

**UNITED WAY OF ASHEVILLE
AND BUNCOMBE COUNTY, INC.**

Asheville, North Carolina

Financial Statements and
Supplementary Information

Year Ended June 30, 2018

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

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UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Asheville and Buncombe County, Inc.

We have audited the accompanying financial statements of United Way of Asheville and Buncombe County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

To the Board of Directors
United Way of Asheville and Buncombe County, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Asheville and Buncombe County, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited United Way of Asheville and Buncombe County, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CARTER, P.C.

Asheville, North Carolina
October 31, 2018

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets		
Current assets:		
Cash and equivalents	\$ 239,762	\$ 101,350
Grants receivable	47,001	50,000
Promises to give, current portion	1,819,160	1,612,217
Other receivables	69,611	110,192
Prepaid expenses	<u>62,906</u>	<u>55,102</u>
Total current assets	<u>2,238,440</u>	<u>1,928,861</u>
Other Assets:		
Promises to give, net of current portion	161,000	
Investments	1,290,798	1,271,985
Beneficial interest in an endowment fund	2,062,828	1,468,238
Property and equipment	<u>1,864,916</u>	<u>1,934,202</u>
Total other assets	<u>5,379,542</u>	<u>4,674,425</u>
Total assets	<u>\$ 7,617,982</u>	<u>\$ 6,603,286</u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 443,800	\$ 169
Accounts payable and accrued liabilities	181,318	183,805
Security deposits	1,073	1,369
Grants payable	1,503,395	1,786,509
Custodial account	<u>3,674</u>	<u>124,271</u>
Total current liabilities	<u>2,133,260</u>	<u>2,096,123</u>
Net assets:		
Unrestricted:		
Undesignated	1,533,029	743,511
Investment in property and equipment	1,864,916	1,934,202
Board designated	<u>1,290,798</u>	<u>1,271,985</u>
Total unrestricted	4,688,743	3,949,698
Temporarily restricted	<u>795,979</u>	<u>557,465</u>
Total net assets	<u>5,484,722</u>	<u>4,507,163</u>
Total liabilities and net assets	<u>\$ 7,617,982</u>	<u>\$ 6,603,286</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and other support				
Campaign contributions	\$	\$ 4,574,428	\$ 4,574,428	\$ 4,509,282
Less, designations received and paid		(432,716)	(432,716)	(354,070)
Building rents, net of expenses	30,533		30,533	31,440
Grants	34,891	109,501	144,392	103,760
Contracts	281,881		281,881	322,982
Sponsorships		44,500	44,500	51,630
Other contributions	567,320		567,320	
Realized gains on investments	96,650		96,650	85,070
Investment earnings, net of expenses	72,244		72,244	40,881
In-kind contributions	282,006		282,006	241,766
Miscellaneous income	57,102		57,102	7,435
Net assets released from restrictions	<u>4,057,199</u>	<u>(4,057,199)</u>	<u> </u>	<u> </u>
Total revenues and other support	<u>5,479,826</u>	<u>238,514</u>	<u>5,718,340</u>	<u>5,040,176</u>
Expenses				
Grants to partner organizations	1,503,395		1,503,395	1,786,509
Community schools hubs of service contracts	27,759		27,759	10,380
Program services	1,896,297		1,896,297	1,572,802
Supporting services	1,043,790		1,043,790	990,221
Services purchased from state and national organizations	58,759		58,759	61,575
Bad debt	<u>208,860</u>		<u>208,860</u>	<u>101,724</u>
Total expenses	<u>4,738,860</u>		<u>4,738,860</u>	<u>4,523,211</u>
Increase in net assets before net unrealized gains (losses)	<u>740,966</u>	<u>238,514</u>	<u>979,480</u>	<u>516,965</u>
Net unrealized gains (losses)				
Unrealized gains (losses) on investments	(40,478)		(40,478)	31,152
Unrealized gains on beneficial interest in an endowment fund	<u>38,557</u>		<u>38,557</u>	<u>131,182</u>
Total net unrealized gains (losses)	<u>(1,921)</u>		<u>(1,921)</u>	<u>162,334</u>
Increase in net assets	739,045	238,514	977,559	679,299
Net assets at beginning of year	<u>3,949,698</u>	<u>557,465</u>	<u>4,507,163</u>	<u>3,827,864</u>
Net assets at end of year	<u>\$ 4,688,743</u>	<u>\$ 795,979</u>	<u>\$ 5,484,722</u>	<u>\$ 4,507,163</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services					Total Program Services
	2-1-1 Call Center	Hands On	Community Partnerships	Communi- cation & Marketing	Middle School Success	
Salaries	\$ 355,294	\$ 103,571	\$ 129,250	\$ 106,231	\$ 285,325	\$ 979,671
Employee benefits	65,857	29,414	13,698	19,398	59,780	188,147
Payroll taxes	25,985	7,239	9,530	7,541	19,453	69,748
Worker's comp and employee liability insurance	<u>170</u>	<u>195</u>	<u>27</u>	<u>45</u>	<u>401</u>	<u>838</u>
Total salaries and benefits	447,306	140,419	152,505	133,215	364,959	1,238,404
Promotional materials						
Supplies	1,513	98,029	277	10,172	2,751	112,742
Homework diners					91,108	91,108
Maintenance	13,242	1,516	1,503	1,823	3,012	21,096
Computer support	8,606	6,376	6,595	6,672	16,271	44,520
Printing	183	60	142	24,108	717	25,210
Postage	939	372	611	198	148	2,268
Telephone	9,999	436	785	218	681	12,119
Training	2,101	2,493	1,475	1,370	21,558	28,997
Travel and conference	6,035	2,584	1,408	1,033	10,516	21,576
Awards	45	53	1	77	4	180
Memberships and dues	326	567	15,067	388	231	16,579
Advertising				213,337		213,337
Professional fees	12,162	2,619	1,624	2,170	5,825	24,400
Insurance	1,409	666	288	385	999	3,747
Other	<u>612</u>	<u>222</u>		<u>827</u>	<u>1,615</u>	<u>3,276</u>
Total expenses before interest and depreciation	504,478	256,412	182,281	395,993	520,395	1,859,559
Interest	1,936	639	396	529	1,373	4,873
Depreciation	<u>12,653</u>	<u>4,180</u>	<u>2,596</u>	<u>3,465</u>	<u>8,971</u>	<u>31,865</u>
Total expenses	<u>\$ 519,067</u>	<u>\$ 261,231</u>	<u>\$ 185,273</u>	<u>\$ 399,987</u>	<u>\$ 530,739</u>	<u>\$1,896,297</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses (continued)
 Year Ended June 30, 2018
 (With Comparative Totals for 2017)

	Supporting Services			2018 Total	2017 Total
	Manage- ment and General	Fund- Raising	Total Supporting Services		
Salaries	\$ 256,898	\$ 409,224	\$ 666,122	\$ 1,645,793	\$ 1,429,821
Employee benefits	65,305	73,920	139,225	327,372	264,788
Payroll taxes	17,671	28,363	46,034	115,782	114,213
Worker's comp and employer liability insurance	119	1,237	1,356	2,194	3,779
Total salaries and benefits	339,993	512,744	852,737	2,091,141	1,812,601
Promotional materials					22,565
Supplies	1,789	4,192	5,981	118,723	125,138
Homework diners				91,108	47,572
Maintenance	4,745	5,415	10,160	31,256	69,502
Computer support	13,377	34,929	48,306	92,826	37,499
Printing	183		183	25,393	18,638
Postage	790	5,417	6,207	8,475	6,834
Telephone	900	1,099	1,999	14,118	18,869
Training	1,787	8,038	9,825	38,822	20,983
Travel and conference	2,468	45,009	47,477	69,053	53,003
Awards	5	535	540	720	1,771
Memberships and dues	251	2,253	2,504	19,083	18,739
Advertising				213,337	150,762
Professional fees	6,421	9,124	15,545	39,945	41,061
Insurance	1,085	1,619	2,704	6,451	6,518
Other	3,034	8,595	11,629	14,905	48,533
Total expenses before interest and depreciation	376,828	638,969	1,015,797	2,875,356	2,500,588
Interest	1,490	2,225	3,715	8,588	4,273
Depreciation	9,741	14,537	24,278	56,143	58,162
Total expenses	\$ 388,059	\$ 655,731	\$ 1,043,790	\$ 2,940,087	\$ 2,563,023

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 977,559	\$ 679,299
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	93,572	96,467
Bad debt	208,860	101,724
Receipt of donated stock	(213,458)	(184,392)
Unrealized (gains) losses on investments	40,478	(31,152)
Unrealized gains on beneficial interest in an endowment fund	(38,557)	(131,182)
Realized gains on investments	(96,650)	(85,070)
Changes in working capital - sources (uses):		
Grants receivable	2,999	5,000
Promises to give	(576,803)	(133,685)
Other receivables	40,581	25,506
Prepaid expenses	(7,804)	166,609
Accounts payable and accrued liabilities	(2,487)	28,966
Security deposits	(296)	(800)
Grants payable	(283,114)	(215,576)
Custodial account	<u>(120,597)</u>	<u>8,465</u>
Net cash provided by operating activities	<u>24,283</u>	<u>330,179</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,283,206	1,572,963
Distribution from beneficial interest in an endowment fund	64,070	63,250
Contributions to beneficial interest in endowment fund	(567,320)	(2,353)
Purchase of investments	(2,032,389)	(1,409,472)
Change in beneficial interest in an endowment fund	(52,783)	(19,802)
Purchase of property and equipment	<u>(24,286)</u>	<u>(21,475)</u>
Net cash provided (used) by investing activities	<u>(329,502)</u>	<u>183,111</u>
Cash flows from financing activities		
Proceeds from borrowings	2,633,413	2,332,717
Repayments of borrowings	<u>(2,189,782)</u>	<u>(2,755,153)</u>
Net cash provided (used) by financing activities	<u>443,631</u>	<u>(422,436)</u>
Net increase in cash and equivalents	138,412	90,854
Cash and equivalents at beginning of year	<u>101,350</u>	<u>10,496</u>
Cash and equivalents at end of year	<u>\$ 239,762</u>	<u>\$ 101,350</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 8,901</u>	<u>\$ 4,428</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Notes to Financial Statements

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization

United Way of Asheville and Buncombe County, Inc. (the Organization) is a nonprofit entity committed to reducing the impact of poverty by improving the education, financial stability and health of our community. This is achieved through four key strategies: community partnerships, which includes funding nonprofit programs that provide resources in the areas of education, income and health in our community; convening the Middle Grades Network - a partnership of more than 40 organizations all working together to serve students and families by creating Community Schools in our community; connecting people to the health and human resources they need, 24 hours a day, 7 days a week, via our NC 2-1-1 call center; and connecting and coordinating willing volunteers to community nonprofits in need of volunteer assistance through our volunteer center, Hands On Asheville-Buncombe.

We believe that our community partnerships investment tools, coupled with Community School work, our ability to connect people to the health and human resources they need during a crisis, and our ability to mobilize volunteers, provide the powerful combination of resources we need to tackle critical community issues.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *Permanently restricted net assets:* Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on the related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities 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 (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair value at the date of donation. For the years ended June 30, 2018 and 2017, the Organization received \$201,108 and \$132,054, respectively, of in-kind advertising from local media, which is recognized in these financial statements as in-kind contributions and advertising expense. In addition, in-kind contributions for the year ended June 30, 2017, include \$17,324 for the receipt of a donated vehicle used as a prize related to the 2016 campaign. The vehicle is recorded as promotional materials in the accompanying financial statements.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers donated a significant amount of time to the Organization's operations and program services throughout the year that was not recognized as contribution revenue in the financial statements since the criteria for recognition was not met. The Organization received approximately 9,800 and 15,100 volunteer hours during the years ended June 30, 2018 and 2017, respectively.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on history of amounts written off.

Investments

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Realized and unrealized gains and losses are reflected in the change in net assets in the accompanying statement of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and significant expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful life of assets are capitalized. Purchased property and equipment are carried at cost. Depreciation is computed using the straight-line method for periods of three to thirty-nine years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

Designations Received and Paid

Certain campaign contributions made to United Way of Asheville and Buncombe County, Inc. are designated by the donors to be paid out to other agencies. These contributions are recognized as both campaign contributions and designations received and paid on the accompanying statement of activities. Designations received and paid are recorded net of collection fees earned. The balance of unpaid promises to give designated to agencies remains as a liability until the pledge is collected and paid out. The liability for unpaid designations to agencies is recorded as a reduction of promises to give in the statement of financial position.

Grants Payable

Grants payable include grants that have been authorized but are unpaid at year-end and are reported as liabilities in accordance with FASB ASC 720-25, *Other Expenses - Contributions Made*. Grants payable will be paid in the subsequent year.

Custodial Account

The Organization serves as custodian of the Combined Federal Campaign Fund (CFC), which accounts for the fund-raising and distribution activity for contributions from federal employees and members of the armed forces. The Organization ceased to operate the CFC during the year ended June 30, 2018.

Assets of the custodial account included in the accompanying financial statements are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 3,674	\$ 49,832
Promises to give, net	<u>3,674</u>	<u>79,808</u>
Less, due to Organization	<u>3,674</u>	<u>129,640</u>
Net custodial account	\$ 3,674	\$ 124,271

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures

The Organization applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted market prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the 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 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017, was \$213,337 and \$150,762, respectively.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Note 1 - Summary of Significant Accounting Policies (continued)

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Comparative Financial Information

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

Recently Issued Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require a lessee to recognize a lease liability and a right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In August 2016, FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Advanced pledges	\$ 429,523	\$ 201,146
Campaign sponsorship	44,500	37,500
Combined federal campaign receivables		5,369
DOVIA		1,530
Grants	109,501	85,000
Owen District Targeted Campaign	160,175	226,920
Enka District Targeted Campaign	51,280	
Other targeted pledges	<u>1,000</u>	<u></u>
<u>Temporarily restricted net assets</u>	<u>\$ 795,979</u>	<u>\$ 557,465</u>

Note 3 - Promises to Give

Unconditional promises to give are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 2,264,742	\$ 2,060,489
One to five years	<u>161,000</u>	<u></u>
Total promises to give	2,425,742	2,060,489
Less, designations to other agencies	(324,213)	(347,048)
Less, allowance for uncollectible promises to give	<u>(121,369)</u>	<u>(101,224)</u>
<u>Promises to give</u>	<u>\$ 1,980,160</u>	<u>\$ 1,612,217</u>

Note 4 - Other Receivables

Other receivables are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Sales tax	\$ 7,127	\$ 3,474
Employee receivables	3,708	
CFC promises to give, net		79,808
Other	<u>58,776</u>	<u>26,910</u>
<u>Other receivables</u>	<u>\$ 69,611</u>	<u>\$ 110,192</u>

Note 5 - Investments

Investments consist of cash and money market funds and equity investments. The costs of investments and their related carrying value (market) were as follows:

<u>At June 30</u>	<u>2018</u>		<u>2017</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Cash and money market funds	\$ 26,731	\$ 26,731	\$ 25,538	\$ 25,538
Equity investments:				
Mutual funds	18,003	18,034	54,893	53,659
Exchange-traded funds	<u>1,246,064</u>	<u>1,255,432</u>	<u>1,191,554</u>	<u>1,161,709</u>
<u>Total investments</u>	<u>\$ 1,290,798</u>	<u>\$ 1,300,197</u>	<u>\$ 1,271,985</u>	<u>\$ 1,240,906</u>

Investment management fees for the years ended June 30, 2018 and 2017, were \$14,838 and \$7,283, respectively.

The following tabulation summarizes the changes in the unrealized appreciation (depreciation) of investments and realized gains on investment transactions:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Excess of market value of investments over cost (cost of investments over market value):		
Beginning of year	\$ 31,079	\$ (73)
End of year	<u>(9,399)</u>	<u>31,079</u>
Unrealized gains (losses) in market valuation	(40,478)	31,152
Realized gains on sale of investments	<u>96,650</u>	<u>85,070</u>
<u>Net gains on investments</u>	<u>\$ 56,172</u>	<u>\$ 116,222</u>

Note 6 - Beneficial Interest in an Endowment Fund

The beneficial interest in an endowment fund is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restrictions on distributions of funds, if such conditions or restrictions become unnecessary, incapable of fulfillment, or inconsistent with charitable needs of the area served by the Foundation. These funds are invested in an allocated investment pool. Withdrawals from this account must be approved by the Board of Directors.

Note 6 - Beneficial Interest in an Endowment Fund (continued)

The cumulative unrealized gains on the beneficial interest in an endowment fund are as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Fair market value	\$ 2,062,828	\$ 1,468,238
Cost	<u>1,271,713</u>	<u>715,680</u>
Cumulative unrealized gains	\$ 791,115	\$ 752,558

Investment earnings include interest and dividends, net of management fees, and realized gains and losses. For the years ended June 30, 2018 and 2017, management fees were \$13,531 and \$12,287, respectively.

Note 7 - Fair Value Measurements

Fair values of investments are determined as follows:

Cash and Money Market Funds

Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Organization to hold them for investment purposes and therefore have classified them as investments.

Equity Investments

Equity investments consist of daily traded mutual funds and exchange-traded funds. Securities held in daily traded mutual funds and exchange-traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

The fair value of the beneficial interest in an endowment fund is provided by the Foundation. Due to the nature of the asset the Organization holds, it is classified as a Level 3 instrument.

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended June 30, 2018</u>	<u>Total</u>
Level 3 inputs, beginning of year	\$ 1,468,238
Contributions	567,320
Distributions	(64,070)
Investment income	66,314
Fees	(13,531)
Unrealized gain	<u>38,557</u>
Level 3 inputs, end of year	\$ 2,062,828

Note 8 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Land	\$ 100,420	\$ 100,420
Building and improvements	2,990,801	2,990,801
Furniture and equipment	444,419	420,132
Vehicles	<u>5,427</u>	<u>5,427</u>
	3,541,067	3,516,780
Less, accumulated depreciation	<u>1,676,151</u>	<u>1,582,578</u>
<u>Property and equipment</u>	<u>\$ 1,864,916</u>	<u>\$ 1,934,202</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$56,143 and \$58,162, respectively. Depreciation expense for property and equipment does not include the portion of depreciation allocated to building rents, which are shown net of expenses on the statement of activities. Depreciation expense allocated to building rents is described in Note 13.

Note 9 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 21,454	\$ 30,610
Accrued liabilities		4,000
Accrued compensated absences	134,130	112,950
Accrued payroll	<u>25,734</u>	<u>36,245</u>
<u>Accounts payable and accrued liabilities</u>	<u>\$ 181,318</u>	<u>\$ 183,805</u>

Note 10 - Line of Credit

The Organization maintains an unsecured line of credit with maximum borrowings of \$600,000. The Organization has no significant compensating balance requirements or commitment fees related to this line. The line of credit matures in March 2019. Interest is payable monthly at a variable rate, and a floor of 5%. At June 30, 2018 and 2017, the outstanding balance on the line of credit was \$443,800 and \$169, respectively.

Note 11 - Board Designated Net Assets

Board designated net assets are summarized as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Operating reserve	\$ 696,330	\$ 697,111
Building reserve	400,964	370,310
2-1-1 reserve	<u>193,504</u>	<u>204,564</u>
<u>Total board designated net assets</u>	<u>\$ 1,290,798</u>	<u>\$ 1,271,985</u>

Note 12 - Contributions Designated by Donors

For the year ended June 30, 2018, the Organization received contributions totaling \$4,437,653 from the Fall 2017 Campaign. At the contributors' option, their donations may be designated to a particular agency. When this type of designation occurs, these funds are reflected as reductions of campaign contributions for donor choice amounts. Donor choice amounts designated to particular agencies were \$494,816 of the total contributions for the Fall 2017 Campaign.

Note 13 - Building Rents

The Organization owns the Community Service Center building at 50 South French Broad Avenue and leases office space to nonprofit agencies and other businesses. Lease agreements are generally one year. The Organization has determined that all leases are properly classified as operating leases; therefore, the rental income is reported when earned and the cost of these properties is depreciated over their estimated useful lives. Direct building expenses have been reduced by occupancy costs allocated to program and supporting services.

A summary of net building rents is as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Building rents	\$ <u>268,684</u>	\$ <u>258,823</u>
Expenses other than depreciation	200,409	188,923
Depreciation	37,429	38,305
Interest	<u>313</u>	<u>155</u>
Total expenses	<u>238,151</u>	<u>227,383</u>
<u>Building rents, net of expenses</u>	<u>\$ 30,533</u>	<u>\$ 31,440</u>

Future rentals to be received under lease arrangements are \$198,765 for the year ending June 30, 2019.

Note 14 - Retirement Plan

The Organization participates in a defined contribution retirement plan. Beginning January 2018, the employer contribution is 4% of employee compensation with an additional 1% match on employee contributions for all employees over the age of 18 that meet eligibility criteria. Prior to January 2018, the employer contribution was 5% of employee compensation for all employees over the age of 21 that meet eligibility criteria. Contributions to the plan for the years ended June 30, 2018 and 2017, were \$70,102 and \$58,135, respectively.

Note 15 - Lease Commitments

The Organization leases office equipment under an operating lease. The current lease requires quarterly payments of \$734 and expires in June 2022. Payments under operating leases for the years ended June 30, 2018 and 2017, were \$3,410 and \$4,767, respectively. The future minimum lease payments are as follows:

<u>Years Ending June 30</u>	<u>Principal Payments</u>
2019	\$ 2,935
2020	2,935
2021	2,936
2022	2,936
2023	
<u>Total minimum lease payments</u>	<u>\$ 11,742</u>

Note 16 - Summary Disclosure of Significant Contingencies

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Note 17 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 17 - Income Taxes (continued)

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the tax years ended June 30, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Note 18 - Related Party Transactions

During the years ended June 30, 2018 and 2017, the Organization received contributions of \$113,030 and \$226,384, respectively, from members of the Board of Directors.

During the years ended June 30, 2018 and 2017, the Organization paid dues in the amount of \$60,902 and \$63,815 to state and national affiliates.

Note 19 - Subsequent Events

Management has evaluated subsequent events through October 31, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Schedule of Grants to Partner Organizations
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
All Souls Counseling Center	\$ 59,872	\$ 68,076
American Red Cross	46,821	53,237
Asheville City Schools Foundation	45,000	50,276
Big Brothers/Big Sisters of WNC	52,402	59,582
Bountiful Cities	11,295	
CarePartners	20,643	23,471
CARING for Children	58,384	87,503
Children First/Communities in Schools	64,754	69,516
Children's Hope Alliance	9,314	10,590
Council on Aging of Buncombe County	40,145	45,646
Eliada Homes	7,790	8,857
FEAST Asheville		12,843
Girl Scouts of Western North Carolina, Pisgah Council	11,931	13,566
Girls on the Run	3,267	3,715
Green Opportunities	38,904	44,235
Haywood Street Congregation	16,748	19,043
Helpmate	80,364	91,376
Homeward Bound of Western North Carolina	96,258	109,448
Housing Authority of Asheville	13,392	15,227
Irene Wortham Center	61,508	69,936
Just Economics of WNC	10,959	12,461
Literacy Council of Buncombe County	15,178	17,258
MANNA Food Bank	20,066	22,816
Mediation Center	25,766	29,297
MemoryCare	11,685	13,286
Mountain Child Advocacy Center	37,835	43,019
Mountain Housing Opportunities	37,467	42,601
OnTrack Financial Education	68,601	78,001
Our Voice	40,515	46,067
Pisgah Legal Services	128,154	145,714
Read to Succeed of Asheville	6,689	7,606
RHA Health Services		12,866
Verner Center for Early Learning	75,338	85,661
WNC AIDS Project	13,815	15,708
WNC Community Health Services	53,885	61,268
Women's Wellbeing and Development Foundation	12,381	14,078
YMCA of WNC	59,453	115,729
YWCA Asheville	<u>146,816</u>	<u>166,930</u>
 Total	 <u>\$ 1,503,395</u>	 <u>\$ 1,786,509</u>

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Schedule of Building Expenses
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Salaries	\$ 54,538	\$ 52,145
Payroll taxes	3,486	3,835
Employee benefits	20,386	18,822
Supplies	23,030	18,289
Occupancy	81,779	81,426
Telephone and technology	4,894	2,949
Travel and conference	1,348	1,440
Professional fees	1,284	884
Insurance	8,528	8,054
Miscellaneous	<u>1,136</u>	<u>1,079</u>
Total building expenses before depreciation and interest	200,409	188,923
Depreciation	37,429	38,305
Interest	<u>313</u>	<u>155</u>
Total	<u>\$ 238,151</u>	<u>\$ 227,383</u>