



UNITED WAY OF DELAWARE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

UNITED WAY OF DELAWARE, INC.

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

November 5, 2018

To the Board of Directors
United Way of Delaware, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Delaware, Inc. ("the Organization"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

To the Board of Directors
United Way of Delaware, Inc.

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

Basis for Qualified Opinion

As described in Note 1 to the financial statements, management has elected not to include the financial data of Delaware Helpline, Inc., whose statements reflect total assets of \$333,761 and total liabilities of \$27,563 as of June 30, 2018, and total revenues of \$618,897 and total expenses of \$671,996 for the year ended June 30, 2018. Accounting principles generally accepted in the United States of America require that the financial statements of United Way of Delaware, Inc. include the financial data of Delaware Helpline, Inc. since United Way of Delaware, Inc. has a controlling financial interest in that Organization.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Delaware, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Delaware, Inc.'s June 30, 2017 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated November 20, 2017 due to management excluding the financial data of Delaware Helpline, Inc., whose statements reflected total assets of \$378,437 and total liabilities of \$19,140 as of June 30, 2017, and total revenues of \$686,789 and total expenses of \$645,106 for the year ended June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

UNITED WAY OF DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,874,339	\$ 3,721,005
Pledges receivable, net	3,657,111	3,667,179
Investments, at fair value	4,790,091	4,931,761
Building and equipment, net of accumulated depreciation	1,024,367	1,147,407
Other assets	<u>258,412</u>	<u>459,784</u>
TOTAL ASSETS	<u><u>\$ 13,604,320</u></u>	<u><u>\$ 13,927,136</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Distributions payable to agencies, including donor designations of \$1,905,287 and \$2,106,756 for 2018 and 2017, respectively	\$ 3,583,483	\$ 4,212,486
Refundable advance	-	250,000
Accounts payable and accrued expenses	<u>399,114</u>	<u>428,998</u>
Total Liabilities	<u>3,982,597</u>	<u>4,891,484</u>
 NET ASSETS:		
Unrestricted - undesignated	567,856	438,775
Unrestricted - designated	<u>3,486,922</u>	<u>3,598,520</u>
Total Unrestricted	4,054,778	4,037,295
Temporarily restricted	<u>5,566,945</u>	<u>4,998,357</u>
Total Net Assets	<u>9,621,723</u>	<u>9,035,652</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 13,604,320</u></u>	 <u><u>\$ 13,927,136</u></u>

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

UNITED WAY OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Totals for 2017)

	Unrestricted	Temporarily Restricted	Totals
	2018		2017
CAMPAIGN RESULTS			
Annual Campaign	\$ 8,805,092	\$ 1,749,416	\$ 10,554,508
Less: Amounts raised on behalf of others	(4,078,568)	(1,571,992)	(5,650,560)
	<u>\$ 4,726,524</u>	<u>\$ 177,424</u>	<u>\$ 4,903,948</u>
PUBLIC SUPPORT AND REVENUE			
Campaign Public Support:			
Annual campaign - undesignated	\$ 4,726,524	\$ 177,424	\$ 4,903,948
Contributions released from restriction	347,673	(347,673)	-
Total Undesignated Annual Campaign	5,074,197	(170,249)	4,903,948
Less: Provision for uncollectible pledges	(600,000)	-	(600,000)
Total Campaign Public Support	<u>4,474,197</u>	<u>(170,249)</u>	<u>4,303,948</u>
Grant revenue	-	4,595,912	4,595,912
Net assets released from restriction	4,086,963	(4,086,963)	-
Total Public Support	<u>8,561,160</u>	<u>338,700</u>	<u>8,899,860</u>
Revenue:			
Administrative fees on amounts raised on behalf of others	557,497	-	557,497
Miscellaneous revenue	647,898	-	647,898
Unemployment revenue	165,781	-	165,781
Total Revenue	<u>1,371,176</u>	<u>-</u>	<u>1,371,176</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>9,932,336</u>	<u>338,700</u>	<u>10,271,036</u>
PROGRAM COSTS AND CAMPAIGN OPERATIONS			
Program Costs:			
Distributions to agencies	2,768,674	-	2,768,674
Program activities	3,704,013	-	3,704,013
Unemployment expenditures	167,580	-	167,580
United Way Worldwide dues	132,627	-	132,627
Total Program Costs	<u>6,772,894</u>	<u>-</u>	<u>6,772,894</u>

Continued on next page.

UNITED WAY OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Totals for 2017)

	Unrestricted	Temporarily Restricted	Totals
	2018		2017
Campaign Operating Costs:			
Fund raising and marketing	1,484,184	-	1,665,773
General and administrative	895,883	-	1,098,068
Community services	509,563	-	341,428
Processing costs	362,565	-	366,363
Total Campaign Operating Costs	3,252,195	-	3,471,632
TOTAL PROGRAM COSTS AND CAMPAIGN OPERATIONS	10,025,089	-	11,277,680
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(92,753)	338,700	(2,107,769)
NONOPERATING ACTIVITIES			
Investment income	110,236	229,888	534,907
Pension expense	-	-	(176,434)
Total Nonoperating Activities	110,236	229,888	358,473
CHANGE IN NET ASSETS	17,483	568,588	(1,749,296)
NET ASSETS, BEGINNING OF YEAR	4,037,295	4,998,357	10,784,948
NET ASSETS, END OF YEAR	\$ 4,054,778	\$ 5,566,945	\$ 9,035,652

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

**UNITED WAY OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Totals for 2017)**

	Campaign Operating Costs				Totals
	Fund Raising and Marketing	General and Administrative	Community Services	Processing Costs	
EXPENSES					
Salaries	\$ 781,307	\$ 408,050	\$ 343,278	\$ 165,676	\$ 1,871,734
Employee health and retirement benefits	105,519	68,392	57,661	45,224	287,915
Payroll taxes	57,223	30,951	24,257	12,259	133,241
Total Salaries and Related Expenses	<u>944,049</u>	<u>507,393</u>	<u>425,196</u>	<u>223,159</u>	<u>2,099,797</u>
Professional service and contract payments	74,679	89,605	-	52,276	310,579
Occupancy	111,664	73,633	17,072	8,129	203,451
Travel, training, and meetings	55,099	42,697	19,944	-	113,138
Outside printing and artwork	166,083	243	940	-	108,076
Equipment rentals and repairs	558	55,345	10,251	21,286	90,965
Technology charge	39,226	22,123	8,923	4,090	49,006
Telecommunications	-	16,923	-	16,923	45,704
Bank and credit card fees	264	15,673	-	26,083	46,045
Fund raising events	29,285	-	-	-	33,138
Supplies	2,572	15,019	787	135	15,244
Membership and subscriptions	1,281	13,770	-	-	19,443
Postage and shipping	3,924	2,495	22	1,234	7,708
Depreciation	<u>1,428,684</u>	<u>854,919</u>	<u>483,135</u>	<u>353,315</u>	<u>3,335,387</u>
	55,500	40,964	26,428	9,250	136,245
TOTAL EXPENSES	<u>\$ 1,484,184</u>	<u>\$ 895,883</u>	<u>\$ 509,563</u>	<u>\$ 362,565</u>	<u>\$ 3,471,632</u>

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

UNITED WAY OF DELAWARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 586,071	\$ (1,749,296)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	132,142	136,245
Net unrealized and realized gains on investments	(227,355)	(429,432)
Decrease (Increase) in net pledges receivable	10,068	(418,417)
Decrease (Increase) in other assets	201,372	(199,230)
Decrease in allocations payable to agencies	(629,003)	(158,398)
Decrease in refundable advance	(250,000)	(250,000)
Decrease in accounts payable and accrued expenses	(29,884)	(581,598)
NET CASH USED BY OPERATING ACTIVITIES	<u>(206,589)</u>	<u>(3,650,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(9,102)	(17,046)
Purchase of investments	(435,277)	(535,141)
Proceeds from sales of investments	804,302	826,974
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>359,923</u>	<u>274,787</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	153,334	(3,375,339)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,721,005</u>	<u>7,096,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,874,339</u>	<u>\$ 3,721,005</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF THE ORGANIZATION

United Way of Delaware, Inc. (“the Organization”) is dedicated to improving the quality of life in the State of Delaware by mobilizing society’s capacity to care. A not-for-profit organization, the Organization is a unique partnership that involves donors ranging from staff, volunteers, social service agencies, businesses, government, other nonprofits, and concerned individuals to achieve results that matter and to make a lasting impact on the quality of life in its community.

The Organization engages in a fall fund raising campaign to raise funds for member agencies, as well as other 501(c)(3) agencies. The Organization focuses community attention on the most critical human needs in Delaware, as well as addressing both the symptoms and the root causes of Delaware’s most plaguing issues.

The Organization is dependent upon contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic and other conditions. In addition, the choice on the part of donors to designate their gifts to specific agencies can result in reduced funding available to fund programs. A decrease in undesignated contributions could adversely affect the Organization’s ability to provide services and to allocate funds to its member agencies.

In addition to its fund raising efforts, the Organization coordinates and administers the public sector campaign for state government (SECC) and provides direct services to the community through the efforts of organized labor, including services and fund raising coordinated by the labor locals. The Organization also administers an unemployment insurance fund on behalf of several member agencies.

Delaware Helpline, Inc.’s by-laws and certificate of incorporation document that the Organization is its sole corporate member with a majority voting interest, thereby giving the Organization a controlling financial interest. In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) related to consolidations of not-for-profit organizations, the financial statements of Delaware Helpline, Inc. must be consolidated with the financial statements of United Way of Delaware, Inc. The Organization has elected to omit the activity of Delaware Helpline, Inc. from this report.

Delaware Helpline, Inc. is a not-for-profit agency which provides a statewide, toll-free comprehensive information and referral service. It is dedicated to assisting people in need of human services by informing them of available public, private, and voluntary programs and providing assistance services to resolve those problems. It maintains a database on current health service information in Delaware.

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with the section of the FASB ASC related to financial statements of not-for-profit organizations. Under the FASB ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with the FASB ASC section regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Amounts Raised on Behalf of Others

Donor organizations and individuals participating in such entities' United Way Campaigns may choose to designate all or part of their contributions to specific charitable organizations. These transactions are reported in the statement of activities as part of the total campaign effort and are then deducted as amounts raised on behalf of others to arrive at the public support revenue available to the organization for use in supporting its programs. Amounts deducted are carried as liabilities until paid to the designated charitable organizations. Fund raising and processing (administrative) fees of up to 12½ percent of amounts designated are recorded as revenue upon collection and prior to remittance to the designated charities. The Organization honors all donor designations to 501(c)(3) and qualified 501(c)(4) agencies in the United States of America in good standing with the IRS. Amounts raised on behalf of others for each of the annual campaigns for the years ended June 30, 2018 and 2017 were \$5,650,560 and \$6,422,624, respectively.

The Organization reports campaign results which are transferred to a not-for-profit organization specified by the donor in accordance with the FASB ASC section regarding transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others.

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Cash and Cash Equivalents

The Organization considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges Receivable

Allowances for uncollectible pledges are reviewed and estimated by management annually. As of June 30 of each fiscal year, a final accounting is made of the prior year's campaign. Pledges receivable related to the prior campaign that have not been realized are determined to be uncollectible and are written off.

Building and Equipment

Building and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets. The Organization uses a capitalization threshold of \$1,000. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. The following is a schedule of the estimated useful lives:

Equipment, furniture, and fixtures	3 - 7 years
Building	40 years
Improvements	4 - 20 years

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

In accordance with the FASB ASC section regarding accounting for certain investments held by not-for-profit organizations, investments are reported at fair value.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program activities and cost of campaign.

Use of Estimates in the Preparation of Financial Statements

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

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 PLEDGES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Pledges receivable related to current campaign	\$ 4,125,343	\$ 4,117,275
Pledges receivable - State Employee Combined Campaign	131,768	149,904
Allowance for uncollectible pledges	<u>(600,000)</u>	<u>(600,000)</u>
Total Pledges Receivable, Net	<u>\$ 3,657,111</u>	<u>\$ 3,667,179</u>

For the years ended June 30, 2018 and 2017, the Organization received pledges of \$497,074 and \$552,460, respectively, from prior year campaigns that were previously written off.

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS

Investment portfolios consist of the following:

	<u>2018</u>	<u>2017</u>
Delaware Community Foundation Investment Pool	\$ 1,792,876	\$ 1,781,434
Exchange traded funds	-	121,488
Real estate investment trusts	32,814	108,123
Equities	1,742,035	1,697,122
Money market funds	284,531	202,433
Fixed income	937,835	1,021,161
	<u>\$ 4,790,091</u>	<u>\$ 4,931,761</u>

Investment income consists of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest, net of fees	\$ 112,769	\$ 105,475
Net unrealized and realized gains	227,355	429,432
	<u>\$ 340,124</u>	<u>\$ 534,907</u>

NOTE 5 BUILDING AND EQUIPMENT

Building and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 3,535,550	\$ 3,531,455
Equipment, furniture, and fixtures	696,079	691,072
	4,231,629	4,222,527
Less: Accumulated depreciation	<u>(3,207,262)</u>	<u>(3,075,120)</u>
	<u>\$ 1,024,367</u>	<u>\$ 1,147,407</u>

NOTE 6 REFUNDABLE ADVANCE

In 2016, the Organization received a contribution from a donor in the amount of \$750,000. The purpose of this contribution is to support the Organization's Stand By Me Financial Empowerment and Workforce Development Initiative Program over a three-year period. The

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 REFUNDABLE ADVANCE (cont'd)

donor has identified specific conditions in the agreement that the Organization has to meet in order for these funds to be retained. The donor can request at any time that the funds be returned.

The refundable advance of \$750,000 is amortized in equal amounts over the grant period. The amortization of \$250,000 per year is in accordance with the contract. For the year ended June 30, 2018, \$250,000 has been earned and was recognized as revenue in the statement of activities.

Total refundable advances as of June 30, 2018 and 2017 amounted to \$0 and \$250,000, respectively.

NOTE 7 RETIREMENT PLAN

Effective July 1, 2010, the Organization instituted a 403(b) defined contribution pension plan available to all employees. The plan provides for voluntary contributions by employees that are matched by the Organization at fifty cents on the dollar up to six percent of base salary. In addition, the plan allows the Organization to make a discretionary contribution annually at the end of the plan year. Such contribution is calculated as a percent of the employee's annual base salary earned during the plan period July 1 - June 30. The Organization made contributions to the plan of \$90,381 and \$105,208 for the years ended June 30, 2018 and 2017, respectively. Employee contributions to the plan immediately vest to the employee. Employer contributions to the plan vest to the employee over a six-year period.

NOTE 8 DONATED SERVICES AND MATERIALS

Contributed services are not recognized as revenue unless the services received create or enhance the value of a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased and not donated. No amounts were recognized in 2018 or 2017.

NOTE 9 UNEMPLOYMENT INSURANCE

The Organization administers an unemployment insurance fund on behalf of several of its member agencies. The agencies make contributions to the fund and, in turn, unemployment expenses are paid by the fund. For the years ended June 30, 2018 and 2017, contributions to the unemployment fund totaled \$165,781 and \$140,743, respectively. Claims and advisory fees for the years ended June 30, 2018 and 2017 totaled \$167,580 and \$120,287, respectively.

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PROGRAM ACTIVITY

The Organization is the fiscal agent for several programs. For the year ended June 30, 2018, program activity was as follows:

<u>Program</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Stand By Me	\$ 3,060,822	\$ 2,541,096	\$ 519,726
Adolescent Health Initiative (IM40)	271	333,295	(333,024)
SPARC	504,139	279,893	224,246
My Very Own Library	457,000	257,832	199,168
Other	<u>573,680</u>	<u>291,897</u>	<u>281,783</u>
Total Program Activity	<u>\$ 4,595,912</u>	<u>\$ 3,704,013</u>	<u>\$ 891,899</u>

For the year ended June 30, 2017, program activity was as follows:

<u>Program</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Stand By Me	\$ 2,700,117	\$ 2,338,766	\$ 361,351
Adolescent Health Initiative (IM40)	27,872	254,217	(226,345)
SPARC	423,501	489,134	(65,633)
My Very Own Library	217,160	217,160	-
Other	<u>420,964</u>	<u>359,839</u>	<u>61,125</u>
Total Program Activity	<u>\$ 3,789,614</u>	<u>\$ 3,659,116</u>	<u>\$ 130,498</u>

NOTE 11 BOARD-DESIGNATED NET ASSETS

As of June 30, 2018 and 2017, a portion of unrestricted net assets has been designated by the Board of Directors for the following purposes:

	<u>2018</u>	<u>2017</u>
Land, building, and equipment	\$ 1,024,367	\$ 1,147,407
Endowment	1,792,876	1,781,434
Other Board-designated	<u>669,679</u>	<u>669,679</u>
Total Designated - Unrestricted Net Assets	<u>\$ 3,486,922</u>	<u>\$ 3,598,520</u>

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 BOARD-DESIGNATED ENDOWMENT FUND

The Board of Directors established a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The administration of the endowment fund is overseen by the Delaware Community Foundation as approved by the Finance Committee. Investment transactions are directed by, and subject to, the oversight of the Chief Operations Officer or, in his/her absence, by the Treasurer.

Spending Policy

In order to meet the intended purpose of the endowment fund to fund community needs over time, an amount equal to five percent of the average balance of the last four quarters of the endowment fund shall be withdrawn in the first quarter of each calendar year. For this calculation, the endowment fund balance will be measured at the end of March, June, September, and December.

Strategy Employed for Achieving Objectives

Per the Organization's investment policy, the assets of the endowment fund shall be invested in a manner intended to maximize the total return of the fund over the long term. The assets shall be broadly diversified, with the assets divided among asset classes within the following ranges:

Equities	40% - 75%
Fixed income	20% - 50%
Cash equivalents	0% - 20%

Non-U.S. investments can comprise up to 25 percent of the total assets of the endowment fund.

The Investment Committee is charged with the responsibility of reviewing the endowment fund on an annual basis. This includes asset allocation, fund selection, investment performance, and adherence to policy limits.

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 BOARD-DESIGNATED ENDOWMENT FUND (cont'd)

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 1,781,434	\$ 1,677,999
Investment income	34,540	26,376
Net appreciation	80,195	181,555
Amount appropriated for expense	(14,141)	(13,204)
Distributions	<u>(89,152)</u>	<u>(91,292)</u>
Endowment net assets, end of year	<u>\$ 1,792,876</u>	<u>\$ 1,781,434</u>

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restrictions	\$ 196,185	\$ 16,400
Program restrictions	<u>5,370,760</u>	<u>4,981,957</u>
	<u>\$ 5,566,945</u>	<u>\$ 4,998,357</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Passage of time restrictions	<u>\$ 347,673</u>	<u>\$ 251,108</u>
Program restrictions	<u>\$ 4,086,963</u>	<u>\$ 3,923,875</u>

NOTE 14 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in two commercial banks located in Wilmington, Delaware which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. In addition, the Organization invests in repurchase agreements which are collateralized by investments in securities which are direct obligations of, or fully guaranteed as to principal and interest by, the U.S. government or an agency thereof. The Organization has not experienced any losses in such accounts.

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 15 FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position.

In accordance with the FASB ASC section regarding fair value measurements, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 is based on observable market factors not included in Level 1, and Level 3 is based on unobservable inputs such as those that are internally developed. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income	\$ 937,835	\$ 937,835	\$ -
Equities	1,742,035	1,742,035	-
Money market funds	284,531	284,531	-
Real estate investment trusts	32,814	32,814	-
Delaware Community Foundation Investment Pool	<u>1,792,876</u>	<u>-</u>	<u>1,792,876</u>
Total	<u>\$ 4,790,091</u>	<u>\$ 2,997,215</u>	<u>\$ 1,792,876</u>
<u>June 30, 2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income	\$ 1,021,161	\$ 1,021,161	\$ -
Equities	1,697,122	1,697,122	-
Money market funds	202,433	202,433	-
Exchange traded funds	121,488	121,488	-
Real estate investment trusts	108,123	108,123	-
Delaware Community Foundation Investment Pool	<u>1,781,434</u>	<u>-</u>	<u>1,781,434</u>
Total	<u>\$ 4,931,761</u>	<u>\$ 3,150,327</u>	<u>\$ 1,781,434</u>

UNITED WAY OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 15 FAIR VALUE MEASUREMENTS (cont'd)

Level 2 Fair Value Measurements

The fair value of the investments with the Delaware Community Foundation are determined based on observable market factors not included in Level 1, such as quoted market prices for similar assets or liabilities in an active or non-active market. The Organization's portion of the investment pool is valued by the Delaware Community Foundation on a monthly basis. The investments in the pool are actively traded and valued using quoted market prices. However, since the investments are pooled funds, they are designated as Level 2 investments.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through November 5, 2018, the date the financial statements were available to be issued.