

United Way of Greater New Haven, Inc.

**Financial Statements
and Independent Auditor's Report**

June 30, 2019

United Way of Greater New Haven, Inc.

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Independent Auditor's Report

Board of Directors
United Way of Greater New Haven, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater New Haven, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Greater New Haven, Inc. as of June 30, 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of United Way of Greater New Haven, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Greater New Haven, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Greater New Haven, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
November 8, 2019

United Way of Greater New Haven, Inc.

**Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)**

	<u>Assets</u>	<u>2019</u>	<u>2018</u>
Assets			
Cash and cash equivalents		\$ 1,571,787	\$ 886,030
Campaign pledges receivable, net		754,351	982,855
Other receivables		-	83,332
Grants receivable		33,109	407,871
Other assets		42,403	40,400
Investments		1,114,316	1,102,591
Property and equipment, net		57,204	64,301
		<hr/>	<hr/>
Total assets		<u>\$ 3,573,170</u>	<u>\$ 3,567,380</u>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Accounts payable		\$ 148,165	\$ 175,881
Line of credit		109,913	149,913
Community Impact and grants payable		-	661,270
Donor directed gifts payable		582,606	599,165
Accrued expenses and other liabilities		82,025	537,811
		<hr/>	<hr/>
Total liabilities		<u>922,709</u>	<u>2,124,040</u>
Net assets			
Without donor restrictions			
Unrestricted		1,430,868	615,988
Board designated for Community Investment		420,000	510,000
Property and equipment		57,204	64,301
With donor restrictions		742,389	253,051
		<hr/>	<hr/>
Total net assets		<u>2,650,461</u>	<u>1,443,340</u>
Total liabilities and net assets		<u>\$ 3,573,170</u>	<u>\$ 3,567,380</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>Public support and revenue</u>				
Campaign amounts raised	\$ 3,341,384	\$ 579,253	\$ 3,920,637	\$ 3,535,609
Less				
Uncollectible pledges	(156,161)	-	(156,161)	(156,236)
Amounts designated by donors	(1,110,031)	-	(1,110,031)	(1,293,258)
Net assets released from restrictions	89,915	(89,915)	-	-
	<u>2,165,107</u>	<u>489,338</u>	<u>2,654,445</u>	<u>2,086,115</u>
Other revenue				
Gifts, bequests, grants and other	873,265		873,265	479,760
Government grants	2,710,035	-	2,710,035	2,703,392
Investment income, net of fees of \$8,317	20,217	-	20,217	17,185
Realized gain on sale of investments	88,677	-	88,677	160,705
Administrative fees on donor directed gifts	37,068	-	37,068	41,895
Special events and sponsorships	40,450	-	40,450	24,263
Miscellaneous income	5,751	-	5,751	169,423
	<u>3,775,463</u>	<u>-</u>	<u>3,775,463</u>	<u>3,596,623</u>
	<u>5,940,570</u>	<u>489,338</u>	<u>6,429,908</u>	<u>5,682,738</u>
<u>Functional Expenses</u>				
Community Impact and program services				
Community support and gross funds distributed	4,114,225	-	4,114,225	3,946,624
Less amounts designated by donors	(1,110,031)	-	(1,110,031)	(1,293,258)
	<u>3,004,194</u>	<u>-</u>	<u>3,004,194</u>	<u>2,653,366</u>
Community Impact (program support)	3,004,194	-	3,004,194	2,653,366
Program services	1,448,291	-	1,448,291	1,125,623
	<u>4,452,485</u>	<u>-</u>	<u>4,452,485</u>	<u>3,778,989</u>
Support services				
Fundraising	466,952	-	466,952	719,947
Management and general	457,634	-	457,634	652,702
	<u>924,586</u>	<u>-</u>	<u>924,586</u>	<u>1,372,649</u>
	<u>5,377,071</u>	<u>-</u>	<u>5,377,071</u>	<u>5,151,638</u>
	563,499	489,338	1,052,837	531,100
Nonoperating revenue and expenses				
Unrealized loss on investments	(53,617)	-	(53,617)	(88,285)
Pension and postretirement benefit change, other than net periodic pension cost	207,901	-	207,901	154,416
	717,783	489,338	1,207,121	597,231
Change in net assets	717,783	489,338	1,207,121	597,231
Net assets, beginning of year	1,190,289	253,051	1,443,340	846,109
Net assets, end of year	<u>\$ 1,908,072</u>	<u>\$ 742,389</u>	<u>\$ 2,650,461</u>	<u>\$ 1,443,340</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,207,121	\$ 597,231
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	11,101	11,938
Uncollectible pledges	156,161	156,236
Unrealized loss on investments	53,617	88,285
Realized gain on sale of investments	(88,677)	(160,705)
Changes in operating assets and liabilities		
Campaign pledges receivable	72,343	14,598
Other receivables	83,332	(1,471)
Grants receivable	374,762	(63,719)
Other assets	(2,003)	1,566
Accounts payable	(27,716)	(11,780)
Community Impact and grants payable	(661,270)	(231,941)
Donor directed gifts payable	(16,559)	44,594
Accrued expenses and other liabilities	<u>(455,786)</u>	<u>(171,458)</u>
Net cash provided by operating activities	<u>706,426</u>	<u>273,374</u>
Cash flows from investing activities		
Purchases of property and equipment, net	(4,004)	-
Purchases of investments	(350,359)	(306,721)
Proceeds from sales of long-term investments	<u>373,694</u>	<u>506,886</u>
Net cash provided by investing activities	<u>19,331</u>	<u>200,165</u>
Cash flows from financing activities		
Net repayments on line of credit	<u>(40,000)</u>	<u>(50,000)</u>
Net cash used in financing activities	<u>(40,000)</u>	<u>(50,000)</u>
Net change in cash and cash equivalents	685,757	423,539
Cash and cash equivalents, beginning	<u>886,030</u>	<u>462,491</u>
Cash and cash equivalents, end	<u>\$ 1,571,787</u>	<u>\$ 886,030</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)**

	Support Services				2019 Total	2018 Total
	Community Impact and program services	Fundraising	Management and general	Total support services		
Community investments						
Community support and gross funds distributed	\$ 4,114,225	\$ -	\$ -	\$ -	\$ 4,114,225	\$ 3,946,624
Less amounts designated by donors	(1,110,031)	-	-	-	(1,110,031)	(1,293,258)
Community Impact (program support)	<u>3,004,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,004,194</u>	<u>2,653,366</u>
Salaries and related benefits						
Salaries and wages	864,506	300,892	227,619	528,511	1,393,017	1,309,536
Employee benefits	102,108	35,492	26,823	62,315	164,423	209,071
Payroll taxes	68,201	23,736	33,808	57,544	125,745	134,508
Subtotal - salaries and related benefits	<u>1,034,815</u>	<u>360,120</u>	<u>288,250</u>	<u>648,370</u>	<u>1,683,185</u>	<u>1,653,115</u>
Other expenses						
Professional fees	56,092	26,197	117,240	143,437	199,529	247,271
Supplies, printing and production	6,922	2,409	1,823	4,232	11,154	51,334
Telephone	15,092	5,253	3,506	8,759	23,851	30,505
Postage and shipping	5,693	1,982	1,499	3,481	9,174	14,434
Occupancy	90,467	25,571	19,343	44,914	135,381	191,447
Equipment rental and maintenance	44,818	15,599	12,268	27,867	72,685	67,207
Printing and publication	36,665	6,267	-	6,267	42,932	61,882
Marketing and new media	87,102	-	-	-	87,102	43,543
Conferences and meetings	7,515	3,651	3,194	6,845	14,360	30,536
Travel	2,443	1,175	680	1,855	4,298	5,947
Awards	2,791	-	-	-	2,791	713
Membership dues	42,714	15,637	11,567	27,204	69,918	73,661
Miscellaneous	8,273	693	(3,550)	(2,857)	5,416	14,739
Depreciation	6,889	2,398	1,814	4,212	11,101	11,938
Subtotal - other expenses	<u>413,476</u>	<u>106,832</u>	<u>169,384</u>	<u>276,216</u>	<u>689,692</u>	<u>845,157</u>
Total functional expenses	<u>\$ 4,452,485</u>	<u>\$ 466,952</u>	<u>\$ 457,634</u>	<u>\$ 924,586</u>	<u>\$ 5,377,071</u>	<u>\$ 5,151,638</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2019

Note 1 - Nature of operations

United Way of Greater New Haven, Inc. ("United Way") is a not-for-profit organization incorporated in 1971 in the State of Connecticut and governed by a volunteer Board of Directors. The mission of United Way is to bring people and organizations together to create solutions to Greater New Haven's most pressing challenges in the areas of education, health, and financial stability. We tackle issues that cannot be solved by any one group working alone.

United Way listens and learns to identify gaps, develops community solutions, activates donors and volunteers, and serves our neighbors in need. United Way has been a presence in Greater New Haven for almost 100 years.

United Way fundraising campaigns are conducted throughout the year to raise money and support for our community investment in health, education, and financial stability programs.

United Way receives a majority of its contributions in the greater New Haven region, and serves this region as well. This 12-town greater New Haven region includes Bethany, Branford, East Haven, Guilford, Hamden, Madison, New Haven, North Branford, North Haven, Orange, West Haven and Woodbridge.

The success of each year's campaign is dependent not only on the goodwill of this community, it is also influenced by the economic climate affecting major businesses and employee groups, among other factors.

Our Community Change goals:

- All children enter school well-prepared.
- Everyone thrives financially.
- People have access to healthy, nutritious food.
- All students succeed in school and are ready for college and career.
- Everyone is physically and mentally healthy.
- Everyone has a safe, supportive place to call home.
- All parents learn how to nurture healthy relationships with their children.

In addition to executing our Community Change goals, United Way generates, manages, and distributes significant financial resources for the region. United Way raises financial resources year-round through workplace-based and community campaigns, as well as through government and foundation grants. Funds raised support local programs and projects that can demonstrate measurable results for the community. United Way's fundraising activities rely on a significant effort by community volunteers. Fundraising costs are expensed in the period incurred regardless of when related campaign contributions are recorded as earned.

More information about United Way's results for our community can be found at www.uwgnh.org.

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2019

United Way of Greater New Haven is a member of United Way Worldwide ("UWW"). UWW is a national leadership organization for the United Way movement. Membership in UWW constitutes an affiliate relationship under the Internal Revenue Service ("IRS") definition of Federated Fundraising Agencies. The payment reported is a quota support payment to UWW for which this United Way receives, among other services, the right to use the national brand in charitable endeavors, national advocacy of issues, member education and training, centralized creation and support for marketing of fundraising campaigns, fostering relationships with national organizations that support multiple members, establishment and monitoring of compliance with standards of accountability by members, establishment of policies and processes that improve operational efficiencies among members, and promotion of concept of local community impact on a national scale. The UWW membership fees were \$68,806 and \$67,749 for the years ended June 30, 2019 and 2018, respectively.

Members of UWW have membership criteria to ensure that all members meet basic legal, financial and ethical standards to ensure consistent and transparent reporting among member United Ways. To remain a member in good standing, United Way certifies annually that it has met the basic criteria for membership to UWW.

Note 2 - New accounting pronouncement

During 2019, the United Way adopted the provisions of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the United Way's total net assets.

Note 3 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that may or will be met by actions of United Way and/or the passage of time and net assets subject to donor-imposed restrictions that they be maintained permanently by United Way. Generally, the donors of these assets permit United Way to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions

Contributions are recognized as revenue in the period received and recorded with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. Gains and losses on investments and other assets, if any, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2019

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Cash and cash equivalents

United Way considers all short-term, highly liquid investments available for current use with a maturity of three months or less when acquired to be cash equivalents.

Investments

United Way reports investments at their current fair value and reflects any gain or loss in the statement of activities. Gains and losses are classified as without donor restrictions unless restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years.

Donations of property and equipment 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, United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. United Way reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Endowment investment and spending policies

United Way's endowment consists of one donor-restricted endowment fund established for specific purposes.

The Board of Directors has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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, United Way classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2019

accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is donor restricted due to time or purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the CTUPMIFA.

In accordance with CTUPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of United Way and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of United Way; and
7. The investment policies of United Way.

United Way has 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 United Way must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, United Way 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). United Way targets a diversified asset allocation that generally targets an even balance between equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Under United Way's spending rate policy, actual income received (interest) is deemed to be prudently expendable to support current operations. In establishing this policy, United Way considered the long-term expected return on its endowment to be maintained. United Way would not expend from a fund that is underwater. There are no underwater funds at June 30, 2019.

Functional expenses

Direct expenses are charged to each program benefited. Certain expenditures not directly chargeable are allocated among the programs.

Income taxes

United Way was organized as a nonstock, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal and state corporate income taxes.

United Way has no unrecognized tax benefits at June 30, 2019. United Way's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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**Notes to Financial Statements
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If United Way has unrelated business income taxes, United Way will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

Use of estimates

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

Subsequent events

United Way has evaluated events and transactions for potential recognition or disclosure through November 8, 2019, which is the date the financial statements were available to be issued.

Note 4 - Liquidity

United Way regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2019, United Way has approximately \$1.7 million of financial assets available to meet annual operating needs for the 2020 fiscal year as follows:

Cash and cash equivalents	\$ 1,571,787
Investments	1,114,316
Campaign pledges receivables	754,351
Grants and other receivables	<u>33,109</u>
	3,473,563
Less: Assets to be held in perpetuity	(50,664)
Less: Donor designated gifts	(582,606)
Less: Fiduciary cash	(656,912)
Less: Board designated for Community Investment	<u>(420,000)</u>
	<u><u>\$ 1,763,381</u></u>

These financial assets are not subject to any donor or contractual restrictions.

United Way supports its general operations primarily with contributions and grants. In addition, the Board may use funds previously designated for community investment.

To deal with unplanned cash requirements that might arise, United Way can draw on its \$800,000 line of credit.

Note 5 - Concentration of credit risk

United Way maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. United Way has not experienced any losses in such accounts. United Way believes it is not exposed to any significant credit risk on cash and cash equivalents. The total uninsured cash balance at June 30, 2019 was approximately \$1,355,000.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

United Way invests in various securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of United Way's investments which could materially affect amounts reported on the financial statements.

Note 6 - Pledges receivable and allowance for uncollectible pledges

Pledges receivable, which are expected to be collected within one year, and the allowance for uncollectible pledges at June 30, 2019 are as follows:

<u>Campaign conducted</u>	<u>Campaign allocation year</u>	<u>Balance of pledges receivable</u>	<u>Allowance for uncollectible pledges</u>	<u>Net pledges receivable</u>
Fall 2019	2020	\$ -	\$ -	\$ -
Fall 2018	2019	945,647	151,239	794,408
Fall 2017	2018	95,480	135,537	(40,057)
		<u>\$ 1,041,127</u>	<u>\$ 286,776</u>	<u>\$ 754,351</u>

The majority of campaign pledges received by United Way are honored via payroll deductions. These pledges are remitted to United Way throughout the year by the individual's employer.

The estimated allowance for uncollectible pledges is based upon an average of historical pledge loss factors adjusted by management's estimates of current economic and local business factors, applied to overall campaign activity. Initial reserve amounts are calculated (and recorded) on gross campaign amounts raised. Specific pledge amounts are written off when management has ascertained the amounts will not be collected. Otherwise, the overall outstanding campaign balance is reconciled and closed at a later date and time.

UWW standards require the direct payment of donor directed gifts by the "*processing*" local United Way rather than having proceeds flow through the "*managing*" United Way of the workplace campaign. If no collection and payment detail is provided to United Way by the campaign "processor" (another local United Way or a third-party agent contracted by the company for its campaign), these specific designated gifts are assumed to be collected (and disbursed) in full and are recorded accordingly as campaign revenue and amounts designated by donors.

Should the actual pledge loss from a campaign be less than or greater than the amount initially reserved, the difference is recorded in current year results.

Note 7 - Donor-directed gifts

Through United Way's Community Campaign, donors can direct their gifts to any qualified 501(c)(3) organization in our region that has been approved to receive designations through the United Way campaign. Generally, a 10% fee (including administrative and fundraising costs) per designated gift is deducted from donor-directed gifts.

Membership in UWW requires that local United Ways charge donors no more than the actual cost incurred to process and transfer their designated gifts. The formulas utilized to determine

See Notes to Schedule of Expenditures of Federal Awards.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

fundraising and administrative costs are based upon a current, three-year average of information taken from IRS Form 990. United Ways are permitted to charge less than this amount, so long as the amount of undesignated dollars used to subsidize this policy, if applicable, is knowingly undertaken by the local United Way's board.

In some cases, fundraising and administrative costs vary per campaign and by agreement with Federations. For donor-directed gifts received from other United Way campaigns, no additional fees are deducted.

Expenses incurred for the processing of these donor-directed gifts include, but are not limited to, the verification of 501(c)(3) status of designated agencies, internal review and analysis of agency materials submitted to apply to receive donor-directed gifts, maintenance of an agency database, recording of individual donor-directed gift data, the compilation of donor-directed gift information in reports, and notification of payments to be forwarded to recipient agencies. Donor-directed gift expenses (the costs incurred in processing/transferring donor-directed gifts) are similar to pledge processing and administrative costs and, therefore, do not qualify and are not reported as community investment and program services.

Donor-directed gifts of \$1,110,031 at June 30, 2019 are shown as a reduction in the amount reported as campaign amounts raised and community impact expenses in the statement of activities.

Note 8 - Other assets

Details of other assets at June 30, 2019 are as follows:

Charitable remainder unitrust	\$	34,813
Prepaid expenses		<u>7,590</u>
	<u>\$</u>	<u>42,403</u>

United Way is a 10% beneficiary of a charitable remainder unitrust ("CRUT"). On an annual basis, United Way revalues its interest in the CRUT based on actuarial assumptions. The present value of United Way's interest in the CRUT is calculated using a discount rate of 8.00% and applicable mortality tables.

Note 9 - Investments

Investments at June 30, 2019 are summarized as follows:

	<u>Cost</u>	<u>Market value</u>	<u>Unrealized gain</u>
Mutual funds	<u>\$ 1,034,822</u>	<u>\$ 1,114,316</u>	<u>\$ 79,494</u>

See Notes to Schedule of Expenditures of Federal Awards.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 10 - Fair value measurements

United Way values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, United Way utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal year 2019.

Assets measured at fair value on a recurring basis at June 30, 2019 are as follows:

Description	Fair value	Level 1	Level 2	Level 3
Mutual funds				
Domestic equity	\$ 559,333	\$ 559,333	\$ -	\$ -
Fixed income	339,202	339,202	-	-
International	179,863	179,863	-	-
Alternatives	35,918	35,918	-	-
Beneficial interest - charitable remainder unitrust	34,813	-	-	34,813
	\$ 1,149,129	\$ 1,114,316	\$ -	\$ 34,813

Mutual funds (Level 1) are valued at the daily closing price as reported by the fund. Mutual funds are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds are deemed to be actively traded.

Fair value for the beneficial interest - charitable remainder unitrust is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and an 8.0% discount rate (Level 3).

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United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

Changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Beneficial interest - charitable remainder unitrust
July 1, 2018	\$ 34,813
Change in value	-
June 30, 2019	<u>\$ 34,813</u>

United Way's policy is to recognize transfers in and transfers out of each level as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between each level during the year ended June 30, 2019.

Note 11 - Property and equipment

Details of property and equipment at June 30, 2019 are as follows:

Equipment	\$ 369,513
Furniture and fixtures	<u>137,463</u>
	506,976
Less accumulated depreciation	<u>(449,772)</u>
	<u>\$ 57,204</u>

Depreciation expense for the year ended June 30, 2019 was \$11,101.

Note 12 - Line of credit

United Way has an \$800,000 line of credit available for its use with an interest rate of 4.35% at June 30, 2019. Borrowings were \$109,913 at June 30, 2019 and were secured by a portion of United Way's cash equivalents and investments.

See Notes to Schedule of Expenditures of Federal Awards.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

Note 13 - Net asset restrictions

Certain net assets are restricted to time or purpose as follows:

Net assets restricted in perpetuity:	
General operations	\$ 45,064
Mittens, gloves and hats for underprivileged children	<u>5,600</u>
	50,664
Net assets restricted to time and purpose:	
Split - interest agreement	34,813
Purpose restrictions	<u>656,912</u>
	<u>\$ 742,389</u>

Certain net assets have been restricted by the Board of Directors as follows:

Community investments	<u>\$ 420,000</u>
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Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2018	<u>\$ -</u>	<u>\$ 50,664</u>	<u>\$ 50,664</u>
Investment return			
Investment income	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment return	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 50,664</u>	<u>\$ 50,664</u>

Note 14 - Pension plans

Defined benefit plan

United Way maintained a non-contributory defined benefit retirement plan for all eligible employees. United Way froze the plan as of June 1, 2005. The plan was fully terminated and all assets of the plan were distributed to satisfy benefit liabilities as of November 30, 2018.

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United Way of Greater New Haven, Inc.

**Notes to Financial Statements
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The following table summarizes the amounts of contributions and benefits paid from the plan:

Net periodic pension cost	\$	6,725
Employer contribution		251,623
Benefits paid		2,407,468
Accumulated benefit obligation		-

The following summarizes the amounts in unrestricted net assets not yet recognized as components of net periodic pension cost for the year ended June 30, 2018:

Transitional obligation	\$	-
Prior service cost		-
Unrecognized net loss		<u>278,885</u>
Total recognized in unrestricted net assets	<u>\$</u>	<u>278,885</u>

The following summarizes the assumptions used for the year ended June 30, 2019:

Weighted-average assumptions		
Discount rate		4.00%
Expected long-term rate of return on plan assets		6.50%
Rate of compensation increase		N/A
Post-retirement interest rate		4.00%

The expected long-term rate of return on plan assets assumption of 6.5% was selected for 2018 in accordance with the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on long-term historical return on the applicable asset classes. An average inflation rate within the range equal to 3.0% was selected and added to the real rate of return range to arrive at a best estimate range of 6.49% - 9.11%. A rate of 6.50%, which is within the best estimate range, was selected.

Defined contribution plan

United Way established a Section 403(b) retirement plan as of July 1, 2005 covering all eligible employees with one year of service and having attained age 21, whereby United Way contributes into the plan a matching contribution equal to 50% of an employee's salary reduction up to 3% of the employee's annual compensation. Eligible employees may elect to defer a portion of their salary into the plan. The maximum deferral is the annual limit established by statute. Employee salary deferrals are fully vested. Participants become 100% vested in the matching contribution immediately upon their entry date. There is also a provision for additional employer discretionary contributions. Employer discretionary contributions are 100% vested after three years of service. The pension expense for this plan was \$67,451.

Note 15 - Postretirement benefits other than pensions

United Way provides a postretirement benefit plan consisting of Medicare supplement health insurance coverage and payment for unused sick leave. This plan covers certain employees retiring

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United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

from United Way on or after attaining age 65 for medical and 62 for sick leave and who have rendered 20 years of service. New employees hired after August 1, 1995 are not eligible to participate in this plan. United Way eliminated the sick leave benefit for all eligible employees as of June 30, 2015. Special coverage is also provided under the plan if certain conditions are met. The expected cost of these postretirement benefits is charged to expense during the years that the employees render service. United Way does not fund this plan. United Way uses a June 30 measurement date for its postretirement plan.

Information of the plan at June 30, 2019 is as follows:

Accumulated postretirement benefit obligation (included in accrued expenses and other liabilities)	\$	43,118
Postretirement benefit cost (income)		(5,785)
Employer contributions		7,714
Benefits paid		7,714

The following summarizes the amounts in net assets without donor restrictions not yet recognized as components of net periodic benefit cost for the year ended June 30, 2019:

Transitional obligation	\$	-
Prior service cost		-
Unrecognized net gain		<u>(26,652)</u>
Total recognized in net assets without donor restrictions	\$	<u><u>(26,652)</u></u>

The following summarizes the amounts in net assets without donor restrictions expected to be recognized in net periodic benefit cost for the year ended June 30, 2020:

Amortization of transitional obligation	\$	-
Amortization of prior service cost		-
Amortization of unrecognized net loss		<u>(7,236)</u>
Total estimated amortizations from net assets without donor restriction to net periodic benefit cost	\$	<u><u>(7,236)</u></u>

The assumptions used in the measurement of United Way's postretirement benefit obligation and postretirement benefit cost are shown in the following table:

	<u>Obligation</u>	<u>Cost</u>
Weighted-average assumptions		
Discount rate	2.69%	3.66%
Rate of compensation increase	N/A	N/A

The assumed healthcare cost trend rate used to measure the expected cost of benefits covered by the plan for the year ended June 30, 2019 was 7.0%. The ultimate trend rate expected to be achieved by the year ended June 30, 2024 is 4.6%.

See Notes to Schedule of Expenditures of Federal Awards.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2019**

Expected future benefit payments as of June 30, 2019 are as follows:

2020	\$	8,000
2021		7,000
2022		6,000
2023		5,000
2024		4,000
2025 - 2029		14,000

Note 16 - Related party transactions

United Way, by its nature, utilizes the resources of the community in which it conducts its business, both in the management of its operations and in the ordinary course of business. As a result, certain members of its board are also individuals that have various degrees of interest in entities which provide goods and services to United Way. Related party transactions incurred and paid were \$1,939 for the year ended June 30, 2019.

Note 17 - Leases

United Way entered into various lease agreements for space rental and office equipment. These leases are accounted for as operating leases. Future minimum lease payments as of June 30, 2019 are as follows:

2020	\$	161,524
2021		166,370
2022		171,361
2023		14,315

Rent expense amounted to \$163,528 for the year ended June 30, 2019.

Federal grantor/ pass-through grantor/ program or cluster title	Federal CFDA Number	Pass-through entity identifying number	Passed through to subrecipients	Total Federal expenditures
U.S. Department of Health and Human Services Head Start	93.600	N/A	\$ 956,329	\$ 1,460,372
Total U.S. Department of Health and Human Services			<u>956,329</u>	<u>1,460,372</u>
U.S Department of Housing and Urban Development Passed through State of Connecticut Department of Housing Continuum of Care	14.267	17DOH1003GV	-	45,000
Total U.S. Department of Housing and Urban Development			-	<u>45,000</u>
Total expenditures of federal awards			<u>\$ 956,329</u>	<u>\$ 1,505,372</u>

See Notes to Schedule of Expenditures of Federal Awards.



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