

UNITED WAY OF STEELE COUNTY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**UNITED WAY OF STEELE COUNTY
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Steele County
Owatonna, Minnesota

We have audited the accompanying financial statements of United Way of Steele County (a nonprofit organization), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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

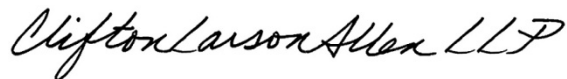
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Steele County as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

As described in Note 1, the Organization adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Austin, Minnesota
July 30, 2020

**UNITED WAY OF STEELE COUNTY
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 645,147	\$ 646,898
Investments	528,459	462,854
Interest Receivable	2,370	2,598
Grants Receivable	-	2,450
Other Current Assets	5,800	2,575
Pledges Receivable, Net	553,416	498,681
Property and Equipment, Net	4,207	2,063
Total Assets	\$ 1,739,399	\$ 1,618,119
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable to Agencies	\$ 535,199	\$ 516,712
Refundable Advances	26,549	106,661
Pledges Due to Other Counties	6,420	6,678
Accounts Payable	910	3,917
Payroll Taxes Payable	1,294	824
Total Liabilities	570,372	634,792
NET ASSETS		
Without Donor Restrictions:		
Board Designated	1,032,709	983,327
With Donor Restrictions	136,318	-
Total Net Assets	1,169,027	983,327
Total Liabilities and Net Assets	\$ 1,739,399	\$ 1,618,119

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
Annual Campaign	\$ 783,934	\$ -	\$ 783,934
Less: Uncollectible Pledges	<u>(24,785)</u>	<u>-</u>	<u>(24,785)</u>
Net Campaign Revenue	759,149	-	759,149
SAMHSA In-Kind Donations	193,887	-	193,887
Other In-Kind Donations	2,700	-	2,700
Special Event Income	33,486	-	33,486
SAMHSA Grants	129,164	-	129,164
Other Grants	44,767	136,318	181,085
Designations from Other United Ways	900	-	900
Other Income	9,436	-	9,436
Investment Loss	<u>68,762</u>	<u>-</u>	<u>68,762</u>
Total Income	1,242,251	136,318	1,378,569
EXPENSES			
Program Services	1,032,326	-	1,032,326
Supporting Services	<u>160,543</u>	<u>-</u>	<u>160,543</u>
Total Expenses	<u>1,192,869</u>	<u>-</u>	<u>1,192,869</u>
INCREASE IN NET ASSETS	49,382	136,318	185,700
Net Assets - Beginning of Year	<u>983,327</u>	<u>-</u>	<u>983,327</u>
NET ASSETS - END OF YEAR	<u>\$ 1,032,709</u>	<u>\$ 136,318</u>	<u>\$ 1,169,027</u>

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Annual Campaign	\$ 760,868	\$ -	\$ 760,868
Less: Uncollectible Pledges	<u>(34,278)</u>	-	<u>(34,278)</u>
Net Campaign Revenue	726,590	-	726,590
SAMHSA In-Kind Donations	115,404	-	115,404
Other In-Kind Donations	5,113	-	5,113
Special Event Income	29,187	-	29,187
SAMHSA Grants	120,324	-	120,324
Other Grants	175,549	-	175,549
Designations from Other United Ways	7,193	-	7,193
Other Income	13,022	-	13,022
Investment Income	<u>(16,016)</u>	-	<u>(16,016)</u>
Total Income	1,176,366	-	1,176,366
EXPENSES			
Program Services	1,031,138	-	1,031,138
Supporting Services	<u>167,985</u>	-	<u>167,985</u>
Total Expenses	<u>1,199,123</u>	-	<u>1,199,123</u>
INCREASE (DECREASE) IN NET ASSETS	(22,757)	-	(22,757)
Net Assets - Beginning of Year	<u>1,006,084</u>	-	<u>1,006,084</u>
NET ASSETS - END OF YEAR	<u>\$ 983,327</u>	<u>\$ -</u>	<u>\$ 983,327</u>

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services				Supporting Services			Total Expenses
	United Way Programs	SAMHSA Grant	Other Grants	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 12,218	\$ 69,476	\$ 39,330	\$ 121,024	\$ 22,123	\$ 58,039	\$ 80,162	\$ 201,186
Fringe Benefits	8,482	3,271	-	11,753	2,560	4,896	7,456	19,209
Payroll Taxes	5,317	6,233	-	11,550	2,314	5,647	7,961	19,511
Total Employee Expense	26,017	78,980	39,330	144,327	26,997	68,582	95,579	239,906
Professional Fees	10,405	15,000	10,860	36,265	4,387	10,840	15,227	51,492
Office Expense	1,336	982	4,435	6,753	291	443	734	7,487
Postage	131	110	132	373	354	134	488	861
Office Rent and Utilities	11,286	179	3,278	14,743	5,080	10,385	15,465	30,208
Computer Expense	1,445	1,162	3,663	6,270	489	2,910	3,399	9,669
Staff Expense	92	16,955	5,395	22,442	313	374	687	23,129
Insurance	2,474	202	-	2,676	560	1,787	2,347	5,023
Advertising	200	9,924	455	10,579	511	-	511	11,090
Campaign Promotion	367	60	146	573	-	14,715	14,715	15,288
Meetings Expense	4,584	363	8,331	13,278	(93)	95	2	13,280
Dues and Subscriptions	874	1,106	50	2,030	491	2,125	2,616	4,646
Workshops	-	3,500	-	3,500	-	-	-	3,500
Member Volunteer Time and Mileage	-	193,887	-	193,887	-	-	-	193,887
Imagination Library	27,980	-	-	27,980	-	-	-	27,980
Other	7,212	1,004	2,625	10,841	1,151	281	1,432	12,273
Total Nonemployee Expense	68,386	244,434	39,370	352,190	13,534	44,089	57,623	409,813
Depreciation	-	-	-	-	2,365	-	2,365	2,365
Total Operations	94,403	323,414	78,700	496,517	42,896	112,671	155,567	652,084
Grants to Agencies	523,807	-	-	523,807	-	-	-	523,807
Emergency Grant	7,498	-	-	7,498	-	-	-	7,498
United Way of America Dues	4,504	-	-	4,504	1,681	3,295	4,976	9,480
Total Expense	<u>\$ 630,212</u>	<u>\$ 323,414</u>	<u>\$ 78,700</u>	<u>\$ 1,032,326</u>	<u>\$ 44,577</u>	<u>\$ 115,966</u>	<u>\$ 160,543</u>	<u>\$ 1,192,869</u>

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			Total Expenses
	United Way Programs	SAMHSA Grant	Other Grants	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 16,506	\$ 69,251	\$ 45,349	\$ 131,106	\$ 24,884	\$ 56,850	\$ 81,734	\$ 212,840
Fringe Benefits	10,067	3,217	-	13,284	3,061	5,059	8,120	21,404
Payroll Taxes	5,965	6,294	-	12,259	2,972	5,284	8,256	20,515
Total Employee Expense	32,538	78,762	45,349	156,649	30,917	67,193	98,110	254,759
Professional Fees	7,621	11,250	67,625	86,496	4,084	10,125	14,209	100,705
Office Expense	750	2,622	5,958	9,330	655	547	1,202	10,532
Postage	231	398	293	922	306	129	435	1,357
Office Rent and Utilities	6,947	1,577	5,463	13,987	5,657	8,865	14,522	28,509
Computer Expense	1,182	710	44	1,936	733	3,100	3,833	5,769
Staff Expense	185	7,795	778	8,758	408	128	536	9,294
Insurance	2,388	202	-	2,590	754	1,687	2,441	5,031
Advertising	-	15,591	154	15,745	-	-	-	15,745
Campaign Promotion	890	80	549	1,519	-	13,548	13,548	15,067
Meetings Expense	309	24	21,902	22,235	4	-	4	22,239
Dues and Subscriptions	1,633	604	2,475	4,712	521	1,735	2,256	6,968
Workshops	-	648	-	648	-	-	-	648
Member Volunteer Time and Mileage	-	115,404	-	115,404	-	-	-	115,404
Imagination Library	-	-	29,566	29,566	-	-	-	29,566
Other	13,263	63	25,646	38,972	1,204	137	1,341	40,313
Total Nonemployee Expense	35,399	156,968	160,453	352,820	14,326	40,001	54,327	407,147
Depreciation	-	-	-	-	3,061	-	3,061	3,061
Total Operations	67,937	235,730	205,802	509,469	48,304	107,194	155,498	664,967
Grants to Agencies	479,908	-	-	479,908	7,390	-	7,390	487,298
Emergency Grant	37,047	-	-	37,047	-	-	-	37,047
United Way of America Dues	4,714	-	-	4,714	1,682	3,415	5,097	9,811
Total Expense	<u>\$ 589,606</u>	<u>\$ 235,730</u>	<u>\$ 205,802</u>	<u>\$ 1,031,138</u>	<u>\$ 57,376</u>	<u>\$ 110,609</u>	<u>\$ 167,985</u>	<u>\$ 1,199,123</u>

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 185,700	\$ (22,757)
Net Realized and Unrealized (Gains) Losses on Investments	(54,476)	31,094
Depreciation	2,365	3,061
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Operating Assets:		
Interest Receivable	228	(96)
Other Current Assets	(3,225)	335
Pledge Receivables	(54,735)	(16,905)
Grant Receivables	2,450	(2,450)
Increase (Decrease) in Operating Liabilities		
Grants Payable	18,487	10,727
Deferred Revenue	(80,112)	(120,042)
Pledges Due to Other Counties	(258)	(204)
Accounts Payable	(3,007)	2,370
Payroll Taxes Payable	470	(8,819)
Net Cash Provided (Used) by Operating Activities	13,887	(123,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(4,509)	(642)
Purchase of Investments	(87,698)	(220,766)
Proceeds from Sale of Investments	76,569	218,916
Net Cash Used by Investing Activities	(15,638)	(2,492)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,751)	(126,178)
Cash and Cash Equivalents - Beginning of Year	646,898	773,076
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 645,147	\$ 646,898

See accompanying Notes to Financial Statements.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Way of Steele County (the Organization) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed in 1974 and is a voluntary community assistance agency dedicated to allocating pledges and contributions received substantially all from Steele County businesses and individuals, to assist various other local agencies to better serve the community and the surrounding area.

Basis of Accounting

The accounts of the Organization are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and Grants

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Consequently, at December 31, 2019, grants approximating \$25,000, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met. Of the total grants, \$25,000 depend on raising additional contributions before August 15, 2020 that will be matched dollar-for-dollar.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$99,512 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

Contributed Services and In-Kind Contributions

A number of volunteers make significant contributions of time to the Organization's programs and annual fundraising campaign. The value of this contributed time does not meet the criteria for recognition of contributed service revenue/expense and, accordingly, is not reflected in the accompanying financial statements.

The Organization also received donated services and materials for the years ended December 31, 2019 and 2018, with a fair value on the dates of donation of \$195,226 and \$118,188 in program expenses, \$993 and \$1,076 in fundraising expenses and \$367 and \$1,252 in operational expenses, respectively.

SAMHSA Grant

In 2016, the Organization received a multi-year conditional grant from the Substance Abuse and Mental Health Services Administration (SAMHSA) as part of an effort to establish and strengthen collaboration among communities and reduce substance abuse among youth, and over time, among adults. As part of the grant, the Organization will be reimbursed for eligible expenses up to \$125,000 each year through 2020. Eligible expenses not incurred during the year may be rolled into the following year. Total grant income received was \$129,164 and \$120,324 for the years ended December 31, 2019 and 2018, respectively. The grant also requires the Organization to receive and expend nonfederal matching funds of which in-kind support may be used to satisfy this requirement. Total in-kind support was \$193,887 and \$115,404 for the years ended December 31, 2019 and 2018, respectively.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges for contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The allowance method is used to determine the provision for uncollectible pledges. The allowance is based on an average of uncollectible pledges, management's analysis of specific promises made, and the current and expected economic situation of the Steele County Area. All pledges are received within one year, therefore, discounting is not considered necessary.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of each that must be used to purchase property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Property and equipment are depreciated using the straight-line method.

Unpaid Grants, Payments to Agencies

Payments to approved United Way agencies are recorded when approved by the Organization's board of directors. Unpaid grants represent those commitments for payments to agencies for the current fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable statutes of the state of Minnesota.

Functional Allocations of Expenses

The majority of expenses generally can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services on the basis of full-time equivalent employees, salaries, and other bases determined by the management of the Organization receiving benefit from the expenditures. Allocated expenses include salaries, fringe benefits, payroll taxes, insurance, professional fees, office expense, office rent and utilities, computer expense and dues and subscriptions. Salary expense is allocated based on a time study conducted and management's best estimates.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

The Organization maintains its cash and investment balances in bank deposit accounts which potentially subject it to concentration of credit risk. The Organization's policy is to keep its cash and investments balances within insured limits. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of these investments.

Also, the Organization receives substantially all of its support from individuals and businesses in Steele County. A material change in the level of support received due to local economic factors or other geographically isolated conditions would likely result in a corresponding change in the level of program activity of the Organization.

Fair Value

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value (Continued)

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 236,764	\$ -	\$ -	\$ 236,764
Fixed Income Mutual Funds	138,073	-	-	138,073
Brokered Certificates of Deposit	-	74,745	-	74,745
	<u>\$ 374,837</u>	<u>\$ 74,745</u>	<u>\$ -</u>	<u>449,582</u>
*Certificates of Deposit				<u>78,877</u>
				<u>\$ 528,459</u>

*Certificates of deposit are not measured at fair value, but are included in the fair value measurement table to facilitate reconciliation to the “investments” accounts shown on the statements of financial position.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Alternative Investments	\$ 23,708	\$ -	\$ -	\$ 23,708
Equity Mutual Funds	156,783	-	-	156,783
Fixed Income Mutual Funds	130,234	-	-	130,234
	<u>\$ 310,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>310,725</u>
*Certificates of Deposit				<u>152,129</u>
				<u>\$ 462,854</u>

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASU's to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

The financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's historical revenue.

Additionally in June 2018, FASB issued Accounting Standards Update (ASU 2018-08), *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contribution (nonreciprocal) transactions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08 beginning January 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard resulted in a grant, previously classified as conditional being recognized as unconditional. Below is the impact of this amendment on the financial statements:

	<u>Reported Under Old Guidance</u>	<u>Adjustments</u>	<u>Reported Under New Guidance</u>
Liabilities:			
Deferred Revenue	<u>\$ 136,318</u>	<u>\$ (109,769)</u>	<u>\$ 26,549</u>
Revenue, Net Assets With Donor Restrictions:			
Other Grants	<u>\$ 26,549</u>	<u>\$ 109,769</u>	<u>\$ 136,318</u>

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through July 30, 2020, the date the financial statements were available to be issued.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 INVESTMENTS

Investments are carried at fair values on the Statement of Financial Position whereas certificates of deposit are carried at cost which approximate the fair value. The following is a summary of investments at December 31, 2019.

	<u>Cost</u>	<u>Fair Value</u>
Alternative Investments	\$ -	\$ -
Equity Mutual Funds	199,521	236,764
Fixed Income Mutual Funds	137,013	138,073
Brokered Certificates of Deposit	75,000	74,745
Certificates of Deposit	78,877	78,877
Total	<u>\$ 490,411</u>	<u>\$ 528,459</u>

Investment Return is Summarized as Follows:

Interest and Dividends, Net	\$ 12,570
Capital Gains	1,716
Realized and Unrealized Net Gain	<u>54,476</u>
Total	<u>\$ 68,762</u>

Investments are carried at fair values on the Statement of Financial Position whereas certificates of deposit are carried at cost which approximate the fair value. The following is a summary of investments at December 31, 2018.

	<u>Cost</u>	<u>Fair Value</u>
Alternative Investments	\$ 27,178	\$ 23,708
Equity Mutual Funds	163,641	156,783
Fixed Income Mutual Funds	137,103	130,234
Certificates of Deposit	152,129	152,129
Total	<u>\$ 480,051</u>	<u>\$ 462,854</u>

Investment Return is Summarized as Follows:

Interest and Dividends, Net	\$ 10,058
Capital Gains	5,020
Realized and Unrealized Net Loss	<u>(31,094)</u>
Total	<u>\$ (16,016)</u>

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 BOARD DESIGNATED NET ASSETS

The following summarizes various fund designations established by the Organization's board of directors and their respective balances at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Wobschall Reserve Fund:		
Charitable Bequest Designated by the Board of Directors to Provide Long-Term Sustaining Support.	\$ 302,370	\$ 302,370
Operating Reserve:		
To Meet a Financial Crisis Which Would Jeopardize United Way's Continued Support of its Agencies.	560,176	510,794
Emergency Grants Fund	50,000	50,000
Special Initiative Fund	50,000	50,000
Capacity Building Fund	50,000	50,000
Planned Giving Reserve Fund	20,163	20,163
Total	<u>\$ 1,032,709</u>	<u>\$ 983,327</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes net assets with donor restrictions at December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Imagination Library	\$ 42,208	\$ -
Technology	67,561	-
Community Engagement	26,549	-
Total	<u>\$ 136,318</u>	<u>\$ -</u>

NOTE 5 LEASES

Beginning August 2018, the Organization entered into a lease at a new location for its administrative offices through August 2023. Future minimum lease payments are as follows: 2020 to 2022 - \$15,600, 2023 - \$9,100.

Rent expense was \$15,688 and \$16,000 for the years ended December 31, 2019 and 2018, respectively.

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 BENEFIT PLANS

Effective January 1, 2005, the Organization implemented a 403(b) tax deferred annuity plan in which employees become immediately eligible to participate. There is no cost to the Organization for the above plan.

Effective January 1, 2005, the Organization implemented a Simplified Employee Pension Plan (SEP). Employees are required to complete one year of service and have attained age 18 years of age or older in order to be eligible to participate in the plan. The Organization contributed 5% in 2019 and 2018 of the employee's qualified compensation to the plan. For the years ended December 31, 2019 and 2018, this contribution amount was \$7,147 and \$8,175, respectively.

NOTE 7 RELATED PARTY TRANSACTIONS

The Organization pays dues to United Way Worldwide. During the years ended December 31, 2019 and 2018, the Organization paid dues of \$9,480 and \$9,811, respectively.

NOTE 8 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program-related activities as well as the conduct of services undertaken to support those programs to be general expenditures.

As of December 31, 2019 and 2018, the following financial assets could be readily made available within one year of the balance sheet date to meet general expenditures:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 645,147	\$ 646,898
Investments	528,459	462,854
Pledges Receivable	553,416	498,681
Grants and Other Receivables	2,370	5,048
Total Financial Assets at Year-End	1,729,392	1,613,481
Less: Amounts Not Available to Meet General Expenditures Within One Year:		
Net Assets With Donor Restrictions	(136,318)	-
Board Designated	(1,032,709)	(983,327)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 560,365	\$ 630,154

**UNITED WAY OF STEELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 RISKS AND UNCERTAINTIES

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including restrictions on the organization by the governor, additional costs to the Organization, investment performance and potential loss of revenue due to reduction in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Organization received a loan in the amount of \$33,584 to fund payroll, rent, and utilities through the federal Payroll Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.