



**United Way
of Central Carolinas**

FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

UNITED WAY OF CENTRAL CAROLINAS

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Report of Independent Auditor

United Way of Central Carolinas, Inc.
Charlotte, North Carolina

We have audited the accompanying statements of financial position of United Way of Central Carolinas, Inc. (the "Organization") 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.

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 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 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

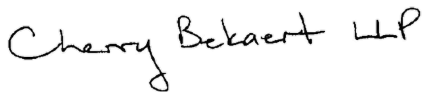
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally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

Changes in Financial Statement Presentation

As discussed in Note 1, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Supplemental Schedule of Management Calculation of Overhead Rate (Non-GAAP Calculation) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Handwritten signature of Cherry Bekaert LLP in cursive script.

Charlotte, North Carolina
October 24, 2019

UNITED WAY OF CENTRAL CAROLINAS
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 7,791,029	\$ 5,956,711
Campaign promises to give	6,978,317	7,854,940
Less allowance for uncollectible promises to give	(819,392)	(914,854)
Grants receivable	400,000	-
Other receivables	93,957	229,819
Prepaid expenses and other assets	194,125	89,122
Investments	13,076,605	18,762,419
Property, net	70,754	94,615
Total Assets	\$ 27,785,395	\$ 32,072,772
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 205,510	\$ 261,385
Accrued compensation	403,358	228,506
Other liabilities and accrued expenses	323,166	924,226
Campaigns processed for others, net	317,671	351,944
Grants payable	14,683,607	13,516,993
Due to designated agencies	690,786	796,996
Total Liabilities	16,624,098	16,080,050
Net Assets:		
Without Donor Restrictions:		
Undesignated	8,354,265	14,075,008
Total Without Donor Restrictions	8,354,265	14,075,008
With Donor Restrictions:		
Subject to passage of time	1,445,401	507,953
Subject to purpose restrictions	298,950	371,989
Endowments	1,062,681	1,037,772
Total With Donor Restrictions	2,807,032	1,917,714
Total Net Assets	11,161,297	15,992,722
Total Liabilities and Net Assets	\$ 27,785,395	\$ 32,072,772

UNITED WAY OF CENTRAL CAROLINAS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Reclassifications:			
Additional 2017 campaign revenue	\$ 269,214	\$ -	\$ 269,214
Less donor designations	-	-	-
Net 2017 campaign revenue	<u>269,214</u>	<u>-</u>	<u>269,214</u>
Gross 2018 campaign revenue	24,773,130	826,629	25,599,759
Less donor designations	(10,000,368)	-	(10,000,368)
Less provision for uncollectibles	<u>(768,678)</u>	<u>-</u>	<u>(768,678)</u>
Net 2018 campaign revenue	<u>14,004,084</u>	<u>826,629</u>	<u>14,830,713</u>
Gross 2019 and 2020 campaign revenue	-	115,288	115,288
Less provision for uncollectibles	<u>-</u>	<u>(9,632)</u>	<u>(9,632)</u>
Net 2019 and 2020 campaign revenue	<u>-</u>	<u>105,656</u>	<u>105,656</u>
Designations from other United Ways	67,660	-	67,660
Grants and contributions	450,442	504,686	955,128
Fees for volunteer services	348,076	-	348,076
Sponsorships	158,617	-	158,617
Administrative services	58,965	-	58,965
Rental income	54,373	-	54,373
Investment income, net	698,002	24,909	722,911
Other revenues	38,971	-	38,971
Reclassifications:			
Expiration of time restrictions	368,207	(368,207)	-
Satisfaction of purpose restrictions	<u>204,355</u>	<u>(204,355)</u>	<u>-</u>
Total Support, Revenue, and Reclassifications	<u>16,720,966</u>	<u>889,318</u>	<u>17,610,284</u>
Expenses:			
Program Services:			
Community investment	16,560,163	-	16,560,163
Information and referral services	180,651	-	180,651
Hands on Charlotte	1,080,033	-	1,080,033
Other programs	106,723	-	106,723
Supporting Services:			
Fundraising	2,327,375	-	2,327,375
Management and general	<u>2,186,764</u>	<u>-</u>	<u>2,186,764</u>
Total Expenses	<u>22,441,709</u>	<u>-</u>	<u>22,441,709</u>
Change in net assets	(5,720,743)	889,318	(4,831,425)
Net assets, beginning	<u>14,075,008</u>	<u>1,917,714</u>	<u>15,992,722</u>
Net assets, ending	<u>\$ 8,354,265</u>	<u>\$ 2,807,032</u>	<u>\$ 11,161,297</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF CENTRAL CAROLINAS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, and Reclassifications:			
Additional 2016 campaign revenue	\$ 188,880	\$ -	\$ 188,880
Less donor designations	(20,116)	-	(20,116)
Net 2016 campaign revenue	168,764	-	168,764
Gross 2017 campaign revenue	26,067,939	27,060	26,094,999
Less donor designations	(9,628,083)	-	(9,628,083)
Less provision for uncollectibles	(829,089)	-	(829,089)
Net 2017 campaign revenue	15,610,767	27,060	15,637,827
Gross 2018 and 2019 campaign revenue	-	453,027	453,027
Less provision for uncollectibles	-	(41,975)	(41,975)
Net 2018 and 2019 campaign revenue	-	411,052	411,052
Designations from other United Ways	186,318	-	186,318
Grants and contributions	476,489	235,676	712,165
Fees for volunteer services	415,680	-	415,680
Sponsorships	208,159	30,000	238,159
Administrative services	53,964	-	53,964
Rental income	97,866	-	97,866
Investment income, net	899,037	68,291	967,328
Gifts-in-kind	128,610	-	128,610
Other revenues	27,094	-	27,094
Reclassifications:			
Expiration of time restrictions	345,047	(345,047)	-
Satisfaction of purpose restrictions	47,350	(47,350)	-
Total Support, Revenue, and Reclassifications	18,665,145	379,682	19,044,827
Expenses:			
Program Services:			
Community investment	15,631,787	-	15,631,787
Information and referral services	167,466	-	167,466
Hands on Charlotte	895,828	-	895,828
Other programs	111,806	-	111,806
Supporting Services:			
Fundraising	2,447,895	-	2,447,895
Management and general	2,384,105	-	2,384,105
Total Expenses	21,638,887	-	21,638,887
Change in net assets before gain on sale of property	(2,973,742)	379,682	(2,594,060)
Gain on sale of property	9,711,641	-	9,711,641
Change in net assets	6,737,899	379,682	7,117,581
Net assets, beginning	7,337,109	1,538,032	8,875,141
Net assets, ending	\$ 14,075,008	\$ 1,917,714	15,992,722

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF CENTRAL CAROLINAS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services				Total
	Community Investment	Information and Referral Services	Hands On Charlotte	Other Programs	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries and wages	\$ 759,079	\$ 31,742	\$ 389,907	\$ 53,948	\$ 1,234,676	\$ 1,242,413	\$ 1,063,380	\$ 2,305,793	\$ 3,540,469
Payroll taxes	59,615	2,600	31,099	4,110	97,424	98,962	79,092	178,054	275,478
Employee benefits	126,027	7,548	69,133	9,718	212,426	198,303	199,780	398,083	610,509
	944,721	41,890	490,139	67,776	1,544,526	1,539,678	1,342,252	2,881,930	4,426,456
Occupancy	216,888	8,548	122,751	15,468	363,655	291,858	292,985	584,843	948,498
Supplies and materials	40,213	1,675	12,377	1,563	55,828	58,061	31,157	89,218	145,046
Outside services	73,887	119,209	36,061	8,801	237,958	98,442	237,244	335,686	573,644
Grant awards	15,048,439	-	-	-	15,048,439	-	-	-	15,048,439
Volunteer expense	11,384	747	4,169	303	16,603	8,159	5,519	13,678	30,281
Events	34,257	-	310,479	-	344,736	35,745	23,258	59,003	403,739
Travel and conferences	13,030	94	1,427	246	14,797	13,164	8,721	21,885	36,682
Dues and subscriptions	3,772	291	2,120	364	6,547	7,892	7,516	15,408	21,955
Taxes, licenses, and fees	1,216	78	613	84	1,991	2,713	1,517	4,230	6,221
Bad debts	28,597	1,237	16,478	2,006	48,318	40,803	38,549	79,352	127,670
UWW and UWNC dues	126,192	5,457	72,714	8,853	213,216	180,051	170,108	350,159	563,375
Other	17,567	1,425	10,705	1,259	30,956	50,809	27,938	78,747	109,703
Total Expenses	\$ 16,560,163	\$ 180,651	\$ 1,080,033	\$ 106,723	\$ 17,927,570	\$ 2,327,375	\$ 2,186,764	\$ 4,514,139	\$ 22,441,709

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF CENTRAL CAROLINAS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services				Total
	Community Investment	Information and Referral Services	Hands On Charlotte	Other Programs	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries and wages	\$ 762,166	\$ 29,940	\$ 334,426	\$ 56,055	\$ 1,182,587	\$ 1,417,786	\$ 1,278,634	\$ 2,696,420	\$ 3,879,007
Payroll taxes	61,770	2,487	28,791	4,631	97,679	123,983	102,668	226,651	324,330
Employee benefits	103,840	4,607	56,215	8,860	173,522	190,857	210,000	400,857	574,379
	927,776	37,034	419,432	69,546	1,453,788	1,732,626	1,591,302	3,323,928	4,777,716
Occupancy	130,234	6,397	65,586	11,594	213,811	217,271	240,722	457,993	671,804
Supplies and materials	41,307	1,965	12,421	1,917	57,610	93,839	39,465	133,304	190,914
Outside services	63,767	113,240	17,556	6,039	200,602	71,361	201,848	273,209	473,811
Grant awards	14,269,108	-	-	-	14,269,108	-	-	-	14,269,108
Volunteer expense	7,834	938	1,041	542	10,355	6,296	4,592	10,888	21,243
Events	39,021	790	299,806	8,425	348,042	38,514	19,369	57,883	405,925
Travel and conferences	19,065	124	4,679	302	24,170	13,983	13,326	27,309	51,479
Dues and subscriptions	3,672	146	2,292	296	6,406	4,034	6,298	10,332	16,738
Taxes, licenses, and fees	453	25	80	22	580	1,487	604	2,091	2,671
Bad debts	11,647	586	6,106	1,075	19,414	20,926	22,979	43,905	63,319
UWW and UWNC dues	106,072	5,337	55,610	9,788	176,807	190,583	209,279	399,862	576,669
Other	11,831	884	11,219	2,260	26,194	56,975	34,321	91,296	117,490
Total Expenses	<u>\$ 15,631,787</u>	<u>\$ 167,466</u>	<u>\$ 895,828</u>	<u>\$ 111,806</u>	<u>\$ 16,806,887</u>	<u>\$ 2,447,895</u>	<u>\$ 2,384,105</u>	<u>\$ 4,832,000</u>	<u>\$ 21,638,887</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF CENTRAL CAROLINAS
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (4,831,425)	\$ 7,117,581
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	23,861	35,026
Gain on sale of property	-	(9,711,641)
Realized gains on sale of investments	-	(101,306)
Contributions restricted for investment in endowment	-	(2,334)
Unrealized gains on investments held	(44,763)	(281,262)
Change in value of beneficial interest in assets	(102,873)	(269,243)
Changes in operating assets and liabilities:		
Campaign promises to give, net	781,161	47,998
Grants receivable	(400,000)	-
Other receivables and prepaid expenses	30,859	(167,696)
Accounts payable and other liabilities	(516,356)	835,695
Grants payable	1,166,614	(1,588,951)
Due to designated agencies	(106,210)	(60,167)
Net cash used in operating activities	<u>(3,999,132)</u>	<u>(4,146,300)</u>
Cash flows from investing activities:		
Purchases of property	-	(7,963)
Proceeds from the sale of property	-	9,945,615
Proceeds from sales of investment securities	6,500,000	2,831,427
Purchases of investment securities	(666,550)	(7,251,716)
Net cash provided by investing activities	<u>5,833,450</u>	<u>5,517,363</u>
Cash flows from financing activities:		
Contributions restricted for investment in endowment	-	2,334
Net change in cash and cash equivalents	1,834,318	1,373,397
Cash and cash equivalents, beginning	<u>5,956,711</u>	<u>4,583,314</u>
Cash and cash equivalents, ending	<u>\$ 7,791,029</u>	<u>\$ 5,956,711</u>

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

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies

Organization and Purpose – United Way of Central Carolinas, Inc. (the “Organization,” “UWCC,” or “United Way”) is a not-for-profit corporation organized under the laws of the state of North Carolina for the purpose of providing for the health and human service needs of individuals within Anson, Cabarrus, Mecklenburg, Iredell, and Union counties (“the five-county region”).

United Way of Central Carolinas works to create lasting change for those most in need through strategic community philanthropy in the five-county region that is home to nearly 1.5 million people. Focusing on improving education, health and financial stability, UWCC’s impact strategy works to boost economic mobility across the region, while also helping provide a safety net for people and families in need. Annually, UWCC invests in more than 100 local nonprofit agencies and initiatives through the funding provided by generous corporate and individual donors.

The Organization’s program services include:

Community Investment Process – UWCC focuses on supporting a broad range of local health and human service programs. A two generation approach supports the entire family by intentionally focusing on the needs of both the parent and child. Each year, UWCC allocates funding to health and human service organizations in the five-county region. The funding is allocated through three grant processes:

- 1) *Impact Grants* – Supports agencies across UWCC’s five county region that work collaboratively to provide comprehensive and coordinated services that will improve economic mobility and achieve results greater than any single organization.

UWCC shifted its community impact strategy two years ago and continues to implement strategies identified by the Charlotte-Mecklenburg Opportunity Task Force report. United Way focuses on improving economic mobility through education, health, and financial stability while simultaneously focusing on building stronger neighborhoods, increasing racial equity and improving the systems that serve our children and families.

- 2) *United Neighborhoods* – Works to change the odds for those in our most under-resourced neighborhoods by supporting community-driven holistic neighborhood transformation and revitalization efforts.

UWCC launched United Neighborhoods in September 2017 with an investment over three years into the Grier Heights and Renaissance neighborhoods in Charlotte. The initiative focuses on partnerships with residents, community leaders, businesses, and nonprofits, backed by multi-year funding and staff resources from UWCC.

In 2019, six “Building Block Grants” were awarded to neighborhoods including Brookhill, Hidden Valley, Lakewood, Smithville, West Boulevard Corridor, and the North End Community Coalition. These grants support neighborhoods in the early stages of comprehensive revitalization. Grants will build the capacity of “community quarterback” organizations, fund community engagement activities, and complete resident-driven neighborhood planning to identify needs and solutions.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies (continued)

- 3) *Unite Charlotte* – Supports new and grassroots organizations through grants and capacity-building activities focused on improving racial equity and increasing social capital.

The effort, launched in 2017, was a collaborative effort with other local funders and community leaders to address issues that led to the unrest in Charlotte during the fall of 2016. Through this initiative, UWCC funds small and/or new organizations and offers capacity-building workshops designed to support their organizational growth.

In June 2019, UWCC announced the third round of *Unite Charlotte* funding with distribution of grants and capacity building initiatives to 15 nonprofits and grassroots organizations focused on building racial equity and social capital in Mecklenburg County.

In fiscal year 2019, United Way's Board of Directors voted to move from a fiscal year grant cycle to a calendar year grant cycle. To effect this change, United Way funded a one-time, 18 month grant period beginning July 1, 2019 and concluding December 31, 2020. In future years, the Impact Grants, United Neighborhoods and *Unite Charlotte* grant cycles will begin January 1 and conclude December 31.

In order for a partner agency to be eligible to receive funds allocated by UWCC, the agency must submit applications that include goals, strategies, and outcomes that are linked to UWCC's impact strategy. The proposed activities and target outcomes must be specific, measurable, attainable, realistic, timely, and unambiguous. Agencies submit annual reports on program outcomes. Through this discipline, agencies continually improve their programs, making measurable and lasting change in the lives of the people they are serving. In addition, each organization is required to comply with an annual financial certification process that is conducted by UWCC and volunteer auditors. This certification involves obtaining current financial and governance information, as well as a thorough review of this information by agency staff and the Board of Directors' Finance Committee.

Results from Agency Programs Funded by UWCC – Programs must have goals that are clearly linked to the four focus areas (education, health, financial stability, and basic needs) related to improving economic mobility. Through this discipline, agencies continually improve their programs, making measurable and lasting change in the lives of the people they are helping.

Volunteerism:

Hands On Charlotte – United Way's *Hands On Charlotte* is one of the many ways UWCC brings people together to build a stronger community. *Hands On Charlotte* offers flexible volunteer opportunities for companies, individuals and families. Projects cover UWCC's five-county footprint and range from sorting clothes and food to building a playground or tutoring. *Hands On Charlotte* engaged 15,614 volunteers in 2018 benefiting 244 community organizations. Those volunteers served a total of 55,802 hours. In addition, UWCC engages volunteers through board/committee and community investment volunteer opportunities.

Tutor Charlotte – In partnership with Read Charlotte, UWCC led the effort to connect volunteers with tutoring opportunities in schools in our region. Over the course of the past two years, 625 Reading Mentors read weekly with 715 kindergarten and first grade students in 39 classrooms in nine Charlotte Mecklenburg schools, totaling 6,230 volunteer hours of reading with young children. *Tutor Charlotte* leverages UWCC's extensive corporate relationships to help promote positive child and youth development.

Other Volunteer Activities – United Way of Central Carolinas also engages volunteers through board/committee and community impact volunteer opportunities.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies (continued)

NC 2-1-1 – NC 2-1-1 is a service provided by the United Way of North Carolina. NC 2-1-1 is North Carolina's resource for free information and referral services regarding health and human services and resources. NC 2-1-1 has a database of over 19,000 resources, including food pantries, homeless shelters, utility and rent assistance funds, health clinics, prescription assistance programs, counseling and substance abuse services, child care resources, senior resources, resources for persons with disabilities, and much more.

In October 2017, homeless service providers, the City of Charlotte, Mecklenburg County and United Way of Central Carolinas initiated a more efficient way to serve the homeless by incorporating our region's NC 2-1-1 services with Mecklenburg County's Coordinated Entry. Coordinated Entry is a portal or entry process that aims to connect individuals and families who are literally homeless, or those at imminent risk of becoming homeless, to shelter and housing resources in the Charlotte-Mecklenburg area. By connecting 2-1-1's single, full service platform with the Coordinated Entry process, those in need of housing assistance will now be able to get help more quickly and are pointed to the right resources in a standard and consistent manner.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP.

For reporting purposes, however, the Organization's financial statements have been prepared to focus on the Organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Accounting Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies (continued)

Campaign Promises to Give and Allowances for Uncollectible Promises to Give – Annual campaign pledge contributions receivable are generally paid in one year. The Organization provides an allowance for uncollectible promises to give based on historical write-off percentages at the time campaign results are recorded. This estimated allowance is periodically adjusted based on campaign collection trends. A campaign is officially closed for accounting purposes, and the final uncollectible amount determined, in the year following the year the workplace campaign collections begin. Any difference in the actual campaign collection results compared with the estimates previously recorded is reflected in the statements of functional expenses and the statements of activities.

Grants Receivable – Grants are recognized as a receivable and revenue when all conditions of the grant have been met.

Investments – Investments are recorded at fair value. Investment returns consists of interest and dividends and realized and unrealized gains and losses, reported net of investment expenses.

Property, Net – Property is recorded at cost, if purchased and at estimated fair value at the date of receipt, if donated. The Organization capitalizes assets that have a value or cost of \$1,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The cost and any accumulated depreciation are removed from the accounts for items sold or retired, and any resulting gain or loss is included in the determination of the change in net assets. Donated property is reported as unrestricted support unless the donor restricts the donated asset to a specific purpose. The estimated useful lives of assets are 3 to 10 years for land improvements, 5 to 40 years for building and building improvements, and 5 to 10 years for equipment.

Designated Pledges – The Organization accepts donor pledges that are designated to certain other 501(c)(3), health and human service organizations. Donor designated pledges that are raised, processed, and distributed are assessed an administrative fee. The administrative fee cannot exceed the calculation as prescribed by the *United Way Worldwide Cost Deduction Requirements for Membership Standard M*. This calculation is based on actual historical costs.

Donated Goods and Services – The United Way recognizes contributed goods and services as revenue and expense if such services meet the criteria for recognition under U.S. GAAP. Donated goods total \$0 and \$128,610 for the years ended June 30, 2019 and 2018, respectively.

In addition to the donated goods above, a number of volunteers, including members of the Board of Directors and its committees as well as various volunteer assistants, contribute significant amounts of time to further the Organization's programs. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements.

Income Taxes – The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization is, however, liable for federal and state income tax on unrelated business income.

The Organization follows the FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not (more than a 50% likelihood) the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2019 and 2018 and, accordingly, no liability has been accrued.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies (continued)

Functional Expense Classification – The Organization’s functional expense classification and allocation policy is based on United Way Worldwide functional expense and overhead reporting standards, a review of the current organizational structure and the identification, reclassification, and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas. The supplemental schedule of management calculation of overhead rate is presented for purposes of additional analysis and is not a required part of the basic financial statements.

New Accounting Pronouncement – On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Future Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, however the FASB is currently evaluating a proposed delay of implementation for an additional year. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact the pending adoption will have on the Organization’s financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. An exchange transaction will be considered by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard will be effective for the fiscal years beginning after December 15, 2018. The Organization is currently in the process of evaluating the impact that ASU 2018-08 will have on the financial statements.

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,791,029	\$ 5,956,711
Campaign promises to give	6,978,317	7,854,940
Less allowance for uncollectible promises to give	(819,392)	(914,854)
Grants receivable	400,000	-
Other receivables	93,957	229,819
Investments	13,076,605	18,762,419
Total financial assets at year-end	<u>27,520,516</u>	<u>31,889,035</u>
Less amounts not available to be used for general expenditures within one year:		
Campaigns processed for others, net	317,671	351,944
Due to designated agencies	690,786	796,996
Board quasi-endowments	1,039,545	960,206
Purpose and time restrictions	1,744,351	879,942
Endowment funds held in perpetuity including accumulated earnings	1,062,681	1,037,772
Financial assets not available to be used within one year	<u>4,855,034</u>	<u>4,026,860</u>
Financial assets available to meet general expenditures within one year	<u>\$ 22,665,482</u>	<u>\$ 27,862,175</u>

As part of the Organization's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash is held in interest bearing bank accounts and cash in excess of daily requirements is invested. Board quasi-endowments may be drawn upon, if necessary, to meet unexpected liquidity needs. The Organization considers all expenditures related to its ongoing mission-related activities as well as services necessary to support those activities to be general expenditures.

Note 3—Campaign promises to give, net

Campaign promises to give at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Campaign promises to give, 2020/2021 campaign	\$ 20,900	\$ -
Campaign promises to give, 2019/2020 campaign	270,660	139,645
Campaign promises to give, 2018/2019 campaign	5,867,365	780,124
Campaign promises to give, 2017/2018 campaign	-	6,020,317
Campaign promises to give, net	<u>\$ 6,158,925</u>	<u>\$ 6,940,086</u>

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Investments

Investments at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 417,887	\$ 51,218
Certificates of deposit	2,298,506	8,500,000
Mutual funds:		
Balanced Global Funds	943,902	1,026,181
International Fixed Income Funds	554,417	566,770
Domestic Fixed Income Funds	1,628,309	1,549,221
International Equity Funds	1,141,137	1,173,652
Domestic Large Cap Equity Funds	3,423,908	3,199,904
Domestic Small Cap Equity Funds	567,746	698,928
Beneficial interest in assets held by United Way		
Legacy Foundation at the Foundation for the Carolinas ("FFTC")	<u>2,100,793</u>	<u>1,996,545</u>
Total investments	<u>\$ 13,076,605</u>	<u>\$ 18,762,419</u>

The Organization's investments are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying statements of financial position.

United Way Legacy Foundation – The Organization has established an endowment that is administered by the United Way Legacy Foundation ("Legacy Foundation"), a supporting organization of FFTC. The Board established the endowed asset for contributions from donors required to be maintained in perpetuity. Earnings on the funds are available for spending annually, in accordance with the Legacy Foundation's spending policy. The endowed assets are reported at fair value and are included in investments in the accompanying statements of financial position. The endowed assets, including gains and losses, are recorded as net assets without donor restrictions. The fair value of the endowed assets at June 30, 2019 and 2018 and changes in the endowment net assets are presented in Note 14.

Donor-Restricted Endowment Funds – The Organization also holds beneficial interests in certain trusts that are administered by FFTC. The Organization has the irrevocable right to receive income earned on the trust assets; however, the Organization will not receive the assets held in the trust, which are invested in perpetuity. The beneficial interests in the trusts are valued at the fair value of the assets held in the trust and are included in investments in the accompanying statements of financial position. Changes in the fair value of the assets held in trust are recorded as net assets with or without donor restrictions in accordance with donor stipulations. Reclassifications into net assets without donor restrictions are made as distributable income is released from restriction. The fair value of the endowed assets at June 30, 2019 and 2018 and changes in the endowment net assets are presented in Note 14.

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Investments (continued)

The following is a summary of investment return and losses for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends, net of fees	\$ 366,669	\$ 248,587
Change in value of beneficial interest in assets	102,873	269,243
Net change in fair value of investments, including realized and unrealized gains	<u>44,763</u>	<u>382,568</u>
Investment gain, net	514,305	900,398
Interest earned on cash deposits	<u>208,606</u>	<u>66,930</u>
Total investment return, net	<u>\$ 722,911</u>	<u>\$ 967,328</u>

The Legacy Foundation and donor-restricted endowment funds are held at FFTC. These investments are maintained with various broker-dealers, invested in pooled funds of primarily common stock equities, bonds and fixed income investments, which are subject to fluctuations in market values and expose the Organization to a certain degree of interest and credit risk.

The FFTC fund managers invest in private investment funds as part of the asset allocation, as an alternative investment strategy with the purpose of increasing the diversity of the holdings and being consistent with the overall investment objectives. The private investment funds are not traded on an exchange and, accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities.

The private investment funds may invest in other private investment funds, equity, or debt securities which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Management of FFTC relies on various factors to estimate the fair value of these investments and believes its processes and procedures for valuing investments are effective and that its estimate of value is reasonable. However, the factors used by management are subject to change in the near term and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the accompanying financial statements.

Note 5—Property, net

The components of property, net at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Land and land improvements	\$ 15,000	\$ 15,000
Building and building improvements	796,549	796,549
Equipment	<u>825,117</u>	<u>825,117</u>
Total	1,636,666	1,636,666
Less accumulated depreciation	<u>(1,565,912)</u>	<u>(1,542,051)</u>
Property, net	<u>\$ 70,754</u>	<u>\$ 94,615</u>

The Organization sold property during fiscal year 2018 which resulted in a gain of \$9,711,641 which was fully recognized in the year ended June 30, 2018 on the accompanying financial statements. The Organization is currently leasing the property from the buyer over three years and is included in the Note 11 – Lease Commitments.

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Board designated net assets

Net assets without donor restrictions also include Board designated net assets to be used for a specific purpose. At June 30, 2019 and 2018, net assets without donor restrictions of approximately \$1,040,000 and \$960,000, respectively, were designated for endowment purposes. Earnings on the funds are available for spending annually in accordance with the Organization's spending policy (see Note 14).

Note 7—Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 have been restricted by the donors for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to Passage of Time:		
Campaign contributions promised or received in advance	\$ 1,045,401	\$ 507,953
Foundation Grants	400,000	-
Total subject to the passage of time:	<u>1,445,401</u>	<u>507,953</u>
Subject to Purpose Restrictions:		
Tutor Charlotte	-	176,855
Days of Caring	-	5,000
Engagement Groups	-	22,500
Coordinated Entry Project	22,886	-
Evaluation	45,000	-
Community Food Security Initiatives	123,600	86,800
Publix Last Resort Fund	107,464	80,834
Total subject to purpose restrictions	<u>298,950</u>	<u>371,989</u>
Endowments:		
Accumulated earnings on endowment assets	211,535	186,626
Giles endowment	100,000	100,000
Cato endowment for education training fund	300,000	300,000
McIntyre Legacy endowment	430,439	430,439
Rutledge endowment	20,000	20,000
Mattison-Boyd endowment	707	707
Total endowments	<u>1,062,681</u>	<u>1,037,772</u>
Total net assets with donor restrictions	<u>\$ 2,807,032</u>	<u>\$ 1,917,714</u>

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8—Net assets released from restriction

Net assets were released from donor restrictions by the expiration of time restrictions or by incurring expenses in satisfaction of purpose restrictions for the years ended June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions:		
Campaign contributions promised	\$ 368,207	\$ 345,047
Satisfaction of purpose restrictions:		
Tutor Charlotte	176,855	-
Days of Caring	5,000	7,350
Endowment Grants	-	40,000
Engagement Groups	22,500	-
Total satisfaction of purpose restrictions	<u>\$ 204,355</u>	<u>\$ 47,350</u>

Note 9—Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of unsecured campaign contributions promised. The Organization's ability to collect these campaign contributions promised is directly affected by economic conditions in the community from which it draws support. The top five client companies, including employees of each company, contributed approximately 47% and 49% of campaign revenue during the years ended June 30, 2019 and 2018, respectively. The top five client companies, including employees of each company, make up approximately 37% and 30% of the campaign promises to give balances as of June 30, 2019 and 2018, respectively.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. The Organization had approximately \$7,331,000 and \$5,484,000 of cash and cash equivalents in excess of these insured amounts at June 30, 2019 and 2018, respectively.

Note 10—Benefit plan

The Organization sponsors a defined contribution plan under which all employees are eligible to participate. Employees may defer a portion of their annual compensation pursuant to Section 403(b) of the Internal Revenue Code. Upon an employee's completion of minimum service requirements, the Organization matches 100% of each employee's contribution up to a maximum of 3% of eligible compensation. The Organization made contributions to the 403(b) plan of \$144,174 and \$163,210 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 11—Lease commitments

The Organization leases certain office facilities and equipment under operating lease agreements. Rental expense under these leases totaled \$669,048 and \$384,182 for the years ended June 30, 2019 and 2018, respectively. Aggregate future minimum lease payments under such leases are as follows:

Years Ending June 30,

2020	\$	821,024
2021		577,995
2022		224,267
2023		216,326
2024		216,234
Thereafter		1,189,288
	\$	<u>3,245,134</u>

Office Relocation – United Way executed an agreement in June 2019 to relocate to leased space at the Children and Family Services Center (the “Center”) in Charlotte, North Carolina beginning in January 2020. The impact of this lease is included in the table above. The Center is home to several partner agencies and will allow for more collaboration as United Way works to improve economic mobility through its nonprofit network.

Note 12—Fair values of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Fair value approximates book value for the following financial instruments due to their short-term nature: cash and cash equivalents, campaign promises to give, accounts payable, and accrued expenses.

Note 13—Fair value measurements of assets and liabilities

In accordance with guidance on fair value measurements for financial instruments, fair value is defined as the price that the Organization would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and inputs that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Organization’s financial instruments.

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 13—Fair value measurements of assets and liabilities (continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

- Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges for identical investments at the reporting date. The types of financial instruments which would generally be included in Level 1 are listed mutual funds.
- Level 2: Financial instruments valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable at the reporting date. Fair value is determined through use of models or other valuation methodologies.
- Level 3: Financial instruments that are not actively traded on a market exchange and typically require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by management or the investment manager. The types of financial instruments which would generally be included in Level 3 are listed as beneficial interest in assets.

See Footnote 14 for a rollforward of the Level 3 investments.

The following tables summarize the valuation of the Organization's financial assets measured at fair value on a recurring basis at June 30, 2019 and 2018, based on the level of input utilized to measure fair value:

As of June 30, 2019	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	\$ 417,887	\$ -	\$ -	\$ 417,887
Certificates of deposit	2,298,506	-	-	2,298,506
Mutual funds	8,259,419	-	-	8,259,419
Beneficial interest in assets	-	-	2,100,793	2,100,793
	<u>\$ 10,975,812</u>	<u>\$ -</u>	<u>\$ 2,100,793</u>	<u>\$ 13,076,605</u>

As of June 30, 2018	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	\$ 51,218	\$ -	\$ -	\$ 51,218
Certificates of deposit	8,500,000	-	-	8,500,000
Mutual funds	8,214,656	-	-	8,214,656
Beneficial interest in assets	-	-	1,996,545	1,996,545
	<u>\$ 16,765,874</u>	<u>\$ -</u>	<u>\$ 1,996,545</u>	<u>\$ 18,762,419</u>

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 14—Endowment funds

The Organization’s endowment consists of several individual funds established for a variety of purposes that are invested at FFTC. The endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2019 and 2018, endowment pledges receivable of approximately \$1,000 are not included below but are considered to be part of net assets with donor restrictions.

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 849,713	\$ 849,713
Accumulated investment gains	-	211,535	211,535
Board quasi-endowments	1,039,545	-	1,039,545
Total funds	\$ 1,039,545	\$ 1,061,248	\$ 2,100,793
June 30, 2018			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 849,713	\$ 849,713
Accumulated investment gains	-	186,626	186,626
Board quasi-endowments	960,206	-	960,206
Total funds	\$ 960,206	\$ 1,036,339	\$ 1,996,545

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring, absent explicit donor stipulations to the contrary, that the following amounts included in the endowment be classified as permanently restricted: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 be classified as permanently restricted. 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA or spent in accordance with the purpose restrictions established by the donor.

UNITED WAY OF CENTRAL CAROLINAS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 14—Endowment funds (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

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

FFTC administers the endowed funds of the Legacy Foundation. The Board of Directors of the Legacy Foundation and ultimately the Organization have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Legacy Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Legacy Foundation's spending policy allows for appropriating for distribution each year a maximum of 5% of the average fair value using the prior 3 years' value at the calendar year-end preceding the fiscal year in which the distribution is planned. This policy is evaluated on an annual basis for prudence. In establishing the spending policy, the expected return on the endowment was taken into consideration. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

UNITED WAY OF CENTRAL CAROLINAS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 14—Endowment funds (continued)

Changes in the investment portion of the endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ 960,206	\$ 1,036,339	\$ 1,996,545
Contributions	1,375	-	1,375
Change in beneficial interests in assets, net of expenses	<u>77,964</u>	<u>24,909</u>	<u>102,873</u>
Endowment net assets, June 30, 2019	<u>\$ 1,039,545</u>	<u>\$ 1,061,248</u>	<u>\$ 2,100,793</u>
Endowment net assets, July 1, 2017	\$ 2,458,459	\$ 1,005,714	\$ 3,464,173
Contributions	795	2,334	3,129
Approved grants	-	(40,000)	(40,000)
Transfers	(1,700,000)	-	(1,700,000)
Change in beneficial interests in assets, net of expenses	<u>200,952</u>	<u>68,291</u>	<u>269,243</u>
Endowment net assets, June 30, 2018	<u>\$ 960,206</u>	<u>\$ 1,036,339</u>	<u>\$ 1,996,545</u>

Note 15—Subsequent events

The Organization has evaluated subsequent events through October 24, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

UNITED WAY OF CENTRAL CAROLINAS
SUPPLEMENTAL SCHEDULE OF MANAGEMENT CALCULATION OF OVERHEAD RATE
(NON-GAAP CALCULATION)

YEARS ENDED JUNE 30, 2019 AND 2018

Management calculates the overhead rate in accordance with the United Way of America Functional Expenses and Overhead Reporting Standards as follows:

	<u>2019</u>	<u>2018</u>
Total support, revenue, and reclassifications	\$ 17,610,284	\$ 28,756,468
Plus current campaign year donor designations, net of provision for uncollectibles (2018 and 2017 campaigns, respectively)	9,500,191	9,166,937
Plus unrealized gains on investments and beneficial interest in assets	(147,636)	(550,505)
	<u>\$ 26,962,839</u>	<u>\$ 37,372,900</u>
Total supporting services	\$ 4,514,139	\$ 4,832,000
Plus investment expenses	15,938	12,042
	<u>\$ 4,530,077</u>	<u>\$ 4,844,042</u>
Overhead rate	<u>16.8%</u>	<u>13.0%</u>

Due to an unusual and nonrecurring sale of real property during the year ended June 30, 2018, management has calculated an alternate version of the overhead rate to exclude the gain from this sale as follows:

	<u>2019</u>	<u>2018</u>
Total support, revenue, and reclassifications	\$ 17,610,284	\$ 28,756,468
Plus current campaign year donor designations, net of provision for uncollectibles (2017 and 2016 campaigns, respectively)	9,500,191	9,166,937
Plus unrealized gains on investments and beneficial interest in assets	(147,636)	(550,505)
Less gain on sale of property	-	(9,711,641)
	<u>\$ 26,962,839</u>	<u>\$ 27,661,259</u>
Total supporting services	\$ 4,514,139	\$ 4,832,000
Plus investment expenses	15,938	12,042
	<u>\$ 4,530,077</u>	<u>\$ 4,844,042</u>
Overhead rate	<u>16.8%</u>	<u>17.5%</u>