Orange County United Way

Financial Statements

As of and For the Years Ended
June 30, 2019 and 2018

Orange County's United Way

Contents

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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, 2019, 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 2018 financial statements and, in our report dated October 30, 2018, 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, 2019, 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 16, 2019

Financial Statements

Orange County's United Way

Statements of Financial Position
June 30, 2019 (with comparative totals for 2018)

	June 30, 2019			June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 2,130,593	$ -	$ 2,130,593	$ 2,936,540
Pledges receivable, net of allowance for uncollectible pledges of $758,521 and $611,911, respectively	6,586,924	66,666	6,653,590	5,252,285
Other current assets	23,402	-	23,402	44,316
Total current assets	8,740,919	66,666	8,807,585	8,233,141
Restricted cash	-	-	-	33,720
Pledges receivable, net of current	-	63,719	63,719	57,983
Receivables under trust agreements	65,563	-	65,563	-
Investments	12,600,470	4,539,178	17,139,648	18,189,370
Property and equipment, net	1,366,296	-	1,366,296	1,339,746
Total assets	$ 22,773,248	$ 4,669,563	$ 27,442,811	$ 27,853,960
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 212,403	$ -	$ 212,403	$ 217,195
Capital lease, current	-	-	-	9,107
Program grants payable to community organizations	744,076	-	744,076	3,137,817
Designations payable	2,255,485	-	2,255,485	2,729,172
Total current liabilities	3,211,964	-	3,211,964	6,093,291
Designations payable, non-current	238,882	-	238,882	209,682
Total liabilities	3,450,846	-	3,450,846	6,302,973
Net assets:				
Without Donor Restrictions	19,322,402	-	19,322,402	16,887,161
With Donor Restrictions	-	4,669,563	4,669,563	4,663,826
Total net assets	19,322,402	4,669,563	23,991,965	21,550,987
Total liabilities and net assets	$ 22,773,248	$ 4,669,563	$ 27,442,811	$ 27,853,960

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, 2019 (with comparative totals for 2018)

	Year Ended June 30, 2019			Year Ended June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Campaign revenue				
Annual campaign	$ 18,083,468	$ -	$ 18,083,468	$ 15,609,484
Endowment	93,227	-	93,227	296,942
Less: provision for uncollectible pledges	(604,510)	-	(604,510)	(398,045)
Discount for multi-year pledges, net	-	5,737	5,737	8,417
Less: donor designations	(6,270,785)	-	(6,270,785)	(6,774,112)
Net campaign revenue	11,301,400	5,737	11,307,137	8,742,686
Interest, other income, realized and unrealized gains on investments and receivables under trust agreements, net	483,223	-	483,223	1,299,429
Other contributions and designation adjustments	134,019	-	134,019	56,758
Donor designation fees	20,362	-	20,362	23,428
Total net revenues and other support	11,939,004	5,737	11,944,741	10,122,301
Program services and support services				
Program services:				
Community allocations, net	582,856	-	582,856	1,689,951
Community services expenses	2,557,142	-	2,557,142	2,346,494
Grants and initiatives	2,976,107	-	2,976,107	2,300,475
Total program services	6,116,105	-	6,116,105	6,336,920
Support services:				
Fundraising	1,806,751	-	1,806,751	1,891,358
Organizational administration	978,667	-	978,667	898,300
Marketing	602,240	-	602,240	400,993
Total support services	3,387,658	-	3,387,658	3,190,651
Total program services and support services	9,503,763	-	9,503,763	9,527,571
Change in net assets	2,435,241	5,737	2,440,978	594,730
Net assets, beginning of year	16,887,161	4,663,826	21,550,987	20,956,257
Net assets, end of year	$ 19,322,402	$ 4,669,563	$ 23,991,965	$ 21,550,987

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, 2019 (with comparative totals for 2018)

	Program Services				Support Services				
	Community Allocations and Services Expenses	**Grants and Initiatives**	**2019 Total Program Services**	2018 Total Program Services	**Fundraising**	**Organizational Administration**	**Marketing**	**2019 Total Support Services**	2018 Total Support Services
Community allocations	**$ 582,856**	**$ -**	**$ 582,856**	$ 1,689,951	**$ -**	**$ -**	**$ -**	**$ -**	$ -
Grants and initiatives	**-**	**2,398,495**	**2,398,495**	1,900,615	**-**	**-**	**-**	**-**	-
Salaries, benefits and related expenses	**1,934,089**	**577,612**	**2,511,701**	2,287,327	**1,467,665**	**520,445**	**247,155**	**2,235,265**	2,113,410
Printing, supplies and publications	**191,023**	**-**	**191,023**	108,811	**16,041**	**2,190**	**191,650**	**209,881**	121,256
Professional services	**203,241**	**-**	**203,241**	134,694	**92,541**	**179,542**	**159,977**	**432,060**	461,841
Office supplies and recognition	**13,276**	**-**	**13,276**	13,022	**14,193**	**14,842**	**336**	**29,371**	27,989
Conferences, training and travel	**15,746**	**-**	**15,746**	9,682	**24,404**	**42,043**	**1,034**	**67,481**	52,232
Equipment rental and maintenance	**27,130**	**-**	**27,130**	25,612	**27,130**	**27,952**	**-**	**55,082**	52,001
Telephone	**6,413**	**-**	**6,413**	6,185	**6,413**	**6,607**	**-**	**13,020**	12,558
Postage	**1,944**	**-**	**1,944**	1,457	**2,190**	**2,003**	**1,800**	**5,993**	3,235
Utilities and building maintenance	**49,932**	**-**	**49,932**	49,515	**49,932**	**53,146**	**-**	**103,078**	101,907
Other	**9,491**	**-**	**9,491**	2,841	**1,386**	**21,863**	**288**	**23,537**	26,557
UWA National and State dues	**52,882**	**-**	**52,882**	60,700	**52,882**	**54,485**	**-**	**107,367**	123,239
Depreciation	**51,975**	**-**	**51,975**	46,508	**51,974**	**53,549**	**-**	**105,523**	94,426
Total	**$ 3,139,998**	**$ 2,976,107**	**$ 6,116,105**	$ 6,336,920	**$ 1,806,751**	**$ 978,667**	**$ 602,240**	**$ 3,387,658**	$ 3,190,651

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

Orange County's United Way

Statements of Cash Flows
For the year ended June 30, 2019 (with comparative totals for 2018)

Years ended June 30,	**2019**	2018
Cash flows from operating activities		
Change in net assets	**$ 2,440,978**	$ 594,730
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	**157,498**	140,934
Unrealized gain on investments	**(210,900)**	(225,729)
Contributions from charitable remainder trust	**(80,089)**	-
Unrealized loss on receivable under trust agreements	**14,526**	-
Provision for uncollectible pledges	**604,510**	398,045
Amortization of discounts for multi-year pledges	**(5,737)**	(8,417)
Changes in assets and liabilities:		
Pledges receivable	**(2,005,814)**	337,825
Other current assets	**20,914**	(130)
Accounts payable, accrued expenses, and other liabilities	**(4,792)**	17,810
Program grants payable to community organizations	**(2,393,741)**	(836,598)
Designations payable	**(444,487)**	(525,127)
Net cash and cash equivalents used in operating activities	**(1,907,134)**	(106,657)
Cash flows from investing activities		
Sale of investments, net	**1,260,622**	844,622
Purchase of property and equipment	**(184,048)**	(114,589)
Change in restricted cash	**33,720**	(7,787)
Net cash and cash equivalents provided by investing activities	**1,110,294**	722,246
Cash flows from financing activities		
Repayments of capital leases	**(9,107)**	(9,052)
Net cash and cash equivalents used in financing activities	**(9,107)**	(9,052)
Net (decrease) increase in cash and cash equivalents	**(805,947)**	606,537
Cash and cash equivalents, beginning of year	**2,936,540**	2,330,003
Cash and cash equivalents, end of year	**$ 2,130,593**	$ 2,936,540
Supplemental disclosures of cash flow information		
Interest paid	**$ -**	$ 1,842

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 every person receives a quality education, is financially stable, is healthy and thriving, and has a place to call home.

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, statement of functional expenses, statement of cashflows, and that net assets and changes in net assets be classified and reported Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. 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.

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

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 donor 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 contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded without donor restrictions.

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 contributions without donor restrictions.

The Organization did not record any donated property and materials ("in-kind contributions") in the statements of activities and changes in net assets as revenues without donor restrictions for the years ended June 30, 2019 and 2018. In-kind contributions without donor restrictions 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, 2019, was as follows:

	Endowment Pledge Receivable Balance		Multi-year Pledge Receivable Balance	
Donor 1	$ 133,318	100%	$ -	0%
Donor 2	-	0%	195,450	50%
Donor 3	-	0%	196,315	50%
Total	$ 133,318	100%	$ 391,765	*100%

* Approximately 100% of the multi-year pledges receivable balance at June 30, 2019, has been designated by the donors and is included in designations payable on the accompanying statement of financial position.

As of June 30, 2019, 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 $604,510 and $398,045 in provisions for uncollectible pledges for the years ended June 30, 2019 and 2018, 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 $210,900 and $225,729 are included in interest, other income, realized and unrealized gains on investments, net in the statements of activities and changes in net assets for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, cash and cash equivalents consisted primarily of money market funds and deposits with two 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 statements of financial position at carrying value. The Organization's financial instruments also consist of investments which are recorded at fair value based upon Level I inputs.

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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, 2019		
	Fair Value Measurement Using		
	Level 1	**Level 2**	**Level 3**
Investments – without donor restrictions (see Note 2)	**$ 12,600,470**	**$ -**	**$ -**
Investments – with donor restrictions (see Note 2)	**4,539,178**	**-**	**-**
	$ 17,139,648	**$ -**	**$ -**

	June 30, 2018		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments – without donor restrictions (see Note 2)	$ 13,750,579	$ -	$ -
Investments – with donor restrictions (see Note 2)	4,438,791	-	-
	$ 18,189,370	$ -	$ -

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.

Newly Adopted Accounting Pronouncements

The Organization adopted Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The ASU amended the current reporting model for nonprofit organizations and enhances their required disclosures to improve the usefulness of nonprofit financial statements. The major changes included: (a) presenting an analysis of expenses by function and nature with the methods used to allocate costs, (b) presenting investment return net of external and direct expenses, and (c) disclosing quantitative and qualitative information regarding liquidity and availability of resources. This ASU has been applied retrospectively to all periods presented.

Recent Accounting Standards

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. The Organization is currently evaluating this standard and the impact on its financial statements and disclosures.

Subsequent Events

The Organization has evaluated all subsequent events that occurred after the statement of financial position date through October 16, 2019, 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.

Investments without donor restrictions consist of the following at June 30:

	2019	2018
Fixed income securities – Bond funds	**$ 1,698,857**	$ 4,125,174
Equity securities – Large cap mutual funds	**10,901,614**	9,625,405
Total	**$ 12,600,470**	$ 13,750,579

Investments with donor restrictions consist of the following at June 30:

	2019	2018
Fixed income securities – Bond funds	**$ 809,907**	$ 1,331,637
Equity securities – Corporate stocks	**3,729,271**	3,107,154
Total	**$ 4,539,178**	$ 4,438,791

3. Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Land	**$ 722,039**	$ 722,039
Building	**2,089,639**	2,089,639
Building improvements	**1,695,840**	1,681,722
Furniture and equipment	**1,709,463**	1,539,532
	6,216,981	6,032,932
Less: accumulated depreciation	**(4,850,685)**	(4,693,186)
Property and equipment, net	**$ 1,366,296**	$ 1,339,746

Depreciation expense, including assets under capital lease, totaled $157,498 and $140,934 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019 and 2018, the cost of equipment financed under capital leases amounted to $0 and $41,118, respectively, and related accumulated amortization amounted to $0 and $33,587, 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.

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, 2019 and 2018, totaled $15,234,807 and $15,285,384, respectively, which is comprised of the following:

June 30,	**2019**	2018
General Endowment Fund - restricted	**$ 4,539,178**	$ 4,472,511
Board Investment Endowment Fund - unrestricted	**10,695,629**	10,812,873
Total Endowment Fund	**$ 15,234,807**	$ 15,285,384

For the years ended June 30, 2019 and 2018, the Organization received $93,227 and $296,942, respectively, in pledges representing unconditional promises to its Endowment Fund, of which $93,227 and $296,942, 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 $5,737 and $8,417 for the years ending June 30, 2019 and 2018, respectively.

5. Pledges Receivable

As of June 30, 2019 and 2018, the Organization has multi-year pledges receivable without donor restrictions outstanding totaling $391,765 and $790,765, respectively, which contain original payment terms ranging over a period of three to ten years.

Multi-year pledges without donor restrictions consist of the following unconditional promises to give at June 30:

	2019	2018
Unconditional promises to give	**$ 391,765**	$ 790,765
Less: unamortized discount	**-**	-
Net unconditional promises to give	**391,765**	790,765
Less: current portion	**391,765**	(790,765)
	$ -	$ -

Multi-year pledges receivable without donor restrictions as of June 30, 2019, are committed to be due as follows:

Years ending June 30,	
2020	$ 391,765
Total	$ 391,765

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

	2019	2018
Unconditional promises to give	**$ 133,318**	$ 199,985
Less: unamortized discount	**(2,933)**	(8,670)
Net unconditional promises to give	**130,385**	191,315
Less: current portion	**(66,666)**	(133,332)
	$ 63,719	$ 57,983

Endowment Fund multi-year pledges receivable as of June 30, 2019 are committed to be due as follows:

Years ending June 30,	
2020	$ 66,666
2021	66,652
Total	$ 133,318

6. Beneficial Interests in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by the donor and is administered by outside agents designated by the donor. Therefore, the Organization has neither possession nor control over the assets of the trust. At the date the Organization receives notice of a beneficial interest, a contribution without donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities and changes in net assets.

Contributions from the charitable trust for the year ended June 30, 2019 of $80,089 are included in other contributions and designation adjustments on the statements of activities and changes in net assets.

7. Net Assets

Net assets consist of the following at June 30:

	2019	2018
Without Donor Restrictions		
Appropriated – initiatives	**$ 986,902**	$ 606,786
Appropriated – capital replacement fund	**390,186**	416,736
Appropriated – property and equipment	**1,366,296**	1,339,746
Appropriated – Board Investment Endowment Fund	**10,695,629**	10,812,873
Unappropriated	**5,883,389**	3,711,020
Total without donor restrictions	**19,322,402**	16,887,161
With Donor Restrictions	**4,669,563**	4,663,826
Total	**$ 23,991,965**	$ 21,550,987

The Board has appropriated a portion of the current net assets without donor restrictions 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, 2019, 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, 2019 and 2018, the stabilization reserve that is included in the Board Investment Endowment Fund amounts to $2,638,300 and $2,568,430, respectively.

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets, as of the statement of financial position date, reduced by amounts not available for general use because of contractual restrictions such as lock-up periods and portfolio liquidity within one year of the statement of financial position date.

	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents	**$ 2,130,593**	$ 2,936,540
Pledges receivable	**6,586,924**	5,118,953
Investments	**12,600,470**	13,750,579
Financial assets available to meet cash needs for general expenditures within one year	**$ 21,317,987**	$ 21,806,072

9. 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 $49,552 and $31,877 for the fiscal years ended June 30, 2019 and 2018, respectively.

10. Commitments and Contingencies

The Organization is obligated under one noncancelable operating lease for equipment. Future minimum annual lease payments at June 30, 2019, are as follows:

Years ending June 30,	Total
2020	$ 4,415
2021	4,415
2022	4,415
2023	4,415
2024	2,956
Thereafter	-
Total	$ 20,616

Rental expense of $19,058 and $20,804 was incurred for the years ended June 30, 2019 and 2018, respectively, and was included in program services and support services in the accompanying statement of activities and change in net assets.

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.