

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

FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
September 26, 2019

UNITED WAY OF THE SOUTHERN TIER, INC.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 770,023	\$ 743,315
Short-term investments	6,040	190,013
Accounts receivable	5,428	8,002
Grant receivable	13,653	-
Pledges receivable - net	2,142,348	1,920,415
Prepaid expenses	20,866	34,562
Investments - unrestricted	2,845,737	2,631,300
Investments - restricted endowment	318,010	318,010
Property and Equipment - net	<u>24,435</u>	<u>31,366</u>
Total Assets	<u>\$ 6,146,540</u>	<u>\$ 5,876,983</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 50,621	\$ 53,375
Allocations payable	2,583,873	2,661,415
Due to other agencies	1,063,722	1,016,880
Grants payable	11,419	-
Deferred revenue	4,167	5,834
Total liabilities	<u>3,713,802</u>	<u>3,737,504</u>
Net Assets		
Net assets without donor restriction	1,910,699	1,737,651
Net assets with donor restriction	522,039	401,828
Total net assets	<u>2,432,738</u>	<u>2,139,479</u>
Total Liabilities and Net Assets	<u>\$ 6,146,540</u>	<u>\$ 5,876,983</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, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support						
Total campaign support	\$ 3,818,554	\$ 50,535	\$ 3,869,089	\$ 3,971,901	\$ 61,043	\$ 4,032,944
Campaign net assets released from restrictions	61,043	(61,043)	-	34,895	(34,895)	-
	<u>3,879,597</u>	<u>(10,508)</u>	<u>3,869,089</u>	<u>4,006,796</u>	<u>26,148</u>	<u>4,032,944</u>
Donor designations	(621,269)	-	(621,269)	(621,385)	-	(621,385)
Provisions for uncollectible pledges	(111,053)	-	(111,053)	(126,326)	-	(126,326)
Prior campaign pledge recapture	1,532	-	1,532	3,490	-	3,490
Net campaign support	<u>3,148,807</u>	<u>(10,508)</u>	<u>3,138,299</u>	<u>3,262,575</u>	<u>26,148</u>	<u>3,288,723</u>
In-kind contributions	56,441	-	56,441	11,476	-	11,476
Other contributions	44,129	165,907	210,036	108,711	-	108,711
Grant revenue	13,653	-	13,653	-	-	-
Designations from other United Ways	20,803	-	20,803	20,147	-	20,147
Other net assets released from restriction	35,188	(35,188)	-	35,000	(35,000)	-
Total public support	<u>3,319,021</u>	<u>120,211</u>	<u>3,439,232</u>	<u>3,437,909</u>	<u>(8,852)</u>	<u>3,429,057</u>
Revenues						
Investment income	54,237	6,200	60,437	53,364	5,878	59,242
Service fee	141,262	-	141,262	125,742	-	125,742
Special events income	30,705	-	30,705	36,000	-	36,000
Rental income	1,667	-	1,667	1,667	-	1,667
Unrealized gain (loss) on investments	118,189	14,294	132,483	57,296	(2,817)	54,479
Realized gain (loss) on investments	17,844	1,494	19,338	38,769	6,179	44,948
Investment earnings released from restrictions	21,988	(21,988)	-	9,240	(9,240)	-
Total revenues	<u>385,892</u>	<u>-</u>	<u>385,892</u>	<u>322,078</u>	<u>-</u>	<u>322,078</u>
Total Public Support and Revenues	<u>3,704,913</u>	<u>120,211</u>	<u>3,825,124</u>	<u>3,759,987</u>	<u>(8,852)</u>	<u>3,751,135</u>
Expenses						
Program Services						
Gross funds awarded	3,211,694	-	3,211,694	3,292,023	-	3,292,023
Less, donor designations	(621,269)	-	(621,269)	(621,385)	-	(621,385)
Net funds awarded	<u>2,590,425</u>	<u>-</u>	<u>2,590,425</u>	<u>2,670,638</u>	<u>-</u>	<u>2,670,638</u>
Community building & community investment	365,229	-	365,229	349,869	-	349,869
Total program services	<u>2,955,654</u>	<u>-</u>	<u>2,955,654</u>	<u>3,020,507</u>	<u>-</u>	<u>3,020,507</u>
Supporting Services						
Fundraising	195,631	-	195,631	248,806	-	248,806
Management and general	380,580	-	380,580	369,478	-	369,478
Total support services	<u>576,211</u>	<u>-</u>	<u>576,211</u>	<u>618,284</u>	<u>-</u>	<u>618,284</u>
Total Expenses	<u>3,531,865</u>	<u>-</u>	<u>3,531,865</u>	<u>3,638,791</u>	<u>-</u>	<u>3,638,791</u>
Changes in Net Assets	173,048	120,211	293,259	121,196	(8,852)	112,344
Net Assets - Beginning	<u>1,737,651</u>	<u>401,828</u>	<u>2,139,479</u>	<u>1,616,455</u>	<u>410,680</u>	<u>2,027,135</u>
Net Assets - Ending	<u>\$ 1,910,699</u>	<u>\$ 522,039</u>	<u>\$ 2,432,738</u>	<u>\$ 1,737,651</u>	<u>\$ 401,828</u>	<u>\$ 2,139,479</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 293,259	\$ 112,344
Adjustments		
Provisions for uncollectible pledges	111,053	126,326
Realized gain on investments	(19,338)	(44,948)
Unrealized gain on investments	(132,483)	(54,479)
Depreciation	11,131	11,445
Changes in assets and liabilities		
Accounts receivable	2,574	(3,802)
Grant receivable	(13,653)	-
Pledges receivable - net	(332,986)	16,836
Prepaid expenses	13,696	(15,288)
Accounts payable and accrued expenses	(2,754)	19,177
Allocations payable	(77,542)	112,137
Due to other agencies	46,842	36,287
Grants payable	11,419	-
Deferred revenue	(1,667)	(1,666)
Net cash flows from operating activities	(90,449)	314,369
Cash Flows from Investing Activities		
Net change in short-term investments	183,973	187,885
Sale of investments	660,044	738,769
Purchase of investments	(722,660)	(790,260)
Purchase of property and equipment	(4,200)	(8,337)
Net cash flows from investing activities	117,157	128,057
Net Change in Cash and Cash Equivalents	26,708	442,426
Cash and Cash Equivalents - Beginning	743,315	300,889
Cash and Cash Equivalents - Ending	\$ 770,023	\$ 743,315

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, 2019
(With Comparative Totals for 2018)

	<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>2019</u>	<u>2018</u>
Expenses							
Impact grants/awards	\$ -	\$ 3,211,694	\$ 3,211,694	\$ -	\$ -	\$ 3,211,694	\$ 3,292,023
(Less donor designations)	-	(621,269)	(621,269)	-	-	(621,269)	(621,385)
Sub-Total	-	2,590,425	2,590,425	-	-	2,590,425	2,670,638
Salaries	78,315	69,695	148,010	60,412	205,742	414,164	409,472
Employee benefits	11,966	10,649	22,615	9,230	31,435	63,280	67,062
Payroll taxes	6,870	6,300	13,170	5,350	18,016	36,536	36,495
Sub-Total	97,151	86,644	183,795	74,992	255,193	513,980	513,029
Professional fees	-	600	600	-	18,289	18,889	25,154
Supplies	804	716	1,520	620	2,112	4,252	4,999
Telephone	650	578	1,228	501	1,706	3,435	5,068
Postage and shipping	1,083	964	2,047	836	2,845	5,728	6,097
Occupancy	9,185	8,174	17,359	7,086	24,125	48,570	48,081
Leases and software maintenance	7,711	6,862	14,573	5,949	20,253	40,775	42,568
Temporary services	900	-	900	2,714	6,068	9,682	31,342
Printing and publications	-	-	-	-	356	356	316
Transportation	1,281	307	1,588	1,037	125	2,750	4,229
Conferences and meetings	7,548	3,242	10,790	3,203	11,862	25,855	21,061
Marketing	13,092	-	13,092	8,728	-	21,820	47,991
Miscellaneous	-	-	-	20,045	4,162	24,207	34,890
Mobilization and engagement	6,625	-	6,625	-	-	6,625	2,968
Insurance	-	-	-	-	7,857	7,857	6,013
Campaign expenses	-	-	-	19,175	-	19,175	33,454
Special events	-	-	-	20,642	-	20,642	32,564
Payments to United Way Worldwide	7,651	6,810	14,461	5,903	20,098	40,462	42,633
Strategy-Aligned expenses	23,620	35,188	58,808	-	-	58,808	42,775
In-kind expenses	33,865	-	33,865	22,576	-	56,441	11,476
Depreciation	2,105	1,873	3,978	1,624	5,529	11,131	11,445
Sub-Total	116,120	65,314	181,434	120,639	125,387	427,460	455,124
Total Functional Expenses	\$ 213,271	\$ 2,742,383	\$ 2,955,654	\$ 195,631	\$ 380,580	\$ 3,531,865	\$ 3,638,791

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

	<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	\$ -	\$ 3,292,023	\$ 3,292,023	\$ -	\$ -	\$ 3,292,023
(Less donor designations)	-	(621,385)	(621,385)	-	-	(621,385)
Sub-Total	<u>-</u>	<u>2,670,638</u>	<u>2,670,638</u>	<u>-</u>	<u>-</u>	<u>2,670,638</u>
Salaries	96,144	53,559	149,703	88,610	171,159	409,472
Employee benefits	15,746	8,772	24,518	14,512	28,032	67,062
Payroll taxes	8,569	4,773	13,342	7,898	15,255	36,495
Sub-Total	<u>120,459</u>	<u>67,104</u>	<u>187,563</u>	<u>111,020</u>	<u>214,446</u>	<u>513,029</u>
Professional fees	-	-	-	-	25,154	25,154
Supplies	1,173	654	1,827	1,082	2,090	4,999
Telephone	1,190	663	1,853	1,097	2,118	5,068
Postage and shipping	1,432	797	2,229	1,319	2,549	6,097
Occupancy	11,289	6,289	17,578	10,404	20,099	48,081
Leases and software maintenance	9,996	5,568	15,564	9,212	17,792	42,568
Temporary services	701	-	701	882	29,759	31,342
Printing and publications	-	-	-	-	316	316
Transportation	1,697	452	2,149	1,683	397	4,229
Conferences and meetings	2,581	779	3,360	433	17,268	21,061
Marketing	43,274	-	43,274	4,647	70	47,991
Miscellaneous	-	8,258	8,258	17,830	8,802	34,890
Mobilization and engagement	2,968	-	2,968	-	-	2,968
Insurance	-	-	-	-	6,013	6,013
Campaign expenses	-	-	-	33,454	-	33,454
Special events	-	-	-	32,564	-	32,564
Payments to United Way Worldwide	10,010	5,576	15,586	9,226	17,821	42,633
Strategy-Aligned expenses	42,775	-	42,775	-	-	42,775
In-kind expenses	-	-	-	11,476	-	11,476
Depreciation	2,687	1,497	4,184	2,477	4,784	11,445
Sub-Total	<u>131,773</u>	<u>30,533</u>	<u>162,306</u>	<u>137,786</u>	<u>155,032</u>	<u>455,124</u>
Total Functional Expenses	<u>\$ 252,232</u>	<u>\$ 2,768,275</u>	<u>\$ 3,020,507</u>	<u>\$ 248,806</u>	<u>\$ 369,478</u>	<u>\$ 3,638,791</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 the 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, Mobilization & Engagement Council, Southern Tier Kids on Track 0-8 Council, Southern Tier Kids on Track 9-21 Council, Southern Tier Senior Supports Council, Southern Tier Basic Needs Council, and Resource Development Council. Each council is led by a member of UWST's Board of Directors and is comprised of community volunteers.

UWST's Board of Directors adopted a strategic plan to guide the work of the Organization. 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 - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity and disclosure of expenses by functional classification. The Organization is required to report information regarding its net assets and changes therein in the following categories:

Net Assets Without Donor Restriction - Net assets without donor restriction represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Organization's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Organization in accordance with its by-laws.

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

Net Assets With Donor Restriction - Net assets with donor restriction represent net assets that are subject to donor imposed stipulations.

This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

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.

Grants Receivable - At June 30, 2019 and 2018, no allowance for bad debts has been established for grants receivable as it is management's opinion that losses, if incurred, would not materially affect the financial statements.

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. 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, 2019, UWST has committed to pay program partners through June 30, 2020 and program expenses for the year ended June 30, 2019 included program allocations for the period July 1, 2019 through June 30, 2020.

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 donor restricted until the time restriction expires.

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

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.

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 14.39% is deducted from designations to nonprofit agencies during the community campaign. 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.

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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. Liquidity

As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the organization has Board Designated net assets without donor restrictions that, while the organization does not intend to spend for these purposes other than identified, the amounts could be made available for current operations, if necessary.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure, including distribution to partner agencies, are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 770,023	\$ 743,315
Short-term investments	6,040	190,013
Accounts receivable	5,428	8,002
Pledges receivable, net	2,156,001	1,920,415
Investments - without donor restriction	<u>2,845,737</u>	<u>2,631,300</u>
Total financial assets available within one year	<u>5,783,229</u>	<u>5,493,045</u>
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(98,339)	(74,700)
Restricted by donors with designated contributions	<u>(1,063,722)</u>	<u>(1,016,880)</u>
Total amounts unavailable for general expenditures within one year	<u>(1,162,061)</u>	<u>(1,091,580)</u>
Amounts unavailable to management without Board's approval:		
Board designated Strategic investment fund	(226,596)	(263,296)
Board designated Austin loan fund	(40,000)	(40,000)
Board designated for fixed asset fund	(24,435)	(31,366)
Board designated for operating reserves	<u>(1,198,669)</u>	<u>(1,206,903)</u>
Total amounts unavailable to management without Board's approval	<u>(1,489,700)</u>	<u>(1,541,565)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,131,468</u>	<u>\$ 2,859,900</u>

In addition to the financial assets available within one year, the Board of Directors has established an operating reserve in the amount of \$1,198,669, held in an investment account. Use of these funds is subject to the approval of the Board of Directors.

Note 3. Pledges Receivable

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

	<u>2019</u>	<u>2018</u>
Gross pledges receivable	\$ 2,277,164	\$ 2,068,972
Less, allowance for uncollectible pledges	(131,388)	(148,557)
Less, discount on pledge receivable	<u>(3,428)</u>	<u>-</u>
Pledges receivable - net	<u>\$ 2,142,348</u>	<u>\$ 1,920,415</u>

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

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

	<u>2019</u>	<u>2018</u>
Write off of pledges receivable	\$ 131,388	\$ 148,557
Changes in allowance	<u>(20,335)</u>	<u>(22,231)</u>
Provisions for uncollectible pledges	<u>\$ 111,053</u>	<u>\$ 126,326</u>

Note 4. 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, 2019 and 2018.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded. (Level 1)

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. (Level 2)

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. (Level 2)

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Investments consisted of the following at June 30:

	Total 2019	Quoted Prices in Active Markets Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and cash equivalents	\$ 83,604	\$ 83,604	\$ -	\$ -
Fixed income				
Corporate bonds	938,697	-	938,697	-
Certificate of deposit	25,050	-	25,050	-
Foreign government bonds	57,761	-	57,761	-
Government securities	10,998	-	10,998	-
Total fixed income	<u>1,032,506</u>	<u>-</u>	<u>1,032,506</u>	<u>-</u>
Common stocks				
Basic material	91,550	91,550	-	-
Consumer goods	8,160	8,160	-	-
Exchange-traded funds	62,160	62,160	-	-
Financial	44,028	44,028	-	-
Healthcare	286,947	286,947	-	-
Industrial goods	417,783	417,783	-	-
Miscellaneous	14,976	14,976	-	-
Technology	283,983	283,983	-	-
Utilities	101,829	101,829	-	-
Total common stocks	<u>1,311,416</u>	<u>1,311,416</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	506,191	506,191	-	-
Growth	230,030	230,030	-	-
Total mutual funds	<u>736,221</u>	<u>736,221</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 3,163,747</u>	<u>\$ 2,131,241</u>	<u>\$ 1,032,506</u>	<u>\$ -</u>

UNITED WAY OF THE SOUTHERN TIER, INC.
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	<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>

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equipment, furniture, and fixtures	\$ 156,673	\$ 152,473
Less, accumulated depreciation	(132,238)	(121,107)
Property and equipment - net	<u>\$ 24,435</u>	<u>\$ 31,366</u>

Note 6. Endowment Fund

Net assets with donor restriction at June 30, 2019 and 2018, 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 without donor restriction, 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 net assets with donor restriction (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.

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, 2019 and 2018, are as follows:

	<u>With Donor Restriction</u>
Endowment Net Assets, June 30, 2017	\$ 318,010
Investment income	5,878
Net appreciation	3,362
Amounts appropriated for net assets without donor restriction	<u>(9,240)</u>
Endowment Net Assets, June 30, 2018	318,010
Investment income	6,200
Net appreciation	15,788
Amounts appropriated for net assets without donor restriction	<u>(21,988)</u>
Endowment Net Assets, June 30, 2019	<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 donor restricted net assets to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce net assets without donor restriction. The earnings of \$21,988 and \$9,240 for the years ended June 30, 2019 and 2018, respectively, increased net assets without donor restriction for the year then ended.

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

Note 7. 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 \$56,441 and \$11,476 for the years ended June 30, 2019 and 2018, respectively.

Note 8. 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 56.33% and 51.53% of total campaign support for the fiscal years ended June 30, 2019 and 2018, respectively. Pledges receivable from the local corporation accounted for 52.07% and 52.29% of the gross pledges receivable at June 30, 2019 and 2018, respectively.

Note 9. 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, 2019 and 2018, amounted to \$27,304 and \$27,483, respectively, and are included in UWST's employee benefits.

Note 10. 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 expired on June 30, 2019. Rent expense amounted to \$36,894 for both years ended June 30, 2019 and 2018. UWST exercised a renewal option which extended the lease another three years to expire on June 30, 2022. 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 \$4,672 and \$4,863 as of June 30, 2019 and 2018, respectively. The future minimum lease commitments as of June 30, 2019, were as follows:

2020	\$ 41,337
2021	41,337
2022	38,039
Total	<u>\$ 120,713</u>

Note 11. 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 12. Net Assets

UWST's net assets without donor restriction consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Operating reserves	\$ 1,198,669	\$ 1,206,903
Austin loan fund	40,000	40,000
Fixed asset fund	24,435	31,366
Operating fund	421,000	196,086
Strategic investment fund	226,595	263,296
Total net assets without donor restriction	<u>\$ 1,910,699</u>	<u>\$ 1,737,651</u>

UWST's net assets with donor restriction consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Campaign support for subsequent years	\$ 50,535	\$ 61,043
J Ullman Foundation	10,000	10,000
Track packs	3,657	3,657
Endowment fund	318,010	318,010
Purdue fund	4,594	4,594
Shand fund	4,524	4,524
Cornell capital	96,572	-
DPIL	34,147	-
Total net assets with donor restriction	<u>\$ 522,039</u>	<u>\$ 401,828</u>

Note 13. 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 \$40,462 and \$42,633 for the years ended June 30, 2019 and 2018, 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.

Note 14. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2018. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.