



# **UNITED WAY, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**and**

**SUPPLEMENTARY INFORMATION**

**June 30, 2019 and 2018**

**With Independent Auditor's Report**



**UNITED WAY, INC.**

**June 30, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
United Way, Inc.

We have audited the accompanying consolidated financial statements of United Way, Inc. (the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way, Inc. as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Board of Directors  
United Way, Inc.

### ***Other Matters***

#### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, the Organization adopted new accounting guidance, Federal Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

#### **Report on Additional Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
November 20, 2019

UNITED WAY, INC.

Consolidated Statements of Financial Position

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,674,343	\$ 5,310,529
Pledges receivable, net	4,975,006	5,461,938
Other receivables	358,487	193,314
Other assets	92,729	103,095
Long-term investments	8,539,717	8,227,073
Beneficial interest in perpetual trust	1,236,456	1,235,365
Equipment, net of accumulated depreciation of \$338,155 in 2019 and \$296,173 in 2018	<u>107,397</u>	<u>124,897</u>
Total assets	<u>\$ 19,984,135</u>	<u>\$ 20,656,211</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 463,397	\$ 390,969
Designations payable	3,617,032	3,962,209
Other liabilities	<u>160,824</u>	<u>158,022</u>
Total liabilities	4,241,253	4,511,200
Net assets		
Without donor restrictions		
Undesignated	2,003,352	2,076,090
Board designated - endowment	<u>4,891,778</u>	<u>4,701,752</u>
Total without donor restrictions	6,895,130	6,777,842
With donor restrictions	<u>8,847,752</u>	<u>9,367,169</u>
Total net assets	<u>15,742,882</u>	<u>16,145,011</u>
Total liabilities and net assets	<u>\$ 19,984,135</u>	<u>\$ 20,656,211</u>

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The accompanying notes are an integral part of these consolidated financial statements.

**UNITED WAY, INC.**

**Consolidated Statement of Activities  
(With summarized information for the year ended June 30, 2018 for comparison)**

**Year Ended June 30, 2019**

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Campaign results:				
2019 campaign results	\$ -	\$ 16,510	\$ 16,510	\$ -
2018 campaign results	-	7,609,294	7,609,294	212,934
2017 campaign results	-	-	-	7,685,091
2016 campaign results	-	-	-	3,195
Less donor designations, net	-	(1,074,869)	(1,074,869)	(1,000,887)
Less provision for uncollectible pledges	-	(287,527)	(287,527)	(253,241)
Net campaign results	-	6,263,408	6,263,408	6,647,092
Revenues, gains and other support:				
Net assets released from restriction				
2018 campaign	3,194,520	(3,194,520)	-	-
2017 campaign	3,400,354	(3,400,354)	-	-
Gifts and bequests	47,000	18,589	65,589	30,000
Grant and contract revenue	-	1,468,709	1,468,709	1,845,944
Service fees	396,819	21,668	418,487	515,418
Investment income	158,547	61,422	219,969	194,694
Realized gains(losses) on investments	(14,648)	(10,444)	(25,092)	1,784,808
Unrealized gains (losses) on investments	216,036	154,451	370,487	(1,370,024)
Miscellaneous	117,695	212	117,907	93,969
Other net assets released from restriction	1,903,649	(1,903,649)	-	-
Gain on perpetual trust	-	1,091	1,091	49,387
Total revenues	9,419,972	(519,417)	8,900,555	9,791,288
Expenses:				
Agency investments/awards	5,014,992	-	5,014,992	4,945,433
Less donor designations, net	(1,039,316)	-	(1,039,316)	(1,094,234)
Community impact	2,105,666	-	2,105,666	2,023,009
Volunteer development	196,889	-	196,889	261,576
211 Maine	1,094,972	-	1,094,972	1,100,165
Total program services	7,373,203	-	7,373,203	7,235,949
Supporting services - management and general and fundraising	1,929,481	-	1,929,481	1,917,213
Total expenses	9,302,684	-	9,302,684	9,153,162
Change in net assets, before transfer	117,288	(519,417)	(402,129)	638,126
Donor-directed transfer to Maine Community Foundation	-	-	-	(336,300)
Change in net assets	117,288	(519,417)	(402,129)	301,826
Net assets, beginning of year	6,777,842	9,367,169	16,145,011	15,843,185
Net assets, end of year	\$ 6,895,130	\$ 8,847,752	\$ 15,742,882	\$ 16,145,011

The accompanying notes are an integral part of these consolidated financial statements.

**UNITED WAY, INC.**

**Consolidated Statement of Activities**

**Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Campaign results:			
2018 campaign results	\$ -	\$ 212,934	\$ 212,934
2017 campaign results	-	7,685,091	7,685,091
2016 campaign results	-	3,195	3,195
Less donor designations, net	-	(1,000,887)	(1,000,887)
Less provision for uncollectible pledges	-	<u>(253,241)</u>	<u>(253,241)</u>
Net campaign results	-	6,647,092	6,647,092
Revenues, gains and other support:			
Net assets released from restriction			
2017 campaign	3,126,839	(3,126,839)	-
2016 campaign	3,400,354	(3,400,354)	-
Gifts and bequests	30,000	-	30,000
Grant and contract revenue	-	1,845,944	1,845,944
Service fees	485,418	30,000	515,418
Investment income	129,705	64,989	194,694
Realized gains on investments	1,039,864	744,944	1,784,808
Unrealized losses on investments	(798,459)	(571,565)	(1,370,024)
Miscellaneous	93,715	254	93,969
Other net assets released from restriction	1,862,211	(1,862,211)	-
Gain on perpetual trust	-	<u>49,387</u>	<u>49,387</u>
Total revenues	<u>9,369,647</u>	<u>421,641</u>	<u>9,791,288</u>
Expenses:			
Agency investments/awards	4,945,433	-	4,945,433
Less donor designations, net	(1,094,234)	-	(1,094,234)
Community impact	2,023,009	-	2,023,009
Volunteer development	261,576	-	261,576
211 Maine	<u>1,100,165</u>	-	<u>1,100,165</u>
Total program services	<u>7,235,949</u>	-	<u>7,235,949</u>
Supporting services - management and general and fundraising	<u>1,917,213</u>	-	<u>1,917,213</u>
Total expenses	<u>9,153,162</u>	-	<u>9,153,162</u>
Change in net assets, before transfer	216,485	421,641	638,126
Donor-directed transfer to Maine Community Foundation	<u>-</u>	<u>(336,300)</u>	<u>(336,300)</u>
Change in net assets	216,485	85,341	301,826
Net assets, beginning of year	<u>6,561,357</u>	<u>9,281,828</u>	<u>15,843,185</u>
Net assets, end of year	<u>\$ 6,777,842</u>	<u>\$ 9,367,169</u>	<u>\$ 16,145,011</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY, INC.

Consolidated Statements of Functional Expenses

Year Ended June 30, 2019

	Program Services			
	<u>Essential Programs and Services</u>	<u>Community Impact</u>	<u>Volunteer Development</u>	<u>211 Maine</u>
Gross investments/awards/contracted services	\$ 5,014,992	\$ 328,197	\$ -	\$ 995,930
Less donor designations, net	<u>(1,039,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency investments/awards/contracted services	3,975,676	328,197	-	995,930
Salaries	-	1,026,806	101,809	56,200
Employees' health and retirement benefits	-	162,794	19,351	2,292
Payroll taxes	-	77,736	7,607	4,434
Professional fees	-	171,409	10,110	4,225
Supplies	-	13,728	16,729	699
Telephone	-	10,447	1,308	684
Postage and shipping	-	4,856	612	73
Occupancy	-	115,634	12,018	2,485
Marketing and communications materials	-	26,397	2,063	21,026
Publications and subscription	-	838	88	-
Travel	-	13,313	721	4,165
Conferences, conventions and meetings	-	29,146	2,891	410
National agency support	-	35,184	3,692	-
Equipment, rental and maintenance	-	62,233	15,238	-
Insurance	-	5,410	568	2,314
Miscellaneous	-	4,548	301	35
Depreciation	<u>-</u>	<u>16,990</u>	<u>1,783</u>	<u>-</u>
Total operations	<u>-</u>	<u>1,777,469</u>	<u>196,889</u>	<u>99,042</u>
Total expenses	<u>\$ 3,975,676</u>	<u>\$ 2,105,666</u>	<u>\$ 196,889</u>	<u>\$ 1,094,972</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Supporting Services**

<u>Total</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total</u>
\$ 6,339,119 <u>(1,039,316)</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ 6,339,119 <u>(1,039,316)</u>
5,299,803	-	-	-	5,299,803
1,184,815	504,855	606,041	1,110,896	2,295,711
184,437	25,676	115,783	141,459	325,896
89,777	36,674	45,877	82,551	172,328
185,744	62,392	99,101	161,493	347,237
31,156	3,667	8,858	12,525	43,681
12,439	3,549	10,022	13,571	26,010
5,541	2,260	7,859	10,119	15,660
130,137	50,193	102,054	152,247	282,384
49,486	8,697	22,663	31,360	80,846
926	402	1,142	1,544	2,470
18,199	3,293	6,889	10,182	28,381
32,447	11,624	27,137	38,761	71,208
38,876	16,877	31,185	48,062	86,938
77,471	28,163	52,030	80,193	157,664
8,292	2,595	4,795	7,390	15,682
4,884	1,376	2,543	3,919	8,803
<u>18,773</u>	<u>8,150</u>	<u>15,059</u>	<u>23,209</u>	<u>41,982</u>
<u>2,073,400</u>	<u>770,443</u>	<u>1,159,038</u>	<u>1,929,481</u>	<u>4,002,881</u>
<u>\$ 7,373,203</u>	<u>\$ 770,443</u>	<u>\$ 1,159,038</u>	<u>\$ 1,929,481</u>	<u>\$ 9,302,684</u>

**UNITED WAY, INC.**

**Consolidated Statements of Cash Flows**

**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (402,129)	\$ 301,826
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	41,982	33,787
Net realized and unrealized gains on investments	(345,395)	(414,784)
Gain on perpetual trust	(1,091)	(49,387)
Endowment gifts	(18,589)	-
Changes in operating assets and liabilities		
Pledges receivable	486,932	(717,428)
Other receivables	(165,173)	119,968
Other assets	10,366	(6,000)
Accounts payable and accrued liabilities	72,428	(204,107)
Designations payable	(345,177)	376,159
Other liabilities	<u>2,802</u>	<u>3,865</u>
Net cash used by operating activities	<u>(663,044)</u>	<u>(556,101)</u>
Cash flows from investing activities		
Purchase of equipment	(24,482)	(57,671)
Purchase of investments	(771,074)	(4,474,600)
Proceeds from sale and maturities of investments	<u>803,825</u>	<u>4,894,205</u>
Net cash provided by investing activities	<u>8,269</u>	<u>361,934</u>
Cash flows from financing activities		
Endowment gifts	<u>18,589</u>	<u>-</u>
Net cash provided by financing activities	<u>18,589</u>	<u>-</u>
Net decrease in cash and cash equivalents	(636,186)	(194,167)
Cash and cash equivalents, beginning of year	<u>5,310,529</u>	<u>5,504,696</u>
Cash and cash equivalents, end of year	<u>\$ 4,674,343</u>	<u>\$ 5,310,529</u>

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The accompanying notes are an integral part of these consolidated financial statements.

# UNITED WAY, INC.

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

### 1. Description of Organization and Summary of Significant Accounting Policies

#### Organization

United Way, Inc., d/b/a United Way of Greater Portland (the Organization) improves people's lives by mobilizing the caring power of our communities. With financial, volunteer, and in-kind support, United Way works with community partners to address the most pressing health and human service issues in Greater Portland.

The Organization is the sole member of 211 Maine, Inc., a Maine nonprofit corporation (211 Maine). 211 Maine was established to offer comprehensive health and human services information and referral services for the State of Maine.

#### Reporting Entity and Consolidation

The accompanying consolidated financial statements include the accounts of United Way, Inc. and 211 Maine. All intercompany balances and transactions have been eliminated in consolidation.

#### Operations

Annual United Way campaigns are conducted in the fall of each year. Undesignated campaign contributions are used to support local health and human service programs of partner agencies; to support other community programs and initiatives; to make grants in support of education, financial stability, health, and diversity and inclusion strategies; and to pay the Organization's operating expenses. Donors may choose to designate their pledges to a partner agency, a non-partner agency that provides health and human services within the State of Maine, or another out-of-area United Way.

Annual fall campaigns are reduced by pledges that are designated to other organizations, and by a provision for uncollectible pledges. The resulting net pledges are reflected as campaign results with donor restrictions until released from restriction and expended. Approximately one half of the prior and current years' campaign results are released from restriction in the current year's statement of activities. The balance of the current year's net pledges is included in net assets with donor restrictions at year-end. Specific Care donations, net of an administrative fee and provisions for uncollectible pledges, have been recorded as designations payable in the consolidated statement of financial position and have not been recorded as revenue or expense in the consolidated statements of activities.

The Organization also processes pledges and collects and distributes funds outside of greater Portland from employees of several companies. Like specific care pledges raised locally, these donations, net of an administrative fee and provisions for uncollectible pledges, have been recorded as designations payable in the consolidated statement of financial position and have not been recorded as revenue or expense in the consolidated statements of activities. See Note 8.

# UNITED WAY, INC.

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

In addition to annual campaign contributions, donors can utilize various planned giving vehicles including bequests, gifts of securities, and life insurance to support the Organization's long-term operations. Such contributions are assets of the Organization. Endowment assets are managed by the Organization's Finance Committee in accordance with an Investment Policy approved by the Board of Directors.

### **Basis of Presentation**

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Academy. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt securities with original maturities of three months or less when purchased, excluding investments held in trust.

### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices in the consolidated statements of financial position.

## UNITED WAY, INC.

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the consolidated statements of financial position.

#### **Equipment**

Equipment is carried at cost or, if acquired by gift, at appraised value at date of gift. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used for a specific purpose, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

#### **Grant and Contract Revenue**

The Organization also undertakes other specific initiatives periodically in connection with its goals for the education, financial stability, and health of the greater Portland community. These initiatives are funded by operating dollars from the sources referenced above as well as grants from foundations and corporations.

Expenditure-driven grants are recognized in the period expenditures are incurred in connection with the grant. Other grants and contracts are recognized as conditions, if any, are met under the terms of the grant and contract agreements.

#### **Expenses Allocations**

Expenses are allocated to both programs and support services. Salaries and wages are allocated based on estimates of time spent by members of the staff. Expenses that are not directly attributable to one category are allocated based on full-time equivalents.

#### **Recently Adopted Accounting Pronouncement**

In 2019, the Organization adopted Federal Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit

# UNITED WAY, INC.

## Notes to Consolidated Financial Statements

June 30, 2019 and 2018

financial reporting. Under the new ASU, net asset reporting is streamlined and clarified. The existing three category classification of net assets is replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The ASU also imposes several new requirements related to reporting expenses including the addition of a statement of functional expenses. New or revised disclosures in the financial statements include Note 1 - Description of Organization and Summary of Significant Accounting Policies (Basis of Presentation) and Note 2 - Liquidity and Availability of Financial Assets. The adoption of the ASU had no impact on previously reported net assets.

### Subsequent Events

Management has evaluated subsequent events through November 20, 2019, the date the accompanying consolidated financial statements were available to be issued.

### 2. Liquidity and Availability of Financial Assets

As of June 30, 2019 and 2018, the Organization had working capital of approximately \$5,926,000 and \$6,613,000, respectively, and average days cash on hand (based on normal expenditures) of approximately 183 and 212, respectively.

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

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 expenditures not covered by donor restricted resources or, where appropriate, borrowings.

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,674,343	\$ 5,310,529
Pledges receivable	4,975,006	5,461,938
Other receivables	358,487	193,314
Beneficial interest in perpetual trust	1,236,456	1,235,365
Long-term investments	<u>8,539,717</u>	<u>8,227,073</u>
Total financial assets	<u>19,784,009</u>	<u>20,428,219</u>

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Less assets with restrictions		
Beneficial interest in perpetual trust	<b>(1,236,456)</b>	(1,235,365)
Designated funds - out-of-area	<b>(3,061,386)</b>	(3,326,683)
Designated funds - local	<b>(867,304)</b>	(924,355)
Endowments	<b>(3,487,119)</b>	(3,367,299)
Board designated funds	<b>(4,891,778)</b>	(4,701,752)
Grant funds	<b>(158,323)</b>	(404,741)
211 Maine funds	<b><u>(662,509)</u></b>	<u>(746,477)</u>
	<b><u>(14,364,875)</u></b>	<u>(14,706,672)</u>
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 5,419,134</u></b>	<b><u>\$ 5,721,547</u></b>

The Organization maintains reserves in a range of between 15% and 25% of total expenses as determined by the previous year's audited financial statements. Additionally, by policy the lower limit on the range should not fall below 150% of the average monthly expenditures based on the past calendar year.

**3. Pledges Receivable**

The Organization serves and conducts its annual campaign in the Greater Portland, Maine region. The ability and willingness of individuals and corporations to honor their pledges are generally dependent on current economic conditions within the geographic area. The Organization estimates the allowance for uncollectible pledges using historical loss factors and current economic conditions. All pledges receivable are due in one year.

As of June 30, 2019 and 2018, the balance of pledges receivable, net of allowance for uncollectible pledges, by campaign year is as follows:

	<u>2019</u>		
<u>Campaign Year</u>	<u>Gross Pledges Receivable</u>	<u>Allowance</u>	<u>Net Pledges Receivable</u>
2019	\$ 4,000	\$ -	\$ 4,000
2018	2,668,590	274,557	2,394,033
2017	313,285	313,285	-
2016	<u>270,780</u>	<u>270,780</u>	<u>-</u>
	3,256,655	858,622	2,398,033
Specific Care pledges	<u>2,887,883</u>	<u>310,910</u>	<u>2,576,973</u>
	<b><u>\$ 6,144,538</u></b>	<b><u>\$ 1,169,532</u></b>	<b><u>\$ 4,975,006</u></b>

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

2018			
<u>Campaign Year</u>	<u>Gross Pledges Receivable</u>	<u>Allowance</u>	<u>Net Pledges Receivable</u>
2018	\$ 136,640	\$ -	\$ 136,640
2017	2,946,255	274,190	2,672,065
2016	262,251	262,251	-
2015	<u>226,778</u>	<u>226,778</u>	<u>-</u>
	3,571,924	763,219	2,808,705
Specific Care pledges	<u>2,965,109</u>	<u>311,876</u>	<u>2,653,233</u>
	<u>\$ 6,537,033</u>	<u>\$ 1,075,095</u>	<u>\$ 5,461,938</u>

The Organization processes campaign pledges for other organizations outside the local service area as described in Note 1. Such Specific Care pledges are included in pledges receivable and designations payable in the accompanying consolidated statements of financial position.

**4. Investments and Endowments**

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of the State of Maine to require appreciation on investments of net assets maintained in perpetuity, unless the donor has otherwise indicated in the gift instrument, to be considered donor restricted until appropriated by the Organization's Board.

The long-term investments are governed by an investment policy and endowment spending policy as approved periodically by the Organization's Board of Directors. The investment policies include guidance on investment objectives, asset allocation, investment quality and diversification, and performance measurement and reporting. Such policies attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The portfolio is invested in a manner that is intended to generate annual returns of the Consumer Price Index increase plus 5%, net of expenses, while assuming a moderate level of risk. The Board uses outside professionals to manage its investment portfolio. The Organization's target investment allocation is 75% equities and 25% fixed income. The endowment spending policy specifies a range of 3% to 5% of invested funds annually. Such spending totaled approximately \$266,000 and \$258,000 in fiscal 2019 and 2018, respectively.

A summary of investments at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
U.S. Treasury notes and obligations of government agencies	\$ 554,165	\$ 393,377
Mutual funds - equity	6,486,699	6,082,713
Money market accounts	461,984	447,430
Corporate bonds	<u>1,036,869</u>	<u>1,303,553</u>
	<u>\$ 8,539,717</u>	<u>\$ 8,227,073</u>

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

Such investments are allocated as follows:

	<u>2019</u>	<u>2018</u>
United Way endowments		
Net assets without donor restrictions	\$ 4,891,778	\$ 4,701,752
Net assets with donor restrictions	<u>3,487,119</u>	<u>3,367,299</u>
	<b>8,378,897</b>	8,069,051
Agency endowments	<u>160,820</u>	<u>158,022</u>
	<u><b>\$ 8,539,717</b></u>	<u><b>\$ 8,227,073</b></u>

The changes in United Way endowment funds by net asset category for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balances, June 30, 2017	\$ 4,497,122	\$ 3,603,084	\$ 8,100,206
Investment income	82,122	58,885	141,007
Net appreciation (depreciation) in fair value	241,406	(176,324)	65,082
Additions (transfers)	31,346	(11,001)	20,345
Appropriation for expenditure	<u>(150,244)</u>	<u>(107,345)</u>	<u>(257,589)</u>
Balances, June 30, 2018	<u>4,701,752</u>	<u>3,367,299</u>	<u>8,069,051</u>
Investment income	<b>96,223</b>	<b>68,587</b>	<b>164,810</b>
Net appreciation in fair value	<b>201,388</b>	<b>144,007</b>	<b>345,395</b>
Additions	<b>47,003</b>	<b>18,659</b>	<b>65,662</b>
Appropriation for expenditure	<u>(154,588)</u>	<u>(111,433)</u>	<u>(266,021)</u>
Balances, June 30, 2019	<u><b>\$ 4,891,778</b></u>	<u><b>\$ 3,487,119</b></u>	<u><b>\$ 8,378,897</b></u>

**5. Beneficial Interest in Perpetual Trust**

The Organization is the income beneficiary of an irrevocable perpetual trust. These funds are held and control led by Bank of America, as trustee. The Organization is entitled to 85% of the income from the trust. The Organization has recorded an asset in the consolidated statements of financial position at the present value of estimated future distributions which approximates the fair value of United Way's share of trust assets at the consolidated statement of financial position date.

UNITED WAY, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. **Net Assets**

Undesignated net assets are without donor restrictions and available for programs and support services of the Organization. The Board of Directors has designated net assets without donor restrictions for long-term purposes labeled above as endowment. The income earned on these investments is to be used for charitable purposes including initiatives.

Net assets with donor restrictions temporary in nature are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Campaign contributions	\$ 3,281,822	\$ 3,613,287
Endowment funds appreciation	1,456,462	1,355,231
Grant funds	179,846	404,741
211 Maine	<u>662,509</u>	<u>746,477</u>
	<u>\$ 5,580,639</u>	<u>\$ 6,119,736</u>

Campaign contributions and endowment funds are considered time restricted in nature.

Net assets maintained in perpetuity for which the income is without donor restrictions at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trust (Note 5)	\$ 1,236,456	\$ 1,235,365
Endowment funds	<u>2,030,657</u>	<u>2,012,068</u>
	<u>\$ 3,267,113</u>	<u>\$ 3,247,433</u>

Other agency relationships:

The Preble Street Self Sufficiency Fund is a relationship and is both an asset (included in investments) and liability in the consolidated statements of financial position. The fund totaled \$160,824 and \$158,022 at June 30, 2019 and 2018, respectively.

7. **Employee Benefits**

The Organization has established a Tax Deferred Annuity Plan in accordance with Section 403(b) of the Internal Revenue Code (the Code), which covers all employees. Employees may elect to defer a portion of their compensation of which a certain percent (6% in 2019 and 2018) determined annually by the Board is matched dollar-for-dollar by the Organization. In addition, the Plan provides for discretionary contributions by the Organization. The amounts deferred by the employee vest immediately and the Organization's contributions vest over a four-year period. The Organization's contribution to the Plan in 2019 and 2018 was \$83,493 and \$82,891, respectively.

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

**8. Calculation of Operating Expense Ratio**

The Organization operating expense ratio is as follows:

	<u>2019</u>	<u>2018</u>
Support service		
Fundraising	\$ 1,159,038	\$ 1,157,055
Management and general	<u>770,443</u>	<u>760,158</u>
Total supporting services	<u>\$ 1,929,481</u>	<u>\$ 1,917,213</u>
Revenue		
Campaign results, net, including donor designations	\$ 7,338,277	\$ 7,647,979
Gifts and bequests	65,589	30,000
Grant and other revenue	2,148,431	1,570,882
Investment income	219,969	194,694
Realized (losses) gains on investments	<u>(25,092)</u>	<u>1,784,808</u>
Total revenue	<u>\$ 9,747,174</u>	<u>\$ 11,228,363</u>
Operating expense ratio	<u>19.3%</u>	<u>17.1%</u>

The above calculation of the operating expense ratio is in accordance with United Way Worldwide's Functional Expense and Overhead Reporting Standards for United Ways. This calculation includes expenses associated with soliciting, collecting, and distributing over \$5.9 million and \$5.8 million in out-of-area pledges in 2019 and 2018, respectively. Revenues associated with these pledges are excluded from this calculation. Similarly, dollars raised on behalf of 211 Maine are excluded from the above calculation, while some costs incurred in soliciting those dollars are included above.

Management believes the below calculation, which includes all funds processed by United Way of Greater Portland, better represents the Organization's operational efficiency.

	<u>2019</u>	<u>2018</u>
Support service		
Fundraising	\$ 1,159,038	\$ 1,157,055
Management and general	<u>770,443</u>	<u>760,158</u>
Total supporting services	<u>\$ 1,929,481</u>	<u>\$ 1,917,213</u>
Revenue		
Sources listed above	\$ 9,747,174	\$ 11,228,363
Out-of-area pledges	5,890,497	5,783,777
211 Maine revenue	<u>867,676</u>	<u>874,235</u>
Total sources	<u>\$ 16,505,347</u>	<u>\$ 17,886,375</u>
Operating expense ratio	<u>11.5%</u>	<u>10.7%</u>

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

**9. Leases**

The Organization has a lease agreement for office space. The agreement carries an initial ten-year term through June 2020 and two five-year options. Total rent expense amounted to \$225,370 and \$222,788 for the years ended June 30, 2019 and 2018, respectively.

The Organization signed a letter of commitment in September 2019 for new office space beginning July 2020. The agreement carries an initial fifteen year term through 2035 with two options to extend the lease for five-year terms. Future rental payments under this lease are reflected below.

Minimum future rental payments under the leases are as follows:

2020	\$ 222,000
2021	143,100
2022	146,700
2023	150,300
2024	<u>154,100</u>
	<u>\$ 816,200</u>

**10. Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Code and as such is exempt from federal and state income taxes.

Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

**11. Volunteer Services**

During the years ended June 30, 2019 and 2018, volunteers provided 18,952 and 16,566 hours of service to Organization programs, respectively. The volunteers provide various nonspecialized services to the Organization, none of which have been recognized as revenue or expense in the consolidated statements of activities.

**12. Concentrations of Credit Risk**

The Organization maintains its cash balances at a financial institution that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk on cash and cash equivalents.

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

**13. Commitments**

The Organization has an agreement with The Opportunity Alliance, a nonprofit corporation, through June 30, 2020 (subject to termination by either party in certain events). The Opportunity Alliance provides call center services and other administrative services for 211 Maine. Expenses for these services totaled \$995,930 in fiscal 2019 and 2018. At June 30, 2019 and 2018, 211 Maine owed The Opportunity Alliance \$11,815 and \$233, respectively, which is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

**14. Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>2019</u></b>				
Investments:				
U.S. Treasury notes and obligations of government agencies	\$ 554,165	\$ -	\$ 554,165	\$ -
Mutual funds				
Foreign equity funds	1,692,594	1,692,594	-	-
Domestic equity funds	4,794,105	4,794,105	-	-
Money market accounts	461,984	461,984	-	-
Corporate bonds	<u>1,036,869</u>	<u>-</u>	<u>1,036,869</u>	<u>-</u>
Total investments	<u>\$ 8,539,717</u>	<u>\$ 6,948,683</u>	<u>\$ 1,591,034</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,236,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,236,456</u>

**UNITED WAY, INC.**

**Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2018</u>				
U.S. Treasury notes and obligations of government agencies	\$ 393,377	\$ -	\$ 393,377	\$ -
Mutual funds				
Foreign equity funds	1,805,942	1,805,942	-	-
Domestic equity funds	4,276,771	4,276,771	-	-
Money market accounts	447,430	447,430	-	-
Corporate bonds	<u>1,303,553</u>	<u>-</u>	<u>1,303,553</u>	<u>-</u>
	<u>\$ 8,227,073</u>	<u>\$ 6,530,143</u>	<u>\$ 1,696,930</u>	<u>\$ -</u>
Beneficial interest in perpetual trust	<u>\$ 1,235,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,235,365</u>

Level 2 measurements consist of corporate bonds and government obligations valued based on quoted prices for similar assets.

The Level 3 beneficial interest in perpetual trust is valued based on the present value of expected cash flows using quoted market prices of the assets in the trust multiplied by the Organization's share of the trust.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, July 1, 2017	\$ 1,185,978
Change in value of trust	<u>49,387</u>
Balance, June 30, 2018	1,235,365
Change in value of trust	<u>1,091</u>
Balance, June 30, 2019	<u>\$ 1,236,456</u>

## **SUPPLEMENTARY INFORMATION**

**UNITED WAY, INC.**

**Consolidating Statement of Financial Position**

**June 30, 2019**

**ASSETS**

	<u>United Way, Inc.</u>	<u>211 Maine, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 4,189,924	\$ 484,419	\$ -	\$ 4,674,343
Pledges receivable, net	4,975,006	-	-	4,975,006
Other receivables	86,728	271,883	(124)	358,487
Other assets	91,589	1,140	-	92,729
Long-term investments	8,539,717	-	-	8,539,717
Beneficial interest in perpetual trust	1,236,456	-	-	1,236,456
Equipment, less accumulated depreciation	<u>107,397</u>	<u>-</u>	<u>-</u>	<u>107,397</u>
<b>Total assets</b>	<b><u>\$ 19,226,817</u></b>	<b><u>\$ 757,442</u></b>	<b><u>\$ (124)</u></b>	<b><u>\$ 19,984,135</u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 368,588	\$ 94,809	\$ -	\$ 463,397
Designations payable	3,617,032	-	-	3,617,032
Other liabilities	<u>160,824</u>	<u>124</u>	<u>(124)</u>	<u>160,824</u>
<b>Total liabilities</b>	<b>4,146,444</b>	<b>94,933</b>	<b>(124)</b>	<b>4,241,253</b>
<b>Net assets</b>				
Without donor restrictions				
Undesignated	2,003,352	-	-	2,003,352
Board designated - endowment	<u>4,891,778</u>	<u>-</u>	<u>-</u>	<u>4,891,778</u>
<b>Total without donor restrictions</b>	<b>6,895,130</b>	<b>-</b>	<b>-</b>	<b>6,895,130</b>
With donor restrictions	<u>8,185,243</u>	<u>662,509</u>	<u>-</u>	<u>8,847,752</u>
<b>Total net assets</b>	<b><u>15,080,373</u></b>	<b><u>662,509</u></b>	<b><u>-</u></b>	<b><u>15,742,882</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 19,226,817</u></b>	<b><u>\$ 757,442</u></b>	<b><u>\$ (124)</u></b>	<b><u>\$ 19,984,135</u></b>

**UNITED WAY, INC.**

**Consolidating Statement of Activities**

**Year Ended June 30, 2019**

	Without Donor Restrictions	United Way, Inc. With Donor Restrictions	Total	211 Maine, Inc.	Eliminations	Total
Campaign results	\$ -	\$ 7,625,804	\$ 7,625,804	\$ -	\$ -	\$ 7,625,804
Less donor designations, net	-	(1,074,869)	(1,074,869)	-	-	(1,074,869)
Less provision for uncollectible pledges	-	(287,527)	(287,527)	-	-	(253,241)
Net campaign results	-	6,263,408	6,263,408	-	-	6,263,408
Revenue, gains and other support						
Net assets released from restriction						
2018 campaign	3,194,520	(3,194,520)	-	-	-	-
2017 campaign results	3,400,354	(3,400,354)	-	-	-	-
Gifts and bequests	47,000	18,589	65,589	-	-	65,589
Grant and contract revenue	-	622,913	622,913	989,124	(143,328)	1,468,709
Service fees	396,819	-	396,819	21,668	-	418,487
Investment income	158,547	61,422	219,969	-	-	219,969
Realized losses on investments	(14,648)	(10,444)	(25,092)	-	-	(25,092)
Unrealized gains on investments	216,036	154,451	370,487	-	-	370,487
Miscellaneous	117,695	-	117,695	212	-	117,907
Other net assets released from restriction	952,005	(952,005)	-	-	-	-
Gain on perpetual trust	-	1,091	1,091	-	-	1,091
Total revenues	8,468,328	(435,449)	8,032,879	1,011,004	(143,328)	8,900,555
Expenses						
Agency investments/awards	5,014,992	-	5,014,992	-	-	5,014,992
Less donor designations, net	(1,039,316)	-	(1,039,316)	-	-	(1,039,316)
Community impact	2,248,994	-	2,248,994	-	(143,328)	2,105,666
Volunteer development	196,889	-	196,889	-	-	196,889
211 Maine	-	-	-	1,094,972	-	1,094,972
Total program services	6,421,559	-	6,421,559	1,094,972	(143,328)	7,373,203
Supporting services - management and general fundraising	1,929,481	-	1,929,481	-	-	1,929,481
Total expenses	8,351,040	-	8,351,040	1,094,972	(143,328)	9,302,684
Change in net assets	117,288	(435,449)	(318,161)	(83,968)	-	(402,129)
Net assets, beginning of year	6,777,842	8,620,692	15,398,534	746,477	-	16,145,011
Net assets, end of year	\$ 6,895,130	\$ 8,185,243	\$ 15,080,373	\$ 662,509	\$ -	\$ 15,742,882