

UNITED WAY OF CENTRAL MINNESOTA, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

UNITED WAY OF CENTRAL MINNESOTA, INC.
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OUR MISSION

To improve people's lives by mobilizing the caring power of Central Minnesota.

United Way
of Central Minnesota



OUR FOCUS



Access to Food



Quality Out of School Time



Financial Stability



Early Learning/
Early Literacy



Homelessness

Who We Are

OUR FIGHT

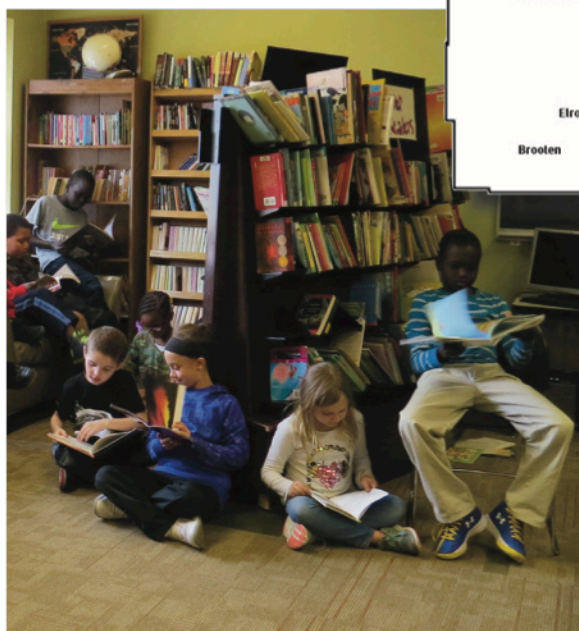
Join the FIGHT - learn more at unitedwayhelps.org



OUR POSITION

United Way of Central Minnesota connects resources to accelerate community wide solutions.

YOUNITED we fight to create positive change.



2017-2019 United Way Investments

Homelessness

- Youth House – Catholic Charities
- Hope Community Support – Catholic Charities
- Supportive Housing for Youth (SHY) – Catholic Charities
- Domus Transitional Housing – Catholic Charities
- St. Cloud Area Crisis Nursery – Lutheran Social Services
- Living Hope Center – Place of Hope Ministries
- Emergency Shelter – Anna Marie's Alliance
- Emergency Shelter – The Salvation Army
- Legal Services – Mid-Minnesota Legal Aid
- Recovery Plus – St. Cloud Hospital
- Conflict Resolution Skills for Homeless Youth – Conflict Resolution Center
- United Way 2-1-1 – United Way of Central Minnesota
- Volunteer Connection – United Way of Central Minnesota

Access to Food

- Club Meal Program & Healthy Habits – Boys & Girls Clubs of Central Minnesota
- CROSS Center Food Shelf – CROSS Center of Benton County
- Simply Good Cooking/Cooking Matters – Reach-Up, Inc.
- Emergency Services Food Shelf – Catholic Charities
- Senior Dining Meals on Wheels – Catholic Charities
- Food Pantry – The Salvation Army
- Home Delivered Meals – St. Cloud Hospital
- Food Distribution & Delivery – Retired & Senior Volunteer Program (RSVP)/City of St. Cloud
- Community Meal Program – Helping Hands Outreach
- Supplemental Nutrition Assistance Program (SNAP) – Tri-CAP
- Summer Food Service – The Yes Network
- CareerONE – Career Solutions
- Community Garden Leaders – Central MN Sustainability Project
- United Way 2-1-1 – United Way of Central Minnesota
- Volunteer Connection – United Way of Central Minnesota

Financial Stability

- CareerONE – Career Solutions
- Child Care Liaison – Milestones
- Community Furniture Program – Central MN Re-Entry Project
- Emergency Services Financial Assistance Program – Catholic Charities
- Financial and Housing Counseling – Catholic Charities
- Emergency Shelter – Anna Marie's Alliance
- Legal Services – Mid-Minnesota Legal Aid
- Money Matters – Boys & Girls Clubs of Central Minnesota
- Providing Real Opportunities for Financial Independence & Training (PROFIT) – Independent Lifestyles
- Self Sufficiency Program – Tri-CAP
- Third Age University – Whitney Senior Center/ City of St. Cloud
- Senior LinkAge Line – Central MN Council on Aging
- Employment Services & Career Education – Resource, Inc.
- Immigrant/Refugee Women and Girls Job Placement – Community Grassroots Solutions
- United Way 2-1-1 – United Way of Central Minnesota
- Volunteer Connection – United Way of Central Minnesota

Early Learning/Early Literacy

- Family & Caregiver Support – Arc Midstate
- Cultural Transition Program – Catholic Charities
- Central MN Foster Grandparent Program – Catholic Charities
- Strengthening Families Parenting Project – 9 School District Collaborative/District #47
- Early Childhood Mental Health Services – The Village Family Service Center
- Educational Enrichment – Retired & Senior Volunteer Program (RSVP)/City of St. Cloud
- Greater St. Cloud Area Thrive – Sauk Rapids-Rice School District #47
- Kindergarten Transition Services – Reach-Up Inc.
- Latino Parent Child Group/La Fuerza de Los Padres – St. Cloud State University
- MN Reading Corps in St. Cloud – ServeMinnesota
- Project Learn – Boys & Girls Clubs of Central Minnesota
- Early Literacy Project – Milestones
- I Have A Dream – The Yes Network
- Imagination Library – United Way of Central Minnesota
- United Way 2-1-1 – United Way of Central Minnesota
- Volunteer Connection – United Way of Central Minnesota

Quality Out of School Time

- ARISE (A Recreational Inclusion Support Endeavor) – St. Cloud Area School District #742 Community Education
- Leadership Pathway Scholarships – Girl Scouts of MN & WI Lakes & Pines
- Girls Scouts in ACTION – Girl Scouts of MN & WI Lakes & Pines
- Youth Services – Central MN Sexual Assault Center
- Youth Development Scholarships – St. Cloud Area Family YMCA
- Academic Support and Mentoring Program – Community Grassroots Solutions
- School Youth Program & Life Choices – Anna Marie's Alliance
- KIDSTOP & Club Scholarships – Boys & Girls Clubs of Central Minnesota
- Support & Advocacy for Independent Living (SAIL) – Catholic Charities
- Scoutreach – Central MN Council - Boy Scouts of America
- Bridge Program – Promise Neighborhood of Central MN
- Youth Mentoring – Big Brothers Big Sisters of Central Minnesota
- Mentoring & Life Skills Development – Central MN Youth for Christ
- After School Enhancement – Retired Senior & Volunteer Program (RSVP)/City of St. Cloud
- Leading and Learning Together (Bel Clare) – Hands Across the World
- CareerONE – Career Solutions
- SMART Kids – The Salvation Army
- United Way 2-1-1 – United Way of Central Minnesota
- Volunteer Connection – United Way of Central Minnesota

Community Safety Net

IMMEDIATE NEEDS
When we LIVE UNITED,
our community thrives.

United Way fights unexpected challenges by providing to non-profit programs for emergency shelter and food access.

Where did you sleep on
OCTOBER 1ST?

In Central Minnesota,



373 students in our schools were homeless that night.



35% of homeless women were a result of domestic violence.



All
135
emergency beds
were filled.



40 people slept on
floor mats at church
of the Week.



15 families were turned away
from emergency shelters
because they were full.

WE NEED YOU TO JOIN THE FIGHT.

GIVE.

- Text UWHELPS to 85511 to make a donation
- Make a donation at www.unitedwayhelps.org
- Give your time by volunteering at our Volunteer Action Center

ADVOCATE.

- Use your voice to shine a light on community solutions
- Spread awareness by sharing our 211 helpline with someone who may need help
- To become a part of a long term solution make a planned gift to United Way

VOLUNTEER.

- Organize a DIY Volunteering project with your friends & family
- Participate in Day of Caring
- Host a basic needs drive to support our United Way Neighborhood Resource Centers

United Way
of Central Minnesota

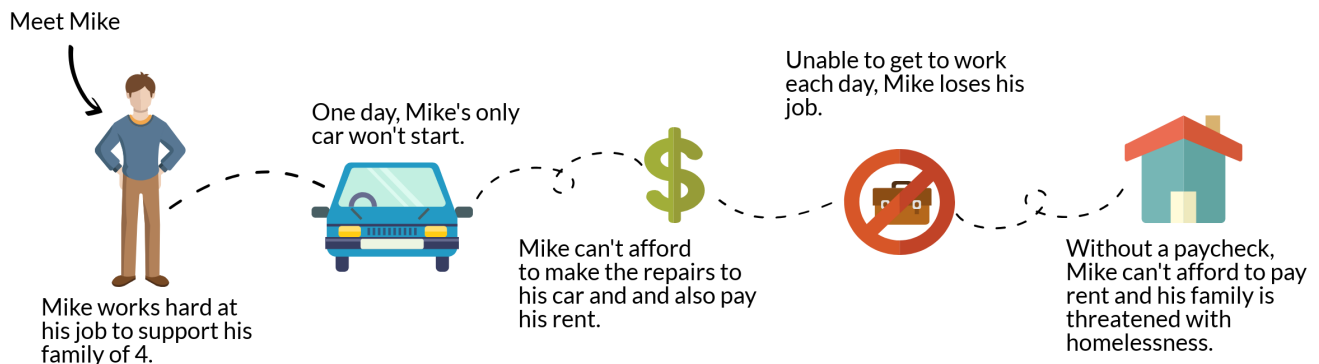


GET CONNECTED. GET HELP.



211 is operated and funded, in part, by your local United Way. Ensuring every person has access to this critical resource exemplifies United Way's fight for the health, education and financial stability of every person in Central Minnesota. By connecting people in need with the best resources available to them, 211 helps make the social services system more efficient and effective so resources can go further.

Through 211, clients can access free and confidential crisis and emergency counseling, disaster assistance, food, health care and insurance assistance, stable housing and utilities payment assistance, employment services, veteran services and childcare and family services. No matter the situation, the specialists at 211 listen, identify underlying problems, and connect people in need with community resources and services that improve their lives.



In times of crisis, it's easy to feel like you **don't know where to start.**



Contact 211 to learn about the following services:

- Food and housing support
 - Mental health and substance abuse resources
 - Legal assistance
 - Public benefits (WIC/SNAP)
 - Medical and dental clinics
 - Job training opportunities
 - Household items
 - Transportation to medical appointments
 - Aging and disability services
 - Home meal delivery
 - Family counseling
 - Parenting resources
 - School supplies
 - English literacy
 - Tutoring/mentoring
 - Higher education/FAFSA/GED information
- ...and so much more

INDEPENDENT AUDITORS' REPORT

January 15, 2020

To the Board of Directors
United Way of Central Minnesota, Inc.
St. Cloud, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Central Minnesota, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, collectively 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 Central Minnesota, Inc. as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

An Independently Owned Member, RSM US Alliance

www.swcpcpas.com

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St. Cloud
320.251.0286

Little Falls
320.632.6311

Albany
320.845.2940

Maple Lake
320.963.5414

Monticello
763.295.5070

Emphasis of Matter

As discussed in Note A to the financial Statements, in 2019 the Organization adopted new accounting guidance Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management discussion and analysis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited United Way of Central Minnesota, Inc.'s June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

UNITED WAY OF CENTRAL MINNESOTA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

ASSETS		2019	2018
CURRENT ASSETS			
Cash and Cash Equivalents	\$	744,512	\$ 623,420
Pledges Receivable, Net of Allowance for Doubtful Pledges		1,175,550	1,193,388
Other Pledges Receivable		105,000	247,433
Grants Receivable		110,015	83,169
Other Receivables		12,500	4,116
Prepaid Expenses		38,781	46,176
TOTAL CURRENT ASSETS		<u>2,186,358</u>	<u>2,197,702</u>
LONG-TERM ASSETS			
Investments		2,117,064	1,995,488
Other Pledges Receivable		14,423	114,831
Property and Equipment, Net of Accumulated Depreciation		892,337	911,519
		<u>3,023,824</u>	<u>3,021,838</u>
TOTAL ASSETS	\$	<u>5,210,182</u>	\$ <u>5,219,540</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	95,101	\$ 77,526
Fiscal Agent Liabilities		68,173	44,911
Accrued Salary Expenses		41,556	46,785
Due to Designated Agencies		95,453	141,953
Accrued Interest		798	890
Deferred Revenue		135,522	98,651
Current Maturities of Long-Term Debt		32,411	31,307
TOTAL CURRENT LIABILITIES		<u>469,014</u>	<u>442,023</u>
LONG-TERM DEBT, LESS CURRENT MATURITIES		<u>241,301</u>	<u>273,712</u>
TOTAL LIABILITIES		710,315	715,735
NET ASSETS			
Without Donor Restrictions:			
Board Designated Reserves		1,970,268	1,936,375
Undesignated		873,977	733,307
Total Without Donor Restrictions		2,844,245	2,669,682
With Donor Restrictions		1,655,622	1,834,123
TOTAL NET ASSETS		<u>4,499,867</u>	<u>4,503,805</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,210,182</u>	\$ <u>5,219,540</u>

See accompanying notes.

UNITED WAY OF CENTRAL MINNESOTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Totals (Memorandum Only)	
PUBLIC SUPPORT AND REVENUE				
Gross Workplace Giving Contributions	\$ -	\$ 2,786,380	\$ 2,786,380	\$ 3,173,135
Less: Designations to Other Agencies	-	(168,560)	(168,560)	(233,572)
Less: Provision for Uncollectible	-	(107,407)	(107,407)	(110,811)
Net Workplace Giving Contributions	-	2,510,413	2,510,413	2,828,752
Government Grants	-	4,418	4,418	-
Private Grants	-	65,432	65,432	16,727
Service Fees	35,700	-	35,700	58,807
Program Contributions	-	613,264	613,264	529,751
Lease Revenue	10,800	-	10,800	12,986
In-Kind Revenue	-	25,337	25,337	29,299
Net Investment Income (Expense)	70,334	-	70,334	48,956
Unrealized Gain (Loss)	40,576	-	40,576	19,006
Net Assets Released from Restrictions	3,397,365	(3,397,365)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,554,775	(178,501)	3,376,274	3,544,284
EXPENSES				
Program Services	2,609,643	-	2,609,643	2,566,150
Supporting Services:				
Administrative	234,243	-	234,243	277,115
Fundraising	536,326	-	536,326	505,679
TOTAL EXPENSES	3,380,212	-	3,380,212	3,348,944
CHANGE IN NET ASSETS	174,563	(178,501)	(3,938)	195,340
NET ASSETS, Beginning of Year	2,669,682	1,834,123	4,503,805	4,308,465
NET ASSETS-End of Year	\$ 2,844,245	\$ 1,655,622	\$ 4,499,867	\$ 4,503,805

UNITED WAY OF CENTRAL MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019					2018		2018	
	Program Services					Supporting Services		Totals (Memorandum Only)	
	Imagination Library	Neighborhood Resource Centers	Community Impact	Volunteer Connection, 2-1-1, and Other Program Services	Total	Administration	Fundraising		
EXPENSES									
Funds Distributed	\$ -	\$ 6,974	\$ 1,999,522	\$ -	\$ 2,006,496	\$ -	\$ -	\$ 2,006,496	\$ 2,070,906
Less: Donor Designations	-	-	(168,560)	-	(168,560)	-	-	(168,560)	(233,572)
SUBTOTAL	-	6,974	1,830,962	-	1,837,936	-	-	1,837,936	1,837,334
Wages and Benefits	4,056	111,928	186,857	41,935	344,776	146,693	316,799	808,268	811,738
Payroll Taxes	285	7,991	11,080	2,772	22,128	7,999	22,184	52,311	66,176
SUBTOTAL	4,341	119,919	197,937	44,707	366,904	154,692	338,983	860,579	877,914
Contract Services	-	44,729	41,149	24,525	110,403	23,413	30,131	163,947	66,463
Training and Development	-	33	5,393	1,064	6,490	2,675	7,560	16,725	8,311
Meetings and Events	3,910	3,483	2,159	9,547	19,099	4,160	31,956	55,215	52,497
Public Awareness and Media	258	-	5,410	6,617	12,285	1,431	20,229	33,945	53,772
Printing	-	-	-	-	-	681	4,499	5,180	10,841
Dues and Subscriptions	-	-	14,583	370	14,953	6,770	20,437	42,160	42,972
Awards and Recognition	-	-	1,366	50	1,416	453	1,429	3,298	3,317
Transportation	7	1,386	1,625	703	3,721	305	3,313	7,339	7,419
Occupancy Expense	-	1,604	26,706	1,972	30,282	13,060	36,461	79,803	94,005
In-Kind Expense	-	-	9,045	1,947	10,992	850	13,495	25,337	29,299
Office Supplies	3,751	729	1,474	320	6,274	2,575	4,464	13,313	12,112
Books and Materials	169,777	-	-	-	169,777	-	-	169,777	184,246
Bank and Other Fees	-	300	-	15	315	14,542	-	14,857	11,959
Insurance	-	-	2,909	-	2,909	1,337	3,617	7,863	8,238
Depreciation	-	-	12,103	-	12,103	5,560	15,047	32,710	36,924
Interest Expense	-	-	3,784	-	3,784	1,739	4,705	10,228	11,321
SUBTOTAL	177,703	52,264	127,706	47,130	404,803	79,551	197,343	681,697	633,696
TOTAL FUNCTIONAL EXPENSES	<u>\$ 182,044</u>	<u>\$ 179,157</u>	<u>\$ 2,156,605</u>	<u>\$ 91,837</u>	<u>\$ 2,609,643</u>	<u>\$ 234,243</u>	<u>\$ 536,326</u>	<u>\$ 3,380,212</u>	<u>\$ 3,348,944</u>

See accompanying notes.

UNITED WAY OF CENTRAL MINNESOTA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018
INCREASE (DECREASE) IN CASH

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Public Support	\$ 3,444,955	\$ 3,240,731
Net Investment Income	24,921	45,962
Lease Revenue	10,800	12,986
Cash Paid to Agencies, Suppliers and Employees	<u>(3,289,431)</u>	<u>(3,250,607)</u>
Net Cash Flows - Operating Activities	191,245	49,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Securities	722,793	150,000
Purchase of Securities	(748,111)	(159,962)
Purchase of Property and Equipment	<u>(13,528)</u>	<u>(4,810)</u>
Net Cash Flows - Investing Activities	(38,846)	(14,772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	<u>(31,307)</u>	<u>(30,219)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	121,092	4,081
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>623,420</u>	<u>619,339</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 744,512</u></u>	<u><u>\$ 623,420</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Disposal of Fully Depreciated Fixed Assets	<u>\$ -</u>	<u>\$ 4,090</u>
In-Kind Donations	<u>\$ 25,337</u>	<u>\$ 29,299</u>
Interest Paid	<u><u>\$ 10,320</u></u>	<u><u>\$ 11,409</u></u>

UNITED WAY OF CENTRAL MINNESOTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR END JUNE 30, 2018

NOTE A SUMMARY OF NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

This summary of the nature of operations and significant accounting policies of United Way of Central Minnesota, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements.

Nature of Operations

The Organization is a 501(c)(3) charitable organization incorporated in 1967 under the laws of the State of Minnesota and governed by a volunteer Board of Directors.

The mission of the Organization is to improve people's lives by mobilizing the caring power of Central Minnesota. The Organization works to accomplish this mission by bringing people and resources together to develop lasting solutions to critical community issues. Community donors provide resources by investing dollars, volunteering time, and advocating for the Organization and its mission. The Organization has chosen to focus and accelerate community wide solutions in two main community impact areas; Basic Needs and Education. Within these two impact areas there are five primary goals. They address Homelessness, Access to Food, Financial Stability, Quality Out-of-School Time and Early Learning/Early Literacy. In early 2017 applications were accepted for a new two year funding cycle to begin on July 1, 2017. A team of community volunteers reviewed the applications and made funding recommendations to the board of directors which were approved in April 2017. In addition to funding external agencies, the Organization supports programs that fulfill the mission. These programs include Imagination Library; an early literacy program that provides free age appropriate books to children in our service area from birth to age five, United Way 2-1-1; a 24 hours help line that provides free and confidential information and referrals for community resources, and United Way Neighborhood Resource Centers – where Community Resource Navigators are employed to help families find employment, access to affordable childcare, utilize emergency basic needs services, negotiate legal issues, resolve outstanding medical bills, and register for insurance. In early 2019, the Organization launched the Volunteer Action Center where individuals and groups are connected to volunteer opportunities within Central Minnesota.

Basis of Accounting

The financial statements of United Way of Central Minnesota, Inc. have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized as it is earned and expenses are recorded as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Concentrations

The Organization maintains its cash and cash equivalents at several separate financial institutions, which, at times, may exceed federally insured limits. At June 30, 2019 and 2018, the Organization's uninsured cash balances total \$314,062 and \$174,206, respectively. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant custodial risk on cash.

UNITED WAY OF CENTRAL MINNESOTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR END JUNE 30, 2018

NOTE A SUMMARY OF NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable and Allowance for Doubtful Pledges

Pledges Receivable consist primarily of Workplace Giving pledges received. Pledges receivable are carried at fair value and are recorded as revenue when pledged. An allowance for doubtful pledges is provided for amounts estimated to be uncollectible from the Workplace Giving contributions. The allowance is based on prior years' collection experience and management's analysis of current economic conditions and specific pledges made. Pledges receivable are written off when deemed uncollectible. Recoveries of pledges previously written off are recorded as unrestricted revenue when received.

Grants Receivable

Grants receivable are carried at fair value, are considered fully collectible, and due within one year. No allowance for uncollectible amounts is considered necessary at year end.

Prepaid Expenses

Prepaid expenses consist of items paid for during the current year which will be expensed in future periods.

Investments

Investments consist of marketable securities. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Property and equipment are carried at historical cost. Major additions and betterments in excess of \$1,000 are charged to the property accounts while replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed in the current period.

Depreciation

Depreciation is computed using the straight line method for financial reporting purposes. Depreciation of property and equipment is based on useful lives ranging between three and forty years.

Deferred Revenue

Deferred revenue consists of grants deemed to be exchange transactions and sponsorships where the Organization has not fulfilled its obligation. Deferred revenue obligations will be fulfilled within one year.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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 future capital asset purchases and improvements, property and equipment, operating reserve and community impact reserves.

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 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. Gifts of long-lived assets and cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. See Note O for discussion of Net Assets With Donor Restrictions

UNITED WAY OF CENTRAL MINNESOTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR END JUNE 30, 2018

NOTE A SUMMARY OF NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Recognition of Contributions and Grants

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Gifts restricted for the purchase of property, equipment or improvements are reported as with donor restrictions until the acquired assets are placed in service, unless the donor stipulates otherwise. All such gifts are recorded at fair value at time of donation.

Grants received are recorded as deferred revenue and recognized as revenue to the extent that qualified expenditures under the grant program have been incurred.

Pledge Processing

The Organization allows donors to designate all or a portion of their gifts to eligible 501(c)(3) or other charitable organizations. These transactions are reported in the Statement of Activities as part of the current year Workplace Giving contributions and are then deducted as amounts designated to other organizations to arrive at net Workplace Giving contributions. Amounts so deducted are carried as liabilities until collected from donors and paid to the designated charitable organizations.

Designation Fees and Standard M Compliance

Designations to other charitable organizations are charged a handling fee to cover the cost of fundraising and administration of these gifts. Fees charged by the Organization follow Standard M, issued by United Way Worldwide in 2004 to ensure uniformity of designation processing across the entire United Way system. Standard M requires that designations paid to other charitable organizations are charged no more than the actual cost incurred to process and transfer gifts and that no additional processing fees will be charged against designations received from other United Ways. Handling fees do not exceed the established maximum of a three year average of fundraising and management and general costs as a percentage of total revenue taken from the three most recent Internal Revenue Service (IRS) forms 990. Designation processing fees are recorded as revenue and a receivable and are collected through payment of the net amount to the designated charities.

In-Kind Contributions

The Organization recognizes contributed goods and services as revenue and expense if such services meet the criteria for recognition in accordance with generally accepted accounting principles. In-kind items, consisting primarily of equipment, supplies, food and beverages, advertising, HR consultation, and video production services are recorded at fair value at the time of donation. In-kind capital items, revenues and expenses totals \$25,337 and \$29,299 for the years ended June 30, 2019 and 2018, respectively.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist with Workplace Giving solicitations, administrative duties, and various committee assignments. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Topic 958, *Not-for-Profit Entities* have not been satisfied.

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NOTE A SUMMARY OF NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to that program according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on time study results of full time equivalent employees as determined by management.

Advertising

The Organization expenses advertising costs as they are incurred. Such expense amounts to \$33,945 and \$53,772 for the years ended June 30, 2019 and 2018, respectively.

Fundraising Expense

The Organization expenses fundraising costs as they are incurred.

Income Taxes

The Organization follows FASB ASC Topic 740, *Uncertainty in Income Taxes*. The Organization is recognized by the Internal Revenue Service as a not-for profit organization under IRS Code Section 501(c)(3). Due to the not-for-profit nature and provision of the Organization, all income and expenses attributable to the mission of the Organization are tax exempt and accordingly no provisions or liability for income taxes have been made in the financial statement and contributions to the Organization are tax deductible to donors as allowed by IRS regulations. However, the Organization is required to pay state and federal income taxes on unrelated business income. During the current year the Organization engaged in unrelated business activity and paid immaterial amounts of income taxes. The Organization is open and subject to examination generally for three years after the filing date.

The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRS Code and qualifies for tax deductible contributions as provided in Section 170(b)(1)(A)(vi). Contributions to the Organization are tax deductible to donors as allowed by IRS regulations.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for 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 ASU 2016-14 during the current year and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation in the Organization's financial statements. Such reclassifications have no impact on the change in net assets.

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NOTE B LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 744,512
Pledges Receivable, Net of Allowance	1,175,550
Other Pledges Receivable	105,000
Grants Receivable	110,015
Other Receivables	12,500
Investments that can be converted to cash	<u>2,117,064</u>
Total Financial Assets	4,264,641
Less: Fiscal Agent Cash and Cash Equivalents	68,173
Less: Designations Payable	95,453
Less: Net Assets with Board Designations	1,970,268
Less: Net Assets with Donor Restrictions in Excess of One Year	<u>480,072</u>
	<u><u>\$ 1,650,675</u></u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has Net Assets with Board Designations that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary. At June 30, 2019, such designations total \$1,970,268. Net Assets with Donor Restrictions in Excess of One Year have been reduced by amounts restricted by time for next year's allocations which total \$1,175,550.

NOTE C CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following:

	2019	2018
Checking and Savings	\$ 562,725	\$ 408,061
US Treasury Bill or Money Market Accounts	<u>181,787</u>	<u>215,359</u>
Total Cash and Cash Equivalents	<u><u>\$ 744,512</u></u>	<u><u>\$ 623,420</u></u>

NOTE D FAIR VALUE MEASUREMENTS

Fair Value Measurements and Disclosures topic, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;

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NOTE D FAIR VALUE MEASUREMENTS (Continued)

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant of the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018:

U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 1 Investments:

	June 30,	
	2019	2018
U.S. Government Securities	\$ 635,304	\$ 562,059
Fixed Income Securities	573,279	516,169
Equities	539,069	448,470
Alternatives	-	102,467
Endowment Funds	369,412	366,323
Total Long Term Investments	<u>\$ 2,117,064</u>	<u>\$ 1,995,488</u>

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NOTE E UNRESTRICTED INVESTMENTS

Investments with a maturity date of one year or more are classified as long-term investments. The following investments are held at June 30, 2019 and 2018:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2019</u>	<u>2018</u>
US Treasury or US Backed Securities	Various	Various	<u>\$ 1,747,652</u>	<u>\$ 1,629,165</u>

Investment fees total \$10,269 and \$11,580 for the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE F RESTRICTED INVESTMENTS

Imagination Library Fund – With Donor Restrictions

In 2010, a multi-year campaign celebrating the 5th Birthday of the Imagination Library Program was initiated to accumulate funds for the continuance of the program. Funds pledged during this campaign were to be utilized to fund current and future operations of the program with the amounts split equally between current and future funding. As pledges were received the amounts set aside for future funding needs were recorded in an Imagination Library Fund account and held within the operating fund account of the Organization. At both years ended June 30, 2019 and 2018, the Imagination Library Fund totals \$21,526.

Bertha Lazer Fund – With Donor Restrictions

Over time, the Organization has received funds from the Bertha Lazer Trust to be used for senior meal delivery programs. The Organization transferred the funds to the Central Minnesota Community Foundation and established the United Way/Bertha Lazer Fund. At June 30, 2019, the investment mix of the fund is approximately 79.8% equities, 18.6% fixed rate and 1.6% cash. The fund investments are valued at market for financial statement purposes.

The fund activity is as follows:

	<u>2019</u>	<u>2018</u>
Balance at July 1	\$ 288,183	\$ 267,424
Investment Income	6,840	5,815
Unrealized Gains	507	9,944
Realized Gains	5,484	7,356
Management Fees	(2,711)	(2,356)
Withdrawals for Program Use	(9,745)	-
Balance at June 30	<u>\$ 288,558</u>	<u>\$ 288,183</u>

Management Fees have been netted against investment revenues in the accompanying Statement of Activities.

Operating Endowment Funds – With Donor Restrictions

The Organization has established operating endowment funds to accumulate capital to fund operating expenses from the annual earnings. Contributions are maintained in cash and cash equivalents and in an operating endowment fund established for that purpose at the Central Minnesota Community Foundation. Operating endowment funds at June 30, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Long-Term Investments	<u>\$ 80,854</u>	<u>\$ 78,140</u>

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NOTE F RESTRICTED INVESTMENTS (Continued)

Operating Endowment Funds – With Donor Restrictions (Continued)

The endowment fund activity is as follows:

	2019	2018
Balance at July 1	\$ 78,140	\$ 74,564
Withdrawals for Operations	-	(2,206)
Investment Income	1,862	1,614
Unrealized Gains	118	2,848
Realized Gains	1,489	2,041
Contributions	2,350	-
Grants Given	(2,349)	-
Management Fees and Other Expenses	(756)	(721)
Balance at June 30	<u>\$ 80,854</u>	<u>\$ 78,140</u>

Reconciliation of Investments to Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the original amounts contributed to the Operating Endowment as noted on the prior page. These investments are carried at their fair market value in the asset section of the Statement of Financial Position. Following is a reconciliation of the investment balances to the net assets with donor restrictions:

	2019 Operating Fund	2018 Operating Fund
Fair Market Value of Investments	\$ 80,854	\$ 78,140
Less: Cumulative Earnings	(30,289)	(27,575)
Net Assets With Donor Restrictions	<u>\$ 50,565</u>	<u>\$ 50,565</u>

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the endowment as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as with donor restrictions until those amounts are appropriate for expenditure by the Organization. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The 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 United Way of Central Minnesota, Inc.

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NOTE F RESTRICTED INVESTMENTS (Continued)

Return Objectives and Risk Parameters

The Organization has transferred these funds to Central Minnesota Community Foundation (the Foundation) who determines the investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this agreement, as approved by the Board of Directors, the endowment assets are invested and monitored closely in a manner that is directed by the Foundation under their prudent investment policy. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on the discretion of the Foundation as noted above to achieve a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE G PLEDGES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL PLEDGES

Pledges receivable include all total balance due based on timing of each pledge for future, current, and prior year. Pledges not collected by the end of the second fiscal year are charged against the allowance set aside for the pledge year. Pledges receivable and the related allowances for doubtful pledges are listed below:

	2019	2018
Pledges Receivable, Future Year	\$ 2,900	\$ -
Pledges Receivable, Current Year	1,273,173	1,303,712
Less: Allowance for Doubtful Pledges	(112,000)	(117,598)
Pledges Receivable, Prior Year, Net of Allowance for Doubtful Pledges	11,477	7,274
Net Pledges Receivable	<u>\$ 1,175,550</u>	<u>\$ 1,193,388</u>

NOTE H OTHER PLEDGES RECEIVABLE

Future-year pledges receivable include campaigns for the United Way Neighborhood Resource Centers, building, and multi-year campaigns. Future-year pledges are recorded as current or long-term assets, depending on the estimated collection date and are included in contribution revenue in the year received. The long-term pledges are recorded at net present value using a discount rate of 4%. Other pledges receivable at June 30, 2019 and 2018, consist of:

	2019	2018
Receivable in Less Than One Year	\$ 105,000	\$ 247,433
Receivable in One to Five Years	15,000	120,001
Total: Other Pledges Receivable	120,000	367,434
Less: Discounts to Net Present Value	(577)	(5,170)
Net: Other Pledges Receivable	<u>\$ 119,423</u>	<u>\$ 362,264</u>

UNITED WAY OF CENTRAL MINNESOTA, INC.
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NOTE I PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment consist of the following:

	2019	2018
Property and Equipment	\$ 1,101,965	\$ 1,088,437
Less: Accumulated Depreciation	(209,628)	(176,918)
Net Property and Equipment	<u>\$ 892,337</u>	<u>\$ 911,519</u>

NOTE J LONG-TERM DEBT

At June 30, 2019 and 2018, long-term debt consists of the following:

	June 30,	June 30,
	2019	2018
Note Payable - Office Building; Maturity date December 2026; Interest at 3.50%; Monthly payments of \$3,469 include principal and interest. Collateral pledged is a Bremer Wealth Management Investment Account with a carrying value of \$1,811,389.	\$ 273,712	\$ 305,019
Less: Current Maturities of Long-Term Debt	32,411	31,307
Long-Term Debt, Less Current Maturities	<u>\$ 241,301</u>	<u>\$ 273,712</u>

At June 30, 2019, estimated maturities of the debt obligation are as follows:

June 30,	Amount
2019	\$ 32,411
2020	33,606
2021	34,818
2022	36,073
2023	37,364
Thereafter	99,440
Total	<u>\$ 273,712</u>

The note contains cash flow covenants which must be met to maintain the loan in good standing. At June 30, 2019 and 2018, the Organization was in compliance with such covenants.

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NOTE K FISCAL AGENT LIABILITIES

The Organization acts as the fiscal agent for Partner For Student Success (PFSS); a community-wide initiative to help children in the community thrive, for St. Cloud Area Human Service Council (HSC); a program that connects key players to create positive community change, and for Feeding Area Children Together (FACT); an agency dedicated to reducing childhood hunger in central Minnesota. As of June 30, 2019, the Organization was no longer a fiscal agent for FACT. The related activity for these programs during the years ended June 30, 2019 and 2018 are as follows:

Partner for Student Success

	2019	2018
Cash, Beginning of Year	\$ 40,995	\$ 69,128
Receipts	155,772	78,544
Disbursements	(134,054)	(106,677)
Cash, End of Year	<u>\$ 62,713</u>	<u>\$ 40,995</u>

St. Cloud Human Service Council

	2019	2018
Cash, Beginning of Year	\$ 4,924	\$ 3,270
Receipts	3,870	3,450
Disbursements	(3,334)	(1,796)
Cash, End of Year	<u>\$ 5,460</u>	<u>\$ 4,924</u>

Feeding Area Children Together

	2019	2018
Cash, Beginning of Year	\$ (1,008)	\$ -
Receipts	7,576	6,414
Disbursements	(6,568)	(7,422)
Cash, End of Year	<u>\$ -</u>	<u>\$ (1,008)</u>

The above activities are not included in the Organization's Statement of Activities and as such are recorded through cash and an offsetting liability.

NOTE L COMPENSATED ABSENCES

The Organization employees earn paid time off based on length of service. Employees are compensated for 75% of unused paid time off upon termination. The estimated accumulated paid time off at June 30, 2019 and 2018 totals \$10,586 and \$15,114, respectively.

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NOTE M OPERATING LEASES – AS LESSOR

The Organization leases office space under a lease classified as an operating lease at a monthly rate of \$550 through December 31, 2019. Total rental income on such leases for the fiscal years ended June 30, 2019 and 2018 amounts to \$10,800 and \$12,986, respectively.

At June 30, 2019, minimum future receipts under operating leases are as follows:

Years Ended June 30,	Amount
2020	\$ 3,300

NOTE N BOARD DESIGNATED NET ASSETS

In October of 2018, the Organization’s Board of Directors approved the designation of the following net assets without donor restrictions with the purpose of balancing the following objectives:

1. Maintain adequate liquidity to ensure the ability to withstand short-term interruption of revenue,
2. Maintain adequate capital reserves to enable as needed repairs, upgrades, and replacement to facilities and equipment,
3. Respond to urgent community needs within the mission of the Organization, and
4. Maintain long-term Organizational viability.

In doing so, the policy designates reserve for the areas of Property and Equipment, Operations, Building and Capital Improvements, and Community Impact. The balance of unrestricted net assets, less the above noted reserves, is undesignated. Annually, the Board of Directors will designate reserves within the classifications as defined below.

The Property and Equipment Reserve shall be recorded at the net book value of property and equipment, net of long term debt.

The Operating Reserve shall be maintained to fund operational expenses, including allocations and program services, for a period of not less than four months.

The Building and Capital Improvements Reserve shall be maintained for the purpose of funding capital improvements to sustain property value, a quality work environment, safety standards, etc. The reserves shall be recorded to reflect the anticipated capital expenditure needs for a period of not less than five years, as stated on the annually approved Capital Expenditures Budget.

The Community Impact Reserve shall be maintained for the purpose of funding community initiatives that further the mission of the Organization; improving the lives of people in Central Minnesota. The reserves will empower staff to move forward on new key initiatives, responding to urgent needs, and capitalizing on momentum behind good work.

Reserves designated by board policy for the following purposes for the fiscal years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Property and Equipment	\$ 618,625	\$ 606,499
Operating Reserves	1,206,300	1,191,032
Building and Capital Improvements	95,343	88,844
Community Impact	50,000	50,000
Total Board Designated Net Assets	<u>\$ 1,970,268</u>	<u>\$ 1,936,375</u>

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NOTE O NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Pledges Receivable	\$ 1,175,550	\$ 1,111,585
Multi Year Pledges	119,423	362,264
Bertha Lazer Fund	288,558	288,183
Imagination Library Fund	21,526	21,526
Operating Endowment	50,565	50,565
Balance at June 30	<u>\$ 1,655,622</u>	<u>\$ 1,834,123</u>

NOTE P NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

	2019	2018
Satisfaction of Time and Purpose Restrictions	<u>\$ 3,397,365</u>	<u>\$ 3,234,604</u>

NOTE Q COMMITMENTS

Operating Leases

The Organization has network server equipment under an operating lease. Monthly payments on the server equipment total \$503. The server equipment lease expires in July 2021. Operating lease payments total \$5,534 and \$9,421 for the years ended June 30, 2019 and 2018, respectively.

The Organization also has an operating lease for managed IT services that expires in June 2021. Monthly payments for the managed IT services total \$1,616. Operating lease payments total \$19,392 and \$25,272 for the years ended June 30, 2019 and 2018, respectively.

The Organization has copier equipment under an operating lease that expires July 31, 2021. Monthly payments on the copier equipment total \$719. Operating lease payments total \$8,662 and \$8,904 for the years ended June 30, 2019 and 2018, respectively.

At June 30, 2019, estimated future minimum lease obligations are as follows:

June 30,	Amount
2020	\$ 34,060
2021	34,060
2022	1,222

NOTE R PENSION PLAN

Regular full-time and part-time employees are eligible to participate in a 401(k) plan. Employees are able to make personal contributions to the plan on the first of the month following 30 days of employment. The Organization matches 100% of eligible employee contributions up to 4% of wages beginning the first of the month following one year of employment. Employees are fully vested in their contributions immediately and in the employer's matching contributions after three years of employment. The Organization's matching contributions total \$12,218 and \$19,039 for the fiscal years ended June 30, 2019 and 2018, respectively.

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NOTE S SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through January 15, 2020, which is the date of these financial statements were available to be issued, and have determined the following subsequent events that require recognition or disclosure.

On August 18 2019, the Organization has entered into a contract for marketing services for the fiscal year ended June 30, 2020 totaling \$148,500.

Effective July 1, 2019, Partner for Student Success (PFSS) merged with United Way of Central Minnesota, Inc. to become the Organization's Education Initiative.

NOTE T RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Contribution Recognition

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies what a contribution is and how it should be accounted for. The updated standard will replace the previous standard regarding how to account for a transfer of assets as an exchange transaction or a contribution. ASU 2018-08 is effective for all annual reporting periods beginning after December 15, 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Leases

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 balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. 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. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.