

UNITED WAY OF DESCHUTES COUNTY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Jones & Roth

CPAs & Business Advisors

UNITED WAY OF DESCHUTES COUNTY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Deschutes County
Bend, Oregon

We have audited the accompanying financial statements of United Way of Deschutes County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses, 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Deschutes County as of June 30, 2019, 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.

Correction of Error

As described in Note 16 to the financial statements, certain errors resulting in understatement of net assets for the year ended June 30, 2018 were discovered by management of United Way of Deschutes County during the year ended June 30, 2019. Accordingly, beginning net assets have been restated in the June 30, 2019 financial statements presented, to correct the error. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Jones & Roth P.C." in a cursive, flowing script.

Jones & Roth, P.C.
Bend, Oregon
January 28, 2020

FINANCIAL STATEMENTS

UNITED WAY OF DESCHUTES COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2019

Assets

Current assets

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 934,623 |
| Investments | 133,703 |
| Pledges receivable, net | 158,179 |
| Grant receivable | 883,588 |
| Other current assets | <u>2,693</u> |
| Total current assets | 2,112,786 |

Beneficial interest in assets held by others

214,107

Property and equipment, net

5,004

Total assets

\$ 2,331,897

Liabilities and Net Assets

Current liabilities

| | |
|----------------------------|----------------|
| Accounts payable | \$ 42,419 |
| Accrued expenses | 11,907 |
| Donor designations payable | 66,161 |
| Grants payable | <u>645,200</u> |
| Total current liabilities | <u>765,687</u> |

Net assets

Net assets without donor restrictions:

| | |
|---|----------------|
| Undesignated | 676,324 |
| Board designated | <u>38,333</u> |
| Total net assets without donor restrictions | <u>714,657</u> |

Net assets with donor restrictions:

| | |
|--|----------------|
| Restricted by purpose or time | 821,189 |
| Restricted in perpetuity | <u>30,364</u> |
| Total net assets with donor restrictions | <u>851,553</u> |

Total net assets 1,566,210

Total liabilities and net assets

\$ 2,331,897

The accompanying notes are an integral part of these statements.

UNITED WAY OF DESCHUTES COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Public support and revenue | | | |
| Gross campaign results | \$ 667,890 | \$ 482,698 | \$ 1,150,588 |
| Less donor designations | - | (396,978) | (396,978) |
| Less provision for uncollectible pledges | <u>(46,000)</u> | <u>-</u> | <u>(46,000)</u> |
| Net campaign revenue | 621,890 | 85,720 | 707,610 |
| Grant and contract revenue | 135,117 | - | 135,117 |
| In-kind support | 132,756 | - | 132,756 |
| Investment income, net | 15,217 | 4,645 | 19,862 |
| Administration fees | 2,964 | - | 2,964 |
| Other income | 588 | - | 588 |
| Net assets released from restrictions | <u>1,221,117</u> | <u>(1,221,117)</u> | <u>-</u> |
| Total public support and revenue | <u>2,129,649</u> | <u>(1,130,752)</u> | <u>998,897</u> |
| Expenses | | | |
| Program services: | | | |
| TRACES | 1,233,132 | - | 1,233,132 |
| Community Impact Grants | 324,862 | - | 324,862 |
| Emergency Food & Shelter Grants | 78,400 | - | 78,400 |
| Copy Youth Service | <u>1,200</u> | <u>-</u> | <u>1,200</u> |
| Total program services | <u>1,637,594</u> | <u>-</u> | <u>1,637,594</u> |
| Support services: | | | |
| Organizational administration | 234,407 | - | 234,407 |
| Fundraising | <u>194,488</u> | <u>-</u> | <u>194,488</u> |
| Total support services | <u>428,895</u> | <u>-</u> | <u>428,895</u> |
| Total expenses | <u>2,066,489</u> | <u>-</u> | <u>2,066,489</u> |
| Change in net assets | 63,160 | (1,130,752) | (1,067,592) |
| Net assets, beginning of year, as restated | <u>651,497</u> | <u>1,982,305</u> | <u>2,633,802</u> |
| Net assets, end of year | <u>\$ 714,657</u> | <u>\$ 851,553</u> | <u>\$ 1,566,210</u> |

The accompanying notes are an integral part of these statements.

UNITED WAY OF DESCHUTES COUNTY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

| | |
|---|-------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ (1,067,592) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 2,112 |
| Unrealized and realized gains | (15,757) |
| (Increase) decrease in: | |
| Pledges receivable, net | 2,903 |
| Grant receivable | 883,588 |
| Other current assets | 2,107 |
| Increase (decrease) in: | |
| Accounts payable | 35,692 |
| Accrued expenses | 2,073 |
| Donor designations payable | (5,080) |
| Grants payable | <u>636,400</u> |
| Net cash provided by operating activities | <u>476,446</u> |
| Cash flows from investing activities | |
| Purchase of property and equipment | (3,703) |
| Proceeds from beneficial interest in assets held by others | <u>8,783</u> |
| Net cash provided by investing activities | <u>5,080</u> |
| Net increase in cash and cash equivalents | 481,526 |
| Cash and cash equivalents, beginning of year | <u>453,097</u> |
| Cash and cash equivalents, end of year | <u>\$ 934,623</u> |

The accompanying notes are an integral part of these statements.

UNITED WAY OF DESCHUTES COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

| | TRACEs | Community Impact Grants | Emergency Food & Shelter Grants | Copy Youth Service | Total Program Services | Support Services | | | Total |
|--------------------------------------|--------------|----------------------------|---------------------------------------|--------------------------|------------------------------|----------------------------------|-------------|------------------------------|--------------|
| | | | | | | Organizational Administration | Fundraising | Total Support Services | |
| Allocation/awards | \$ - | \$ 707,228 | \$ - | \$ - | \$ 707,228 | \$ - | \$ - | \$ - | \$ 707,228 |
| (Less donor designations) | - | (396,978) | - | - | (396,978) | - | - | - | (396,978) |
| Sub-total | - | 310,250 | - | - | 310,250 | - | - | - | 310,250 |
| Salaries | 34,381 | 7,920 | - | - | 42,301 | 137,702 | 64,900 | 202,602 | 244,903 |
| Employee benefits and taxes | 13,846 | 3,191 | - | - | 17,037 | 35,885 | 19,573 | 55,458 | 72,495 |
| Sub-total | 48,227 | 11,111 | - | - | 59,338 | 173,587 | 84,473 | 258,060 | 317,398 |
| Contract services | 556,607 | - | - | 1,200 | 557,807 | - | - | - | 557,807 |
| Grants to others | 558,000 | - | 78,400 | - | 636,400 | - | - | - | 636,400 |
| Contributed professional services | 458 | 106 | - | - | 564 | 1,836 | - | 1,836 | 2,400 |
| Professional fees | 3,333 | 768 | - | - | 4,101 | 13,348 | - | 13,348 | 17,449 |
| Supplies | 1,039 | 243 | - | - | 1,282 | 4,161 | 872 | 5,033 | 6,315 |
| Telephone and communications | 456 | 105 | - | - | 561 | 1,828 | - | 1,828 | 2,389 |
| Postage | 626 | 144 | - | - | 770 | 2,506 | - | 2,506 | 3,276 |
| Occupancy | 1,334 | 307 | - | - | 1,641 | 5,343 | - | 5,343 | 6,984 |
| Equipment rent and maintenance | 1,829 | 421 | - | - | 2,250 | 7,326 | - | 7,326 | 9,576 |
| Contributed printing and advertising | 53,380 | - | - | - | 53,380 | - | 76,976 | 76,976 | 130,356 |
| Printing and advertising | 8 | 2 | - | - | 10 | 36 | 3,059 | 3,095 | 3,105 |
| Travel | 881 | 203 | - | - | 1,084 | 3,528 | - | 3,528 | 4,612 |
| Meetings and events | 481 | 111 | - | - | 592 | 1,928 | 21,158 | 23,086 | 23,678 |
| Insurance | 630 | 145 | - | - | 775 | 2,525 | - | 2,525 | 3,300 |
| Fees and dues | 386 | 89 | - | - | 475 | 1,548 | 7,445 | 8,993 | 9,468 |
| Other expenses | 1,752 | 4 | - | - | 1,756 | 69 | 505 | 574 | 2,330 |
| Depreciation | 403 | 93 | - | - | 496 | 1,616 | - | 1,616 | 2,112 |
| Sub-total | 1,181,603 | 2,741 | 78,400 | 1,200 | 1,263,944 | 47,598 | 110,015 | 157,613 | 1,421,557 |
| UWW & UWPBW dues | 3,302 | 760 | - | - | 4,062 | 13,222 | - | 13,222 | 17,284 |
| Total functional expenses | \$ 1,233,132 | \$ 324,862 | \$ 78,400 | \$ 1,200 | \$ 1,637,594 | \$ 234,407 | \$ 194,488 | \$ 428,895 | \$ 2,066,489 |

The accompanying notes are an integral part of these statements.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Activities

The Deschutes United Way, doing business as United Way of Deschutes County (the Organization), was founded in 1952 and is organized to raise funds for partner not-for-profit agencies. The mission statement of the Organization is “Connecting caring people to improve lives and shape a better community.” The Organization is governed by a volunteer board of directors. A general campaign to raise pledges commences in the fall of each year. The Organization also accepts pledges for designated non-partner, not-for-profit agencies. The donor designated amounts to both partner and non-partner agencies are recorded as designations payable on the financial statements.

Major Programs and Services

TRACEs (2017 – Present) Is an Organization-led community initiative with a goal to improve health and wellbeing in Central Oregon by building resilience and helping people thrive. TRACEs is a long-term effort focused on systemic change, building resilience, and shifting our culture to become more trauma-aware and informed. National research highlights the impact of early experiences on long-term wellbeing and provides strong and conclusive evidence that childhood trauma and toxic stress have a measurable negative influence on educational achievement, productivity and engagement, and long-term health.

Community Impact Grants (1953 – Present) The organization operates a rigorous volunteer driven process to change lives and build a healthier community by investing in efficient and effective programs that address critical needs. Grants are awarded, through an open RFP (Request for Proposal) process to proven successful programs that provide the building blocks for opportunity for individuals and families: health, education, and financial stability – while also building resilience. Collectively these programs provided services to more than 58,000 Central Oregonians in 2018-19.

Emergency Food & Shelter Grants (2013 – Present) Deschutes County contracts with the Organization to convene and staff a local volunteer board to assess the emergency food and shelter needs and programs in Deschutes County and determine awards, which the Organization then distributes to local emergency service programs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets without donor restrictions – are funds available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net assets with donor restrictions - consist of net assets that have been restricted by the donor for a specific purpose or are not available until a specified time. Net assets with donor restrictions also include net assets with donor restrictions that stipulate the resources be maintained perpetually, but permit the Organization to use or expend part of all of the income derived from the donated assets.

Revenue is reported as with or without donor restrictions based on the existence or lack of donor imposed restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. If the donation is made in the same reporting period that the donor imposed restriction is met, the donation is reported as an increase in net assets without restrictions.

Donors have the option of designating a portion or all of their pledges to be passed on to a specific nonprofit agency. In these cases, the Organization acts as an agent when it receives assets and agrees to remit these assets to the specified agency with no amount deducted for pledge loss or fees. On the statements of activities, these transactions have been included within “gross campaign results” and then subtracted and presented distinctly as “donor designations.”

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of equity, fixed income and alternative securities held at one financial institution and are reported at fair market value (Note 8). Income or loss (including unrealized and realized gains and losses) are included in the statement of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by the donor or law.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Pledges Receivable

Pledges (promises to give) received from companies and individuals are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend on are substantially met or promises become unconditional. Unconditional promises to give are shown as pledges receivable, net of allowance on the statement of financial position. Pledges are uncollateralized and are due within one year. Allowances are provided by campaign year based on amounts estimated to be uncollectible, which are based on past collection experience.

Allowance for Uncollectible Pledges

The allowance for uncollectible pledges is management's estimate of current campaign pledges that will not be collected in subsequent years. Consideration is given to prior collection experiences, collection averages, and current economic conditions in determining the allowance.

Grants Receivable

Credit risk associated with grants receivable are periodically reviewed by management. An allowance for uncollectible accounts is established if considered necessary by management. There was no allowance established at June 30, 2019. The Organization does not have access to collateral for its grants receivable. Grants receivable are all considered current and stated at net realizable value.

Beneficial Interest in Assets Held by Others

The Organization follows FASB ASC 958, *Not for Profit Entities*, for amounts contributed to the Foundation by either the Organization or other donors on behalf of the Organization. FASB ASC 958 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability (Note 4). The beneficial interest in assets held by others is reported at fair market value (Note 8).

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Equipment is carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Compensated Absences

Accrued liabilities include amounts for vacation days, which are earned over time by employees during the year and vary depending on the employee's length of service to the Organization. Accrued vacation at June 30, 2019 was \$11,907 and is included in accrued expenses on the statement of financial position.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Donor Designations Payable

Donor designations payable represents donor-designated contributions received that are due to partner and non-partner agencies.

Grants Payable

The Organization made commitments to certain agencies to provide grant funds. These committed funds are reflected as grants payable.

Contributed Services

The Organization receives a substantial amount of services donated by its supporters in carrying out the Organization's activities. These amounts have been reflected in the financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Entities*. The majority of contributed services is comprised of free advertising and discounted professional fees. For the year ended June 30, 2019, contributed services includes \$130,356 of contributed advertising and \$2,400 in contributed professional services.

Advertising

The Organization uses advertising to promote its fundraising efforts and programs among the audiences it serves. Advertising costs are expensed when incurred. Advertising costs for the year ended June 30, 2019 was \$133,461. Of this amount, \$130,356 was for contributed (in-kind) advertising.

Cost Deduction Standards

The Organization is in compliance with United Way Worldwide cost deduction standards, which state that United Way organizations may charge fees that are based on actual expenses and will not deduct fundraising or processing fees from designated gifts originating by or from any other United Way organization. The Organization does not charge any fees for designated gifts.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization has been classified as an organization other than a private foundation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provisions for income taxes have been made in the financial statements.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

The carrying amount of the Organization's cash and cash equivalents balance was \$934,623 at June 30, 2019 and the bank balance was \$1,014,850. Balances in bank accounts exceeded the coverage of federal depository insurance by \$88,599 at June 30, 2019. The Organization uses a rating system to rate the banks used for deposits, and feels the risk of loss due to any excess deposits is low. There was no restricted cash at June 30, 2019.

3. Pledges Receivable

As of June 30, 2019, \$204,179 remained uncollected from the annual campaign. The Organization has estimated an allowance considered doubtful of \$46,000. The provision for uncollectible pledges is computed based upon a three-year historical average and analysis of current conditions, applied to gross campaign, including donor designations. All pledges, net of the allowance, are expected to be received within one year.

4. Contributions to the Oregon Community Foundation Endowment Fund

The Organization established two funds at the Oregon Community Foundation (the Foundation) with its own funds and specified itself as the beneficiary of the funds. The Foundation refers to such funds as endowment partner funds. The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and as such continues to report the funds as assets of the Foundation.

The first fund, The United Way of Deschutes County Community Endowment, is a combination of amounts that the Organization has transferred to the Foundation for its own benefit and of donors' contributions to the Foundation on behalf of the Organization. The fair market value of the fund at June 30, 2019 was \$68,697 all of which is recorded as a beneficial interest in assets held by others and is considered to be restricted by the donor.

The second fund is the United Way of Deschutes County Endowment Fund. This fund contains amounts transferred by the Organization for its own benefit. The fair market value of the Fund at June 30, 2019 was \$145,410 and in accordance with FASB ASC 958, the entire amount has been recorded as a beneficial interest in assets held by others and is considered to be without donor restriction.

The Organization's two funds (the Endowment) at the Foundation were established to account for donor restricted contributions and to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign. The Endowment, which is comprised of these two accounts, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

4. Contributions to the Oregon Community Foundation Endowment Fund, continued

Changes in endowment assets for the fiscal year ended June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|------------|
| Endowment net assets, July 1, 2018 | \$ 142,761 | \$ 67,429 | \$ 210,190 |
| Investment return: | | | |
| Investment income | 1,054 | 498 | 1,552 |
| Realized gains | 773 | 365 | 1,138 |
| Unrealized gains | 8,023 | 3,791 | 11,814 |
| Total investment return | 9,850 | 4,654 | 14,504 |
| Appropriation of endowment: | | | |
| Disbursements to net assets without restriction | (5,976) | (2,807) | (8,783) |
| Investment fees | (1,225) | (579) | (1,804) |
| Total appropriation of endowment | (7,201) | (3,386) | (10,587) |
| Endowment net assets, June 30, 2019 | \$ 145,410 | \$ 68,697 | \$ 214,107 |

The Foundation does not provide the Organization information on the purchases and sales of investments held at the Foundation. As such, the Organization reports as the change in value of the endowment funds the net amount for investment income, disbursements, and investment fees realized in the endowment funds.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-specified funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Organization's endowment funds are held with the Foundation. It is the Organization's belief that the Foundation invests conservatively and therefore, the endowment funds may earn a rate slightly below average.

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).

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

4. Contributions to the Oregon Community Foundation Endowment Fund, continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the Fund to the Organization. The Foundation may make distributions from the Fund to the Organization in addition to the annual distribution upon a majority vote of the Organization's board of directors if in the sole judgment of the board of directors of the Foundation the requested distribution is consistent with the objectives and purposes of the Organization and with the charitable, educational, and scientific needs of the state of Oregon.

It is the Organization's policy that endowment generated income can be used to respond to crises, fund new or high priority projects, underwrite research, provide for expansion and for other uses consistent with the mission of the Organization. This policy provides the Organization income to respond to current priorities and to ensure funds will be available for future needs.

5. Property and Equipment

Property and equipment is reported at cost if purchased or at fair market value at the date of donation if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Gross equipment at June 30, 2019 totaled \$29,958 and accumulated depreciation totaled \$24,954. Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2019 was \$2,112.

6. Board Designated Net Assets

The Board of Directors of the Organization has made certain designations of net assets without donor restrictions. These designations are as follows:

Operating Reserve - The operating reserve is for cash flow deficiencies or community emergencies. The target for this reserve is one-half of the previous year's overhead expenses.

Endowment Reserves - The purpose of the endowment reserves is to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

7. Grant and Contract Revenue

For the year ended June 30, 2019, grant and contract revenue consisted of the following:

| | |
|----------------------------------|-------------------|
| Central Oregon 2-1-1 | \$ 10,250 |
| TRACES | 46,000 |
| Emergency food and shelter | 78,400 |
| Other programs | <u>467</u> |
| Total grant and contract revenue | <u>\$ 135,117</u> |

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

8. Fair Value Measurements

The Organization has adopted authoritative guidance on fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The Organization classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices in active markets included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

The Foundation’s management represents that investments held at the Foundation consist of Level 1, Level 2, and Level 3 investments. The Foundation does not provide the Organization with information regarding what investments make up the Organization’s assets held at the Foundation. As such, the Organization considers all investments held at the Foundation to be Level 3 investments. Investment activity, including gains and losses in such investments are disclosed in Note 4. All other investments are derived from Level 1 pricing inputs.

The following tables set forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of June 30, 2019:

| | Assets at Fair Value | | | |
|---------------------------------------|----------------------|-------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments, at fair value: | | | | |
| Mutual funds - equity securities | \$ 62,007 | \$ - | \$ - | \$ 62,007 |
| Mutual funds - fixed income | 49,480 | - | - | 49,480 |
| Mutual funds - alternatives | 22,216 | - | - | 22,216 |
| Beneficial interest in the Foundation | - | - | 214,107 | 214,107 |
| Total investments at fair value | <u>\$ 133,703</u> | <u>\$ -</u> | <u>\$ 214,107</u> | <u>\$ 347,810</u> |

UNITED WAY OF DESCHUTES COUNTY
NOTES TO FINANCIAL STATEMENTS

9. Retirement Plan

The Organization maintains a simplified employee retirement plan, which is a defined contribution plan, for its employees. All employees who have attained the age of 21 and have earned at least \$450 of compensation during the year are eligible for the plan beginning January of the following year. The Organization contributes 6.0 percent of the employees' compensation to the plan. The contribution for the year ended June 30, 2019 was \$15,635.

10. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the previous years and settlements have not exceeded coverage in the past three years.

11. Concentrations

The Organization's revenue is comprised substantially of donations in Deschutes County, Oregon. For the year ended June 30, 2019, 17 percent of the Organization's net campaign revenue came from two campaigns. Additionally, for the year ended June 30, 2019, 58 percent of the Organization's grant and contract revenue came from one agency.

12. Credit Risk

The Organization has credit risk arising from pledge receivables. The maximum potential loss at June 30, 2019 was net pledges receivable of \$158,179. The maximum risk of loss related to investments and the beneficial interest in assets held by others equals the carrying amounts presented in the financial statements.

13. Revocable Split-Interest Agreements and Wills

The Organization has been named as a beneficiary in split-interest agreements and wills; however, no assets or revenue have been recognized related to these agreements or wills as the Organization had not received an irrevocable right to these benefits as of June 30, 2019.

14. Operating Lease

The Organization's office space is leased from Deschutes County under a lease that expires on June 30, 2020. Payments are scheduled to escalate throughout the term of the lease. The lease has an early termination clause allowing the Organization to terminate their lease without penalty upon thirty days' notice. Rental payments were \$582 per month for the year ended June 30, 2019. Rental expense for the year ended June 30, 2019 was \$6,984.

Future minimum lease payments under this lease are \$7,164 for the year ended June 30, 2020.

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15. Liquidity and Availability of Resources

The Organization has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year:

| | |
|--|----------------------------|
| Cash | \$ 934,623 |
| Investments | 133,703 |
| Pledges receivable, net | 158,179 |
| Grant receivable | 883,588 |
| Beneficial interest in assets held by others | <u>214,107</u> |
| Total financial assets | 2,324,200 |
| Less those unavailable for general expenditure within one year due to: | |
| Donor designations payable | (66,161) |
| Board designated reserves | (38,333) |
| Donor purpose restrictions | (821,189) |
| Perpetual endowment funds | <u>(30,364)</u> |
| Financial assets available for general expenditure | <u><u>\$ 1,368,153</u></u> |

16. Restatement

The net assets as of July 1, 2018, were restated in the 2019 financial statements to properly reflect grant and contract revenues and receivables in accordance with U.S. GAAP. The impact of the restatement increased total beginning net assets by \$1,767,176. The adjustment was related to the recognition of the TRACeS grant.

17. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.