

**UNITED WAY-
THOMAS JEFFERSON AREA
CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**



UNITED WAY-THOMAS JEFFERSON AREA

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
United Way-Thomas Jefferson Area
Charlottesville, Virginia

We have audited the accompanying financial statements of UNITED WAY-THOMAS JEFFERSON AREA (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

To the Board of Directors
United Way-Thomas Jefferson Area

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNITED WAY-THOMAS JEFFERSON AREA as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited UNITED WAY-THOMAS JEFFERSON AREA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Han Tymon Wiebel LLP

Charlottesville, Virginia
January 13, 2020

UNITED WAY-THOMAS JEFFERSON AREA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,691	\$ 53,397
Investments available for current operations	857,041	1,013,974
Campaign pledges receivable, net of allowance for uncollectibles	226,395	213,528
Grants receivable	82,710	103,807
Other receivables	13,020	20,255
	<u>1,206,857</u>	<u>1,404,961</u>
INVESTMENTS		
Investments designated by Board for Endowment Fund	4,423,962	4,618,600
Investments restricted by donors for United Way programs	385,002	336,948
	<u>4,808,964</u>	<u>4,955,548</u>
PROPERTY AND EQUIPMENT		
Property and equipment	669,850	689,627
Less: Accumulated depreciation	(301,267)	(319,137)
	<u>368,583</u>	<u>370,490</u>
OTHER ASSETS		
Campaign pledges receivable, collectable after one year	15,000	....
	<u>15,000</u>	<u>....</u>
Total assets	<u>\$ 6,399,404</u>	<u>\$ 6,730,999</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Program grants to agencies payable	\$ 450,360	\$ 560,000
Designations payable - restricted	9,373	12,471
Accounts payable and accrued expenses	115,374	215,506
	<u>575,107</u>	<u>787,977</u>
NET ASSETS		
Without donor restrictions:		
Designated - Endowment Fund	4,423,962	4,618,600
Designated - reserves	112,351	153,290
	<u>4,536,313</u>	<u>4,771,890</u>
With donor restrictions	1,287,984	1,171,132
	<u>5,824,297</u>	<u>5,943,022</u>
Total liabilities and net assets	<u>\$ 6,399,404</u>	<u>\$ 6,730,999</u>

(The accompanying notes are an integral part of these financial statements)

UNITED WAY-THOMAS JEFFERSON AREA
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
PUBLIC SUPPORT AND REVENUE				
Pledge income	\$ 922,274	\$ 265,075	\$ 1,187,349	\$ 1,169,484
Less: Amounts designated	(23,762)	....	( 23,762)	(18,019)
Allowance for uncollectibles	(27,904)	....	( 27,904)	(17,913)
Total contributions from campaign	870,608	265,075	1,135,683	1,133,552
Santa Fund .....	....	178,793	178,793	160,984
Special events and sponsorships	3,499	40,265	43,764	75,188
Other contributions	3,922	77,672	81,594	86,401
Endowment contributions .....	....	30,000	30,000	....
Total support from the public	878,029	591,805	1,469,834	1,456,125
Grants from foundations and localities .....	....	610,855	610,855	805,778
Other revenue:				
Administrative fees	9,295	....	9,295	3,417
Contributed professional services	34,369	....	34,369	34,820
Net investment income	120,083	18,055	138,138	472,432
Total other revenue	163,747	18,055	181,802	510,669
Net assets released from restrictions:				
Contributions released from restrictions	1,103,863	(1,103,863)	....	....
Total public support and revenue	2,145,639	116,852	2,262,491	2,772,572
GRANTS AND EXPENSES				
Program grants to agencies	450,360	....	450,360	545,624
Functional expenses:				
Program services:				
School Readiness	689,658	....	689,658	791,325
Self-Sufficiency	147,358	....	147,358	121,245
Community Health	72,318	....	72,318	56,911
Community Engagement	497,710	....	497,710	472,606
Total program services	1,407,044	....	1,407,044	1,442,087
Support services:				
Management and general	136,934	....	136,934	129,096
Fund-raising	386,878	....	386,878	322,419
Total support services	523,812	....	523,812	451,515
Total functional expenses	1,930,856	....	1,930,856	1,893,602
Total grants and expenses	2,381,216	....	2,381,216	2,439,226
CHANGE IN NET ASSETS	(235,577)	116,852	(118,725)	333,346
NET ASSETS, BEGINNING OF YEAR	4,771,890	1,171,132	5,943,022	5,609,676
NET ASSETS, END OF YEAR	\$ 4,536,313	\$ 1,287,984	\$ 5,824,297	\$ 5,943,022

(The accompanying notes are an integral part of these financial statements)

UNITED WAY-THOMAS JEFFERSON AREA

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	PROGRAM SERVICES					SUPPORTING SERVICES		2019	2018
	SCHOOL READINESS	SELF- SUFFICIENCY	COMMUNITY HEALTH	COMMUNITY ENGAGEMENT	TOTAL PROGRAM	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	TOTAL
Salaries	\$ 103,831	\$ 61,957	\$ 39,947	\$ 180,780	\$ 386,515	\$ 84,230	\$ 183,669	\$ 654,414	\$ 604,391
Employee benefits	25,203	17,093	10,572	35,416	88,284	15,074	38,234	141,592	129,548
Payroll taxes	7,455	5,200	3,029	13,128	28,812	6,310	13,029	48,151	44,128
Total salaries and related expenses	136,489	84,250	53,548	229,324	503,611	105,614	234,932	844,157	778,067
Early Learner scholarship awards	451,628	....	....	....	451,628	....	....	451,628	490,736
Santa Fund .....	....	....	....	118,731	118,731	....	....	118,731	92,420
Family investment program distributions .....	....	7,099	....	....	7,099	....	....	7,099	....
Initiative grant .....	....	....	....	....	....	....	....	....	13,600
Women United grant .....	....	....	....	60,000	60,000	....	....	60,000	60,000
Occupancy	2,856	5,181	2,002	6,320	16,359	2,393	7,106	25,858	25,257
Telephone and internet	2,632	2,958	1,381	4,903	11,874	1,888	5,701	19,463	13,433
Postage	43	166	212	824	1,245	816	2,737	4,798	6,361
Supplies	2,948	5,957	1,465	4,153	14,523	3,343	4,994	22,860	9,020
Printing and publications	1,586	1,985	328	5,477	9,376	605	15,976	25,957	18,615
Professional fees	49,635	4,937	1,829	12,000	68,401	7,771	7,698	83,870	96,770
Subcontract personnel .....	....	....	....	....	....	....	....	....	89,000
Insurance	355	1,895	496	2,078	4,824	725	2,240	7,789	9,972
Interest	163	216	110	317	806	122	361	1,289	274
Advertising and marketing	968	1,281	12	1,537	3,798	113	63,710	67,621	20,481
Conferences, meetings, and events	13,522	14,172	816	20,519	49,029	2,500	8,667	60,196	55,328
Professional development	3,446	253	2,791	660	7,150	587	4,722	12,459	....
Dues and subscriptions	992	931	658	1,508	4,089	596	2,296	6,981	2,165
Payments to national organization	2,165	4,782	1,618	6,208	14,773	2,236	6,780	23,789	22,699
Repairs, maintenance, and equipment rental	1,409	1,407	757	1,664	5,237	1,716	2,330	9,283	4,744
Equipment purchases	5,618	1,974	230	1,859	9,681	1,179	1,791	12,651	3,482
Software purchases and website maintenance	3,862	3,337	2,126	7,857	17,182	1,815	6,518	25,515	47,551
Miscellaneous	6,661	2,187	232	7,810	16,890	1,293	3,606	21,789	17,319
Total before depreciation	686,978	144,968	70,611	493,749	1,396,306	135,312	382,165	1,913,783	1,877,294
Depreciation	2,680	2,390	1,707	3,961	10,738	1,622	4,713	17,073	16,308
Total functional expenses	<u>\$ 689,658</u>	<u>\$ 147,358</u>	<u>\$ 72,318</u>	<u>\$ 497,710</u>	<u>\$ 1,407,044</u>	<u>\$ 136,934</u>	<u>\$ 386,878</u>	<u>\$ 1,930,856</u>	<u>\$ 1,893,602</u>

(The accompanying notes are an integral part of these financial statements)

UNITED WAY-THOMAS JEFFERSON AREA

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 118,725)	\$ 333,346
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,073	16,308
Unrealized gains on marketable securities	(214,733)	(132,033)
Realized (gains) losses on marketable securities	243,999	(89,466)
(Increase) decrease in assets:		
Campaign pledges receivable	(27,867)	60,993
Grants receivable	21,097	27,323
Other receivable	7,235	8,225
Increase (decrease) in liabilities:		
Designations payable	(3,098)	(88,081)
Program grants to agencies payable	(109,640)	(91,000)
Deferred grant revenue .....	....	( 61,481)
Accounts payable and accrued expenses	(100,132)	45,052
Net cash provided by (used in) operating activities	<u>(284,791)</u>	<u>29,186</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15,166)	....
Purchase of investments	(225,749)	(279,571)
Proceeds from investments	500,000	....
Net cash provided by (used in) investing activities	<u>259,085</u>	<u>(279,571)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>....</u>	<u>....</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,706)	(250,385)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>53,397</u>	<u>303,782</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 27,691</u>	<u>\$ 53,397</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 1,289</u>	<u>\$ 274</u>

(The accompanying notes are an integral part of these financial statements)

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION

United Way-Thomas Jefferson Area (United Way) is a community-based nonprofit with a local Board of Directors serving Charlottesville and the counties of Albemarle, Fluvanna, Greene, Louisa, and Nelson. Our vision is a strong, healthy, and vibrant community that helps people rise above challenges to reach their full potential. We engage volunteers, lead initiatives, and collaborate with community partners to achieve this mission.

In September 2011, United Way adopted a strategic plan that identified three Impact Areas: School Readiness, Self-Sufficiency, and Community Health. These Impact Areas represent areas of significant community need and risk.

Each Impact Area addresses specific community priorities with preferred outcomes, which are adopted by the Board of Directors. Program grants awarded to community agencies, United Way direct services/programs, advocacy, and volunteerism advance these priorities. Program grants to community agencies addressing stated priorities and preferred outcomes, recommended by the Impact Teams and approved by the Board of Directors, are for one year with annual outcome reporting requirements.

School Readiness: Our goal is to close the opportunity gap by promoting strategies to provide all children with the most appropriate and effective early services, and it supports the high-quality early childcare and education required to achieve the desired outcomes.

Strategies and programs include:

1. Grantmaking to decrease the opportunity gap for at-risk children under age five.
2. Early Education: supports the work plan of the Early Education Task Force, including opportunities to expand access and high-quality services for all children ages 0-5.
3. Early Learners Scholarship Program: supports families who are working toward financial stability by eliminating the barrier of the cost of early education and care and places children in high-quality settings to minimize the impact of poverty and other determinants that impact a child's ability to arrive at school ready to learn.
4. Children's Data Consortium: provides data to inform early education work in our community.

Self-Sufficiency: Our goal is to help adults who are on the path to becoming financially stable and economically independent by supporting customized, holistic solutions that address obstacles encountered along the way.

Strategies and programs include:

1. Grantmaking to help adults increase their earning power and manage their expenses.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

2. Cville Tax Aid: a free tax preparation program, including opportunities to expand access and services to all eligible residents.
3. Family Investment Program: a family-centered investment model that supports families who are working toward financial stability by eliminating specific barriers that stand in the way of success.
4. The Santa Fund: provides clothing, shoes, medicine, eye glasses, and other essentials for low-income school children in Charlottesville and the counties of Albemarle, Buckingham, Fluvanna, Greene, Louisa, Madison, Nelson, and Orange.

Community Health: Our goal is to reduce health disparities and increase affordable access for priority populations.

Strategies and programs include:

1. Grantmaking to reduce health disparities and increase affordable access to care.
2. Rx Relief Prescription Assistance: helps uninsured and under-insured residents access free medications to treat chronic health conditions.

Community Engagement: The United Way's skilled ability to convene, engage, and connect individuals and organizations provides benefit to the community in multiple ways. By facilitating partnerships among organizations (nonprofits, businesses, academic systems, etc.), more services can be delivered in a more efficient manner. By facilitating volunteering, tens of thousands of hours of service are provided to the community each year. By supporting the collective giving of groups, the impact of hundreds of donations is combined and thereby multiplied. United Way activities engage thousands of community members and help connect them to ongoing ways to impact their community.

Strategies and programs include:

1. The Day of Caring: a day of community service in September, promotes volunteerism by connecting local businesses, civic groups, and area citizens to nonprofit organizations and schools.
2. Women United: maximizes women's leadership in philanthropy by engaging and educating its membership, increasing charitable contributions, and strengthening our community through the impact of collective giving to support human services.
3. Information and Referral: offers free, confidential information and referrals to health and human service programs.
4. The Volunteer Center: connects potential volunteers with nonprofit agencies and schools.
5. Initiative for Effective Nonprofits: a collaboration with the Wardle Family Foundation, provides resources to strengthen the governance and management of nonprofit organizations.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the United Way are described below.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Major components of this standard include disclosures regarding liquidity and availability of resources, presentation of expenses by their functional and natural classifications, and changes to net asset classifications. The pronouncement requires qualitative and quantitative information to be presented about management of liquid resources and the availability of financial assets to meet cash needs within one year. In addition, net asset classifications are reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to two: net assets without donor restrictions and net assets with donor restrictions, as follows:

Net assets without donor restrictions include funds resulting from contributions and other inflows of assets whose use is not restricted by the donor.

Net assets with donor restrictions include funds resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by the actions of the organization. This category also includes funds resulting from contributions or other inflows of assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled by the actions of the organization. Income from these funds is used according to the terms stipulated by the donor.

The United Way implemented ASU 2016-14 for the fiscal year ended June 30, 2019. There was no impact on total net assets as a result of the adoption of ASU 2016-14.

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Excluded from cash and cash equivalents are money market funds held to be invested for long-term purposes.

The United Way maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits and are subject to risk of loss. The United Way did not suffer any losses in these accounts.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

Campaign Pledges

Written campaign pledges are recognized as revenues or gains in the period received and as assets or decreases in liabilities, depending on the form of the benefits received. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. For the year ended June 30, 2019, the United Way received a conditional matching pledge of \$75,000, of which \$54,927 had yet to be matched at June 30, 2019. For the year ended June 30, 2018, the United Way received no conditional pledges to give. Campaign pledges are recorded as revenue when written confirmation is received. Verbal campaign pledges are tracked but are not recorded as revenue until written confirmation is received.

Investments

Investments are initially recorded at the fair market value at the date of gift to the United Way or at cost when purchased, whichever is applicable. Investments are carried at market values. Changes in market values are recognized as unrealized holding gains (losses) on appreciation (depreciation) of investments and reported in the statement of activity and changes in net assets as net investment income.

Fair Value

The fair value framework requires the categorization of assets and liabilities measured at fair value into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The United Way's investments are categorized as Level 1 assets.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market: Valued at carrying cost, which approximates fair value, due to the short maturity.

Government/corporate bonds and equity mutual funds: Valued at the closing price reported in the active market in which the individual investment is traded.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are stated at cost or estimated fair market value, if donated. It is the United Way's policy to capitalize expenditures exceeding \$1,500. Depreciation of the building and equipment is provided on a straight-line basis over the estimated useful lives of the related assets.

The cost and estimated lives of property and equipment are as follows:

	JUNE 30, 2018	ADDITIONS	DISPOSITIONS	JUNE 30, 2019	ESTIMATED USEFUL LIVES
Land	\$ 97,918	\$	\$	\$ 97,918	
Building and improvements	510,131	....	....	510,131	39 years
Office equipment and furniture	<u>81,578</u>	<u>15,166</u>	(<u>34,943</u>)	<u>61,801</u>	3-10 years
 Total property and equipment.....	 689,627	 15,166	 (34,943)	 669,850	
 Accumulated depreciation	 <u>319,137</u>	 <u>17,073</u>	 (<u>34,943</u>)	 <u>301,267</u>	
 Net property and equipment.....	 <u>\$370,490</u>	 (<u>\$ 1,907</u>)	 <u>\$ </u>	 <u>\$368,583</u>	

Annual Campaigns

Annual campaigns are conducted to raise contributions for program grants to community agencies, direct services/programs, and for the operations of the United Way. Current year campaign pledges are due within one year. Written campaign pledges are recorded as receivables, and allowances are provided for amounts estimated as uncollectible.

Campaign donations that are received with a donor-imposed designation for another organization are distributed by the United Way to the appropriate recipient. These designated gifts appear in the statement of activity and changes in net assets as a reduction of pledge income under the line item amounts designated. The United Way charges an administrative fee for processing designated gifts.

Grants and Contracts

Support received under grants and contracts with foundations and localities is deemed to be earned and reported as revenue when the United Way has incurred expenditures in compliance with the grant and contract agreements. Such amounts expended, but not yet received, are reported as grants receivable. Conversely, such amounts received, but not yet expended, are reported as deferred grant revenue.

Other Contributions

Other contributions in the statement of activity and changes in net assets represents contributions received during the year that are not part of the current year's annual campaign.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

Donated Materials and Services

The United Way records the value of professional services when there is an objective basis available to measure their value and the services received require specialized skills. Contributions of professional auditing and investment management services were recognized in the years ended June 30, 2019 and 2018.

The investment management firm does not charge any fees. There is one Endowment Trustee who is employed by the investment management firm.

Significant donated materials and other items are valued at cost or estimated fair market value on the date of the gift, as applicable.

No amounts have been reflected in the statements for donated services that are not specialized skills, since there is no objective basis to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the United Way's Impact Teams, direct services/programs, leadership, and development.

Program Grants to Agencies

Grant expense is recognized once the Board of Directors has approved the Impact Team program grant recommendations and grant recipients have been notified of their awards.

Advertising and Marketing Costs

The United Way follows the practice of expensing advertising costs as incurred.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services is summarized on a functional basis in the statement of functional expenses. Certain costs are allocated among the functions benefited based on management's estimates of time spent, occupancy, usage, or other relevant factors. Direct costs for special events included in functional expenses totaled \$25,913 and \$13,710 for the years ended June 30, 2019 and 2018, respectively.

Policy Disclosure

The United Way reports gifts of cash and other assets depending on the existence and/or nature of any donor restrictions. When a donor-imposed restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity and changes in net assets as net assets released from restrictions.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

The United Way reports gifts of land, buildings, and equipment as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

There were no net assets with permanent donor restrictions at June 30, 2019 and 2018.

Accounting Estimates

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

Exempt Tax Status

The United Way is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Per Virginia Code Section 58.1-3650.1, the United Way is exempt from local property tax as long as the organization resides within Charlottesville City limits.

Accounting for Uncertainty in Income Taxes

The United Way has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the FASB and determined there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position and the statement of activity and changes in net assets.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the United Way's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to the presentation of the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through January 13, 2020, which is the date the financial statements were available to be issued.

NOTE 3 - CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable consisted of the following at June 30, 2019:

	<u>CAMPAIGN</u>				<u>TOTAL</u>
	<u>2020/2021</u>	<u>2019/2020</u>	<u>2018/2019</u>	<u>2017/2018</u>	
Total campaign pledges	\$ 15,000	\$ 20,161	\$236,234	\$ 25,485	\$296,880
Less: Allowance for uncollectibles .....	.....	.....	( 30,000)	(25,485)	(55,485)
	<u>\$ 15,000</u>	<u>\$ 20,161</u>	<u>\$206,234</u>	<u>\$ </u>	<u>\$241,395</u>

Campaign pledges receivable consisted of the following at June 30, 2018:

	<u>CAMPAIGN</u>			<u>TOTAL</u>
	<u>2018/2019</u>	<u>2017/2018</u>	<u>2016/2017</u>	
Total campaign pledges	\$ 8,437	\$235,091	\$ 25,970	\$269,498
Less: Allowance for uncollectibles .....	.....	( 30,000)	(25,970)	(55,970)
	<u>\$ 8,437</u>	<u>\$205,091</u>	<u>\$ </u>	<u>\$213,528</u>

The current and prior years' allowance for uncollectible pledges was approximately 3% of the original campaign total, net of designations.

NOTE 4 - INVESTMENTS

The face value of investments are reported at market value and consist of investments spread across a diversified portfolio of assets, with interests in a money market account, fixed income securities, and equities. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity and changes in net assets as net assets released from restrictions. The cost basis includes the original purchase cost of the investments plus reinvested earnings.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

The cost basis and fair values of investments at June 30, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	MARKET	COST
Money market	\$1,085,715	\$	\$	\$1,085,715	\$1,085,715
Gov't/corporate bonds	577,398	....	....	577,398	569,331
Equity mutual funds:					
Closed-end ETF's	630,366	....	....	630,366	577,676
U. S. equity	1,946,591	....	....	1,946,591	1,145,321
International equity	<u>1,425,935</u>	<u>....</u>	<u>....</u>	<u>1,425,935</u>	<u>1,110,074</u>
	<u>\$5,666,005</u>	<u>\$</u>	<u>\$</u>	<u>\$5,666,005</u>	<u>\$4,488,117</u>

During the year ended June 30, 2019, there were no changes to the classification among categories.

The cost basis and fair values of investments at June 30, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	MARKET	COST
Money market	\$1,257,281	\$	\$	\$1,257,281	\$1,257,281
Gov't/corporate bonds	546,273	....	....	546,273	554,306
Equity mutual funds:					
Closed-end ETF's	257,586	....	....	257,586	218,051
U. S. equity	2,529,522	....	....	2,529,522	1,887,318
International equity	<u>1,378,860</u>	<u>....</u>	<u>....</u>	<u>1,378,860</u>	<u>1,089,411</u>
	<u>\$5,969,522</u>	<u>\$</u>	<u>\$</u>	<u>\$5,969,522</u>	<u>\$5,006,367</u>

During the year ended June 30, 2018, there were no changes to the classification among categories.

The following is a breakdown of net investment income for the years ended June 30:

	2019	2018
Interest and dividends	\$ 195,749	\$ 279,570
Unrealized gain on marketable securities	214,733	132,033
Realized gain (loss) on marketable securities	(243,999)	89,466
Contributed investment management fees	<u>(28,345)</u>	<u>(28,637)</u>
Net investment income	<u>\$ 138,138</u>	<u>\$ 472,432</u>

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

The investment account is allocated as follows at June 30:

	2019	2018
Investments available for current operations	\$ 857,041	\$1,013,974
Investments designated by Board for Endowment Fund	4,423,962	4,618,600
Investments restricted by donors for United Way programs.....	<u>385,002</u>	<u>336,948</u>
Total investments.....	<u>\$5,666,005</u>	<u>\$5,969,522</u>

NOTE 5 - LINE OF CREDIT

In January 2019, the United Way renewed its line of credit agreement with Union Bank & Trust for a \$550,000 revolving line of credit. Interest on amounts borrowed under the line of credit is payable on the first of each month, and is a variable rate based on the prime rate announced by Union Bank & Trust on a periodic basis. The interest rate at June 30, 2019 and 2018 was 5.5% and 5%, respectively. The line of credit is secured by a \$550,000 deed of trust on the United Way's real property. The real property has a net book value of approximately \$355,000 at June 30, 2019, and was valued at approximately \$1.1 million based on the 2019 tax assessment. The line of credit had no balance at June 30, 2019 or 2018. The line of credit expires February 1, 2020.

NOTE 6 - SHARING OF PUBLIC SUPPORT

In accordance with the United Way Worldwide (United Way trade association) requirements, a portion of support without donor restrictions from the public is remitted to the United Way Worldwide as a membership fee for trademark and services, as determined by its Board of Directors.

NOTE 7 - RETIREMENT PLAN

United Way-Thomas Jefferson Area has a defined contribution 403(b) thrift plan covering all full-time employees who have met the one-year service requirement and are at least twenty-one years of age, by providing individual annuities through contracts with Mutual of America. There were 12 active participants for the plan year ending December 31, 2018, and 10 active participants for the plan year ended 2017. The participants become 20% vested after two years, 50% vested after three years, 75% vested after four years, and fully vested after five years of service. Retirement plan expenses totaling \$48,236 and \$57,925 have been recorded for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Subject to time restrictions:		
Fund-raising	\$ 15,442	\$ 14,896
Total subject to time restrictions.....	<u>15,442</u>	<u>14,896</u>
Subject to purpose restrictions:		
School Readiness	436,139	355,656
Self-Sufficiency	112,901	80,000
Community Health.....	....	881
Community Engagement.....	<u>723,502</u>	<u>719,699</u>
Total subject to purpose restrictions	<u>1,272,542</u>	<u>1,156,236</u>
Total net assets with donor restrictions....	<u>\$1,287,984</u>	<u>\$1,171,132</u>

NOTE 9 - ENDOWMENT

The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors. Net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

The objective of the Endowment Fund is to maintain a balance of invested funds to provide income to support operations and special projects. The Endowment Trustees, as elected by the Board, manage the Endowment Fund.

The investment objective of the Endowment Fund is to seek a rate of return of 5% plus the Consumer Price Index. This objective will be measured over annualized, rolling five and ten year time periods; the intent of the objective is to grow the principal value of assets measured in real, inflation-adjusted terms.

To preserve and enhance the real, inflation-adjusted purchasing power of Endowment principal while providing a stable, sustainable income stream over the long-term, the Board authorizes a quarterly payout of 1.25% from the Board-Designated Endowment Fund based on the asset value of the investment portfolio at the end of the prior quarter. Income and appreciation in excess of 5% annually will remain as principal in the Board-Designated Endowment Fund. The Board will periodically review the authorized spending level.

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

Endowment net asset classification by fund type as of June 30, 2019 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds.....	\$	\$ 385,002	\$ 385,002
Board-designated endowment funds....	<u>4,423,962</u>	<u>.....</u>	<u>4,423,962</u>
Total funds	<u>\$4,423,962</u>	<u>\$ 385,002</u>	<u>\$4,808,964</u>

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

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds.....	\$	\$ 336,948	\$ 336,948
Board-designated endowment funds....	<u>4,618,600</u>	<u>.....</u>	<u>4,618,600</u>
Total funds	<u>\$4,618,600</u>	<u>\$ 336,948</u>	<u>\$4,955,548</u>

Changes in Endowment net assets are summarized as follows for the year ended June 30, 2019:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Beginning balance	\$4,618,600	\$ 336,948	\$4,955,548
Contributions .....	....	30,000	30,000
Net investment income	148,429	18,054	166,483
Appropriation transferred to:			
Available for operations	(343,067)	<u>.....</u>	(343,067)
Ending balance	<u>\$4,423,962</u>	<u>\$ 385,002</u>	<u>\$4,808,964</u>

Changes in Endowment net assets are summarized as follows for the year ended June 30, 2018:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Beginning balance	\$4,405,280	\$	\$4,405,280
Contributions .....	....	290,000	290,000
Net investment income	454,121	46,948	501,069
Appropriation transferred to:			
Available for operations	(240,801)	<u>.....</u>	(240,801)
Ending balance	<u>\$4,618,600</u>	<u>\$ 336,948</u>	<u>\$4,955,548</u>

UNITED WAY-THOMAS JEFFERSON AREA

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - DESIGNATED RESERVES

In addition to the Board-Designated Endowment Fund, the Board has also made a designation from net assets without donor restrictions for a contingency reserve, as approved by the Board in the fiscal year ended June 30, 1995, for capital improvements and maintenance and repair of the United Way's building.

NOTE 11 - CONTINGENCIES

In September 1965 and January 1975, the United Way gifted two separate properties to two nonprofit organizations for purposes to meet their missions. The deeds of both properties contain a reversion clause that is invoked if the nonprofit ceases to use the property for the purposes that were intended at the time of the gift. Due to the terms and long standing nature of the agreements, neither of these properties is shown on the United Way statement of financial position.

NOTE 12 - LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents.....	\$ 27,691
Less: Cash with donor restrictions.....	(929,084)
Investments available for current operations	857,041
Campaign pledges receivable, due within one year	231,422
Other receivables.....	13,020
Less: Receivables with donor restrictions.....	(<u>51,096</u>)
Financial assets available for general expenditures within one year.....	<u>\$ 148,994</u>

Cash and cash equivalents and receivables consist of donor-restricted contributions, restricted either by time or purpose, and those without donor-imposed restrictions, which are available for general expenditure. Donor-restricted contributions are not available for general expenditure. The Board-Designated Endowment Fund of \$4,423,962 is subject to an annual spending rate of 5%, appropriated for general expenditures as part of the Board's annual budget approval.

United Way's cash flows have seasonal variations attributable to the timing of grant and pledge payments. To manage liquidity, United Way regularly reviews cash flows and draws from investments or the line of credit as needed.