

AUDITED FINANCIAL STATEMENTS

UNITED WAY OF GREATER STARK COUNTY, INC.

March 31, 2018 and 2017



HALL, KISTLER & COMPANY LLP
CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

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soundideas. solidanswers.

220 MARKET AVENUE, SOUTH
SUITE 700 • CANTON, OHIO 44702

PHONE 330.453.7633
FAX 330.453.9366

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
United Way of Greater Stark County, Inc.
Canton, Ohio

We have audited the accompanying financial statements of United Way of Greater Stark County, Inc. (United Way), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the United Way as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hall, Kistler & Company LLP

Certified Public Accountants

Canton, Ohio
July 26, 2018

STATEMENTS OF FINANCIAL POSITION

UNITED WAY OF GREATER STARK COUNTY

March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,999,554	\$ 1,965,747
Restricted cash	8,965	8,956
Accrued investment income	17,154	11,244
Pledges receivable, net	2,603,040	2,800,214
Prepaid expenses	23,658	15,151
Loans and advances	141,602	175,455
Investments, at fair value	10,451,024	9,853,286
Equipment, net	225,827	236,251
TOTAL ASSETS	<u>\$ 15,470,824</u>	<u>\$ 15,066,304</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 129,557	\$ 111,730
Accrued payroll and withholding taxes	54,684	51,480
Allocations payable	58,028	33,937
Designations payable	292,033	295,921
Miscellaneous payable	25,771	28,728
TOTAL LIABILITIES	<u>560,073</u>	<u>521,796</u>
Commitments - Note K		
Net assets:		
Unrestricted:		
Appropriated - Note F	2,815,625	2,189,058
Unappropriated	4,928,259	4,973,569
	<u>7,743,884</u>	<u>7,162,627</u>
Temporarily restricted - Note G	7,166,867	7,381,881
TOTAL NET ASSETS	<u>14,910,751</u>	<u>14,544,508</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,470,824</u>	<u>\$ 15,066,304</u>

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

STATEMENT OF ACTIVITIES

UNITED WAY OF GREATER STARK COUNTY, INC.

Year Ended March 31, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>PUBLIC SUPPORT & REVENUE</u>				
Gross campaign results - current				
contributions received	\$ -	\$ 5,771,722	\$ -	\$ 5,771,722
Less: Donor designations	9,567	(314,381)	-	(304,814)
Provision for uncollectible	26,649	(177,541)	-	(150,892)
Net campaign revenue	36,216	5,279,800	-	5,316,016
Grants and contracts	390,037	-	-	390,037
Investment income, net of				
fees of \$49,000	91,127	9,584	-	100,711
Donation revenue	20,000	-	-	20,000
Net gain on assets reported				
at fair value	572,127	72,906	-	645,033
Miscellaneous income	200,728	-	-	200,728
Prior year net campaign revenue				
released from restriction	5,569,959	(5,569,959)	-	-
TOTAL REVENUE	6,880,194	(207,669)	-	6,672,525
<u>EXPENSES</u>				
Program services:				
Allocations to agencies	3,791,313	7,345	-	3,798,658
Volunteer and community services	173,393	-	-	173,393
Planning and allocations	473,172	-	-	473,172
Financial Stability Initiative	452,647	-	-	452,647
211 and emergency				
assistance	388,341	-	-	388,341
Total program services	5,278,866	7,345	-	5,286,211
Supporting services:				
Management and general	326,331	-	-	326,331
Fund raising	693,740	-	-	693,740
Total supporting services	1,020,071	-	-	1,020,071
TOTAL EXPENSES	6,298,937	7,345	-	6,306,282
Change in net assets	581,257	(215,014)	-	366,243
Net assets at beginning of period	7,162,627	7,381,881	-	14,544,508
Net assets at end of period	\$ 7,743,884	\$ 7,166,867	\$ -	\$ 14,910,751

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

STATEMENT OF ACTIVITIES

UNITED WAY OF GREATER STARK COUNTY, INC.

Year Ended March 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Gross campaign results - current contributions received	\$ -	\$ 6,090,968	\$ -	\$ 6,090,968
Less: Donor designations	8,955	(350,856)	-	(341,901)
Provision for uncollectible	25,115	(181,081)	-	(155,966)
Net campaign revenue	34,070	5,559,031	-	5,593,101
Grants and contracts	356,610	-	-	356,610
Investment income, net of fees of \$43,100	69,326	(843)	-	68,483
Donation revenue	3,253,486	993,098	-	4,246,584
Net gain on assets reported at fair value	458,699	35,600	-	494,299
Miscellaneous income	139,534	-	-	139,534
Prior year net campaign revenue released from restriction	5,839,085	(5,839,085)	-	-
TOTAL REVENUE	10,150,810	747,801	-	10,898,611
<u>EXPENSES</u>				
Program services:				
Allocations to agencies	3,832,530	44,318	-	3,876,848
Volunteer and community services	170,728	-	-	170,728
Planning and allocations	404,999	-	-	404,999
Financial Stability Initiative	404,674	-	-	404,674
211 and emergency assistance	435,610	-	-	435,610
Total program services	5,248,541	44,318	-	5,292,859
Supporting services:				
Management and general	318,787	-	-	318,787
Fund raising	661,520	-	-	661,520
Total supporting services	980,307	-	-	980,307
TOTAL EXPENSES	6,228,848	44,318	-	6,273,166
Change in net assets	3,921,962	703,483	-	4,625,445
Net assets at beginning of period	3,240,665	6,678,398	-	9,919,063
Net assets at end of period	<u>\$ 7,162,627</u>	<u>\$ 7,381,881</u>	<u>\$ -</u>	<u>\$ 14,544,508</u>

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

STATEMENT OF FUNCTIONAL EXPENSES
UNITED WAY OF GREATER STARK COUNTY, INC.

Year Ended March 31, 2018

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL	
	ALLOCATION SERVICES	VOLUNTEER AND COMMUNITY SERVICES	PLANNING AND ALLOCATIONS	FINANCIAL PROSPERITY CENTER	211 AND EMERGENCY ASSISTANCE	TOTAL	MANAGEMENT AND GENERAL	FUND RAISING		TOTAL
Salaries	\$ -	\$ 87,475	\$ 237,117	\$ 249,452	\$ 64,167	\$ 638,211	151,599	350,920	\$ 502,519	\$ 1,140,730
Employee benefits	-	11,586	35,658	34,479	4,675	86,398	19,554	52,724	72,278	158,676
Payroll taxes	-	6,646	17,453	18,220	4,834	47,153	10,647	24,840	35,487	82,640
TOTAL SALARIES AND RELATED EXPENSES	-	105,707	290,228	302,151	73,676	771,762	181,800	428,484	610,284	1,382,046
Allocations to agencies	3,791,313	-	-	-	-	3,791,313	-	-	-	3,791,313
Capital grants	7,345	-	-	-	-	7,345	-	-	-	7,345
Professional fees	-	12,834	65,338	22,871	194,513	295,556	36,919	39,565	76,484	372,040
Supplies	-	1,036	2,102	4,611	141	7,890	2,809	2,705	5,514	13,404
Telephone	-	1,720	2,557	3,087	300	7,664	2,085	5,135	7,220	14,884
Postage and shipping	-	-	251	584	11	846	2,121	8,300	10,421	11,267
Occupancy	-	13,805	35,316	30,107	29,537	108,765	27,289	51,368	78,657	187,422
Repairs and maintenance	-	7,910	16,241	18,305	825	43,281	8,722	24,105	32,827	76,108
Printing and publications	-	3,836	9,654	13,086	2,806	29,382	15,255	67,411	82,666	112,048
Travel	-	1,043	3,066	3,208	1,232	8,549	338	4,709	5,047	13,596
Conferences and meetings	-	6,635	3,441	2,121	229	12,426	3,546	12,313	15,859	28,285
Specific assistance to individuals	-	-	-	-	73,077	73,077	-	-	-	73,077
Payments made to affiliated organizations	-	10,412	15,243	18,876	1,791	46,322	13,688	24,796	38,484	84,806
Membership dues	-	377	6,265	572	13	7,227	321	1,510	1,831	9,058
Insurance	-	-	-	-	-	-	11,501	-	11,501	11,501
Miscellaneous	-	3,328	11,319	31,963	27	46,637	10,548	5,665	16,213	62,850
TOTAL EXPENSES BEFORE DEPRECIATION	3,798,658	168,643	461,021	451,542	378,178	5,258,042	316,942	676,066	993,008	6,251,050
Depreciation	-	4,750	12,151	1,105	10,163	28,169	9,389	17,674	27,063	55,232
TOTAL FUNCTIONAL EXPENSES	\$ 3,798,658	\$ 173,393	\$ 473,172	\$ 452,647	\$ 388,341	\$ 5,286,211	\$ 326,331	\$ 693,740	\$ 1,020,071	\$ 6,306,282

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

STATEMENT OF FUNCTIONAL EXPENSES

UNITED WAY OF GREATER STARK COUNTY, INC.

Year Ended March 31, 2017

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL
	ALLOCATION SERVICES	VOLUNTEER AND COMMUNITY SERVICES	PLANNING AND ALLOCATIONS	FINANCIAL PROSPERITY CENTER	211 AND EMERGENCY ASSISTANCE	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL	
Salaries	\$ -	\$ 88,845	\$ 214,965	\$ 214,813	\$ 53,974	\$ 128,053	\$ 331,733	\$ 459,786	\$ 1,032,383
Employee benefits	-	6,864	29,970	29,540	3,752	15,020	43,065	58,085	128,211
Payroll taxes	-	7,545	15,922	19,367	27,423	10,277	24,408	34,685	104,942
TOTAL SALARIES AND RELATED EXPENSES	-	103,254	260,857	263,720	85,149	153,350	399,206	552,556	1,265,536
Allocations to agencies	3,832,530	-	-	-	-	-	-	-	3,832,530
Capital grants	44,318	-	-	-	-	-	-	-	44,318
Professional fees	-	4,015	51,480	12,770	195,111	44,065	14,289	58,354	321,730
Supplies	-	2,226	1,942	4,190	298	1,918	4,079	5,997	14,653
Telephone	-	1,488	2,303	3,915	3,262	1,771	4,495	6,266	17,234
Postage and shipping	-	-	292	1,249	73	2,036	9,727	11,763	13,377
Occupancy	-	14,391	22,066	7,515	37,364	26,383	56,763	83,146	164,482
Repairs and maintenance	-	7,655	14,186	20,041	2,716	9,885	25,985	35,870	80,468
Printing and publications	-	6,159	12,625	23,842	4,575	21,764	80,260	102,024	149,225
Travel	-	860	3,227	4,259	1,045	522	6,058	6,580	15,971
Conferences and meetings	-	11,651	3,798	3,897	177	4,889	8,298	13,187	32,710
Specific assistance to individuals	-	-	-	-	91,616	-	-	-	91,616
Payments made to affiliated organizations	-	11,204	16,407	24,433	2,329	15,427	26,077	41,504	95,877
Membership dues	-	363	6,634	2,593	8	260	1,369	1,629	11,227
Insurance	-	-	-	-	-	14,473	-	14,473	14,473
Miscellaneous	-	2,243	1,180	29,525	-	12,477	4,329	16,806	49,754
TOTAL EXPENSES BEFORE DEPRECIATION	3,876,848	165,509	396,997	401,949	423,723	309,220	640,935	950,155	6,215,181
Depreciation	-	5,219	8,002	2,725	11,887	9,567	20,585	30,152	57,985
TOTAL FUNCTIONAL EXPENSES	\$ 3,876,848	\$ 170,728	\$ 404,999	\$ 404,674	\$ 435,610	\$ 318,787	\$ 661,520	\$ 980,307	\$ 6,273,166

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

STATEMENTS OF CASH FLOWS

UNITED WAY OF GREATER STARK COUNTY, INC.

Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 366,243	\$ 4,625,445
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	55,232	57,985
(Decrease) in provision for uncollectible pledges	(3,540)	(8,952)
Non-cash donation revenue	-	(4,246,584)
(Gain)/loss on investments reported at fair value	(645,034)	(494,299)
Decrease (increase) in assets:		
Accrued investment income	(5,910)	(181)
Restricted cash	(9)	(9)
Pledges receivable	200,714	474,581
Prepaid expenses	(8,507)	(1,121)
(Decrease) increase in liabilities:		
Accounts payable	17,827	42,687
Accrued payroll and withholding taxes	3,204	(14,542)
Allocations payable	24,091	12,998
Designations payable	(3,888)	(22,754)
Miscellaneous payable	(2,957)	(572)
Total adjustments	<u>(368,777)</u>	<u>(4,200,763)</u>
Cash provided by (used in) operating activities	(2,534)	424,682
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	1,964,148	1,246,048
Purchase of investments	(1,916,852)	(1,286,479)
Repayment of loan receivables	33,853	29,319
Purchase of equipment	(44,808)	-
Cash provided by (used in) investing activities	<u>36,341</u>	<u>(11,112)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,807	413,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,965,747</u>	<u>1,552,177</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,999,554</u>	<u>\$ 1,965,747</u>

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

NOTES TO FINANCIAL STATEMENTS

UNITED WAY OF GREATER STARK COUNTY, INC.

March 31, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The United Way of Greater Stark County, Inc. (United Way) serves all of Stark County and parts of Carroll, Columbiana, Mahoning, Portage and Wayne Counties. United Way recruits volunteers and raises funds to provide support to the community through a wide variety of programs and agencies to address human needs with measurable results.

Basis of Accounting

The financial statements of United Way have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, other assets, payables and other liabilities.

Basis of Presentation

United Way reports information regarding its financial position and activities according to classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates

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

Cash Equivalents

Cash equivalents consist of money market instruments and certificates of deposit purchased with original maturities of three months or less. The basis of cash equivalents approximates market value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted prices in active markets (Level 1 measurements). United Way's investment in the Stark Community Foundation Pooled Account (Level 3 measurement) is reported at fair value, based on reports by investment managers and the audited statements of the funds within the investment pool. United Way believes this method provides a reasonable estimate of fair value. Interest and dividend income, net of applicable management fees, and net realized and unrealized gains or losses on fair value of investments are included in the statement of activities and reported as increases or decreases within the appropriate class of net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

United Way's receivables are primarily from individuals and businesses in the greater Stark County, and parts of Carroll, Columbiana, Mahoning, Portage and Wayne Counties of Ohio.

At March 31, 2018 and 2017, cash and cash equivalent balances as confirmed by the banks were in excess of Federally insured limits. United Way believes that no significant credit risk exists on its cash and cash equivalent balances.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by donors is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges are recorded in the statement of financial position as they are received and an allowance is computed using historical averages adjusted by management estimates of current economic conditions applied to gross campaign (see Note C).

Functional Allocation of Expenses

Costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

United Way is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Uncertain Tax Positions. The United Way adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The provisions prescribe a two-step process for recognizing and measuring income tax uncertainties. First, a threshold condition of “more likely than not” should be met to determine whether any of the benefit from an uncertain tax position should be recognized in the financial statements. If the recognition threshold is met, FASB ASC 740-10 provides additional guidance on measuring the amount of the uncertain tax position. The United Way may recognize a tax benefit from an uncertain tax position under FASB ASC 740-10 only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements from an uncertain position should be measured under FASB ASC 740-10 based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. FASB ASC 740-10 also provides guidance on derecognition, classification, transition and increased disclosure of uncertain tax positions. The United Way recognized no liability for unrecognized tax benefits resulting from the adoption of FASB ASC 740-10 or as of March 31, 2018 and 2017.

Donor Designations

Donor designations deducted from current year campaign contributions on the statement of activities consist of all pledges designated to external entities/agencies/programs over which the United Way exercises/retains no discretion as to the use due to: Donor instruction, contractual agreement between the organizations as to the distribution of pledges across services and boundaries or other circumstances that remove the United Way’s discretion as to use.

Subsequent Events

The United Way has evaluated subsequent events through July 26, 2018, the date which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS

Investments stated at fair value at March 31, 2018 are summarized as follows:

Asset Category	Fair Value at March 31, 2018	Level 1	Level 2	Level 3
U.S. Government and Agency Bonds	\$ 3,120,527	\$3,120,527	\$ -	\$ -
Mutual Funds:				
Fixed Income	77,325	77,325	-	-
Equity	1,368,148	1,368,148	-	-
Marketable Equity Securities	1,207,669	1,207,669	-	-
Investment in Stark Community Foundation Pooled Account	4,677,355	-	-	4,677,355
	<u>\$ 10,451,024</u>	<u>\$5,773,669</u>	<u>\$ -</u>	<u>\$4,677,355</u>

Investments stated at fair value at March 31, 2017 are summarized as follows:

Asset Category	Fair Value at March 31, 2017	Level 1	Level 2	Level 3
U.S. Government and Agency Bonds	\$ 2,686,143	\$2,686,143	\$ -	\$ -
Mutual Funds:				
Fixed Income	493,982	493,982	-	-
Equity	1,011,817	1,011,817	-	-
Marketable Equity Securities	1,553,091	1,553,091	-	-
Investment in Stark Community Foundation Pooled Account	4,108,253	-	-	4,108,253
	<u>\$ 9,853,286</u>	<u>\$5,745,033</u>	<u>\$ -</u>	<u>\$4,108,253</u>

United Way's investment in Stark Community Foundation Pooled Account represents amounts previously held by the United Way Foundation (see Note J). This organization was dissolved and the investments held by the organization were transferred to United Way, effective November 1, 2016 at the fair value of the investments and were recorded on United Way's books as donation revenue. Realized and unrealized gains and losses are recorded in investment income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS (CONTINUED)

FASB ASC 820-10 *Fair Value Measurements*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value. The United Way's investments in U.S. government and agency bonds, mutual funds and marketable equity securities are Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The United Way had no Level 2 inputs.

Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances. The United Way's investment in the Stark Community Foundation Pooled Account is a Level 3 input.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at March 31, 2018:

Beginning balance	\$ 4,108,253
Transfer into Level 3 from other investments	320,957
Transfer into Level 3 as donation revenue	20,000
Total gains or losses for the period	370,479
Total other earned income	33,666
Total disbursements	(176,000)
Ending Balance	<u>\$ 4,677,355</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS (CONTINUED)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) at March 31, 2017:

Beginning balance	\$ -
Transfer into Level 3 as donation revenue	3,925,627
Total gains or losses for the period	218,681
Total other earned income	8,263
Total disbursements	(44,318)
Ending Balance	<u>\$ 4,108,253</u>

NOTE C - PLEDGES RECEIVABLE

Pledges receivable and related information at March 31, 2018 and 2017 are summarized as follows:

	PLEDGE YEAR 2018		TOTAL
	CURRENT	PRIOR	
Gross pledges	\$ 5,749,375	\$ 6,015,288	\$ 11,764,663
Collections to date	(2,968,794)	(5,841,795)	(8,810,589)
Unpaid pledge amount	2,780,581	173,493	2,954,074
Allowance for uncollectible accounts	(177,541)	(173,493)	(351,034)
	<u>\$ 2,603,040</u>	<u>\$ -</u>	<u>\$ 2,603,040</u>
	PLEDGE YEAR 2017		
	CURRENT	PRIOR	TOTAL
Gross pledges	\$ 6,036,033	\$ 6,335,258	\$ 12,371,291
Collections to date	(3,054,738)	(6,089,631)	(9,144,369)
Unpaid pledge amount	2,981,295	245,627	3,226,922
Allowance for uncollectible accounts	(181,081)	(245,627)	(426,708)
	<u>\$ 2,800,214</u>	<u>\$ -</u>	<u>\$ 2,800,214</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - LOANS RECEIVABLE

Loans receivable represent funds advanced to agencies participating in the defined benefit plan to cover their respective portion of the termination liability. Loans are stated at unpaid balances, less any applicable allowance for loan loss. The loans are collateralized by future allocations from the United Way. At March 31, 2018 and 2017 future allocations to the agencies were sufficient to cover 89% of the outstanding principal balance and as such no allowance has been recorded. Repayment terms are 10 years and interest will be charged at a rate of 1% for the first five years and 4% for the remaining term. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The loans had an outstanding principal balance of \$141,602 and \$175,455 as of March 31, 2018 and 2017, respectively.

Interest received was \$2,672 and \$2,023 for the years ended March 31, 2018 and 2017, respectively.

NOTE E - EQUIPMENT

Equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which generally range from 3 to 15 years. Provision for depreciation amounted to \$55,232 and \$57,985 for the years ended March 31, 2018 and 2017, respectively.

Equipment is summarized as follows at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 370,774	\$ 332,056
Leasehold improvements	235,412	229,322
	<u>606,186</u>	<u>561,378</u>
Accumulated depreciation	(380,359)	(325,127)
	<u>\$ 225,827</u>	<u>\$ 236,251</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - APPROPRIATED UNRESTRICTED NET ASSETS

By action of the Board of Trustees, certain unrestricted net assets have been appropriated for specific purposes. The following schedule summarizes, by purpose, the composition of these net assets at March 31, 2018 and 2017:

<u>APPROPRIATED FOR</u>	2018	2017
Operating reserves	\$ 1,740,000	\$ 1,600,000
Accumulated increase on investments reported at fair value	1,075,625	589,058
	\$ 2,815,625	\$ 2,189,058

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Campaign revenue for future allocation period	\$ 5,285,364	\$ 5,564,597
CARE Team	822,820	833,747
Alvarez Subfund	22,507	20,554
Capital Improvements Subfund	1,036,176	962,983
	\$ 7,166,867	\$ 7,381,881

NOTE H - PENSION PLAN

Thrift Plan

United Way adopted a contributory tax deferred nonparticipating annuity plan under rules provided under Internal Revenue Code Section 403(b). The Organization makes a matching contribution of 3% of an employees' salary. Elective deferrals may be made by employees. Expenses reported in the financial statements for this plan amounted to \$24,667 and \$25,511 for the years ended March 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - OPERATING LEASES

United Way has entered into various noncancellable operating lease agreements for the rental of office facilities (see Note N) and equipment. Minimum rentals are as follows:

YEAR ENDED MARCH 31:

2019	\$ 161,269
2020	161,755
2021	162,000
2022	162,000
2023	162,000
Thereafter	216,000
TOTAL	<u>\$1,025,025</u>

Rent expense charged to operations was \$187,422 and \$161,269 for the years ended March 31, 2018 and 2017, respectively.

NOTE J - UNITED WAY FOUNDATION

The United Way Foundation was established as a 509(a)(3) Dual Supporting Organization and was approved for tax-exempt status by the Internal Revenue Service on September 19, 1996.

By definition, the United Way Foundation had two members of record, the United Way and the Stark Community Foundation. The assets of the United Way Foundation were recorded on the books of the Stark Community Foundation for year end March 31, 2016. On May 24, 2016 the board of directors of The United Way voted to dissolve the United Way Foundation resulting in the assets of the United Way Foundation being recorded as donation revenue during the year ended March 31, 2017.

Income earned by the United Way Foundation for the period prior to being dissolved and paid to and recorded by United Way as revenue was \$273,988 for the year ended March 31, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - COMMITMENTS

Ways to Work

Beginning in 2014, the United Way began a program, with a local bank and the National Ways to Work, Inc. office to provide small loans to non-credit worthy, low income persons, primarily for the purpose of buying or repairing a motor vehicle for the applicant's employment. In conjunction with the services provided through the program, the United Way acted as originator and guarantor on the loans approved. The loans are not recorded as a direct asset or liability for the United Way, but as guarantor a portion may become a liability in the event of a default by the applicant.

In 2017, the National Ways to Work program discontinued their loan program. National Ways to Work will continue to service existing debt but is not offering further loans. The United Way is exploring opportunities to continue a similar program through a local financial institution.

Repossession expenses totaled \$31,800 and \$29,374 for the years ended March, 31, 2018 and 2017, respectively. Repo expenses are included as miscellaneous within the Ways to Work/Vita program services.

Total loans guaranteed amounted to \$32,056 and \$160,712 at March 31, 2018 and 2017, respectively.

Call Center

The United Way entered into an agreement with the United Way of Greater Cleveland to provide call center services in the United Ways 211 Help Center program for information and referral services through March 31, 2019. As part of this agreement, United Way is committed to the following amounts:

Years ending March 31:	
2019	\$ 196,000
TOTAL	<u>\$ 196,000</u>

Financial Prosperity Center

The United Way is a participant with various other organizations in a collaborative local workforce development system, in which the terms of the arrangement are covered under a memorandum of understanding signed by the

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - COMMITMENTS (CONTINUED)

Financial Prosperity Center (Continued)

participating organizations that is in effect until June 30, 2019. As part of this arrangement, United Way is required to pay its proportional share of certain occupancy-related expenses as outlined in the memorandum of understanding. For the year ended March 31, 2018, these amounts totaled \$26,897.

NOTE L - PAYMENTS MADE TO AFFILIATE ORGANIZATIONS

The United Way had the following payments made to affiliated organizations as of March 31:

	<u>2018</u>	<u>2017</u>
United Way Worldwide	\$ 64,749	\$ 73,983
Ohio United Way	20,057	21,894
	<u>\$ 84,806</u>	<u>\$ 95,877</u>

NOTE M - DONATED SERVICES

The United Way records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended March 31, 2018 and 2017 \$176,368 and \$124,944, respectively, were reflected in the accompanying financial statements, for contributed professional and advertising services, as in-kind contributions and were offset by like amounts included in expenses.

In addition, many individuals volunteer their time and perform a variety of tasks that assist United Way with specific assistance programs, campaign solicitations, and various committee assignments. United Way receives thousands of volunteer hours per year. However, no amounts have been reflected in the financial statements for these donated services since they do not meet the criteria for recording in the financial statements. United Way management estimates that the fair value of donated services received but not recognized as revenues was \$606,034 and \$688,612 for the years ended March 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N - RELATED PARTY TRANSACTIONS

The United Way leases office space from a company that is majority owned by a member of the board of directors. The location was selected after an extensive search process and in managements opinion the building represented the most favorable terms and location to carry out the United Way's mission.

Rent expense charged to operations under this lease agreement was \$144,000 for the years ended March 31, 2018 and 2017, respectively.