beneficial interest with Vermont Community Foundation	180,657
Beneficial interest - fiscal agent funds	37,559
Total financial assets	<u>1,586,540</u>

Less amounts not available to meet general expenditures:

Cash - fiscal agent funds	(19,700)
Restricted investments	(253,524)
Restricted beneficial interest with Vermont Community Foundation	(134,946)
Beneficial interest - fiscal agent funds	<u>(37,559)</u>

Financial assets available to meet general expenditures over the next 12 months

\$ 1,140,811

3) PLEDGES RECEIVABLE

Pledges receivable consisted of the following unconditional promises to give at June 30:

	<u>2019</u>	<u>2018</u>
Current campaign receivable	\$ 131,402	\$ 154,933
Prior campaign receivable	27,450	12,350
	<u>158,852</u>	<u>167,283</u>
Less allowance for uncollectible pledges	(27,696)	(29,700)
	<u>\$ 131,156</u>	<u>\$ 137,583</u>

All promises to give are due in less than one year.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

4) BENEFICIAL INTEREST WITH VERMONT COMMUNITY FOUNDATION

The Vermont Community Foundation (VCF) holds endowment funds for the benefit of the Organization with fair values totaling \$180,657 and \$184,610 at June 30, 2019 and 2018, respectively. The Organization received distributions of \$8,891 and \$8,730 from VCF for the years ended June 30, 2019 and 2018, respectively. The changes in beneficial interest were \$4,938 and \$12,998 for the years ended June 30, 2019 and 2018, respectively.

5) INVESTMENTS

United Way of Addison County, Inc. values its investments in marketable securities with readily determinable fair values, and all investments in debt securities at fair value. Fair value is determined by "Level 1" inputs by reference to quoted prices.

Investments consisted of the following at:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2019</u>			
Money market funds	\$ 101,068	\$ 101,068	\$ -
Equity securities	503,801	597,030	93,229
Corporate and municipal bonds	327,361	328,440	1,079
Other assets	56,169	58,674	2,505
	<u>\$ 988,399</u>	<u>\$ 1,085,212</u>	<u>\$ 96,813</u>
<u>June 30, 2018</u>			
Money market funds	\$ 117,272	\$ 117,272	\$ -
Equity securities	436,280	526,331	90,051
Corporate and municipal bonds	326,425	315,181	(11,244)
Other assets	51,153	63,391	12,238
	<u>\$ 931,130</u>	<u>\$ 1,022,175</u>	<u>\$ 91,045</u>

Investment return was as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 39,136	\$ 36,981
Realized gain	41,489	35,886
Change in unrealized gain (loss)	5,768	(26,065)
Investment fees	(8,037)	(7,734)
	<u>\$ 78,356</u>	<u>\$ 39,068</u>

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

6) ENDOWMENT FUNDS

FASB Staff Position

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position "Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Interpretation of Relevant Law

The State of Vermont enacted UPMIFA effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. The Organization adopted the FASB Staff Position for the year ended June 30, 2009. The Board of Directors determined that the Organization's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

The Board of Directors of the Organization has interpreted State of Vermont law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. There are no explicit donor stipulations that govern the Organization's permanently restricted endowment funds. The Organization considers the duration and preservation of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return of the fund, the availability of other resources, and the general investment policies of the Organization when establishing the investment allocation of the fund.

Return Objectives and Risk Parameters

The Organization 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 or for a donor-specified period, 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 sufficient earnings to meet the Organization's current and future operational needs.

Strategies Employed for Achieving Objectives

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

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

6) ENDOWMENT FUNDS (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy for endowment funds is based on striking the balance between protection of donor designations, growth and meeting a portion of annual operating, program and capital needs of the Organization. An annual distribution is made based on a range of 3 - 6% of a trailing twelve-quarter average of the year-end balances.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater endowment funds in accordance with prudent measures required under the law. There were no such deficiencies as June 30, 2019 or 2018.

The fair values of the Organization's endowment net assets were as follows at:

	Without Donor Restrictions	With Donor Restrictions		Total
		Un- appropriated Earnings	To be Held in Perpetuity	
June 30, 2019				
Board-designated endowment funds	\$ 415,175	\$ -	\$ -	\$ 415,175
Donor-restricted endowment funds	-	93,349	388,470	481,819
	<u>\$ 415,175</u>	<u>\$ 93,349</u>	<u>\$ 388,470</u>	<u>\$ 896,994</u>
June 30, 2018				
Board-designated endowment funds	\$ 406,154	\$ -	\$ -	\$ 406,154
Donor-restricted endowment funds	-	93,435	384,006	477,441
	<u>\$ 406,154</u>	<u>\$ 93,435</u>	<u>\$ 384,006</u>	<u>\$ 883,595</u>

Changes in endowment net assets were as follows for the years ended June 30, 2019 and 2018:

Balance - July 1, 2017	\$ 399,196	\$ 86,185	\$ 293,444	\$ 778,825
Additional contributions	-	-	90,562	90,562
Investment income	19,070	21,170	-	40,240
Appropriated for operations	(12,112)	(13,920)	-	(26,032)
Balance - June 30, 2018	<u>\$ 406,154</u>	<u>\$ 93,435</u>	<u>\$ 384,006</u>	<u>\$ 883,595</u>
Balance - July 1, 2018	\$ 406,154	\$ 93,435	\$ 384,006	\$ 883,595
Additional contributions	-	-	4,464	4,464
Investment income	34,861	19,879	-	54,740
Appropriated for operations	(25,840)	(19,965)	-	(45,805)
Balance - June 30, 2019	<u>\$ 415,175</u>	<u>\$ 93,349</u>	<u>\$ 388,470</u>	<u>\$ 896,994</u>

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

7) LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2019	2018
National Bank of Middlebury - mortgage note payable in monthly installments of \$1,048, including interest at an annual rate of 6.5%, collateralized by the building with a maturity date of June 30, 2030	\$ 98,105	\$ 104,031
Less current portion	(6,500)	(6,100)
	\$ 91,605	\$ 97,931

Future maturities of long-term debt for the years ending June 30 are as follows:

2020	\$ 6,500
2021	7,000
2022	7,400
2023	7,900
2024	8,400
Thereafter	60,905
	\$ 98,105

8) SPLIT-INTEREST AGREEMENT

In 2003, United Way of Addison County, Inc. received a donation to establish a charitable gift annuity. Under the terms of the agreement, the beneficiary is to receive quarterly annuity payments of \$222 throughout the beneficiary's life. The net present values of the annuity payable were \$3,589 and \$4,851 as of June 30, 2019 and 2018, respectively.

9) OPERATING LEASE

In May 2017, the Organization entered into a five-year, noncancelable operating lease for a photocopier. The terms of the lease call for monthly payments of \$298 through April 2022. The total remaining operating lease payments for the years ending June 30 are as follows:

2020	\$ 3,600
2021	3,600
2022	3,000
	\$ 10,200

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

10) NET ASSETS

United Way of Addison County, Inc.'s net assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Board-designated:		
Endowment fund	\$ 415,175	\$ 406,154
Special Operations fund	261,694	253,625
Building reserve	35,906	34,252
Net investment in property and equipment	110,734	97,765
Subtotal - board-designated	<u>823,509</u>	<u>791,796</u>
Undesignated	<u>92,482</u>	<u>208,086</u>
	<u>\$ 915,991</u>	<u>\$ 999,882</u>
Net assets with donor restrictions:		
Restricted to time or purpose:		
Funder's Collaborative	\$ 901	\$ 401
Charitable gift annuity	7,762	7,762
Unappropriated endowment earnings	47,637	43,771
Unappropriated endowment earnings - VCF	<u>45,712</u>	<u>49,664</u>
Subtotal - restricted to time or purpose	<u>102,012</u>	<u>101,598</u>
Restricted in perpetuity:		
Donor-restricted endowment	253,524	249,060
Beneficial interest with Vermont Community Foundation	<u>134,946</u>	<u>134,946</u>
Subtotal - restricted in perpetuity	<u>388,470</u>	<u>384,006</u>
	<u>\$ 490,482</u>	<u>\$ 485,604</u>

11) EMPLOYEE BENEFIT PLAN

United Way of Addison County, Inc. sponsors a SIMPLE retirement plan under which the Organization matches each eligible employee's contributions up to 3% of the employee's salary. Total employer contributions were \$8,357 and \$5,434 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

12) CUSTODIAL ACCOUNTS - FISCAL AGENT FUNDS

The Organization is acting as a fiscal agent for several projects. Balances consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Addison County Readers	\$ 53,982	\$ 48,499
Addison County Foster Fund	<u>3,277</u>	<u>3,798</u>
	<u>\$ 57,259</u>	<u>\$ 52,297</u>

Addison County Readers - an early literacy program that makes age appropriate books available to all children in Addison County aged 0 - 5 through the Dolly Parton Imagination Library program.

Addison County Foster Fund - a fund for summer camp and extracurricular activities for children and youth in the foster care system.

In fiscal year 2017, Addison County Readers moved some of their funds to a beneficial interest account with the Vermont Community Foundation. The balances in the beneficial interest account were \$37,559 and \$29,282 at June 30, 2019 and 2018, respectively.

13) CHILD CARE CONSORTIUM

United Way of Addison County, Inc. entered into a Memorandum of Understanding (MOU) on June 22, 2000 between Middlebury College and the Child Care Consortium (Bristol Family Center, Inc., Otter Creek Child Center, Inc. and Mary Johnson Children's Center), wherein the Organization will receive annual grants from Middlebury College on the first business day in July each year, and distribute the funds in equal quarterly installments to the MOU Project Operator. For the period September 1, 2018 through August 31, 2019, the grant amount and distribution was \$367,351. For the period September 1, 2017 through August 31, 2018, the grant amount and distribution was \$360,148.

14) SUBSEQUENT EVENTS

United Way of Addison County, Inc. has evaluated events and transactions for potential recognition or disclosure through December 18, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ADDISON COUNTY, INC.

SCHEDULE OF FISCAL AGENT ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2019

	Addison County Readers	Addison County Foster Fund	Total Fiscal Agent Activity
SUPPORT AND REVENUE			
Contributions	\$ 9,464	\$ 2,700	\$ 12,164
Events	644	-	644
Grants	24,216	-	24,216
In-kind donations	1,500	-	1,500
Miscellaneous income	48	942	990
Investment income	1,374	-	1,374
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	37,246	3,642	40,888
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program supplies	28,862	752	29,614
Community investment	-	2,161	2,161
Professional fees	2,000	1,005	3,005
Bank charges	611	-	611
Promotional expense	48	245	293
Office expenses	242	-	242
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	31,763	4,163	35,926
	<hr/>	<hr/>	<hr/>
NET INCOME (LOSS)	\$ 5,483	\$ (521)	\$ 4,962
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.