

**UNITED WAY
OF THE SOUTHERN TIER, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018

UNITED WAY OF THE SOUTHERN TIER, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the United Way of the Southern Tier, Inc.
Corning, New York

We have audited the accompanying financial statements of the United Way of the Southern Tier, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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 risk 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 the United Way of the Southern Tier, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Policy

As discussed in Note 13 to the financial statements, a change in accounting policy resulted in a change of amounts previously reported as liabilities as of June 30, 2017. Accordingly, amounts reported for liabilities and expenses have been restated in the 2017 financial statements now presented. Our opinion is not modified with respect to that matter.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
September 24, 2018

UNITED WAY OF THE SOUTHERN TIER, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
ASSETS		
Cash and cash equivalents	\$ 743,315	\$ 300,889
Short-term investments	190,013	377,898
Accounts receivable	8,002	4,200
Pledges receivable - net	1,920,415	2,063,577
Prepaid expenses	34,562	19,274
Investments - Unrestricted	2,631,300	2,480,382
Investments - Restricted Endowment	318,010	318,010
Property and Equipment - Net	<u>31,366</u>	<u>34,474</u>
Total Assets	<u>\$ 5,876,983</u>	<u>\$ 5,598,704</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 53,375	\$ 34,198
Allocations payable	2,661,415	2,549,278
Due to other agencies	1,016,880	980,593
Deferred revenue	<u>5,834</u>	<u>7,500</u>
Total liabilities	<u>3,737,504</u>	<u>3,571,569</u>
Net Assets		
Unrestricted	1,737,651	1,616,455
Temporarily restricted	74,700	83,552
Permanently restricted	<u>327,128</u>	<u>327,128</u>
Total net assets	<u>2,139,479</u>	<u>2,027,135</u>
Total Liabilities and Net Assets	<u>\$ 5,876,983</u>	<u>\$ 5,598,704</u>

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

UNITED WAY OF THE SOUTHERN TIER, INC.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>			<u>Restated 2017</u>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support								
Total campaign support	\$ 3,971,901	\$ 61,043	\$ -	\$ 4,032,944	\$ 4,083,468	\$ 34,895	\$ -	\$ 4,118,363
Campaign net assets released from temporary restrictions	34,895	(34,895)	-	-	38,965	(38,965)	-	-
	4,006,796	26,148	-	4,032,944	4,122,433	(4,070)	-	4,118,363
Donor designations	(621,385)	-	-	(621,385)	(661,602)	-	-	(661,602)
Provisions for uncollectible pledges	(126,326)	-	-	(126,326)	(229,098)	-	-	(229,098)
Prior campaign pledge recapture	3,490	-	-	3,490	-	-	-	-
Net campaign support	3,262,575	26,148	-	3,288,723	3,231,733	(4,070)	-	3,227,663
In-kind contributions	11,476	-	-	11,476	12,808	-	-	12,808
Other contributions	108,711	-	-	108,711	51,708	10,000	-	61,708
Designations from other United Ways	20,147	-	-	20,147	39,328	-	-	39,328
Other net assets released from temporary restrictions	35,000	(35,000)	-	-	15,000	(15,000)	-	-
Total public support	<u>3,437,909</u>	<u>(8,852)</u>	<u>-</u>	<u>3,429,057</u>	<u>3,350,577</u>	<u>(9,070)</u>	<u>-</u>	<u>3,341,507</u>
Revenues								
Investment income	53,364	5,878	-	59,242	42,139	4,893	-	47,032
Service fee	125,742	-	-	125,742	135,245	-	-	135,245
Special events income	36,000	-	-	36,000	24,050	-	-	24,050
Rental income	1,667	-	-	1,667	1,667	-	-	1,667
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-
Unrealized gain (loss) on investments	57,296	(2,817)	-	54,479	113,612	4,463	-	118,075
Realized gain (loss) on investments	38,769	6,179	-	44,948	105,611	18,416	-	124,027
Investment earnings (loss) released from restrictions	9,240	(9,240)	-	-	27,772	(27,772)	-	-
Total revenues	<u>322,078</u>	<u>-</u>	<u>-</u>	<u>322,078</u>	<u>450,096</u>	<u>-</u>	<u>-</u>	<u>450,096</u>
Total Public Support and Revenues	<u>3,759,987</u>	<u>(8,852)</u>	<u>-</u>	<u>3,751,135</u>	<u>3,800,673</u>	<u>(9,070)</u>	<u>-</u>	<u>3,791,603</u>
Expenses								
Program Services								
Gross funds awarded	3,292,023	-	-	3,292,023	3,549,861	-	-	3,549,861
Less, donor designations	(621,385)	-	-	(621,385)	(661,602)	-	-	(661,602)
Net funds awarded	2,670,638	-	-	2,670,638	2,888,259	-	-	2,888,259
Community building & community investment	349,869	-	-	349,869	288,517	-	-	288,517
Total program services	<u>3,020,507</u>	<u>-</u>	<u>-</u>	<u>3,020,507</u>	<u>3,176,776</u>	<u>-</u>	<u>-</u>	<u>3,176,776</u>
Supporting Services								
Fundraising	248,806	-	-	248,806	246,935	-	-	246,935
Management and general	369,478	-	-	369,478	336,866	-	-	336,866
Total support services	<u>618,284</u>	<u>-</u>	<u>-</u>	<u>618,284</u>	<u>583,801</u>	<u>-</u>	<u>-</u>	<u>583,801</u>
Total Expense	<u>3,638,791</u>	<u>-</u>	<u>-</u>	<u>3,638,791</u>	<u>3,760,577</u>	<u>-</u>	<u>-</u>	<u>3,760,577</u>
Changes in Net Assets	121,196	(8,852)	-	112,344	40,096	(9,070)	-	31,026
Net Assets - Beginning	1,616,455	83,552	327,128	2,027,135	1,576,359	92,622	327,128	1,996,109
Net Assets - Ending	<u>\$ 1,737,651</u>	<u>\$ 74,700</u>	<u>\$ 327,128</u>	<u>\$ 2,139,479</u>	<u>\$ 1,616,455</u>	<u>\$ 83,552</u>	<u>\$ 327,128</u>	<u>\$ 2,027,135</u>

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

UNITED WAY OF THE SOUTHERN TIER, INC.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>Restated</u> <u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 112,344	\$ 31,026
Adjustments		
Provisions for uncollectible pledges	126,326	229,098
Realized gain on investments	(44,948)	(124,027)
Unrealized (gain) loss on investments	(54,479)	(118,075)
Depreciation	11,445	7,695
Changes in assets and liabilities		
Accounts receivable	(3,802)	(4,200)
Pledges receivable - net	16,836	(90,006)
Prepaid expenses	(15,288)	(1,240)
Accounts payable and accrued expenses	19,177	9,502
Allocations payable	112,137	(297,594)
Due to other agencies	36,287	(37,181)
Deferred revenue	(1,666)	(1,667)
Net cash flows from operating activities	314,369	(396,669)
Cash Flows from Investing Activities		
Net change in short-term investments	187,885	(1,968)
Sale of investments	738,769	504,886
Purchase of investments	(790,260)	(547,407)
Purchase of property and equipment	(8,337)	(27,322)
Net cash flows from investing activities	128,057	(71,811)
Net Change in Cash and Cash Equivalents	442,426	(468,480)
Cash and Cash Equivalents - Beginning	300,889	769,369
Cash and Cash Equivalents - Ending	\$ 743,315	\$ 300,889

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

UNITED WAY OF THE SOUTHERN TIER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		<u>Total Functional Expenses</u>	
	<u>Community Building</u>	<u>Community Investment</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2018</u>	<u>Restated 2017</u>
Expenses							
Impact grants/awards	\$ -	\$ 3,292,023	\$ 3,292,023	\$ -	\$ -	\$ 3,292,023	\$ 3,549,861
(Less donor designations)	-	(621,385)	(621,385)	-	-	(621,385)	(661,602)
Sub-Total	-	2,670,638	2,670,638	-	-	2,670,638	2,888,259
Salaries	96,144	53,559	149,703	88,610	171,159	409,472	432,894
Employee benefits	15,746	8,772	24,518	14,512	28,032	67,062	59,803
Payroll taxes	8,569	4,773	13,342	7,898	15,255	36,495	38,974
Sub-Total	120,459	67,104	187,563	111,020	214,446	513,029	531,671
Professional fees	-	-	-	-	25,154	25,154	20,871
Supplies	1,173	654	1,827	1,082	2,090	4,999	3,727
Telephone	1,190	663	1,853	1,097	2,118	5,068	7,327
Postage and shipping	1,432	797	2,229	1,319	2,549	6,097	5,354
Occupancy	21,285	11,857	33,142	19,616	37,891	90,649	86,916
Temporary services	701	-	701	882	29,759	31,342	-
Printing and publications	-	-	-	-	316	316	458
Transportation	1,697	452	2,149	1,683	397	4,229	6,353
Conferences and meetings	2,581	779	3,360	433	17,268	21,061	17,294
Marketing	43,274	-	43,274	4,647	70	47,991	41,445
Miscellaneous	-	8,258	8,258	17,830	8,802	34,890	9,632
Mobilization and engagement	2,968	-	2,968	-	-	2,968	2,123
Insurance	-	-	-	-	6,013	6,013	5,766
Campaign expenses	-	-	-	33,454	-	33,454	30,672
Special events	-	-	-	32,564	-	32,564	20,996
Payments to United Way Worldwide	10,010	5,576	15,586	9,226	17,821	42,633	45,351
Strategy-Aligned expenses	42,775	-	42,775	-	-	42,775	15,859
In-kind expenses	-	-	-	11,476	-	11,476	12,808
Depreciation	2,687	1,497	4,184	2,477	4,784	11,445	7,695
Total Functional Expenses	\$ 252,232	\$ 2,768,275	\$ 3,020,507	\$ 248,806	\$ 369,478	\$ 3,638,791	\$ 3,760,577

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

UNITED WAY OF THE SOUTHERN TIER, INC.
Statement of Functional Expenses
Restated For the Year Ended June 30, 2017

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		<u>Total Functional Expenses</u>
	<u>Community Building</u>	<u>Community Investment</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Expenses						
Impact grants/awards	\$ -	\$ 3,549,861	\$ 3,549,861	\$ -	\$ -	\$ 3,549,861
(Less donor designations)	-	(661,602)	(661,602)	-	-	(661,602)
Sub-Total	<u>-</u>	<u>2,888,259</u>	<u>2,888,259</u>	<u>-</u>	<u>-</u>	<u>2,888,259</u>
Salaries	108,440	29,350	137,790	115,453	179,651	432,894
Employee benefits	14,981	4,055	19,036	15,949	24,818	59,803
Payroll taxes	9,764	2,642	12,406	10,394	16,174	38,974
Sub-Total	<u>133,185</u>	<u>36,047</u>	<u>169,232</u>	<u>141,796</u>	<u>220,643</u>	<u>531,671</u>
Professional fees	-	-	-	-	20,871	20,871
Supplies	933	253	1,186	994	1,547	3,727
Telephone	1,835	497	2,332	1,954	3,041	7,327
Postage and shipping	1,341	363	1,704	1,428	2,222	5,354
Occupancy	21,773	5,893	27,666	23,180	36,070	86,916
Printing and publications	-	-	-	-	458	458
Transportation	1,871	472	2,343	3,313	697	6,353
Conferences and meetings	2,835	-	2,835	554	13,905	17,294
Marketing	33,544	-	33,544	7,901	-	41,445
Miscellaneous	-	-	-	-	9,632	9,632
Mobilization and engagement	2,123	-	2,123	-	-	2,123
Insurance	-	-	-	-	5,766	5,766
Campaign expenses	-	-	-	30,672	-	30,672
Special events	-	-	-	20,996	-	20,996
Payments to United Way Worldwide	11,360	3,075	14,435	12,095	18,821	45,351
Strategy-Aligned expenses	15,859	-	15,859	-	-	15,859
In-kind expenses	12,808	-	12,808	-	-	12,808
Depreciation	1,928	522	2,450	2,052	3,193	7,695
Total Functional Expenses	<u>\$ 241,395</u>	<u>\$ 2,935,381</u>	<u>\$ 3,176,776</u>	<u>\$ 246,935</u>	<u>\$ 336,866</u>	<u>\$ 3,760,577</u>

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

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Operations

Nature of Operations - United Way of the Southern Tier, Inc. ("UWST") is a nonprofit charitable organization, whose mission is to unite and prioritize resources to improve the quality of life for every person and family in our community. UWST licenses its name and trademark from United Way Worldwide (UWW). UWST's service area consists of Steuben and Chemung Counties in New York State.

UWST is governed by a volunteer Board of Directors. UWST also receives advice, counsel and advocacy from volunteer "Strategy Councils". Current councils include the Brand & Marketing Council, Community Supports Council, Kids on Track Council, Resource Development Council, Mobilization Council, and Efficiency Council. Each council is led by a member of UWST's Board of Directors and comprised of community volunteers.

In February 2014, UWST's Board of Directors approved a new strategic direction to guide the work of the Organization through June 2018. This plan commits UWST to take specific steps to improve its capacity to provide support to help children be successful, while also ensuring that seniors are supported to age in place and people in our community have their basic needs met. The Strategic Plan also addresses the need to look at health and human service needs on a community level. UWST does this by analyzing data on key indicators and convening stakeholders to formulate collective impact strategies and programs.

UWST raises funds throughout the year across Steuben and Chemung Counties, primarily through employer/workplace giving campaigns in the private sector from individuals who are solicited and contribute directly.

Principal distribution activities include the allocation of undesignated funds to targeted health and human service programs and payment of donor designations. In making allocations, UWST identifies and prioritizes critical human service needs in the region, funds programs at nonprofit agencies that address these needs, and monitors results to ensure desired outcomes are met.

All nonprofit organizations receiving funding from UWST, are required to submit quarterly reports detailing program progress. Reports are carefully monitored, with assistance provided when failure to adhere to goals is indicated.

Method of Accounting - UWST maintains its books and prepares its financial statements on the accrual basis of accounting.

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 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 differ from those estimates.

Basis of Presentation - Under accounting guidance, UWST is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net asset classifications used by UWST are as follows:

Unrestricted Net Assets - Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out the general activities and operations of UWST in accordance with its by-laws. Certain unrestricted net assets have been appropriated for various operational activities by the Board of Directors and are listed as such in Note 11.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributions received in advance of the subsequent year campaign and other contributions restricted to specific uses or time periods by donors. When donor or grantor restrictions expire, temporarily restricted net assets are reclassified as unrestricted and reported in the statements of activities as net assets released from restrictions.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Permanently Restricted Net Assets - The principal portion of the endowment fund consists of gifts from donors and is reported as permanently restricted because it cannot be used for operating purposes. The accumulated earnings of the endowment fund are temporarily restricted until appropriated for expenditure and reclassified as unrestricted resources in the statements of activities.

Cash and Cash Equivalents - For the purpose of the statements of financial position and statements of cash flows, cash and cash equivalents include deposits and all highly liquid investments with an original maturity of three months or less. UWST maintains cash and cash equivalents at financial institutions which may periodically exceed federally insured limits.

Short-term Investments - These investments include certificates of deposit with original maturities greater than three months.

Campaign Pledges Receivable - The carrying amount of receivables is reduced by a provision for uncollectible pledges that reflects management's best estimate of the amounts that will not be collected. The provision is calculated using a three-year historical average of actual results. Management also assesses the need to increase the provision based on current economic uncertainty that would increase the likelihood of uncollectible pledges, such as corporate downsizing, mergers and bankruptcies. The provision for uncollectible pledges is ultimately based on management's estimate of the collectability of existing amounts receivable.

Investments - Investments are presented in the statements of financial position at fair market value as determined by the related professional managers. The net increase or decrease in the fair market value of non-current investments is reflected as an increase or decrease in the appropriate statements of activities. Accounting guidance defines fair value and establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The fair value of investments is disclosed in Note 3 to the financial statements.

Property and Equipment - Property and equipment purchased in excess of \$500 is capitalized and recorded at cost. Donated property and equipment are recorded at fair market value. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Property and equipment have depreciable lives ranging from three to seven years.

Allocations Payable - Annual Campaigns are conducted in the fall of each year ("Current Campaign") to support programs primarily in the subsequent fiscal year. Campaign contributions are used generally to support community Impact partnership programs and to pay United Way's operating expenses. Current Campaign revenue collection generally begins in January and is distributed to program partners on a July 1 to June 30 allocation cycle. Allocation expense is recognized in the period the allocation is unconditionally committed to program partners. At June 30, 2018, UWST has committed to pay program partners through June 30, 2019 and program expenses for the year ended June 30, 2018 included program allocations for the period July 1, 2018 through June 30, 2019.

Due to Other Agencies - Under accounting guidance, a liability is reported for contributions received which have been donor designated for specific beneficiary organizations. When the designation is paid to the beneficiary organization, the corresponding liability is eliminated.

Campaign Pledges and Contributions - Accounting guidance requires that contributions received be recognized as revenues or gains in the period received. Such contributions include unconditional promises to give, in the form of pledges. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. Pledges and contributions that are received for future year campaigns are reported as temporarily restricted until the time restriction expires.

Contributions in the form of donated financial assets converted nearly immediately into cash have been classified with all other cash donations in the statements of cash flows.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Community Campaign - UWST conducts over 175 workplace giving campaigns and solicits gifts from individuals outside the workplace in various ways. Most workplace and direct fundraising activities are conducted from September through December. The campaign is typically finalized the following March. UWST encourages undesignated gifts, but donors may designate all or part of their contributions to health and human service agencies based on UWST designation guidelines. A processing and fundraising fee of 14.59% is deducted from designations to nonprofit agencies during the community campaign, with a cost cap of \$250. Any unpaid donor designations are included in designations payable.

UWST provides support to participating companies and organizations in the form of accounting, gift acknowledgement, fundraising expertise, regulatory compliance, staff training, promotional materials, volunteer activities and events and all aspects of paper and/or electronic pledge processing support.

A small number of companies that run United Way campaigns with UWST involvement and support but use a third party processor to record donor pledges and distribute money collected directly to designated agencies. In these cases, UWST does not directly receive the money. However, because UWST is providing direct fund raising support to a company, including materials and staff, and to allow companies to receive recognition for their total results, UWST records the total campaign results.

Donated Facilities and Services - Donated services are recognized as contributions in accordance with accounting guidance 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 UWST. Volunteers also provided many services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under accounting guidance were not met.

Program Services - Program services represent the cost of UWST managed programs that provide services to individuals, families, nonprofit agencies and the community.

Community Investment - Community Investment reflects the costs associated with conducting the allocation (community investment) function. All program investments are made in a manner consistent with UWST's five investment values. These values consider client need, program results, focused alignment with our strategic intent, effective use of resources, and continuous learning and improvement. Ultimate authority for all program investments rests with the UWST Board of Directors; these investments are made to qualified organizations based on demonstration of strong performance in each of the five values areas.

UWST administers two primary types of funding streams to nonprofit organizations: allocations and Strategic Investment Fund grants.

Allocations provide non-profit organizations with program funding for operations, specifically those that align with UWST's main focus areas: Southern Tier Kids on Track, Southern Tier Senior Supports, and Southern Tier Basic Needs.

- Southern Tier Kids on Track typically defines funding for services associated with ages birth to 8 years old, including early care and education, targeted school-age programming, and parent supports for child success.
- Southern Tier Senior Supports is defined as funding for services that help our senior population age safely in place. This includes those who need assistance to care for themselves, or in accomplishing their activities of daily living in and around the home. This also includes those who need home-delivered meals to meet their nutritional needs or transportation to medical appointments.
- Southern Tier Basic Needs is defined as funding for services that help our most vulnerable neighbors. This includes those needing food for themselves and their families and those needing longer-term shelter, both to prevent and address homelessness.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Strategic Investment Fund grants are used to assist UWST in achieving its strategic goals in the community, making it possible for UWST to seize unanticipated opportunities for impact outside of the regular investment cycle. Additionally, the Fund enables UWST to consider providing additional support to existing programs or strategic initiatives that experience an unanticipated, substantial change in client need which, if left unaided, compromises the impact of the program. Extra consideration can be given to those proposals which present opportunities to leverage additional resources that advance UWST's strategic interests.

Community Building

Community Building reflects the costs associated with collective community efforts to respond to social issues.

Community building is about building authentic relationships to collectively solve social issues. It brings together people from the community, government, business, academia, non-profits, the faith community and others to identify and take steps towards solutions to issues affecting their communities. UWST is engaged specifically in a "Collective Impact" framework, serving in a backbone capacity, coordinating these community change efforts.

This work includes:

- Convening the Councils of the Board of Directors that are responsible for monitoring program investments to ensure intended outcomes are achieved, and evaluation of results is used to drive the desired community change;
- Gathering constituent voice and feedback used to identify issues and drive UWST-led community change efforts;
- Meeting regularly with representatives from other various sectors to develop a shared vision for change - a common understanding of the problem and a joint approach to solutions through agreed upon actions (common agenda);
- Working with others to ensure authentic implementation of the common agenda and mutually reinforcing activities;
- Collecting and measuring results consistently across all participants; and
- Providing consistent and open communication with the many players to build trust, assure mutual objectives, and appreciate common motivation.

Support Services - Support services are classified as organizational administration and resource development. Organization administration includes overall executive direction, planning and coordination, financial management and administrative support services. Resource development represents all activities that constitute an appeal for financial support in the Community Campaign, including staff support, campaign supplies, marketing, media advertising, mail solicitations, and pledge processing.

Functional Expenses - Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service. Program expenses are categorized as either community building expenses or community investment expenses.

Advertising - UWST expenses all advertising costs as they are incurred.

Income Taxes - UWST is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to UWST's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with accounting guidance, UWST recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities. Management believes that UWST is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on UWST's financial statements.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Subsequent Events - UWST's management has evaluated subsequent events through the date of the report which is the date these financial statements were available to be issued.

Note 2. Pledges Receivable

Pledges receivable and the related allowance for uncollectible pledges consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Gross pledges receivable	\$ 2,068,972	\$ 2,256,674
Less, allowance for uncollectible pledges	<u>(148,557)</u>	<u>(193,097)</u>
Pledges receivable - net	<u>\$ 1,920,415</u>	<u>\$ 2,063,577</u>

Provisions for uncollectible pledges consisted of the following for the year ended June 30:

	<u>2018</u>	<u>2017</u>
Write off of pledges receivable	\$ 148,557	\$ 193,097
Changes in allowance	<u>8,395</u>	<u>36,001</u>
Provisions for uncollectible pledges	<u>\$ 156,952</u>	<u>\$ 229,098</u>

Note 3. Investments

UWST has determined the fair value of investments through the application of accounting guidance, which places assets into one of three levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's analysis about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

Following is the description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and foreign bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by UWST are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by UWST are deemed to be actively traded.

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Investments consisted of the following at June 30:

	<u>Total 2018</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Cash and cash equivalents	\$ 57,352	\$ 57,352	\$ -	\$ -
Fixed income				
Corporate bonds	867,410	-	867,410	-
Certificate of deposit	24,262	-	24,262	-
Foreign government bonds	54,966	-	54,966	-
Municipal bonds	40,266	-	40,266	-
Total fixed income	<u>986,904</u>	<u>-</u>	<u>986,904</u>	<u>-</u>
Common stocks				
Basic material	125,596	125,596	-	-
Consumer goods	35,304	35,304	-	-
Exchange-traded funds	45,651	45,651	-	-
Financial	49,248	49,248	-	-
Healthcare	260,649	260,649	-	-
Industrial goods	249,949	249,949	-	-
International	24,700	24,700	-	-
Miscellaneous	13,396	13,396	-	-
Services	23,121	23,121	-	-
Technology	258,062	258,062	-	-
Utilities	121,481	121,481	-	-
Total common stocks	<u>1,207,157</u>	<u>1,207,157</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	478,418	478,418	-	-
Growth	219,479	219,479	-	-
Total mutual funds	<u>697,897</u>	<u>697,897</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 2,949,310</u>	<u>\$ 1,962,406</u>	<u>\$ 986,904</u>	<u>\$ -</u>

UNITED WAY OF THE SOUTHERN TIER, INC.
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	<u>Total 2017</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Cash and cash equivalents	\$ 36,829	\$ 36,829	\$ -	\$ -
Fixed income				
Corporate bonds	876,369	-	876,369	-
Certificate of deposit	28,013	-	28,013	-
Foreign government bonds	23,488	-	23,488	-
Municipal bonds	41,132	-	41,132	-
Total fixed income	<u>969,002</u>	<u>-</u>	<u>969,002</u>	<u>-</u>
Common stocks				
Basic material	139,333	139,333	-	-
Consumer goods	17,465	17,465	-	-
Exchange-traded funds	80,413	80,413	-	-
Financial	6,013	6,013	-	-
Healthcare	283,518	283,518	-	-
Industrial goods	274,450	274,450	-	-
International	25,400	25,400	-	-
Services	29,170	29,170	-	-
Technology	225,361	225,361	-	-
Utilities	89,678	89,678	-	-
Total common stocks	<u>1,170,801</u>	<u>1,170,801</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	433,828	433,828	-	-
Growth	187,932	187,932	-	-
Total mutual funds	<u>621,760</u>	<u>621,760</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 2,798,392</u>	<u>\$ 1,829,390</u>	<u>\$ 969,002</u>	<u>\$ -</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Equipment, furniture, and fixtures	\$ 152,473	\$ 151,650
Less, accumulated depreciation	(121,107)	(117,176)
Property and equipment - net	<u>\$ 31,366</u>	<u>\$ 34,474</u>

Note 5. Endowment Fund

Permanently restricted net assets at June 30, 2018 and 2017, consist of an endowment fund established in the early 1990's to support UWST's operating expenses. The original contribution stipulates that the gift is to be held and invested by UWST indefinitely and income, which is considered unrestricted, from the fund is to be expended on operating expenses of UWST. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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UWST has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWST classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWST in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, UWST considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 UWST, (7) alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives have on UWST, and (8) UWST's investment policies.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2018 and 2017, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets, June 30, 2016	\$ -	\$ 318,010
Contributions	-	-
Investment income	4,893	-
Net appreciation	22,879	-
Amounts appropriated from unrestricted net assets	<u>(27,772)</u>	<u>-</u>
Endowment Net Assets, June 30, 2017	-	318,010
Contributions	-	-
Investment income	5,878	-
Net appreciation	3,362	-
Amounts appropriated from unrestricted net assets	<u>(9,240)</u>	<u>-</u>
Endowment Net Assets, June 30, 2018	<u>\$ -</u>	<u>\$ 318,010</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires UWST to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, losses on the investment of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets. The earnings of \$9,240 and \$27,772 for the years ended June 30, 2018 and 2017, respectively, increased the unrestricted net assets for the year then ended.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Note 6. In-Kind Contributions

Contributions of non-cash assets are recorded at their fair value in the period received. In-kind contributions, which are reported as revenue and related expense in the financial statements, consisted of advertising expense of \$11,476 and \$12,808 for the years ended June 30, 2018 and 2017, respectively.

Note 7. Concentration of Revenue

UWST's campaign success is heavily dependent on pledges from a local corporation and its employees, a related Foundation and retirees of the Corporation. Pledges from this local corporation accounted for 51.53% and 55.78% of total campaign support for the fiscal years ended June 30, 2018 and 2017, respectively. Pledges receivable from the local corporation accounted for 52.29% and 48.89% of the gross pledges receivable at June 30, 2018 and 2017, respectively.

Note 8. Pension Plan

UWST participates in a nationally sponsored defined contribution pension plan for nonprofit organizations. The non-contributory plan is available to all full-time employees with at least one year of service who have reached the age of twenty-one. Contributions are calculated at 8% of the participants' compensation. Pension costs for the years ended June 30, 2018 and 2017, amounted to \$27,483 and \$29,758, respectively, and are included in UWST's employee benefits.

Note 9. Lease Contracts

UWST signed a three-year triple net lease agreement on June 27, 2016, which began on July 1, 2016, for its office location in the Civic Center Plaza in Corning, New York at a monthly rental cost of \$3,074. The lease expires on June 30, 2019. Rent expense amounted to \$36,894 for both years ended June 30, 2018 and 2017. UWST also leases various office equipment at a total monthly rental cost of approximately \$405. Expiration of these lease agreements ranges from August of 2017 to December of 2021. Expense as a result of these office equipment lease agreements amounted to \$4,863 and \$5,111 as of June 30, 2018 and 2017, respectively. The future minimum lease commitments as of June 30, 2018, were as follows:

2019	\$ 41,337
2020	4,443
2021	4,443
2022	1,145
Total	<u>\$ 51,368</u>

Note 10. Related Parties

Employees of certain financial institutions, which hold deposits on behalf of UWST, serve as members of the Board of Directors. A board member of UWST also serves on a board of a funded agency.

UNITED WAY OF THE SOUTHERN TIER, INC.
Notes to Financial Statements

Note 11. Net Assets

UWST's unrestricted net assets consisted of the following as of June 30:

	<u>2018</u>	<u>Restated 2017</u>
Operating reserves	\$ 1,206,903	\$ 1,238,945
Austin loan fund	40,000	40,000
Fixed asset fund	31,366	34,474
Operating fund	196,086	(22,983)
Strategic investment fund	263,296	326,019
Total unrestricted net assets	<u>\$ 1,737,651</u>	<u>\$ 1,616,455</u>

The Austin Loan Fund, Fixed Asset Fund, Operating Reserves, and Strategic Investment Fund are Board Restricted as of June 30, 2018.

UWST's temporarily restricted net assets consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Campaign support for subsequent years	\$ 61,043	\$ 34,895
J Ullman Foundation	10,000	10,000
Kennedy Valve grant	-	35,000
Track packs	3,657	3,657
Total temporarily restricted net assets	<u>\$ 74,700</u>	<u>\$ 83,552</u>

UWST's permanently restricted net assets consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Endowment fund	\$ 318,010	\$ 318,010
Purdue fund	4,594	4,594
Shand fund	4,524	4,524
Total permanently restricted net assets	<u>\$ 327,128</u>	<u>\$ 327,128</u>

Note 12. United Way Worldwide, Inc.

United Way Worldwide, Inc. (UWW) is a national trade association and owner of the United Way name and brand mark. On an annual basis, UWST is required to make a membership investment to continue using the United Way name and brand mark. This expense totaled \$42,633 and \$45,351 for the years ended June 30, 2018 and 2017, respectively. In addition to use of the name and brand mark, UWST receives many other benefits from UWW. UWST has access to UWW's knowledge and support on marketing, program outcomes, community impact, fundraising, national trends, campaign materials and a wide array of other tools and topics. UWW also represents all United Way organizations on important legislation or issues presented to Congress.

In an effort to increase accountability and transparency, UWW has developed standards of excellence for continued membership. Each year, UWST must submit a report on its compliance with each of the standards. UWST has committed to comply with all UWW membership standards.

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Note 13. Restatement

For years prior to June 30, 2018, it was the policy of UWST to distribute funds to partner agencies in two components. The first component was from July to December and the second was January to June. At each fiscal year-end, only the portion to be paid in the subsequent July to December time period was recorded as a liability in the financial statements. The second component of the allocation to agency partners was not recorded as a liability until the following December, based on the outcome of the Fall campaign. Originally for the year ending June 30, 2017, the distributions made in the first half of the following fiscal year were committed to the agencies prior to the June 30 fiscal year end and were reflected as "Allocations Payable" in the accompanying financial statements. However, for the year ended June 30, 2018, UWST has changed the policy around Allocations Payable and has recorded a liability for the entire amount committed to be paid to program partners July 2018 to June 2019. As a result of this change in accounting policy, UWST has restated its 2017 financial statements to reflect the amounts that were committed to program partners as of June 2017 and were paid July 2017 to June 2018.

	2017 as Originally Stated	Net Changes	2017 as Restated
<u>Statement of Financial Position</u>			
Allocations payable	\$ 1,178,039	\$ 1,371,239	\$ 2,549,278
Total liabilities	<u>\$ 2,200,330</u>	<u>\$ 1,371,239</u>	<u>\$ 3,571,569</u>
<u>Statement of Activities</u>			
Gross funds awarded	\$ 3,576,242	\$ 26,381	\$ 3,549,861
Net income (loss)	<u>\$ 4,645</u>	<u>\$ 26,381</u>	<u>\$ 31,026</u>

Note 14. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2017. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.