

UNITED WAY OF THE MID-SOUTH

FINANCIAL STATEMENTS

June 30, 2019 and 2018

**UNITED WAY OF THE MID-SOUTH
TABLE OF CONTENTS**

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses.....	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To the Board of Directors
United Way of the Mid-South
Memphis, Tennessee

We have audited the accompanying financial statements of United Way of the Mid-South (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Mid-South as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander Thompson Arnold PLLC

Memphis, Tennessee
November 7, 2019

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 323,558	\$ 173,799
Pledges receivable, net	4,399,425	5,068,981
Grants receivable	340,577	36,123
Assets held by others	7,267,958	7,349,268
Beneficial interests in trusts	738,599	740,393
Property and equipment, net of accumulated depreciation of \$531,550 and \$686,722, respectively	1,593,061	1,756,997
Other assets	10,006	11,684
Total assets	\$ 14,673,184	\$ 15,137,245
Liabilities		
Accounts payable and accrued expenses	\$ 456,925	\$ 386,233
Agency liability	105,216	99,898
Checks in excess of deposits	275,940	144,279
Distributions payable	928,234	373,088
Line of credit	1,956,423	1,469,497
Total liabilities	3,722,738	2,472,995
Net Assets		
Without donor restrictions	812,422	1,854,876
With donor restrictions	10,138,024	10,809,374
Total net assets	10,950,446	12,664,250
Total liabilities and net assets	\$ 14,673,184	\$ 15,137,245

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Annual campaign						
Contributions received	\$ 285,965	\$ 16,477,350	\$ 16,763,315	\$ 57,635	\$ 17,026,706	\$ 17,084,341
Less donor designations	-	(4,730,590)	(4,730,590)	-	(4,618,837)	(4,618,837)
Less provision for uncollectible pledges	-	(865,305)	(865,305)	-	(668,248)	(668,248)
	285,965	10,881,455	11,167,420	57,635	11,739,621	11,797,256
Investment income	193,604	-	193,604	403,633	-	403,633
Special events	-	-	-	33,669	-	33,669
Change in trust	-	(1,794)	(1,794)	-	26,330	26,330
Other contributions	516,037	-	516,037	491,725	-	491,725
Grants and contracts	1,292,562	-	1,292,562	648,651	-	648,651
Miscellaneous income	17,425	-	17,425	3,193	-	3,193
	2,305,593	10,879,661	13,185,254	1,638,506	11,765,951	13,404,457
Total revenue	2,305,593	10,879,661	13,185,254	1,638,506	11,765,951	13,404,457
Net Assets Released from Restrictions						
Contributions received for current period						
Support	16,838,096	(16,838,096)	-	17,612,761	(17,612,761)	-
Less donor designations	(4,618,837)	4,618,837	-	(4,926,063)	4,926,063	-
Less provision for uncollectible pledges	(668,248)	668,248	-	(792,145)	792,145	-
Total assets released from restrictions	11,551,011	(11,551,011)	-	11,894,553	(11,894,553)	-
Total Revenue and Other Support	\$ 13,856,604	\$ (671,350)	\$ 13,185,254	\$ 13,533,059	\$ (128,602)	\$ 13,404,457

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services:						
Allocations to agencies	\$ 12,873,770	\$ -	\$ 12,873,770	\$ 12,577,637	\$ -	\$ 12,577,637
Less donor designations	(4,730,590)	-	(4,730,590)	(4,618,837)	-	(4,618,837)
Net funds distributed	8,143,180		8,143,180	7,958,800		7,958,800
Community service	2,939,668	-	2,939,668	2,304,305	-	2,304,305
Grant expenses	1,218,126	-	1,218,126	579,509	-	579,509
Total program services	<u>12,300,974</u>	<u>-</u>	<u>12,300,974</u>	<u>10,842,614</u>	<u>-</u>	<u>10,842,614</u>
Supporting services:						
Fund raising	1,015,671	-	1,015,671	1,247,430	-	1,247,430
Management and general	1,582,413	-	1,582,413	1,883,131	-	1,883,131
Total supporting services	<u>2,598,084</u>	<u>-</u>	<u>2,598,084</u>	<u>3,130,561</u>	<u>-</u>	<u>3,130,561</u>
Total expenses	<u>14,899,058</u>	<u>-</u>	<u>14,899,058</u>	<u>13,973,175</u>	<u>-</u>	<u>13,973,175</u>
Decrease in Net Assets	(1,042,454)	(671,350)	(1,713,804)	(440,116)	(128,602)	(568,718)
Net Assets at Beginning of Year	<u>1,854,876</u>	<u>10,809,374</u>	<u>12,664,250</u>	<u>2,294,992</u>	<u>10,937,976</u>	<u>13,232,968</u>
Net Assets at End of Year	<u>\$ 812,422</u>	<u>\$ 10,138,024</u>	<u>\$ 10,950,446</u>	<u>\$ 1,854,876</u>	<u>\$ 10,809,374</u>	<u>\$ 12,664,250</u>

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	PROGRAM SERVICES			SUPPORT SERVICES		Total
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	
Allocation to agencies	\$ 12,873,770	\$ -	\$ -	\$ -	\$ -	\$ 12,873,770
Less donor designations	(4,730,590)	-	-	-	-	(4,730,590)
Sub total	<u>8,143,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,143,180</u>
Grant expense	-	-	473,091	-	-	473,091
Salaries	-	1,461,293	570,253	504,880	786,652	3,323,078
Employee benefits	-	298,015	131,158	102,964	160,428	692,565
Payroll taxes	-	103,425	43,624	35,733	55,676	238,458
Sub total	<u>-</u>	<u>1,862,733</u>	<u>745,035</u>	<u>643,577</u>	<u>1,002,756</u>	<u>4,254,101</u>
Professional fees	-	104,573	-	36,130	56,294	196,997
Supplies	-	83,712	-	28,908	45,001	157,621
Telephone	-	30,914	-	10,681	16,641	58,236
Postage	-	6,701	-	2,315	3,607	12,623
Occupancy	-	175,716	-	60,710	94,592	331,018
Equipment rental and repairs	-	21,044	-	7,271	11,332	39,647
Software support/maintenance	-	50,259	-	17,365	27,055	94,679
Printing and publications	-	88,705	-	30,648	47,751	167,104
Local travel	-	47,872	-	16,547	25,769	90,189
Conferences, conventions, and meetings	-	40,247	-	13,905	21,664	75,816
Special events	-	52,667	-	18,197	28,352	99,216
Membership dues	-	4,245	-	1,467	2,285	7,997
Endowment fund management fees	-	31,099	-	10,763	16,727	58,589
Bank service fees	-	24,033	-	8,303	12,939	45,275
Miscellaneous	-	1,868	-	646	1,004	3,518
Interest	-	28,031	-	9,684	15,089	52,804
Depreciation	-	87,024	-	30,067	46,846	163,937
Gifts in kind	-	100,794	-	34,824	54,260	189,878
Sub total	<u>-</u>	<u>979,504</u>	<u>-</u>	<u>338,431</u>	<u>527,208</u>	<u>1,845,143</u>
United Way dues	-	97,431	-	33,663	52,449	183,543
Total Functional Expenses	<u>\$ 8,143,180</u>	<u>\$ 2,939,668</u>	<u>\$ 1,218,126</u>	<u>\$ 1,015,671</u>	<u>\$ 1,582,413</u>	<u>\$ 14,899,058</u>

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	PROGRAM SERVICES			SUPPORT SERVICES		Total
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	
Allocation to agencies	\$ 12,577,637	\$ -	\$ -	\$ -	\$ -	\$ 12,577,637
Less donor designations	(4,618,837)	-	-	-	-	(4,618,837)
Sub total	<u>7,958,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,958,800</u>
Grant expense	-	-	150,041	-	-	150,041
Salaries	-	1,127,766	328,716	610,514	921,635	2,988,631
Employee benefits	-	269,766	75,605	146,037	220,458	711,866
Payroll taxes	-	79,175	25,147	42,861	64,704	211,887
Sub total	<u>-</u>	<u>1,476,707</u>	<u>429,468</u>	<u>799,412</u>	<u>1,206,797</u>	<u>3,912,384</u>
Professional Fees	-	85,122	-	46,081	69,564	200,767
Supplies	-	42,970	-	23,262	35,116	101,348
Telephone	-	21,320	-	11,542	17,424	50,286
Postage	-	3,953	-	2,139	3,229	9,321
Occupancy	-	137,487	-	74,426	112,349	324,262
Equipment rental and repairs	-	14,809	-	8,016	12,101	34,926
Software support/maintenance	-	37,154	-	20,113	30,364	87,631
Printing and publications	-	68,724	-	37,203	56,163	162,090
Local travel	-	30,347	-	16,428	24,800	71,575
Conferences, conventions, and meetings	-	8,823	-	4,777	7,211	20,811
Special events	-	62,986	-	34,101	51,485	148,572
Membership dues	-	3,518	-	1,904	2,874	8,296
Endowment fund management fees	-	25,881	-	14,010	21,150	61,041
Bank service fees	-	17,272	-	9,350	14,115	40,737
Miscellaneous	-	1,467	-	796	1,202	3,465
Interest	-	10,335	-	5,594	8,445	24,374
Depreciation	-	70,978	-	38,424	58,006	167,408
Gifts in kind	-	103,280	-	55,910	84,403	243,593
Sub total	<u>-</u>	<u>746,426</u>	<u>-</u>	<u>404,076</u>	<u>610,001</u>	<u>1,760,503</u>
United Way dues	-	81,172	-	43,942	66,333	191,447
Total Functional Expenses	<u>\$ 7,958,800</u>	<u>\$ 2,304,305</u>	<u>\$ 579,509</u>	<u>\$ 1,247,430</u>	<u>\$ 1,883,131</u>	<u>\$ 13,973,175</u>

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Decrease in net assets	\$ (1,713,804)	\$ (568,718)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	163,936	167,408
Change in allowance for doubtful accounts	-	(200,000)
Decrease in fair value of assets held by others	81,310	505,893
(Increase) decrease in fair value of beneficial interests in trusts	1,794	(26,331)
Changes in assets and liabilities		
Gross pledges receivable	669,556	339,491
Grant receivable	(304,454)	(36,123)
Other assets	1,678	4,615
Accounts payable and accrued expenses	70,692	(118,343)
Agency liability	5,318	(26,686)
Distributions payable	555,146	183,477
Net cash provided by (used in) operating activities	(468,828)	224,683
Cash flows from investing activities		
Purchase of property and equipment	-	(34,404)
Net cash used in investing activities	-	(34,404)
Cash flows from financing activities		
Line of credit draws	10,712,625	7,991,608
Principal payments on line of credit	(10,225,699)	(8,210,886)
Checks in excess of deposits	131,661	77,081
Net cash provided by (used in) financing activities	618,587	(142,197)
Net increase in cash and cash equivalents	149,759	48,082
Cash and cash equivalents at beginning of year	173,799	125,717
Cash and cash equivalents at end of year	\$ 323,558	\$ 173,799
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 48,632	\$ 20,393

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

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Organization

United Way of the Mid-South (United Way or Organization) is a not-for-profit corporation originally founded in 1923. United Way strives to stimulate voluntary participation as part of its annual united appeal for funds and other resources, to support the financial needs of programs and funded agency partners, positively impacting local poverty by improving local education, financial stability, and health.

United Way serves the Tennessee counties of Fayette, Lauderdale, Shelby, and Tipton; the Mississippi counties of DeSoto, Tate, and Tunica; and Crittenden County in Arkansas. The Organization's published mission is "improving the lives of Mid-Southerners by mobilizing and aligning community resources to address priority issues."

The Organization acts as custodian or agent for certain entities and acts as an agent for donors specifying that their contributions be granted to a specific agency. These contributions are included in contributions received in the accompanying statement of activities.

The following is a description of the program services categories:

Allocations to Agencies: This category includes funding programs that positively impact poverty by improving education, financial stability, and health in our region. Such programs include efforts to ensure more children enter school ready to learn and succeed, more youth are engaged in a range of safe and productive after-school activities in schools and in the community, more individuals and families are empowered to be more financially self-sufficient with their basic needs met, more individuals and families are freed from violence and abuse, and more seniors are able to implement their own life choices later in life.

Community Service: This category includes programs that benefit members of the community through engagement in volunteerism (such as its Day of Caring events) and the administration of various community-related projects.

Grant Expense: This category includes programs that manage and allocate government, foundation, and private grants to support our programs that improve education, financial stability, and health.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. United Way adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, endowment funds, and disclosures related to functional allocation of expenses were expanded. As such, the financial statements are presented based on net assets without donor restrictions and net assets with donor restrictions generally defined as follows:

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

B. Income Taxes

The Internal Revenue Service has determined that United Way is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no income taxes are provided for in the accompanying financial statements.

The Organization files exempt organization returns in the U.S. federal jurisdiction and various states. The Organization's returns are subject to examination by the Internal Revenue Service (IRS) as well as state authorities.

C. Governance

All corporate powers and the affairs of the Organization are exercised and managed under and by the authority of the Board of Directors (Board). The Board is comprised of thirty-five (35) voluntary Directors.

D. Basis of Presentation

The accompanying financial statements were prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This also conforms to the industry audit guide, *Not-for-Profit Organizations*, of the American Institute of Certified Public Accountants and *Accounting and Financial Reporting*, published by United Way Worldwide.

Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

E. Advertising Costs

The Organization had advertising costs of approximately \$68,288 and \$37,422 during the years ended June 30, 2019 and 2018, respectively. Advertising costs are expensed when they are incurred. Advertising valued at \$14,640 and \$132,895 was donated during the years ended June 30, 2019 and 2018, respectively and is included in the Statements of Functional Expenses. Corresponding revenue is included in the "Other Contributions" line of the Statement of Activities.

F. Functional Allocation of Expenses

The cost of providing the various program services has been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated based upon

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

management's estimates, principally on an indirect basis, among the program and supporting services. Indirect costs are allocated primarily on the number of staff in each functional area.

G. Fair Value of Financial Instruments

The Organization, as required by GAAP, adopted *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of input that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2—Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from other corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed securities and highly structured or long-term derivative contracts.

Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interest in securitizations, asset-backed securities and highly structured or long-term derivative contracts.

During the years ended June 30, 2019 and 2018, the Organization had no investments in derivatives. Management has not elected the fair value option for certain financial assets and financial liabilities, as required by GAAP, since those assets were not affected by changes in management's risk management and investment strategy.

The carrying value of cash and cash equivalents, receivables, payables, accrued liabilities and due to sub recipients approximates fair value because of the short maturity of those instruments. Investments are carried at fair value based upon quoted market value.

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

H. Net Assets without Donor Restrictions

Net assets without donor restrictions include support raised from an annual campaign held in the prior year to fund allocations to participating agencies and for general operating purposes of the current year.

I. Net Assets with Donor Restrictions

Net assets with donor restrictions include support from trusts, gifts and bequests accepted with the donor stipulation and support restricted for use by donor stipulations that limit the use of the donated funds. When the time restriction stipulation ends or when the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

J. 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 on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant assumptions are made in recording the allowance for uncollectible pledges receivable based upon management's experience with historical collectability and other factors known to management. Actual results could differ from estimates.

K. Contributions

Campaigns are conducted primarily but not exclusively in the Fall of each year to raise support for allocations to participating agencies in the subsequent calendar year and beyond. Pledges are recorded as temporarily restricted receivables with an allowance provided for uncollectible accounts. Campaign support pledged for use in the future year's operations is included as temporarily restricted revenue in the statement of activities and changes in net assets.

L. Beneficial Interests in Trusts

The Organization received a gift of a beneficial interest in a trust that is held by others. Under the terms of the trust, the Organization has the irrevocable right to receive a percentage of the income earned on the trust assets until April 15, 2042 at which time all assets will be liquidated and transferred to the organizations in the same percentages as they are currently receiving income. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

The Organization is also named as a beneficiary under a trust administered by others. Under the terms of the trust, the Organization shall annually receive a percentage of the net income from the remaining assets of the trust in perpetuity. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

M. Grant Programs

United Way is the recipient of several government and private grants. Grants received in excess of expenditures are included in the statement of financial position as liabilities. Reimbursable expenditures in excess of cash receipts are included in the statements of financial position as grants receivable.

N. Cash Equivalents

United Way considers short-term investments with an original maturity of three months or less to be cash equivalents. Money markets related to the investment accounts is not included in cash and cash equivalents.

O. Property and Equipment

Property and equipment purchased is recorded at cost and donated equipment is recorded at its fair value at the date of receipt. The Organization uses a capitalization policy of \$5,000. Depreciation is provided over the estimated useful lives of the assets, generally three to ten years for equipment, using the straight-line method.

Balances of major classes of depreciable assets at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 281,489	\$ 281,489
Building	1,048,511	1,048,511
Equipment	138,300	395,060
Software	-	57,189
Furniture & Fixtures	501,750	506,909
Leasehold Improvements	154,561	154,561
	<u>2,124,611</u>	<u>2,443,719</u>
Less: Accumulated Depreciation	<u>(531,550)</u>	<u>(686,722)</u>
	<u>\$ 1,593,061</u>	<u>\$ 1,756,997</u>

Depreciation expense totaled \$163,936 and \$167,408 for the years ended June 30, 2019 and 2018, respectively.

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

P. Donated Services

Unpaid volunteers contribute significant amounts of time to fund-raising campaigns and other program activities of United Way. No amounts have been reflected in the accompanying financial statements for these donated services, as there is no objective basis for measurement.

Q. Subsequent Events

Subsequent events have been evaluated through November 7, 2019 which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets to meet cash needs for general expenditures within one year:	<u>2019</u>
Cash and cash equivalents	\$ 323,558
Pledges receivable, net	4,399,425
Assets held by others	<u>7,267,958</u>
Total financial assets available within one year	11,990,941
Less:	
Amounts unavailable for general expenditure, due to:	
Restricted by grantor with purpose restrictions	(323,558)
Restricted by donor in perpetuity	<u>(5,000,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,323,558)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 6,667,383</u></u>

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

NOTE 3 – PLEDGES RECEIVABLE

A summary of pledges receivable, all of which are due within one year, and the related allowance for estimated uncollectible pledges at June 30, 2019 and 2018 is as follows:

	2019	2018
2019 Campaign	\$ 5,424	\$ -
2018 Campaign	5,194,001	-
2017 Campaign	-	5,868,981
Less allowance for uncollectible pledges	(800,000)	(800,000)
	\$ 4,399,425	\$ 5,068,981

The following summarizes the changes in the allowance for estimated uncollectible pledges for the year ended June 30, 2019:

	2019	2018
Balance at beginning of year	\$ 800,000	\$ 1,000,000
Provision	865,305	668,248
Write-offs, net	(865,305)	(868,248)
Balance at end of year	\$ 800,000	\$ 800,000

NOTE 4 – ASSETS HELD AT FOUNDATION

United Way's endowment funds are held by the Community Foundation of Greater Memphis, Inc. (Foundation). The Foundation has title to the investments and the right to invest these funds without material restriction or conditions imposed by the donor. This endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are reported based on the existence or absence of donor-imposed restrictions.

United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purpose of the Organization and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation or deflation;

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Organization; and
- 7) The investment policies of the Organization.

Annually, all earnings on the donor designated endowment funds in excess of the permanently restricted amounts are appropriated to the board designated endowment fund. They are released from restrictions and available for distribution in accordance with board policy.

In 2011, The Board of Directors established a committee to explore ways to utilize the unrestricted portion of the Endowment Fund to further the organization's mission. The committee's charter was established to:

- 1) Leverage funding from federal, state, local and private sources;
- 2) Increase scale and replication of successful community initiatives;
- 3) Support strategically aligned public and private investments; and
- 4) Focus on long term impact areas in the community.

The Board had previously established a policy, in 2006, that limits the amounts distributed from the Endowment Fund to 5% of the average fair market value of the Fund over the preceding three years, except that any amount distributed cannot result in the fair market value of the Fund being less than \$5,000,000, after consideration of any such distribution. The amount available for distribution for fiscal years ended June 30, 2019 and 2018 were \$370,659 and \$386,298, respectively.

The endowment fund balance is invested in the Community Foundation of Greater Memphis' Balanced Pool comprised of the following asset classes as of June 30, 2019: Fixed Income 27%, Multi-Strategy Hedge 10%, Equities 55%, and Real Estate 8%. The Foundation manages the funds under its investment policies for the Balanced Pool, which is expected to yield results consistent with a 60/40 weighted average of S&P 500 and Barclays aggregate bond index. Actual returns can vary from this objective in any given year. The Organization seeks to provide a predictable income stream and to maintain purchasing power of the endowment assets and has transferred the assets to the Foundation as part of its strategy to achieve its long-term performance objectives. The Organization monitors the performance of the funds held at the Foundation regularly. At the request of the Organization, funds will be distributed up to 100% of income in quarterly installments, and, upon 60 day written request, principal can be distributed; however, due to the permanent restrictions on the funds, no distributions will be made unless the fair value of the funds is over \$5,000,000.

United Way recognizes contribution revenue at the fair value of the fund assets upon notification that its rights to receive benefits under the agreement are unconditional. Changes in the fair value of the United Way interests in the fund assets are reflected as gains or losses in the statement of activities in the period they occur.

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

United Way's endowment funds held by the Foundation reported by type and net assets class are as follows:

Changes in Endowment Net Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	\$ 2,855,161	\$ 5,000,000	\$ 7,855,161
Contributions	900,000	-	900,000
Appropriation for expenditure	(1,747,943)	-	(1,747,943)
Investment income (loss)	376,461	-	376,461
Net appreciation (depreciation)	(34,411)	-	(34,411)
Total return	(505,893)	-	(505,893)
Endowment net assets, June 30, 2018	2,349,268	5,000,000	7,349,268
Contributions	-	-	-
Appropriation for expenditure	(216,325)	-	(216,325)
Investment income (loss)	109,243	-	109,243
Net appreciation (depreciation)	25,772	-	25,772
Total return	(81,310)	-	(81,310)
Endowment net assets, June 30, 2019	<u>\$ 2,267,958</u>	<u>\$ 5,000,000</u>	<u>\$ 7,267,958</u>

Fees related to the management of these funds were \$58,589 and \$61,041 for the years ended June 30, 2019 and 2018, respectively.

	Board Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Balance at June 30, 2017	\$ 2,855,161	\$ 5,000,000	\$ 7,855,161
Contributions	900,000	-	900,000
Appropriation for expenditure	(1,747,943)	-	(1,747,943)
Investment income (loss), net of expenses	376,461	-	376,461
Net appreciation (depreciation)	(34,411)	-	(34,411)
Total return	(505,893)	-	(505,893)
Endowment net assets, June 30, 2018	2,349,268	5,000,000	7,349,268
Contributions	-	-	-
Appropriation for expenditure	(216,325)	-	(216,325)
Investment income (loss), net of expenses	109,243	-	109,243
Net appreciation (depreciation)	25,772	-	25,772
Total return	(81,310)	-	(81,310)
Endowment net assets, June 30, 2019	<u>2,267,958</u>	<u>5,000,000</u>	<u>7,267,958</u>

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

NOTE 5 – FAIR VALUE MEASUREMENT

During the years ended June 30, 2019 and 2018, the Organization had fair value of assets measured on a recurring basis using a market approach, as follows for assets held for others and beneficial interests in trusts:

	Fair Value Measurements at Reporting Date Using:			
	Total June 30, 2019	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
		Level 1	Level 2	Level 3
Assets Held by Others - Mutual				
Fund Investment Balanced Pool	\$ 7,267,958	\$ -	\$ -	\$ 7,267,958
Beneficial Interest in Trusts	738,599	738,599	-	-
Total	\$ 8,006,557	\$ 738,599	\$ -	\$ 7,267,958
	June 30, 2018			
Assets Held by Others - Mutual				
Fund Investment Balanced Pool	\$ 7,349,268	\$ -	\$ -	\$ 7,349,268
Beneficial Interest in Trusts	740,393	740,393	-	-
Total	\$ 8,089,661	\$ 740,393	\$ -	\$ 7,349,268

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs
	Assets Held by Others - Mutual Fund Investment Balanced Pool
June 30, 2017	\$ 7,855,161
Total realized gains (losses)	309,821
Unrealized gains (losses) and the change in Net assets without donor restrictions	(34,411)
Purchases, Issuance, and Settlements	(781,303)
June 30, 2018	7,349,268
Total realized gains (losses)	10,923
Unrealized gains (losses) and the change in Net assets without donor restrictions	25,772
Purchases, Issuance, and Settlements	(118,005)
June 30, 2019	\$ 7,267,958

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

	<u>Assets Held by Others</u>
The amount of total gains or losses for the year ended June 30, 2019 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ (81,310)</u>
The amount of total gains or losses for the year ended June 30, 2018 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ (505,893)</u>

Gains and losses (realized and unrealized) included in net assets without donor restrictions for the year are reported in support and revenue as follows:

	<u>Investment Gains (Losses)</u>	
	June 30	
	2019	2018
Total gains or losses included in net assets without donor restrictions for the year	<u>\$ (107,082)</u>	<u>\$ (471,482)</u>
Change in unrealized gains or losses relating to assets still held at year end	<u>\$ 25,772</u>	<u>\$ (34,411)</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. For the valuation of assets held by others, which include equities, fixed income, and alternative investments securities at June 30, 2019 and 2018, the Organization used significant unobservable inputs including information from fund managers based on quoted market prices, if available, or other valuation methods (Level 3). Management reviews and evaluates the values provided by the fund manager and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

NOTE 6 – RETIREMENT PLAN

United Way has a contributory defined contribution retirement plan which provides retirement benefits and is administered by Mutual of America. Full-time employees with at least one year of service who have attained age 21 are eligible to participate in the plan. Participants who are hired at age 60 or above are immediately eligible to participate in the plan. United Way's contribution to the plan was \$263,517 and \$307,848 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 – LINE OF CREDIT

The Organization entered into an agreement for an unsecured line of credit for \$3,000,000 with a bank. The line of credit matures in January 2020. Interest is payable monthly based on the bank's Prime

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

Rate less 75 basis points (3.5%) for the applicable period such advance has been outstanding. At June 30, 2019 and 2018, the outstanding balance was \$1,956,423 and \$1,469,497, respectively.

NOTE 8 – OPERATING LEASES

The Organization has entered into various operating leases for equipment with payments ranging between \$172 and \$692. Total lease expense for the years ended June 30, 2019 and 2018 were \$33,234 and \$26,372, respectively. Minimum future annual payments on these leases are as follows:

<u>Year</u>	<u>Equipment</u>
2020	\$ 10,368
2021	9,852
2022	4,152
2023	-
2024	-
	<u>\$ 24,372</u>

NOTE 9 – AGENCY LIABILITY

In conducting the annual campaign, the Organization receives donations that are specified for specific agencies. The agency liability reflects those donations that were received but not disbursed by June 30, 2019.

NOTE 10 – DESIGNATED GIFTS

The Organization receives contributions that have been designated by the donor for certain member groups and agencies. The Organization honors these designations and transfers the donor designated gift to the appropriate group or agency. At June 30, 2019, all designated gifts received have been allocated, accordingly.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Pledges Receivable, due in future periods, net	\$ 4,399,425	\$ 5,068,981
Donor restricted - endowments	5,000,000	5,000,000
Beneficial interests in trusts	738,599	740,393
	<u>\$ 10,138,024</u>	<u>\$ 10,809,374</u>

Net assets with donor restrictions are gifts and bequests given with the stipulation that the principal be maintained intact in perpetuity and gifts and bequests with time restrictions.

**UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

NOTE 12 – CONCENTRATIONS

Throughout the years ending June 30, 2019 and 2018, United Way maintained cash in accounts at one Federally-insured financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 and 2018, United Way held \$73,558 and \$0 that was in excess of FDIC limitations.

The top three contributors accounted for approximately 39% and 34% of the campaign total for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 13 – ALLOCATIONS TO AGENCIES

Allocations to agencies for the years ended June 30, 2019 and 2018 consists of the following:

Agency	Allocations	Donor Designations	Subtotal	Agency Campaign	Total Allocations	2018 Allocations
Agape	\$ 48,059	\$ 5,786	\$ 53,845	\$ -	\$ 53,845	\$ 40,682
Alliance Healthcare Services	159,996	162	160,158	30,160	190,318	180,036
Alpha Omega Veterans Services	226,500	33,184	259,684	4,078	263,762	240,451
American Red Cross, Mid South Chapter	442,836	15,025	457,861	6,189	464,050	453,788
Arc of the Mid-South	-	2,264	2,264	-	2,264	14,658
Baddour Center	2,016	22,105	24,121	68,653	92,774	-
Baptist Memorial Healthcare	-	71,423	71,423	-	71,423	57,206
Boy Scouts of America, Chickasaw Council	-	29,304	29,304	-	29,304	132,028
Boys & Girls Club of Memphis, Inc.	361,704	60,503	422,207	5,308	427,515	296,741
Bridges USA	50,004	9,561	59,565	6,489	66,054	12,998
Catholic Charities of West TN	101,004	56,003	157,007	-	157,007	95,723
Church Health Center	-	129,504	129,504	-	129,504	128,320
Collierville Literacy Foundation	52,404	6,725	59,129	-	59,129	55,434
Community Foundation of Greater Memphis	-	161,229	161,229	-	161,229	117,157
Crisis Center	105,000	-	105,000	-	105,000	106,082
Exchange Club Family Center	126,900	-	126,900	1,100	128,000	145,139
Fayette Cares	20,640	6,651	27,291	13,175	40,466	41,520
Friends for Life	68,100	12,827	80,927	3,077	84,004	79,045
Girl Scouts Heart of the South	131,712	3,380	135,092	4,917	140,009	149,202
Girls, Incorporated of Memphis	105,000	8,706	113,706	-	113,706	121,820
Goodwill Homes Community Services, Inc.	267,504	3,005	270,509	9,432	279,941	287,195
Grace House of Memphis, Inc.	138,000	3,774	141,774	5,641	147,415	149,695
Harwood Center, Inc.	162,504	5,789	168,293	2,229	170,522	177,438
Hope Christian Community Foundation	-	46,200	46,200	-	46,200	167,018
Hope House	75,996	20,395	96,391	8,190	104,581	105,295
Knowledge Quest	338,006	13,413	351,419	3,892	355,311	309,443
Latino Memphis	45,696	4,675	50,371	3,495	53,866	47,617
LeBonheur Early Intervention & Development Prg.	48,000	28,630	76,630	-	76,630	75,186
LeBonheur Foundation	-	33,933	33,933	-	33,933	43,640
LINC/JOBLINC-Library Information Center	78,084	2,734	80,818	-	80,818	70,125
Literacy Midsouth	50,004	6,750	56,754	-	56,754	71,394
Lowenstein House	53,496	105	53,601	6,751	60,352	57,198
Memphis Child Advocacy Center	121,284	42,313	163,597	7,409	171,006	151,292
Memphis Jewish Community Center	132,408	8,420	140,828	-	140,828	150,398
Memphis Oral School	104,700	8,994	113,694	1,044	114,738	119,889
Memphis Recovery Centers, Inc.	175,944	1,076	177,020	14,155	191,175	192,665
Memphis Urban League	161,700	3,879	165,579	1,170	166,749	171,528
Meritan	424,080	12,688	436,768	58,618	495,386	507,828
MIFA	-	51,687	51,687	-	51,687	51,730
Porter-Leath Children's Center	284,644	57,786	342,430	104,251	446,681	462,769
Sacred Heart Southern Missions	46,756	3,790	50,546	-	50,546	58,255
Salvation Army	474,132	8,888	483,020	-	483,020	453,076
Shelby Residential and Voc. Services (SRVS)	90,000	5,822	95,822	46,150	141,972	133,223
St. Jude Children's Hospital	-	53,264	53,264	-	53,264	122,957
Synergy	81,396	1,460	82,856	-	82,856	98,140
Tennessee Poison Center	62,568	866	63,434	-	63,434	61,123
United Housing	61,804	322	62,126	-	62,126	-
United Way of the Mid South - Third Party Processing	-	2,605,763	2,605,763	-	2,605,763	2,497,109
YMCA	239,796	2,160	241,956	186,427	428,383	382,308
Youth Villages	-	88,675	88,675	1,222,000	1,310,675	1,202,599
YWCA	-	2,755	2,755	-	2,755	57,615
Non member agencies and those less than \$50k	552,161	966,237	1,518,398	46,642	1,565,040	1,673,862
	<u>\$ 6,272,538</u>	<u>\$ 4,730,590</u>	<u>\$ 11,003,128</u>	<u>\$ 1,870,642</u>	<u>\$ 12,873,770</u>	<u>\$ 12,577,637</u>