United Way of Yellowstone County

Financial Statements

Years Ended June 30, 2019 and 2018

United Way of Yellowstone County

WIPFLi LLP
CPAs and Consultants

Independent Auditor's Report

Board of Directors
United Way of Yellowstone County
Billings, MT

We have audited the accompanying financial statements of United Way of Yellowstone County (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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; 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. 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 Yellowstone County 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.

Wipfli LLP

Wipfli LLP
Billings, Montana
October 22, 2019

United Way of Yellowstone County

Statements of Financial Position

June 30,		2019		2018
ASSETS				
Current assets:				
Cash and cash equivalents (includes certificates of deposits of $416,918 and $373,147, respectively)	$	634,673	$	858,519
Receivables:				
Pledges, net of allowance for uncollectible pledges of $35,000 and $30,000, respectively		236,320		286,631
CARE/miscellaneous receivables		2,526		33,763
Grants receivable		83,655		14,932
Investments		1,521,949		1,406,612
Prepaid expenses		13,090		12,291
Total current assets		2,492,213		2,612,748
Property and equipment:				
Land		443,873		443,873
Furniture and equipment		81,439		81,439
Buildings and improvements		1,056,083		1,056,083
Less: accumulated depreciation		(249,789)		(213,830)
Net property and equipment		1,331,606		1,367,565
Other assets:				
Cash surrender value of life insurance		19,441		18,693
Total other assets		19,441		18,693
Total assets	$	3,843,260	$	3,999,006

United Way of Yellowstone County

Statements of Financial Position (Continued)

June 30,	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 53,260	$ 38,000
Accrued expenses	65,851	54,470
Grants payable	110,847	36,472
Deferred revenue	2,993	63,056
Agency funds	43,761	46,711
Current portion of capital lease	2,700	2,700
Current portion of note payable	43,566	42,117
Total current liabilities	322,978	283,526
Long-term liabilities:		
Capital lease obligations	6,750	9,450
Note payable	697,019	740,582
Less: unamortized debt issuance costs	(10,125)	(10,875)
Total long-term liabilities	693,644	739,157
Total liabilities	1,016,622	1,022,683
Net assets:		
Without donor restrictions:		
Board designated	887,832	805,917
Undesignated	1,449,065	1,709,837
Total net assets without donor restrictions	2,336,897	2,515,754
With donor restrictions	489,741	460,569
Total net assets	2,826,638	2,976,323
Total liabilities and net assets	$ 3,843,260	$ 3,999,006

United Way of Yellowstone County

Statement of Activities

Year Ended June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	$ 797,494	$ 28,300	$ 825,794
Less: donor designations	(44,559)	-	(44,559)
Total campaign results	752,935	28,300	781,235
Grants	344,916	-	344,916
Administration fees	7,615	-	7,615
CARE Academy income, net of tuition assistance of $41,347	690,057	-	690,057
Investment income, net of investment expenses	69,773	-	69,773
Endowment donations	-	19,538	19,538
Other	9,685	-	9,685
Net assets released from restrictions	18,666	(18,666)	-
Total public support and revenue	1,893,647	29,172	1,922,819
Expenses:			
Program services:			
Community response	1,827,936	-	1,827,936
Supporting services:			
Fundraising	180,924	-	180,924
Management and general	63,644	-	63,644
Total expenses	2,072,504	-	2,072,504
Change in net assets	(178,857)	29,172	(149,685)
Net assets, beginning of year	2,515,754	460,569	2,976,323
Net assets, end of year	$ 2,336,897	$ 489,741	$ 2,826,638

See accompanying notes to financial statements.

United Way of Yellowstone County

Statement of Activities

Year Ended June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	$ 921,186	$ -	$ 921,186
Less: donor designations	(48,490)	-	(48,490)
Total campaign results	872,696	-	872,696
Grants	175,014	-	175,014
Administration fees	6,778	-	6,778
CARE Academy income, net of tuition assistance of $27,416	654,103	-	654,103
Investment income, net of investment expenses	142,093	-	142,093
Endowment donations	-	20,000	20,000
Bad debt recoveries	66	-	66
Other	10,613	-	10,613
Total public support and revenue	1,861,363	20,000	1,881,363
Expenses:			
Program services:			
Community response	1,665,947	-	1,665,947
Supporting services:			
Fundraising	143,101	-	143,101
Management and general	62,089	-	62,089
Total expenses	1,871,137	-	1,871,137
Change in net assets	(9,774)	20,000	10,226
Net assets, beginning of year	2,525,528	440,569	2,966,097
Net assets, end of year	$ 2,515,754	$ 460,569	$ 2,976,323

See accompanying notes to financial statements.

United Way of Yellowstone County

Statements of Changes in Net Assets

	Board Designated	Undesignated	Total Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2017	$ 857,091	$ 1,668,437	$ 2,525,528	$ 440,569	$ 2,966,097
Board transfers	(50,244)	50,244	-	-	-
Change in net assets	(930)	(8,844)	(9,774)	20,000	10,226
Net assets, June 30, 2018	805,917	1,709,837	2,515,754	460,569	2,976,323
Board transfers	85,000	(85,000)	-	-	-
Change in net assets	(3,085)	(175,772)	(178,857)	29,172	(149,685)
Net assets, June 30, 2019	$ 887,832	$ 1,449,065	$ 2,336,897	$ 489,741	$ 2,826,638

United Way of Yellowstone County

Statement of Functional Expenses

Year Ended June 30, 2019

	Community Response	Fundraising	Management & General	Total
Agency allocations	$ 350,000	$ -	$ -	$ 350,000
Bank service charges	23,572	261	109	23,942
Best Beginnings	3,565	-	-	3,565
Board expense	72	-	1,023	1,095
CARE expense	108,169	-	-	108,169
Communications	8,564	5,047	220	13,831
Community resource center	32,514	-	-	32,514
Continuum of Care	26,415	-	-	26,415
Disaster project	186	-	-	186
Discover Zone	5,116	-	-	5,116
Dues and subscriptions	1,502	1,123	163	2,788
EFSP expense	23,153	-	-	23,153
Early Childhood	37,909	-	-	37,909
Employee benefits	160,183	18,865	12,070	191,118
Fees	4,306	467	266	5,039
Financial Stability Initiative	5,000	-	-	5,000
Graduation Matters	8,479	-	-	8,479
Insurance	5,323	624	1,329	7,276
Interest expense	23,788	2,565	1,359	27,712
Janitorial	9,284	965	509	10,758
Legal and accounting	14,015	1,644	816	16,475
Maintenance	11,272	1,186	604	13,062
Miscellaneous	-	-	5	5
Mileage	107	143	-	250
Montana 211	82,457	-	-	82,457
Payroll expenses	765,207	80,764	40,778	886,749
Postage	1,721	744	124	2,589
Software and computer maintenance	12,094	3,311	692	16,097
Substance Abuse Connect Coalition	34,153	-	-	34,153
Supplies	7,134	1,464	321	8,919
Telephone	7,117	363	190	7,670
Training and development	2,050	2,025	30	4,105
Uncollectible pledges	-	53,639	-	53,639
Utilities	11,947	1,244	709	13,900
UW of America dues	9,671	1,135	563	11,369
Youth volunteer corps	1,041	-	-	1,041
	1,797,086	177,579	61,880	2,036,545
Depreciation	30,850	3,345	1,764	35,959
Total expenses	$ 1,827,936	$ 180,924	$ 63,644	$2,072,504

See accompanying notes to financial statements.

United Way of Yellowstone County

Statement of Functional Expenses

Year Ended June 30, 2018

	Community Response	Fundraising	Management & General	Total
Agency allocations	$ 365,691	$ -	$ -	$ 365,691
Bank service charges	13,066	7,129	-	20,195
Best Beginnings	2,278	-	-	2,278
Board expense	-	-	1,053	1,053
CARE expense	100,890	-	-	100,890
Communications	1,197	12,597	-	13,794
Community resource center	25,970	-	-	25,970
DeStress grant	12,278	-	-	12,278
Dues and subscriptions	750	536	-	1,286
EFSP expense	33,631	-	-	33,631
Early Childhood	21,957	-	-	21,957
Employee benefits	159,153	20,329	14,264	193,746
Fees	4,272	456	255	4,983
Graduation Matters	740	-	-	740
Insurance	5,314	493	1,312	7,119
Interest expense	25,481	2,336	1,434	29,251
Janitorial	11,434	1,005	596	13,035
Legal and accounting	13,916	1,292	767	15,975
Maintenance	14,571	1,353	803	16,727
Mileage	1,602	162	-	1,764
Payroll expenses	744,995	63,691	35,524	844,210
Postage	1,158	838	289	2,285
Software and computer maintenance	12,749	2,599	687	16,035
Supplies	19,131	852	293	20,276
Telephone	6,829	289	172	7,290
Training and development	1,531	-	702	2,233
Uncollectible pledges	-	21,711	-	21,711
Utilities	11,996	1,114	661	13,771
Universal Home Visit	5,801	-	-	5,801
UW of America dues	13,877	1,289	764	15,930
Youth volunteer corps	1,082	-	-	1,082
	1,633,340	140,071	59,576	1,832,987
Depreciation	32,607	3,030	2,513	38,150
Total expenses	$ 1,665,947	$ 143,101	$ 62,089	$1,871,137

See accompanying notes to financial statements.

United Way of Yellowstone County

Statements of Cash Flows

Years Ended June 30,	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (149,685)	$ 10,226
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	35,959	38,150
Amortization of debt issuance costs	751	750
Realized and unrealized losses/(gains) on investments	(37,115)	(109,584)
Contributions restricted for long-term purposes	(19,538)	(20,000)
Noncash donations	-	(4,070)
(Increase) decrease in assets:		
Receivables	12,825	39,931
Prepaid expenses	(799)	3,124
Other assets	(748)	(719)
Increase (decrease) in liabilities:		
Accounts payable	15,260	(21,448)
Accrued expenses	11,381	(7,350)
Grants payable	74,375	(24,496)
Deferred revenue	(60,063)	7,741
Agency funds	(2,950)	(9,439)
Net cash from operating activities	(120,347)	(97,184)
Cash flows from investing activities:		
Purchase of investments	(161,937)	(82,843)
Proceeds from sale of investments	83,715	436,021
Net cash from investing activities	(78,222)	353,178
Cash flows from financing activities:		
Capital lease repayments	(2,700)	(3,100)
Payments on notes payable	(42,115)	(40,649)
Proceeds from donor restricted endowment contributions	19,538	20,000
Net cash from financing activities	(25,277)	(23,749)
Net change in cash	(223,846)	232,245
Cash and cash equivalents, beginning of year	858,519	626,274
Cash and cash equivalents, end of year	$ 634,673	$ 858,519
Supplemental Cash Flow Information:		
Cash paid for interest expense	$ 27,099	$ 28,564

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

United Way of Yellowstone County (the "Organization") is a nonprofit organization formed for the purpose of achieving significant community impact by developing strategies, building partnerships and investing in programs, all of which are supported through annual fundraising campaigns as well as through competitive private, state and federal grants and contracts. The Organization improves community conditions for children, youth, individuals, families and senior citizens.

Basis of Presentation

The financial statements of Organization have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment as well as other purposes as described in Note 16.
>
> **Net assets with donor restrictions:** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All promises to give are expected to be collected within one year. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Allowance Method Used to Record Uncollectible Pledges

The Organization uses the allowance method for uncollectible pledges receivables.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Property and Equipment

Property and equipment acquisitions with an original cost of at least $1,000 are recorded at cost. Donated property and equipment is reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of assets (generally 5-40 years) and is computed using the straight-line method.

Allocations Payable

Allocations payable represent amounts approved by the Board of Directors payable to United Way agencies. As of June 30, 2019, the Organization has paid all allocations approved by the Board of Directors.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Annual campaigns are conducted to raise support for the Organization's community response programs. Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. All contributions are considered without donor restrictions unless specifically restricted by the donor as to time or purpose. The Organization acts as an agent of the donor when contributions are directed by the donor and are to be distributed to a specific third-party beneficiary. These contributions received and subsequently remitted to third parties are reflected in campaign results on the statements of activities but are not treated as contribution revenue.

The Organization administers other campaigns for local employers. Under the agreements, the employers run campaigns, collect the pledges and make payments to the Organization for quarterly distribution to the agencies designated by the employee. The Organization collects administration fees for administering the other campaigns. The Organization is acting as an agent in administering the other campaigns and, therefore, contributions received and subsequently remitted to agencies are not included in the statements of activities.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $0 and $2,040 and are included in communications expense on the statements of functional expenses at June 30, 2019 and 2018, respectively.

Donated Services, Materials and Facilities

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services does not meet the requirements for recognition in the financial statements and have not been recorded.

Functional Allocation of Expenses

The Organization's management allocates expenses by function between program and supporting service classifications based upon estimated levels of functional time and effort.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is organized as a nonprofit corporation and is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in these statements. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income. The Organization is subject to examination of their federal income tax filing generally for 3 years after they are filed. There were no uncertain tax positions taken by the Organization. In the event that the Organization is assessed penalties and interest, penalties will be charged to other operating expense and interest will be charged to interest expense. There was no unrelated business income tax during the years ended June 30, 2019 and 2018, respectively.

Change in Accounting Policy

On August 18, 2016, FASB issued 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 implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)

The changes have the following effect on net assets at July 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 2,525,528	$ -
Temporarily restricted net assets	-	-
Permanently restricted net assets	440,569	-
Net assets without donor restrictions	-	2,525,528
Net assets with donor restrictions	-	440,569
Total net assets	$ 2,966,097	$ 2,966,097

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

On June 21, 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 update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. The Organization is still evaluating the impact of the provisions of ASU Topic 958.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2020. The Organization is currently evaluating the impact of the provisions of ASC 842.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

Management has evaluated subsequent events through October 22, 2019, which is the date the financial statements were available to be issued. Subsequent to year-end, the Organization sold a portion of its land on Overland Avenue. The land was sold for $275,000 and had a cost basis of $101,826. The gain will be reflected on the June 30, 2020 financial statements.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

Cash and cash equivalents	$	634,673
Pledges receivable, net of allowance		236,320
CARE/miscellaneous receivables		2,526
Grants receivable		83,655
Investments		1,521,949
Subtotal financial assets		2,479,123
Less:		
Grant funds received in advance included in cash and equivalents		(110,847)
Funds for emergency food and shelter included in cash and equivalents		(260)
Board designated funds included in cash and equivalents and investments		(887,832)
Donor restricted funds included in cash and equivalents and investments		(489,741)
Total	$	990,443

The Organization does not have a formal liquidity policy, but has adopted some guidelines around the use of endowment funds for current operations, deferred grant revenue and special projects or programs as determined by the Board of Directors. Principal contributions to the endowment fund have been set aside by the Board of Directors as perpetual investments. Income from the investments may be used for any purposes the Organization chooses. The Organization may receive grant funds but may not have expended them for the purposes of the grant at the end of the fiscal year. These funds are held until the work for the grant has been completed. The Organization may draw upon board designated funds in the event of an unanticipated liquidity need with prior board approval.

Note 3: Concentration of Credit Risk

The Organization has accounts that are maintained in several banks. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of balances held at these banks in amounts that may, at times, exceed the $250,000 FDIC insurance limits.

Note 4: Cash and Cash Equivalents

Cash and cash equivalents at June 30 are as follows:

	2019	2018
General Operating Deposits	$ 14,234	$ 34,545
Emergency Food and Shelter Fund Deposits	5,177	4,188
General Operating Funds	7,567	1,535
General Operating Certificates of Deposit	416,918	373,147
Investment Money Market	190,777	445,104
Total	$ 634,673	$ 858,519

Note 5: Allowance Method Used to Record Uncollectible Pledges

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible pledges receivable. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Pledges receivable are presented net of an allowance for doubtful accounts of $35,000 and $30,000 at June 30, 2019 and 2018, respectively.

Note 6: Fair Value Measurement of Marketable Equity Securities

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

- Level 1 Inputs - Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.
- Level 2 Inputs - Inputs other than the quoted prices in active markets that are observable either directly or indirectly.
- Level 3 Inputs - Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 6: Fair Value Measurement of Marketable Equity Securities (Continued)

Following is a description of the valuation methodology used, as well as the classifications within the fair value hierarchy.

Investments - Equity and fixed income mutual funds, complementary strategies, and real asset securities are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The Organization classifies assets and liabilities within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of each individual asset and liability taken as a whole. The following tables set forth by level within the fair value hierarchy the gross components of investments measured at fair value on a recurring basis.

	Fair Value of Assets as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 418,912	$ -	$ -	$ 418,912
Equity securities	944,906	-	-	944,906
Complementary strategies	83,897	-	-	83,897
Real asset securities	74,234	-	-	74,234
Total	$ 1,521,949	$ -	$ -	$ 1,521,949

	Fair Value of Assets as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 401,265	$ -	$ -	$ 401,265
Equity securities	856,798	-	-	856,798
Complementary strategies	76,340	-	-	76,340
Real asset securities	72,209	-	-	72,209
Total	$ 1,406,612	$ -	$ -	$ 1,406,612

Investment return is summarized as follows:

	2019	2018
Without donor restriction:		
Interest income on cash and cash equivalents	$ 5,671	$ 8,663
Investment interest and dividends	44,289	41,919
Net realized and unrealized gains	37,115	109,584
Less: investment expenses	(17,302)	(18,073)
Total investment return	$ 69,773	$ 142,093

Note 7: Cash Surrender Value of Life Insurance

In November 2001, the Organization received a single premium whole life insurance policy from a donor. Under the terms of the insurance, the Organization receives the cash surrender value if the policy is terminated, and, upon death of the insured, receives a guaranteed death benefit. The cash surrender value of the life insurance as of June 30, 2019 and 2018 is $19,441 and $18,693, respectively, and is included in other assets in the accompanying statements of financial position.

Note 8: Accrued Vacation Payable

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. Accrued but unused vacation leave in the amounts of $32,081 and $22,300 are included in accrued expenses on the statements of financial position at June 30, 2019 and 2018, respectively.

Note 9: Agency Funds

The Organization acts as an agent for various organizations or projects where funds are to be disbursed only for the benefit of, and upon the instructions of those organizations or projects.

The Agency funds consist of cash and cash equivalents and pledges receivable for the following as of June 30:

	2019	2018
United Way Campaign, Donor Designations	$ 43,761	$ 46,711

Note 10: Notes Payable

On December 21, 2012, the Organization entered into a $990,000 revenue note agreement with Yellowstone County, Montana to provide long-term financing for the purchase of its building. On the same date Yellowstone County assigned the revenue note to Wells Fargo Bank. The terms of the note call for monthly payments of $5,768 commencing on January 15, 2013 with a fixed interest rate of 3.50%. The loan matures December 15, 2032 and is secured by the building.

The proceeds of the note were used to repay a bridge loan to Wells Fargo Bank of $975,000 and $15,000 in origination and closing fees. These fees were capitalized immediately and will be amortized over the 20 year life of the loan. The Organization incurred amortization expense of $750 and $750 during the years ended June 30, 2019 and 2018, respectively, and is included in interest expense in the statements of functional expenses.

Note 10: Notes Payable (Continued)

	Principal	Unamortized Debt Issuance Costs
3.5% note, due December 15, 2032	$740,585	$10,125

The following is a schedule of future principal payments:

June 30,		Principal Payments
2020	$	43,566
2021		45,208
2022		46,838
2023		48,528
2024		50,227
Thereafter		506,218
Total	$	740,585

Note 11: Capital Lease

On July 2, 2014, the Organization acquired equipment under the provisions of a long-term lease. The leased equipment under the capital lease had a cost of $15,000. On December 13, 2017, the Organization entered into a new long-term lease agreement and traded in the equipment under the existing lease. The new leased equipment has a cost of $13,500. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and are included in equipment on the statements of financial position. The following is a schedule of future minimum lease payments:

June 30,		Minimum Lease Payments
2020	$	2,700
2021		2,700
2022		2,700
2023		1,350
Total	$	9,450

Note 12: Annuity Obligation

The Organization receives charitable donations for annuities from donors with a provision that a fixed income be paid to the donor and/or the named beneficiary for life. The annuity obligation represents the present value of payments to be made over the life expectancies of the annuitant and/or his named beneficiaries based on Internal Revenue Service annuity tables. The contributions received and the related obligations are restricted in perpetuity until the death of the annuitant and/or his named beneficiary at which time the remaining assets remain restricted or the donor restriction is removed based upon the terms of the original annuity agreement. The recorded obligation is recognized as income at the time of death. On an annual basis, the Organization revaluates the liability related to required distributions to the designated beneficiaries based on actuarial assumptions. The liability is included in the accrued expenses balance on the statements of financial position. The present values of the estimated future payments at June 30, 2019 and 2018 are $16,425 and $15,963, respectively.

Note 13: Pension Plan

The Organization has a 403(b) Plan covering all full-time and part-time employees who have performed services for the Organization in at least one year of the immediately preceding five years and does not include employees whose total compensation during the year is less than the amount specified in the Internal Revenue Code. The Organization contributes an amount equal to 5% of the annual compensation plus matches employees' contributions up to 5% of annual compensation. Organization contributions to the plan total $60,420 and $59,551, for the years ended June 30, 2019 and 2018, respectively.

Note 14: Endowment Funds

The Organization's endowment fund (the Endowment) consists of gifts by individual donors who desire to make substantial long-term gifts to the community and to develop new and significant source of revenue for the Organization. As of June 30, 2019, the Endowment consists of 182 gifts of either cash or stock. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018 there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity the original value of the gift.

Income from the investment of these gifts may be used to (i) stabilize program funding during periods of below normal annual campaigns; (ii) fund special projects and grants in the community; (iii) ensure long-term growth; (iv) enhance the Organization's ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of the Organization as deemed appropriate.

Note 14: Endowment Funds (Continued)

The Organization has adopted an overall investment objective for the assets of growth and income. This is a total return approach to managing the assets, emphasizing both current income and growth in principal. The Organization monitors the performance on an annual basis. Performance is reported in terms of rate of return and changes in dollar value. The returns are compared to the appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods. The Endowment's asset allocation is also reported on an annual basis.

It is desired that the Endowment produce a level of return higher than the "market" as represented by a benchmark index or mix of indexes reflective of the objectives and risk tolerance. This Primary benchmark or "policy index" is to be constructed as follows: 60% Standard & Poor's 500 Stock Index, 35% BarCap US Govt/Credit Intermediate Bond Index and 5% 90-day Treasury Bills. The Secondary benchmark is to be constructed as follows: 25% Standard and Poor's 500, 5% Russell Midcap Index, 5% Russell 2000 Index, 15% EAFE Index, 5% NAREIT Equity Index, 7% HFRX Global Hedge Fund Index, 35% BarCap US Govt/Credit Intermediate Bond Index, and 3% 90- day Treasury Bills. The account is desired to exceed the arithmetic mean of these benchmarks on a risk-adjusted basis over a five year rolling time period.

The Organization is comfortable with a moderate risk strategy. This is a goal of relatively more stable returns over the longer term, with a reduced potential of negative returns in any given year. Specifically, the risk level of the portfolio as measured by volatility (standard deviation) should be similar to the volatility level of the underlying comparative benchmarks.

The Endowment is governed by the Organization's Gift Acceptance and Endowment Disbursement Guidelines. Unless otherwise directed by the donor as a result of conditions contained within the gift, or upon approval of the Board of Directors for emergency situations, there shall be no disbursement of invested assets, principal or interest that would decrease the invested assets below a balance of $1,000,000.

Distributions are limited to ten percent of the market value of the invested assets as of the prior calendar year end, subject to the initial restriction of the $1,000,000 balance. The amount of disbursement is determined annually by the Board of Directors during the budgeting process. The Organization may also elect to take no distribution in any given year.

To the extent that the amount to be distributed has been determined and that all donor directives have been met, said amount may be distributed at the discretion of the Board of Directors. In general, however, these funds will be utilized to stabilize program funding during periods of below normal annual campaigns, for special purpose program grants, for special purpose programs and activities, and to support the administrative activities of the Organization.

The composition of the assets in the Endowment is included in Note 6, as there are funds invested in addition to the donor restricted and board designated endowment funds. Unless otherwise stated by the donor, earnings on donor restricted endowment funds are available for general use and have been presented on the statements of financial position and statements of activities without donor restrictions.

Note 14: Endowment Funds (Continued)

Composition of and changes in endowment net assets for the years ended June 30 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowments at July 1, 2017	$ 132,552	$ 440,569	$ 573,121
Investment return, net	4,070	-	4,070
Contributions	-	20,000	20,000
Distribution pursuant to board approval	(15,000)	-	(15,000)
Endowments at June 30, 2018	121,622	460,569	582,191
Investment return, net	1,915	-	1,915
Contributions	-	19,538	19,538
Distribution pursuant to board approval	-	-	-
Endowments at June 30, 2019	$ 123,537	$ 480,107	$ 603,644

Note 15: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Donor restricted endowment funds to be held indefinitely	$ 480,107	$ 460,569
Campaign contributions restricted for purpose	9,634	-
	$ 489,741	$ 460,569

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018.

	2019	2018
Satisfaction of purpose restriction:		
Community response programs	$ (18,666)	$ -
	$ (18,666)	$ -

Note 16: Board Designated Net Assets

The Board of Directors designated certain funds for special purposes.

a. Board Designated Endowment is the principal of non-restricted gifts in the form of cash, bequests or stock.

b. Board Designated HRDC is funds to be used as matching contributions for the Human Resource Development Council's federally funded Assets for Independence Demonstration Program. The match consists of five annual payments of $5,000.

c. Board Designated General is funds to be used to stabilize program funding during periods of below normal campaigns, for special purpose programs grants, for special purpose UWYC programs and activities, and to support the administrative activities of the Organization.

d. Board Designated Building Fund was income generated from the leasing of office space in the United Way building. The income will be used to pay for future building maintenance costs. In addition, the board designated a portion of the endowment included in net assets without donor restrictions to be used for building maintenance.

e. Board Designated Out of School was the net income from the CARE Academy program for the fiscal year 2010 to be used for after school programs.

f. Board Designated Margaret Ping is funds set aside to be used in a proposed building remodel, including a conference room for larger groups.

Note 16: Board Designated Net Assets (Continued)

Amounts for the following purposes have been designated as of June 30:

	Endowment	HRDC	General	Building Fund	Out of School	Margaret Ping	Total Designated
Board designated net assets, July 1, 2017	$ 132,552	$ 15,000	$ 569,565	$ 110,244	$ 19,730	$ 10,000	$ 857,091
Board transfers	(15,000)	-	-	(35,244)	-	-	(50,244)
Change in net assets	4,070	(5,000)	-	-	-	-	(930)
Board designated net assets, June 30, 2018	121,622	10,000	569,565	75,000	19,730	10,000	805,917
Board transfers	-	-	-	85,000	-	-	85,000
Change in net assets	1,915	(5,000)	-	-	-	-	(3,085)
Board designated net assets, June 30, 2019	$ 123,537	$ 5,000	$ 569,565	$ 160,000	$ 19,730	$ 10,000	$ 887,832