Orange County United Way

Orange County's United Way
Financial Statements
As of and For the Years Ended
June 30, 2018 and 2017

Orange County's United Way

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Independent Auditor's Report

The Board of Directors
Orange County's United Way
Irvine, California

We have audited the accompanying financial statements of Orange County's United Way (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2017 financial statements and, in our report dated October 20, 2017, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Orange County's United Way as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 30, 2018

Financial Statements

Orange County's United Way

Statements of Financial Position
June 30, 2018 (with comparative totals for 2017)

	June 30, 2018			June 30, 2017
	Unrestricted	Permanently Restricted	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 2,936,540	$ -	$ 2,936,540	$ 2,330,003
Pledges receivable, net of allowance for uncollectible pledges of $611,911 and $668,434, respectively	5,118,953	133,332	5,252,285	5,671,489
Other current assets	44,316	-	44,316	44,186
Total current assets	8,099,809	133,332	8,233,141	8,045,678
Restricted cash	-	33,720	33,720	25,933
Pledges receivable, net of current	-	57,983	57,983	366,232
Investments	13,750,579	4,438,791	18,189,370	18,808,263
Property and equipment, net	1,339,746	-	1,339,746	1,366,091
Total assets	$ 23,190,134	$ 4,663,826	$ 27,853,960	$ 28,612,197
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 217,195	$ -	$ 217,195	$ 196,298
Capital lease, current	9,107	-	9,107	9,052
Program grants payable to community organizations	3,137,817	-	3,137,817	3,974,415
Designations payable	2,729,172	-	2,729,172	3,095,382
Total current liabilities	6,093,291	-	6,093,291	7,275,147
Capital lease, non-current	-	-	-	9,107
Designations payable, non-current	209,682	-	209,682	368,599
Other long term liabilities	-	-	-	3,087
Total liabilities	6,302,973	-	6,302,973	7,655,940
Net assets:				
Unrestricted	16,887,161	-	16,887,161	16,300,848
Temporarily restricted	-	-	-	-
Permanently restricted	-	4,663,826	4,663,826	4,655,409
Total net assets	16,887,161	4,663,826	21,550,987	20,956,257
Total liabilities and net assets	$ 23,190,134	$ 4,663,826	$ 27,853,960	$ 28,612,197

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Activities and Changes in Net Assets
For the year ended June 30, 2018 (with comparative totals for 2017)

	Year Ended June 30, 2018			Year Ended June 30, 2017
	Unrestricted	Permanently Restricted	Total	Total
Revenues and other support				
Campaign revenue				
Annual campaign	$ 15,609,484	$ -	$ 15,609,484	$ 16,694,033
Endowment	296,942	-	296,942	57,755
Less: provision for uncollectible pledges	(398,045)	-	(398,045)	(342,124)
Discount for multi-year pledges, net	-	8,417	8,417	11,500
Less: donor designations	(6,774,112)	-	(6,774,112)	(7,827,374)
Net campaign revenue	8,734,269	8,417	8,742,686	8,593,790
Interest, other income, realized and unrealized gains (losses) on investments, net	1,299,429	-	1,299,429	1,769,678
Other contributions and designation adjustments	56,758	-	56,758	17,345
Donor designation fees	23,428	-	23,428	28,137
Total net revenues and other support	10,113,884	8,417	10,122,301	10,408,950
Program services and support services				
Program services:				
Community allocations, net	1,689,951	-	1,689,951	2,757,197
Community services expenses	2,346,494	-	2,346,494	2,258,136
Grants and initiatives	2,300,475	-	2,300,475	2,114,092
Total program services	6,336,920	-	6,336,920	7,129,425
Support services:				
Fundraising	1,891,358	-	1,891,358	1,703,296
Organizational administration	898,300	-	898,300	946,544
Marketing	400,993	-	400,993	368,839
Total support services	3,190,651	-	3,190,651	3,018,679
Total program services and support services	9,527,571	-	9,527,571	10,148,104
Change in net assets	586,313	8,417	594,730	260,846
Net assets, beginning of year	16,300,848	4,655,409	20,956,257	20,695,411
Net assets, end of year	$ 16,887,161	$ 4,663,826	$ 21,550,987	$ 20,956,257

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Functional Expenses
For the year ended June 30, 2018 (with comparative totals for 2017)

	Program Services				Support Services				
	Community Allocations and Services Expenses	**Grants and Initiatives**	**2018 Total Program Services**	2017 Total Program Services	**Fundraising**	**Organizational Administration**	**Marketing**	**2018 Total Support Services**	2017 Total Support Services
Community allocations	$ 1,689,951	$	$ 1,689,951	$ 2,757,197	$ -	$ -	$ -	$ -	$ -
Grants and initiatives	-	1,900,615	1,900,615	1,757,428	-	-	-	-	-
Salaries, benefits and related expenses	1,887,467	399,860	2,287,327	2,138,450	1,433,152	489,872	190,386	2,113,410	1,965,080
Printing, supplies and publications	108,811	-	108,811	103,686	10,336	2,310	108,610	121,256	125,696
Professional services	134,694	-	134,694	126,249	199,989	160,984	100,868	461,841	411,909
Office supplies and recognition	13,022	-	13,022	13,769	13,868	13,947	174	27,989	30,385
Conferences, training and travel	9,682	-	9,682	14,501	41,406	10,046	780	52,232	34,539
Equipment rental and maintenance	25,612	-	25,612	25,293	25,612	26,389	-	52,001	51,352
Telephone	6,185	-	6,185	5,252	6,185	6,373	-	12,558	10,663
Postage	1,457	-	1,457	2,318	1,719	1,516	-	3,235	5,052
Utilities and building maintenance	49,515	-	49,515	51,448	49,515	52,392	-	101,907	105,017
Other	2,841	-	2,841	8,537	2,368	24,014	175	26,557	24,596
UWA National and State dues	60,700	-	60,700	69,266	60,700	62,539	-	123,239	140,631
Depreciation	46,508	-	46,508	56,031	46,508	47,918	-	94,426	113,759
Total	$ 4,036,445	$ 2,300,475	$ 6,336,920	$ 7,129,425	$ 1,891,358	$ 898,300	$ 400,993	$ 3,190,651	$ 3,018,679

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Cash Flows

Years ended June 30,	**2018**	2017
Cash flows from operating activities		
Change in net assets	**$ 594,730**	$ 260,846
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation	**140,934**	169,790
Unrealized gain on investments	**(225,729)**	(1,217,973)
Provision for uncollectible pledges	**398,045**	342,124
Amortization of discounts for multi-year pledges	**(8,417)**	(11,500)
Changes in assets and liabilities:		
Pledges receivable	**337,825**	(386,859)
Other current assets	**(130)**	6,137
Pledges receivable, restricted	**-**	295,162
Accounts payable, accrued expenses, and other liabilities	**17,810**	(33,211)
Program grants payable to community organizations	**(836,598)**	881,465
Designations payable	**(525,127)**	9,522
Net cash and cash equivalents provided (used in) by operating activities	**(106,657)**	315,503
Cash flows from investing activities		
Sale (purchase) of investments, net	**844,622**	(1,814,907)
Purchase of property and equipment	**(114,589)**	(242,001)
Change in restricted cash	**(7,787)**	69,466
Net cash and cash equivalents provided by (used in) investing activities	**722,246**	(1,987,442)
Cash flows from financing activities		
Repayments of capital leases	**(9,052)**	(7,558)
Net cash and cash equivalents used in financing activities	**(9,052)**	(7,558)
Net increase (decrease) in cash and cash equivalents	**606,537**	(1,679,497)
Cash and cash equivalents, beginning of year	**2,330,003**	4,009,500
Cash and cash equivalents, end of year	**$ 2,936,540**	$ 2,330,003
Supplemental disclosures of cash flow information		
Interest paid	**$ 1,842**	$ 2,000

See independent auditor's report and accompanying notes to financial statements.

1. Summary of Accounting Policies

Organization

Orange County's United Way (the "United Way" or "Organization") is an incorporated not-for-profit organization that administers an annual fund raising campaign in Orange County, California and uses those funds to support a variety of human services programs in Orange County. It is the Organization's goal to create a stronger community where everyone has access to a quality education, a sustainable income, better health and stable housing – the building blocks for a good life. Orange County's United Way fights for the education, health, housing and financial stability of every person in Orange County.

Tax Status

The Organization is exempt from income taxes to the extent provided under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization follows the provisions of Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"), surrounding accounting for uncertain income tax positions. ASC 740 prescribes a recognition threshold and measurement of tax positions taken or expected to be taken in income tax returns. ASC 740 also provides guidance on accounting for interest and penalties associated with tax positions. The Organization reports interest and penalties, if any, related to income tax matters within organization administration support services in the statements of activities and changes in net assets.

Basis of Accounting

The United Way follows the accounting provisions prescribed by ASC No. 958, Not-for-Profit Entities ("ASC 958"). ASC 958 requires, among other things, the recognition of contributions received at fair value, including unconditional promises to give, in the period received. ASC 958 establishes standards for general purpose external financial statements. Focusing on the entity as a whole, ASC 958 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets and a statement of cash flows and that net assets and changes in net assets be classified as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available to support United Way's activities and operations at the discretion of the Organization with oversight by the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that require the principal be maintained in perpetuity and only the income from the investment be expended for purposes specified by the donor, if applicable.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as being released between the applicable classes of net assets.

The financial statements include prior year summarized comparative information in total, but not by the classifications required by ASC 958. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

Subclassifications of Revenues and Support

Donor-Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support.

Donors may designate their contribution to specific United Way affiliated and nonaffiliated agencies. Nonaffiliated agencies are required to provide United Way with documentation of tax-exempt status. Donor designations to specific agencies are reduced from revenue to arrive at total net revenues and other support in the accompanying statements of activities. Changes in donor designations to specific agencies made subsequent to the close of the fiscal year are reflected as part of net campaign contributions in the following year. Donor advised contributions are recorded as revenue when contributions are pledged, and designation of such contributions to other organizations are recorded as donor designations.

Promises to Give – Donors typically pay total promises to give within a 12 month period. The commencement date of payments will vary among donors. Unconditional promises to give are recorded at their net realizable value. Long-term promises to give are recorded at the present value of estimated future cash flows using an appropriate discount rate. Conditional promises to give are not included as support until such time as the conditions are substantially met and both the timing and the value of the promise are known with reasonable certainty. The United Way provides an allowance for estimated uncollectible pledges at the end of each campaign year based upon historical collection experience and current conditions.

Contributed Property and Equipment – Contributed property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate a time or use restriction, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Services and Materials – Donated services are recorded at estimated fair value at the date of donation only if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated materials meeting such criteria are recorded at estimated fair value as revenue on the date of donation and as an increase to assets, decrease to liabilities, or expense, depending on the benefit received. In the absence of donor-imposed restrictions, contributed materials are recorded as unrestricted revenue.

The Organization did not record any donated property and materials ("in-kind contributions") in the statements of activities and changes in net assets as unrestricted revenues for the years ended June 30, 2018 and 2017. Unrestricted in-kind contributions primarily represent advertising, supplies, office equipment, computer equipment and other miscellaneous donated goods.

A substantial number of volunteers and corporations have donated their time and services to the United Way. No amounts have been reflected in the financial statements for donated services, as no objective basis is available to measure the fair value of these services.

Concentration of Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of pledges receivable, substantially all of which are from individuals, businesses, or nonprofit organizations in Orange County, California and the surrounding areas.

The Organization had no significant concentrations, except relating to the Organization's Endowment Fund (see Note 4) and the Organization's multi-year pledge receivable balances, which are included in pledges receivable on the accompanying statement of financial position. Concentration of the Endowment Fund pledges receivable and multi-year pledges receivable at June 30, 2018, was as follows:

	Endowment Pledge Receivable Balance			Multi-year Pledge Receivable Balance		
Donor 1	$	199,998	100%	$	-	0%
Donor 2		-	0%		570,450	72%
Donor 3		-	0%		220,315	28%
Total	$	199,998	100%	$	790,765	*100%

* Approximately 100% of the multi-year pledges receivable balance at June 30, 2018, has been designated by the donors and is included in designations payable on the accompanying statement of financial position.

As of June 30, 2018, only $250,000 per depositor per institution of non-interest bearing cash balances was fully insured under the FDIC Deposit Insurance Coverage.

Pledges Receivable

Pledges receivable are typically due within 12 months from the date of pledge. Multi-year pledges received by the Organization are discounted based on the terms of the pledge and an appropriate discount rate, if applicable (see Note 5). The Organization has recorded an allowance for uncollectible pledges based on historic experience and current conditions. The Organization recorded $398,045 and $342,124 in provisions for uncollectible pledges for the years ended June 30, 2018 and 2017, respectively.

Program Services

Allocations of funds by the Organization for program services relate to community investments, grants and initiatives and community services and are recorded as program grants payable and program services expense when the Organization has committed to an obligation.

Designations Payable

Designations consist of pledges by donors that are designated to specific agencies at the time of pledge. Designations payable are recorded at the time the related pledge is received and reflected in net campaign revenue. Amounts are remitted to the beneficiary agencies as the related pledges are received from the donors.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities are reported at fair value on the statements of financial position, with gains and losses included in the statements of activities and changes in net assets. Fair value is determined based on quoted market prices. Net unrealized gains on investments of $225,729 and $1,217,973 are included in interest, other income, realized and unrealized gains (losses) on investments, net in the statements of activities and changes in net assets for the years ended June 30, 2018 and 2017, respectively.

The Organization's investments consist of equity, fixed-income and other investment securities (see Note 2). Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the changes in risks in the near term could materially affect the investment amounts reported in the financial statements.

Property and Equipment, net

Equipment and furniture and fixtures are stated at cost (or, if donated, estimated fair value on the date of donation) and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 10 years. Building and improvements are stated at cost and depreciated using the straight-line method over their estimated useful lives, generally ranging from 10 to 25 years.

Long-Lived Assets and Non-Current Financial Instruments

Long lived assets and non-current financial instruments consist of property and equipment, investments, multi-year pledges receivable and restricted cash. Long-lived assets to be held and used are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. The Organization regularly reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset, the Organization recognizes an impairment loss equal to the difference between the carrying amount and the fair value of the asset. As of June 30, 2018 and 2017, management determined that no impairment of long-lived assets existed.

Cash and Cash Equivalents

The Organization considers all highly liquid investments that are readily convertible to known amounts of cash and that have an original maturity of three months or less when purchased, to be cash equivalents. As of June 30, 2018 and 2017, cash and cash equivalents consisted primarily of money market funds and deposits with three financial institutions. Cash and cash equivalents are held at a limited number of financial institutions, and may, at times, exceed insurable amounts. The Organization believes it mitigates its risks by maintaining cash in or through financial institutions with high credit ratings. Recoverability is dependent upon the performances of the financial institutions. Nonperformance by these institutions could expose the Organization to losses for amounts in excess of insured balances. The Organization has not experienced, nor does it anticipate, nonperformance by these institutions.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization determines the fair value of financial assets and liabilities based on the fair value hierarchy described above, which prioritizes the inputs to valuation techniques used to measure fair value into the three levels. The Organization's financial instruments consist of cash, restricted cash, pledges receivable, discounted long-term pledges receivable, and payables. These instruments are reflected in the consolidated balance sheet at carrying value. The Organization's financial instruments also consist of investments which are recorded at fair value based upon Level I inputs.

The following table reflects the Organization's assets required to be measured at fair value on a recurring basis on the statements of financial position:

	June 30, 2018		
	Fair Value Measurement Using		
	Level 1	**Level 2**	**Level 3**
Investments – unrestricted (see Note 2)	**$ 13,750,579**	**$ -**	**$ -**
Investments – restricted (see Note 2)	**4,438,791**	**-**	**-**
	$ 18,189,370	**$ -**	**$ -**

	June 30, 2017		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments – unrestricted (see Note 2)	$ 14,361,685	$ -	$ -
Investments – restricted (see Note 2)	4,446,578	-	-
	$ 18,808,263	$ -	$ -

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 materially differ from those estimates.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to conform to current year presentation. The reclassifications had no effect on the reported results of operations or financial position of the Organization.

Recent Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is aimed to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. In addition, the ASU requires investment return to be presented net of all related external and direct internal expenses and introduces a requirement to present expenses by nature and function, as well as an analysis of these expenses in a single location. ASU 2016-14 also requires additional disclosures regarding qualitative information on how a nonprofit entity manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date and quantitative information that communicates the availability of a nonprofit's financial assets to meet cash needs for general expenditures within one year of the balance sheet date. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating this standard and the impact on its financial statements and disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit entities (Topic 958): Clarifying the scope and the accounting guidance for contributions received and contributions made.* ASU 2018-08 clarifies the accounting guidance for making or receiving contributions. This primarily affects not-for-profit (NFP) entities, although it also applies to businesses. The ASU provides a framework for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance. The new guidance will likely result in more grants and contracts being accounted for as either contributions or conditional contributions (the ASU addresses how to make this distinction) rather than exchange transactions compared to current practice. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, for contributions received and after December 15, 2019, for contributions made.

Subsequent Events

The Organization has evaluated all subsequent events that occurred after the statement of financial position date through October 30, 2018, which represents the date the financial statements were available to be issued.

2. Investments

The following information is presented by class of investments based on nature and risk of the underlying investments.

Unrestricted investments consist of the following at June 30:

	2018	2017
Fixed income securities – Bond funds	$ 4,125,174	$ 4,164,889
Equity securities – Large cap mutual funds	9,625,405	10,196,796
Total	$ 13,750,579	$ 14,361,685

Permanently restricted investments consist of the following at June 30:

	2018	2017
Fixed income securities – Bond funds	$ 1,331,637	$ 1,289,508
Equity securities – Corporate stocks	3,107,154	3,157,070
Total	$ 4,438,791	$ 4,446,578

3. Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Land	$ 722,039	$ 722,039
Building	2,089,639	2,089,639
Building improvements	1,681,722	1,681,722
Furniture and equipment	1,539,532	1,424,944
	6,032,932	5,918,344
Less: accumulated depreciation	(4,693,186)	(4,552,253)
Property and equipment, net	$ 1,339,746	$ 1,366,091

Depreciation expense, including assets under capital lease, totaled $140,934 and $169,790 for the years ended June 30, 2018 and 2017, respectively.

4. Endowment Fund

The Organization has established an Endowment Fund which operates under the Endowment Guidelines established and approved by the Board of Directors ("Board"). The principle objective of the Endowment Fund is to provide a source of income to help fund the Organization's operational costs, thereby providing some protection against fluctuations in annual campaign revenue and maximizing the amount of resources focused on the community's most critical issues. The

Endowment Fund consists of three components: the General Endowment Fund (for endowed contributions without a specific purpose restriction), the Donor-Restricted Endowment (for endowed contributions with a donor imposed purpose restriction), and the Board Investment Endowment Fund (for Board-designated or quasi-endowments).

The balance in the Endowment Fund as of June 30, 2018 and 2017, totaled $15,285,384 and $14,739,862, respectively, which is comprised of the following:

June 30,	**2018**	2017
General Endowment Fund - restricted	**$ 4,472,511**	$ 4,472,511
Board Investment Endowment Fund - unrestricted	**10,812,873**	10,267,351
Total Endowment Fund	**$ 15,285,384**	$ 14,739,862

For the years ended June 30, 2018 and 2017, the Organization received $296,942 and $57,755, respectively, in pledges representing unconditional promises to its Endowment Fund, of which $296,942 and $50,879, respectively, was appropriated to the Board Investment Endowment Fund. Endowment Fund contributions subject to donor imposed stipulations that require the principal be maintained in perpetuity are considered permanently restricted net assets of the Organization and only the income from the investment is unrestricted. Board designated Endowment Fund appropriations are considered unrestricted net assets of the Organization. The Board had previously determined that it would not appropriate for expenditure of any amount from the Endowment Fund until the Endowment Fund reached $10 million, which occurred in 2017. In February 2017, the Board adopted a revised Endowment Fund Policy Statement which now requires the earnings of the Endowment Fund to be allocated to the Board Investment Endowment Fund – unrestricted rather than to the General Endowment Fund – restricted.

Some of the previous pledges received are multi-year pledges containing original payment terms ranging over a period of four to ten years (see Note 5). The multi-year pledges were discounted at the date of pledge, using rates averaging 4.6%. Amortization, net of additional discounts recorded, totaled $8,417 and $10,980 for the years ending June 30, 2018 and 2017, respectively.

5. Pledges Receivable

As of June 30, 2018 and 2017, the Organization has unrestricted multi-year pledges receivable outstanding totaling $790,765 and $1,221,299, respectively, which contain original payment terms ranging over a period of three to ten years.

Unrestricted multi-year pledges consist of the following unconditional promises to give at June 30:

	2018	2017
Unconditional promises to give	**$ 790,765**	$ 1,221,299
Less: unamortized discount	**-**	-
Net unconditional promises to give	**790,765**	1,221,299
Less: current portion	**(790,765)**	(971,299)
	$ -	$ 250,000

Unrestricted multi-year pledges receivable as of June 30, 2018, are committed to be due as follows:

Years ending June 30,		
2019	$	790,765
Total	$	790,765

Permanently restricted multi-year pledges are restricted to the Endowment Fund (see Note 4) and consist of the following unconditional promises to give at June 30:

		2018		2017
Unconditional promises to give	**$**	**199,985**	$	199,985
Less: unamortized discount		**(8,670)**		(17,087)
Net unconditional promises to give		**191,315**		182,898
Less: current portion		**(133,332)**		(66,666)
	$	**57,983**	$	116,232

Endowment Fund multi-year pledges receivable as of June 30, 2018 are committed to be due as follows:

Years ending June 30,		
2019	$	133,332
2020		66,653
Total	$	199,985

6. Net Assets

Net assets consist of the following at June 30:

		2018		2017
Unrestricted				
Appropriated – initiatives	**$**	**606,786**	$	470,001
Appropriated – capital replacement fund		**416,736**		390,391
Appropriated – property and equipment		**1,339,746**		1,366,091
Appropriated – Board Investment Endowment Fund		**10,812,873**		10,267,351
Unappropriated		**3,711,020**		3,807,014
Total unrestricted		**16,887,161**		16,300,848
Temporarily restricted		**-**		-
Permanently restricted		**4,663,826**		4,655,409
Total	**$**	**21,550,987**	$	20,956,257

The Board has appropriated a portion of the current unrestricted net assets as a stabilization reserve to ensure that program services and operations can be maintained for a period of time in the event of emergencies or economic downturns. In September 2015, the Board approved combining the stabilization fund with the Board Investment Endowment Fund. As of June 30, 2018, the targeted stabilization reserve level is an amount equal to three months of estimated community allocations plus three months of estimated operating costs. As of June 30, 2018 and 2017, the stabilization reserve that is combined in the Board Investment Endowment Fund amounts to $2,568,430 and $2,615,785, respectively.

7. Retirement Plan

The Organization sponsors a defined-contribution 403(b) retirement plan, which covers substantially all employees. There is an employer matching contribution equal to 50% of the first 6% of the employee contribution, up to the Internal Revenue Service legal limits. The Organization's contributions to the defined-contribution retirement plan were $31,877 and $41,140 for the fiscal years ended June 30, 2018 and 2017, respectively.

8. Commitments and Contingencies

The Organization is obligated under noncancelable capital and operating leases for various types of equipment. Future minimum annual lease payments at June 30, 2018, are as follows:

Years ending June 30,	Capital Lease	Operating Leases
2019	$ 9,558	$ 3,500
Total minimum lease payments	9,558	$ 3,500
Less: amounts representing interest	(451)	
	9,107	
Less: current portion	(9,107)	
	$ -	

Rental expense of $20,804 and $20,392 was incurred for the years ended June 30, 2018 and 2017, respectively, and was included in program services and support services in the accompanying statement of activities and change in net assets.

As of June 30, 2018 and 2017, the cost of equipment financed under capital leases amounted to $41,118, respectively, and related accumulated amortization amounted to $33,587 and $25,356, respectively. The cost of equipment financed under capital leases and related accumulated amortization was included in program services and support services in the accompanying statement of activities and change in net assets. The capital lease has an interest rate of 9.8%.

Legal Proceedings

The Organization currently has no lawsuits, actions, or other legal proceedings pending claims that would have a material impact on the statement of financial condition. However, the Organization could, from time to time, be involved in litigation proceedings arising out of its normal course of business.