



UNITED WAY OF ADDISON COUNTY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

UNITED WAY OF ADDISON COUNTY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

UNITED WAY OF ADDISON COUNTY, INC.

TABLE OF CONTENTS

JUNE 30, 2018

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3 - 4
Statement of Activities	5
Statement of Functional Expenses	6 - 7
Statement of Cash Flows	8 - 9
Notes to Financial Statements	10 - 19
Supplementary Information:	
Schedule of Fiscal Agent Activity	20



VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Addison County, Inc.
Middlebury, Vermont

We have audited the accompanying financial statements of United Way of Addison County, Inc. (a nonprofit 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.

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 Addison County, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Addison County, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of fiscal agent activity on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such matter is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is stated fairly in all material aspects in relation to the financial statements as a whole.

Jmm & Associates

October 19, 2018

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash - operating	\$ 248,399	\$ 177,602
Cash - restricted	-	29,925
Cash - fiscal agent funds	23,015	21,718
Beneficial interest - fiscal agent funds	29,282	27,395
Pledges receivable - net of allowance	137,583	145,952
Accounts receivable	43,928	38,179
Prepaid expenses	9,920	9,607
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	<u>492,127</u>	<u>450,378</u>
PROPERTY AND EQUIPMENT		
Land	80,000	80,000
Building and building improvements	182,540	182,540
Office equipment and furniture	17,454	16,714
	<hr/>	<hr/>
	279,994	279,254
Less accumulated depreciation	(78,198)	(71,012)
	<hr/>	<hr/>
TOTAL PROPERTY AND EQUIPMENT	<u>201,796</u>	<u>208,242</u>
OTHER ASSETS		
Investments	1,022,175	998,184
Beneficial interest in Vermont Community Foundation	184,610	180,343
	<hr/>	<hr/>
TOTAL OTHER ASSETS	<u>1,206,785</u>	<u>1,178,527</u>
TOTAL ASSETS	<u><u>\$ 1,900,708</u></u>	<u><u>\$ 1,837,147</u></u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,525	\$ 5,215
Accrued payroll and related costs	7,121	7,770
Deferred revenue	16,614	46,703
Current portion of long term debt	6,100	5,700
Designated donations payable	27,606	26,466
Allocations and grants payable	198,177	199,208
Fiscal agent funds	52,297	49,113
 TOTAL CURRENT LIABILITIES	 312,440	 340,175
 LONG-TERM LIABILITIES		
Annuity payable	4,851	5,428
Long-term debt, net of current portion	97,931	103,417
 TOTAL LONG-TERM LIABILITIES	 102,782	 108,845
 TOTAL LIABILITIES	 415,222	 449,020
 NET ASSETS		
Unrestricted	999,882	1,000,335
Temporarily restricted	101,598	94,348
Permanently restricted	384,006	293,444
 TOTAL NET ASSETS	 1,485,486	 1,388,127
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,900,708	 \$ 1,837,147

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
PUBLIC SUPPORT AND REVENUE					
Gross campaign results	\$ 665,336	\$ -	\$ -	\$ 665,336	\$ 658,273
Donor designations - others	(54,575)	-	-	(54,575)	(27,966)
Donor designations - partners	(29,661)	-	-	(29,661)	(35,240)
Amounts from other United Ways	(33,819)	-	-	(33,819)	(42,228)
Amounts raised from events	(29,695)	-	-	(29,695)	(18,505)
Provision for uncollectible pledges	(29,700)	-	-	(29,700)	(29,250)
Net campaign results	487,886	-	-	487,886	505,084
Event revenue	33,645	-	-	33,645	21,105
Contributions designated UWAC	50,735	-	90,562	141,297	49,986
Grants	569,527	-	-	569,527	455,309
In-kind contributions	34,327	-	-	34,327	18,237
Recovery of prior year writeoffs	745	-	-	745	17,298
Program revenue	42,630	-	-	42,630	37,907
Investment income	25,632	21,170	-	46,802	119,149
Change in beneficial interest	12,998	-	-	12,998	25,786
Other income	10,525	-	-	10,525	18,068
Subtotal - support and revenue	1,268,650	21,170	90,562	1,380,382	1,267,929
Net assets released from restrictions	13,920	(13,920)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,282,570</u>	<u>7,250</u>	<u>90,562</u>	<u>1,380,382</u>	<u>1,267,929</u>
EXPENSES					
Program services:					
Funding & agency relations	333,737	-	-	333,737	339,565
Organizational development	382,366	-	-	382,366	376,222
Community leadership & initiatives	278,559	-	-	278,559	189,543
Volunteer programs	52,550	-	-	52,550	49,020
Total program services	1,047,212	-	-	1,047,212	954,350
Support services:					
General and administrative	79,044	-	-	79,044	79,858
Fundraising	156,767	-	-	156,767	115,004
Total support services	235,811	-	-	235,811	194,862
TOTAL EXPENSES	<u>1,283,023</u>	<u>-</u>	<u>-</u>	<u>1,283,023</u>	<u>1,149,212</u>
TOTAL CHANGE IN NET ASSETS	(453)	7,250	90,562	97,359	118,717
BEGINNING NET ASSETS	1,000,335	94,348	293,444	1,388,127	1,269,410
ENDING NET ASSETS	<u>\$ 999,882</u>	<u>\$ 101,598</u>	<u>\$ 384,006</u>	<u>\$ 1,485,486</u>	<u>\$ 1,388,127</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	Funding & Agency Relations	Organizational Development	Community Leadership & Initiatives	Volunteer Programs	Total Program Services
Salaries and wages	\$ 23,791	\$ 12,774	\$ 100,084	\$ 35,810	\$ 172,459
Payroll taxes and benefits	7,185	3,869	23,212	3,868	38,134
 Subtotal - personnel	 30,976	 16,643	 123,296	 39,678	 210,593
Community investment	292,785	360,148	44,539	200	697,672
Advertising and promotion	643	11	15,445	7,448	23,547
Professional fees	1,121	604	35,741	604	38,070
Information technology	3,621	2,329	4,722	1,580	12,252
Occupancy	832	448	7,524	448	9,252
Office expenses	499	269	6,815	517	8,100
Conferences and training	-	-	12,484	-	12,484
Investment and bank fees	5	-	30	-	35
Payments to affiliate	996	536	3,854	536	5,922
Travel	-	162	8,969	145	9,276
Program supplies	-	-	7,503	179	7,682
Interest expense	781	420	2,863	420	4,484
Depreciation	934	503	3,018	503	4,958
Insurance	544	293	1,756	292	2,885
 TOTAL EXPENSES	 \$ 333,737	 \$ 382,366	 \$ 278,559	 \$ 52,550	 \$ 1,047,212

See accompanying notes.

	General and Administrative	Fundraising	Total Support Expenses	Total 2018	Total 2017
Salaries and wages	\$ 35,211	\$ 43,930	\$ 79,141	\$ 251,600	\$ 247,425
Payroll taxes and benefits	22,890	8,843	31,733	69,867	64,174
Subtotal - personnel	58,101	52,773	110,874	321,467	311,599
Community investment	-	-	-	697,672	660,149
Advertising and promotion	2,245	48,980	51,225	74,772	50,186
Professional fees	1,501	16,281	17,782	55,852	14,652
Information technology	2,249	13,525	15,774	28,026	33,921
Occupancy	3,093	2,985	6,078	15,330	11,261
Office expenses	1,799	5,325	7,124	15,224	12,433
Conferences and training	1,114	1,434	2,548	15,032	3,263
Investment and bank fees	1,166	11,273	12,439	12,474	11,592
Payments to affiliate	3,868	1,226	5,094	11,016	9,627
Travel	165	185	350	9,626	4,062
Program supplies	-	-	-	7,682	6,670
Interest expense	2,038	961	2,999	7,483	7,374
Depreciation	1,078	1,150	2,228	7,186	8,448
Insurance	627	669	1,296	4,181	3,975
TOTAL EXPENSES	\$ 79,044	\$ 156,767	\$ 235,811	\$ 1,283,023	\$ 1,149,212

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 539,438	\$ 458,762
Cash received from contributions	596,959	518,777
Interest and dividends received	36,981	30,934
Other miscellaneous receipts	48,151	35,094
Cash paid for personnel	(322,116)	(309,992)
Cash paid for goods and services	(914,594)	(825,396)
Interest paid	(7,483)	(7,374)
NET CASH USED BY OPERATING ACTIVITIES	<u>(22,664)</u>	<u>(99,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	614,422	881,879
Purchases of investments	(621,748)	(867,265)
Purchases of fixed assets	(740)	(1,229)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(8,066)</u>	<u>13,385</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment gifts, net of receivables	78,562	29,534
Net change in annuity payable	(577)	(545)
Principal payments on long-term debt	(5,086)	(5,194)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>72,899</u>	<u>23,795</u>
INCREASE (DECREASE) IN CASH	42,169	(62,015)
BEGINNING CASH	<u>229,245</u>	<u>291,260</u>
ENDING CASH	<u>\$ 271,414</u>	<u>\$ 229,245</u>

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	\$ 97,359	\$ 118,717
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,186	8,448
Endowment gifts	(90,562)	(29,534)
Change in provision for uncollectible pledges	450	675
Change in beneficial interest	(12,998)	(25,786)
Realized gain on investments	(35,886)	(40,689)
Unrealized (gain) loss on investments	26,065	(47,526)
(Increase) decrease in:		
Pledges receivable	19,919	(24,490)
Accounts receivable	(5,749)	(38,179)
Prepaid expenses	(313)	2,933
Increase (decrease) in:		
Accounts payable and accrued expenses	(690)	(591)
Accrued payroll and related costs	(649)	1,607
Deferred revenue	(30,089)	3,453
Designated donations payable	1,140	(12,037)
Allocations and grants payable	(1,031)	(24,184)
Fiscal agent funds	3,184	7,988
Total adjustments	(120,023)	(217,912)
NET CASH USED BY OPERATING ACTIVITIES	\$ (22,664)	\$ (99,195)

See accompanying notes.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

United Way of Addison County, Inc. (the Organization) is a nonprofit organization that is supported by contributions from local individuals and businesses. The Organization fulfills its mission "to be a leader and catalyst, mobilizing and supporting the caring power of individuals and organizations to improve lives and strengthen the community" through the following programs: Funding & Agency Relations, Organizational Development Assistance, Community Leadership & Initiatives, and Volunteer programs. The Organization focuses its efforts around three community impact areas: health, education and financial stability. In addition to granting funds directly to local health and human service organizations, the Organization also facilitates collaborative efforts and manages specific initiatives. Examples of Community Initiatives related to these impact areas include:

Health

Distribution of *Familywise* discount prescription cards which can help individuals and families save 30% or more on prescription costs.

Building on past facilitation of the 5-Town Drug and Safety Alliance, the Organization is now coordinating with the Regional Prevention Partnerships under the Vermont Department of Health to forge new coalitions in Addison County to combat and treat alcohol and drug abuse. These conditions will continue to bring together other nonprofits, businesses, individuals, medical providers, faith communities, and local law enforcement to inspire new prevention and treatment initiatives to be funded by grant monies received by the Organization over the next five fiscal years.

Education

Partnering with Addison County Readers to help facilitate early childhood literacy by the distribution of books to Addison County households with young children.

Financial Stability

Working with local employers to provide workplace financial literacy programs (EKG - Earn It, Keep It, Grow It Program) to low and moderate wage earners at the workplace to learn about and encourage budgeting skills, financial goal setting, increased savings, proper use of credit, and improving credit scores.

Partnering with three additional United Ways of Vermont members and the Internal Revenue Service to bring the self-prepared Tax Program to the western half of the State in an effort to provide free tax services, improve the utilization of the Earned Income Tax Credit by working families and to empower low and moderate income earners to learn how to prepare their own returns.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting

The financial statements of the United Way of Addison County, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation

United Way of Addison County, Inc. 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.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. There were no amounts on deposit in excess of the amount insured by the FDIC (\$250,000) at June 30, 2018 or 2017.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the Statement of Financial Position. Unrealized gain and loss are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Pledges receivable

The Organization uses the allowance method to determine net pledges receivable. The allowance amount for pledges receivable is based on prior years' experience, management's analysis of specific promises to give and currently known economic conditions. The uncollectible rate is applied to the total campaign goal. The campaign and the related allowance for uncollectible pledges are closed two years after the close of the campaign, regardless of collection date.

Accounts receivable

Accounts receivable is comprised of amounts receivable from government and other grants. Receivables are stated at the amount management expects to collect from outstanding balances. Management has deemed these amounts to be fully collectible.

Estimates

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

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and promotion

The Organization uses advertising to promote its programs among the audiences it serves. Costs of advertising are expensed as incurred. Total advertising costs were \$74,772 and \$50,186 for the years ended June 30, 2018 and 2017, respectively. Amounts included in advertising include donated media of \$14,314 and \$12,370 for the years ended June 30, 2018 and 2017, respectively. Other advertising consists of promotional supplies, food, catering, printing, and publications.

Property and equipment

Property and equipment is stated at cost. The Organization capitalizes any item with an original value of \$1,000 or more and with a useful life greater than one year. Donations of property and equipment are recorded as support at their estimated market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the expiration of donor restrictions when donated assets are placed into service as instructed by the donor, and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over the estimated useful lives.

Contributed services

The Organization receives various types of in-kind support including professional services and unskilled labor. Contributed professional services are recognized at fair market value if the services rendered (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. Donated services were \$34,327 and \$18,237 for the years ended June 30, 2018 and 2017, respectively.

Contributions

The Organization is required to record contributions as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

United Way of Addison County, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 501(a) of the Code. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

2) PLEDGES RECEIVABLE

Pledges receivable consisted of the following unconditional promises to give at June 30:

	<u>2018</u>	<u>2017</u>
Current campaign receivable	\$ 154,933	\$ 159,994
Prior campaign receivable	12,350	15,208
	<u>167,283</u>	<u>175,202</u>
Less allowance for uncollectible pledges	<u>(29,700)</u>	<u>(29,250)</u>
	<u>\$ 137,583</u>	<u>\$ 145,952</u>

All promises to give are due in less than one year.

3) BENEFICIAL INTEREST WITH VERMONT COMMUNITY FOUNDATION

The Vermont Community Foundation (VCF) holds endowment funds for the benefit of the Organization with fair values totaling \$184,610 and \$180,343 at June 30, 2018 and 2017, respectively. The Organization received distributions of \$8,730 and \$8,716 from VCF for the years ended June 30, 2018 and 2017, respectively. The changes in beneficial interest were \$12,998 and \$25,786 for the years ended June 30, 2018 and 2017, respectively.

4) INVESTMENTS

United Way of Addison County, Inc. values its investments in marketable securities with readily determinable fair values, and all investments in debt securities at fair value. Fair value is determined by "Level 1" inputs by reference to quoted prices.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

4) INVESTMENTS (continued)

Investments consisted of the following at:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2018</u>			
Money market funds	\$ 117,272	\$ 117,272	\$ -
Equity securities	436,280	526,331	90,051
Corporate and municipal bonds	326,425	315,181	(11,244)
Other assets	51,153	63,391	12,238
	<u>\$ 931,130</u>	<u>\$ 1,022,175</u>	<u>\$ 91,045</u>
<u>June 30, 2017</u>			
Money market funds	\$ 126,852	\$ 126,852	\$ -
Equity securities	396,709	501,775	105,066
Corporate and municipal bonds	280,550	278,004	(2,546)
Other assets	76,963	91,553	14,590
	<u>\$ 881,074</u>	<u>\$ 998,184</u>	<u>\$ 117,110</u>

Investment return was as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 36,981	\$ 30,934
Realized gain	35,886	40,689
Change in unrealized gain (loss)	(26,065)	47,526
	<u>\$ 46,802</u>	<u>\$ 119,149</u>

5) ENDOWMENT FUNDS

FASB Staff Position

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position "Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

5) ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law

The State of Vermont enacted UPMIFA effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. The Organization adopted the FASB Staff Position for the year ended June 30, 2009. The Board of Directors determined that the Organization's permanently restricted and board-designated net assets meet the definition of endowment funds under UPMIFA.

The Board of Directors of the Organization has interpreted State of Vermont law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. There are no explicit donor stipulations that govern the Organization's permanently restricted endowment funds. Investment loss from these funds decrease unrestricted net assets. The Organization considers the duration and preservation of the fund, general economic conditions, the possible effect of inflation or deflation, the expected total return of the fund, the availability of other resources, and the general investment policies of the Organization when establishing the investment allocation of the fund.

Return Objectives and Risk Parameters

The Organization 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-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce sufficient earnings to meet the Organization's current and future operational needs.

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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy for endowment funds is based on striking the balance between protection of donor designations, growth and meeting a portion of annual operating, program and capital needs of the Organization. An annual distribution is made based on a range of 3 - 6% of a trailing twelve-quarter average of the year-end balances.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

5) ENDOWMENT FUNDS (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no such deficiencies at June 30, 2018 or 2017.

The fair values of the Organization's endowment net assets were as follows at:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018				
Board-designated endowment funds	\$ 406,154	\$ -	\$ -	\$ 406,154
Donor-restricted endowment funds	-	93,435	384,006	477,441
	<u>\$ 406,154</u>	<u>\$ 93,435</u>	<u>\$ 384,006</u>	<u>\$ 883,595</u>
June 30, 2017				
Board-designated endowment funds	\$ 399,196	\$ -	\$ -	\$ 399,196
Donor-restricted endowment funds	-	86,185	293,444	379,629
	<u>\$ 399,196</u>	<u>\$ 86,185</u>	<u>\$ 293,444</u>	<u>\$ 778,825</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - July 1, 2016	\$ 354,193	\$ 49,993	\$ 263,910	\$ 668,096
Additional contributions	387	-	29,534	29,921
Investment income	46,618	45,765	-	92,383
Appropriated for operations	(2,002)	(9,573)	-	(11,575)
Balance - June 30, 2017	<u>\$ 399,196</u>	<u>\$ 86,185</u>	<u>\$ 293,444</u>	<u>\$ 778,825</u>
Balance - July 1, 2017	\$ 399,196	\$ 86,185	\$ 293,444	\$ 778,825
Additional contributions	-	-	90,562	90,562
Investment income	19,070	21,170	-	40,240
Appropriated for operations	(12,112)	(13,920)	-	(26,032)
Balance - June 30, 2018	<u>\$ 406,154</u>	<u>\$ 93,435</u>	<u>\$ 384,006</u>	<u>\$ 883,595</u>

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

6) LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
National Bank of Middlebury - mortgage note payable in monthly installments of \$1,048, including interest at an annual rate of 6.5%, collateralized by the building with a maturity date of June 30, 2030	\$ 104,031	\$ 109,117
Less current portion	(6,100)	(5,700)
	<u>\$ 97,931</u>	<u>\$ 103,417</u>

Future maturities of long-term debt for the years ending June 30 are as follows:

2019	\$ 6,100
2020	6,500
2021	7,000
2022	7,400
2023	7,900
Thereafter	<u>69,131</u>
	<u>\$ 104,031</u>

7) SPLIT-INTEREST AGREEMENT

In 2003, United Way of Addison County, Inc. received a donation to establish a charitable gift annuity. Under the terms of the agreement, the beneficiary is to receive quarterly annuity payments of \$222 throughout the beneficiary's life. The net present values of the annuity payable were \$4,851 and \$5,428 as of June 30, 2018 and 2017, respectively.

8) OPERATING LEASE

In May 2017, the Organization entered into a five-year, noncancellable operating lease for a photocopier. The terms of the lease call for monthly payments of \$298 through April 2022. The total remaining operating lease payments for the years ending June 30 are as follows:

2019	\$ 3,600
2020	3,600
2021	3,600
2022	<u>3,000</u>
	<u>\$ 13,800</u>

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

9) NET ASSETS

United Way of Addison County, Inc.'s net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Board-designated:		
Endowment fund	\$ 406,154	\$ 399,196
Special Operations fund	253,625	260,113
Building reserve	34,252	33,243
Net investment in property and equipment	97,765	99,125
Subtotal - board-designated	<u>791,796</u>	<u>791,677</u>
Undesignated	<u>208,086</u>	<u>208,658</u>
	<u>\$ 999,882</u>	<u>\$ 1,000,335</u>
 Temporarily restricted:		
Funder's Collaborative	\$ 401	\$ 401
Charitable gift annuity	7,762	7,762
Unappropriated endowment earnings	43,771	40,788
Unappropriated endowment earnings - VCF	<u>49,664</u>	<u>45,397</u>
	<u>\$ 101,598</u>	<u>\$ 94,348</u>
 Permanently restricted:		
Donor-restricted endowment	\$ 249,060	\$ 158,498
Beneficial interest in Vermont Community Foundation	<u>134,946</u>	<u>134,946</u>
	<u>\$ 384,006</u>	<u>\$ 293,444</u>

10) EMPLOYEE BENEFIT PLAN

United Way of Addison County, Inc. sponsors a SIMPLE retirement plan under which the Organization matches each eligible employee's contributions up to 3% of the employee's salary. Total employer contributions were \$5,434 and \$4,507 for the years ended June 30, 2018 and 2017, respectively.

UNITED WAY OF ADDISON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

11) CUSTODIAL ACCOUNTS - FISCAL AGENT FUNDS

The Organization is acting as a fiscal agent for several projects. Balances consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Addison County Readers	\$ 48,499	\$ 43,252
Addison County Foster Fund	3,798	3,100
Addison County Field Services Fund	-	2,761
	<u>\$ 52,297</u>	<u>\$ 49,113</u>

Addison County Readers - an early literacy program that makes age appropriate books available to all children in Addison County aged 0 - 5 through the Dolly Parton Imagination Library program.

Addison County Foster Fund - a fund for summer camp and extracurricular activities for children and youth in the foster care system.

Addison County Field Services Fund - a fund used to meet basic needs of Addison County residents who are working directly with the Agency of Human Services. This fund became a United Ways of Addison County program in the year ended June 30, 2018.

In fiscal year 2017, Addison County Readers moved some of their funds to a beneficial interest account with the Vermont Community Foundation. The balances in the beneficial interest account were \$29,282 and \$27,395 at June 30, 2018 and 2017, respectively.

12) CHILD CARE CONSORTIUM

United Way of Addison County, Inc. entered into a Memorandum of Understanding (MOU) on June 22, 2000 between Middlebury College and the Child Care Consortium (Bristol Family Center, Inc., Otter Creek Child Center, Inc., and Mary Johnson Children's Center), wherein the Organization will receive annual grants from Middlebury College on the first business day in July each year, and distribute the funds in equal quarterly installments to the MOU Project Operator. For the period September 1, 2017 through August 31, 2018, the grant amount and distribution was \$360,148. For the period September 1, 2016 through August 31, 2017, the grant amount and distribution was \$353,086.

13) SUBSEQUENT EVENTS

United Way of Addison County, Inc. has evaluated events and transactions for potential recognition or disclosure through October 19, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ADDISON COUNTY, INC.

SCHEDULE OF FISCAL AGENT ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2018

	Addison County Readers	Addison County Foster Fund	Total Fiscal Agent Activity
SUPPORT AND REVENUE			
Contributions	\$ 8,094	\$ 1,622	\$ 9,716
Events	678	-	678
Grants	23,018	-	23,018
In-kind donations	1,500	-	1,500
Program revenue	-	325	325
Investment income	2,382	-	2,382
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	35,672	1,947	37,619
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program supplies	27,638	510	28,148
Community investment	-	494	494
Professional fees	2,000	141	2,141
Bank charges	516	-	516
Rent	-	99	99
Office expenses	271	-	271
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	30,425	1,244	31,669
	<hr/>	<hr/>	<hr/>
NET INCOME	\$ 5,247	\$ 703	\$ 5,950
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See accompanying notes.