

# United Way of Palm Beach County, Inc.

## Financial Statements

June 30, 2019 and 2018

## Table of Contents

Independent Auditors' Report.....	1 – 2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4 – 5
Statements of Functional Expenses.....	6 – 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 – 25

## Independent Auditors' Report

To the Board of Directors  
United Way of Palm Beach County, Inc.  
West Palm Beach, Florida

We have audited the accompanying financial statements of United Way of Palm Beach County, Inc. (the "Organization"), which comprise the statements of financial position at June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

*Continued from previous page*

***Opinion***

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

*Angela Calton LLP*

Boca Raton, Florida  
February 27, 2020

United Way of Palm Beach County, Inc.  
 Statements of Financial Position  
 June 30, 2019 and 2018

<u>Assets</u>		
	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,558,136	\$ 2,514,123
Receivables:		
Pledges receivable, net	2,404,818	2,195,163
Grants	390,726	167,554
Other	9,205	34,474
Prepaid expenses	16,147	40,736
Deposits	23,000	45,518
Total current assets	<u>5,402,032</u>	<u>4,997,568</u>
Non-current assets:		
Investments	11,082,604	10,837,396
Beneficial interest in perpetual trust	27,561	26,222
Beneficial interest in charitable remainder trust	969,966	947,297
Property and equipment, net	525,924	604,286
Total non-current assets	<u>12,606,055</u>	<u>12,415,201</u>
Total assets	<u>\$ 18,008,087</u>	<u>\$ 17,412,769</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Allocations payable	\$ 780,026	\$ 3,198,494
Designations payable	532,268	617,921
Accounts payable and accrued expenses	569,649	596,969
Deferred income	1,173,882	865,232
Current portion of annuity obligations	18,250	18,250
Total current liabilities	<u>3,074,075</u>	<u>5,296,866</u>
Non-current liabilities:		
Annuity obligations, net of current portion	48,789	52,720
Total liabilities	<u>3,122,864</u>	<u>5,349,586</u>
Commitments and contingencies		
Net assets:		
Without donor restriction	11,605,683	8,706,206
With donor restriction	3,279,540	3,356,977
Total net assets	<u>14,885,223</u>	<u>12,063,183</u>
Total liabilities and net assets	<u>\$ 18,008,087</u>	<u>\$ 17,412,769</u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Campaign contributions	\$ 6,438,631	\$ 4,752,840	\$ 11,191,471
Less:			
Designation to other agencies	-	(3,983,338)	(3,983,338)
Provision for uncollectible pledges	-	(804,640)	(804,640)
Other contributions	47,483	-	47,483
In-kind contributions	356,149	-	356,149
Bequest revenue	451,272	-	451,272
Special events	308,461	-	308,461
Grants	4,018,035	-	4,018,035
Net investment return	542,563	866	543,429
Designation fees	134,135	-	134,135
Change in value of planned giving instruments	(15,571)	24,008	8,437
Net assets released from restriction	67,173	(67,173)	-
Total revenues, gains and other support	<u>12,348,331</u>	<u>(77,437)</u>	<u>12,270,894</u>
Expenses:			
Program services	6,700,965	-	6,700,965
Management and general	784,460	-	784,460
Fundraising and other events	1,963,429	-	1,963,429
Total expenses	<u>9,448,854</u>	<u>-</u>	<u>9,448,854</u>
Change in net assets	2,899,477	(77,437)	2,822,040
Net assets at beginning of year	<u>8,706,206</u>	<u>3,356,977</u>	<u>12,063,183</u>
Net assets at end of year	<u>\$ 11,605,683</u>	<u>\$ 3,279,540</u>	<u>\$ 14,885,223</u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, gains and other support:			
Campaign contributions	\$ 5,186,458	\$ 6,384,500	\$ 11,570,958
Less:			
Designation to other agencies	-	(4,835,275)	(4,835,275)
Provision for uncollectible pledges	-	(525,129)	(525,129)
Other contributions	124,912	-	124,912
In-kind contributions	42,655	-	42,655
Special events	136,518	-	136,518
Grants	4,649,713	-	4,649,713
Net investment return	685,767	3,999	689,766
Designation fees	141,629	-	141,629
Change in value of planned giving instruments	48,483	17,428	65,911
Net assets released from restriction	1,727,439	(1,727,439)	-
Total revenues, gains and other support	<u>12,743,574</u>	<u>(681,916)</u>	<u>12,061,658</u>
Expenses:			
Program services	8,951,229	-	8,951,229
Management and general	1,120,405	-	1,120,405
Fundraising and other events	1,780,047	-	1,780,047
Total expenses	<u>11,851,681</u>	<u>-</u>	<u>11,851,681</u>
Change in net assets	891,893	(681,916)	209,977
Net assets at beginning of year	<u>7,814,313</u>	<u>4,038,893</u>	<u>11,853,206</u>
Net assets at end of year	<u>\$ 8,706,206</u>	<u>\$ 3,356,977</u>	<u>\$ 12,063,183</u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2019

	Program Services	Support Services		Total
		Management and General	Fundraising and Other Events	
Allocations to agencies	\$ 835,469	\$ -	\$ -	\$ 835,469
Grants to others	2,938,883	-	-	2,938,883
Salaries	1,749,749	360,256	808,536	2,918,541
Employee benefits	200,677	124,804	192,022	517,503
Payroll taxes	88,671	54,996	72,148	215,815
Professional and consulting fees	167,358	74,647	9,713	251,718
Occupancy	63,344	22,210	51,656	137,210
Sponsored events and meetings	69,356	5,188	31,005	105,549
Printing and publications	43,390	1,283	126,472	171,145
Conferences	30,234	7,232	4,168	41,634
National and state affiliation dues	110,396	32,824	49,103	192,323
Telephone	4,667	2,816	5,415	12,898
Supplies	29,071	6,401	9,301	44,773
Travel	11,464	14,236	7,999	33,699
Depreciation	36,116	24,313	35,374	95,803
Insurance	13,207	6,734	9,660	29,601
Processing and bank fees	-	-	179,697	179,697
Postage	1,753	2,011	5,878	9,642
Rental and maintenance of equipment	65,899	35,487	58,612	159,998
Recognition	5,662	2,239	2,162	10,063
Staff development	11,052	6,783	2,868	20,703
In-kind	205,083	-	123,498	328,581
Special events	19,464	-	178,142	197,606
Total expenses	<u>\$ 6,700,965</u>	<u>\$ 784,460</u>	<u>\$ 1,963,429</u>	<u>\$ 9,448,854</u>

See accompanying notes to financial statements.



United Way of Palm Beach County, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2018

	Program Services	Support Services		Total
		Management and General	Fundraising and Other Events	
Allocations to agencies	\$ 3,249,640	\$ -	\$ -	\$ 3,249,640
Grants to others	3,609,843	-	-	3,609,843
Salaries	1,144,614	692,163	919,153	2,755,930
Employee benefits	183,088	134,620	176,935	494,643
Payroll taxes	85,948	50,625	65,961	202,534
Professional and consulting fees	153,612	78,085	12,031	243,728
Occupancy	80,510	43,718	68,139	192,367
Sponsored events and meetings	22,103	5,481	25,420	53,004
Printing and publications	57,165	2,936	120,288	180,389
Conferences	22,172	4,557	2,169	28,898
National and state affiliation dues	138,413	18,332	30,425	187,170
Telephone	7,550	4,195	11,036	22,781
Supplies	20,151	7,698	6,074	33,923
Travel	12,321	13,665	6,496	32,482
Depreciation	37,454	21,149	31,269	89,872
Insurance	13,845	7,781	11,058	32,684
Processing and bank fees	-	3,558	139,487	143,045
Postage	475	1,192	5,982	7,649
Rental and maintenance of equipment	57,280	25,536	45,414	128,230
Recognition	3,532	1,764	5,479	10,775
Staff development	18,848	3,350	6,139	28,337
Special events	32,665	-	91,092	123,757
Total expenses	<u>\$ 8,951,229</u>	<u>\$ 1,120,405</u>	<u>\$ 1,780,047</u>	<u>\$ 11,851,681</u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,822,040	\$ 209,977
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,803	89,872
Net realized and unrealized gains from investments	(246,971)	(677,740)
Provision for pledge loss	804,640	525,129
(Increase) in value of planned giving instruments	(24,008)	(17,428)
Change in operating assets:		
Pledges receivable	(1,014,295)	(356,804)
Grants receivable	(223,172)	160,930
Other receivables	25,269	(24,491)
Prepaid expenses	24,589	1,445
Deposits	22,518	(16,417)
Change in operating liabilities:		
Allocations payable	(2,418,468)	32,790
Designations payable	(85,653)	(1,777,918)
Accounts payable and accrued expenses	(27,320)	240,579
Deferred income	308,650	19,991
Net cash provided by (used in) operating activities	<u>63,622</u>	<u>(1,590,085)</u>
Cash flows from investing activities:		
Purchases of investments	(389,457)	(2,373,605)
Proceeds from sales of investments	391,220	2,558,785
Purchase of property and equipment	(17,441)	(60,418)
Net cash (used in) provided by investing activities	<u>(15,678)</u>	<u>124,762</u>
Cash flows from financing activities:		
Payments on annuity obligations	(3,931)	(3,131)
Net cash used in financing activities	<u>(3,931)</u>	<u>(3,131)</u>
Net increase (decrease) in cash and cash equivalents	44,013	(1,468,454)
Cash and cash equivalents, beginning of year	<u>2,514,123</u>	<u>3,982,577</u>
Cash and cash equivalents, end of year	<u>\$ 2,558,136</u>	<u>\$ 2,514,123</u>

See accompanying notes to financial statements.

### Note 1 – Description of Organization

United Way of Palm Beach County, Inc. (the “Organization” or “United Way”) is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Organization is governed by a volunteer board of directors. The Organization’s mission is to improve measurably the lives of individuals and families in Palm Beach County by uniting the resources of donors, volunteers, agencies and the community. The Organization advances the common good by creating opportunities for a better life for all, with a focus on the impact areas of education, income and health – the building blocks for a good quality of life. The Organization conducts an annual fundraising campaign to obtain funds for investment in a variety of programs within these impact areas. Donors have the option to designate their contributions to a specific impact area or charitable organization. In addition to the annual campaign which is the Organization’s largest source of support, the Organization receives private and public grants.

In June 2018, the Organization’s board of directors and management approved to change the Organization’s year end from June 30th to September 30th. The first effective year of change will be for the fiscal year ending September 30, 2020.

### Note 2 – Summary of Significant Accounting Policies

#### *Basis of Presentation*

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restriction:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the board of directors.

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

#### *Accounting Estimates*

The preparation of financial statements in conformity with U.S. GAAP generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Revenue Recognition***

The Organization recognizes contribution revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-For-Profit Entities*. Contributions received are recognized at fair value, including unconditional promises to give when the promise is made. Contributions that are to be collected more than one year in the future are recorded at their discounted present value. All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as increases to net assets with donor restriction. All pledged amounts accounted for as campaign revenue are considered to be time restricted by donors since amounts are unconditional promises to give with payments due in future periods. Cash contributions received with no donor stipulations are recorded as increases to net assets without donor restriction upon receipt of the gifts.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statements of activities and changes in net assets as “net assets released from restriction”.

The Organization is a beneficiary under various wills and trust agreements. Related amounts are recorded when either a will is declared valid by a probate court or the Organization is notified as an irrevocable beneficiary of a trust, and the expected proceeds are measurable.

The Organization conducts a donor-advised fund program for large individual contributions. Under this program, contributors are permitted to provide recommendations on the use of the funds. The funds are held until distributed pursuant to the Organization’s approval.

Designation fees are fees that the Organization charges recipient agencies as cost recovery fees for processing designated pledges. Designated pledges include contributions that are designated by the contributor to the Organization’s affiliated agencies or non-affiliated agencies. As the Organization serves as an intermediary, it recognizes a liability to the specified external agency concurrent with the recognition of the assets received from the donor. Designated contributions are subtracted from gross contributions to derive net campaign contribution revenue on the statements of activities and changes in net assets.

The Organization receives various grants from federal and local agencies and private companies for program and supporting services. These grants are generally funded on a cost reimbursement basis or when required services are performed. Accordingly, revenues from grants are generally recognized in the statements of activities and changes in net assets when expenses are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

## Note 2 – Summary of Significant Accounting Policies, continued

### Cash and Cash Equivalents

The Organization considers money market funds, repurchase agreements and all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Certain funds in these accounts are subject to external restrictions or limitations on its use, including cash received under grant agreements which has not been expended for the specified purpose and cash held for others under agency relationships (including designated contributions received but not yet paid out to the other agencies). At June 30, 2019 and 2018, cash and cash equivalents subject to these restrictions or limitations amounted to \$2,558,136 and \$2,514,123, respectively.

### Investments

The Organization reports investments at fair value. Net investment return consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Net investment return is reported in the statements of activities and changes in net assets as a change in net assets without donor restriction unless the use of the income is limited by donor-imposed restrictions.

Investments include both board-designated and donor-restricted endowment assets and are managed in accordance with board approved investment and spending policies. The policies, including the policy establishing the portion of the portfolio to be spent annually, seek to preserve the value of the portfolio in real terms and to generate a reliable flow of earnings for support of the Organization. The board-designated endowment spending policy provides that the income available for distribution is calculated as 4% of the endowment fund's value, as measured at the end of the fiscal year. The investment policy statement provides for major classes of assets, including: cash and cash equivalents, fixed-income securities, domestic and international equities, emerging markets and real estate. The donor-restricted endowment permits annual distributions equal to 5% of the endowment fund balance as of the beginning of the applicable year, with a stipulation that any distributions in excess of that amount shall be permissible only for emergencies and must be approved by the board of directors.

### Fair Value Measurement

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Fair value is defined as 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.

The Organization categorizes its financial instruments, as well as certain other assets reported at fair value, based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments and other assets recorded at fair value on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

## Note 2 – Summary of Significant Accounting Policies, continued

### *Fair Value Measurement, continued*

**Level 1** - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date (examples include active exchange-traded equity and fixed income securities).

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds); pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over the counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data. Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria and a net asset value per share, or its equivalent, is provided by the fund manager and the reporting entity has the ability to redeem its investment at the net asset value per share at the measurement date.

**Level 3** - Unobservable inputs for the asset or liability. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, hedge funds, non-public real estate and split-interest agreements).

### *Pledges Receivable and Grants Receivable*

Pledges receivable are unconditional promises received from the annual fundraising campaign and are recorded when the promises to contribute are made. The Organization provides an allowance for estimated uncollectible amounts at the time campaign pledges are recorded. The provision for uncollectible pledges is based, among other things, on the Organization's past collection experience and the impact of changes in the current economic conditions. Pledges receivable with payment terms in excess of one year are recorded at the present value of the expected future cash flows. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue.

Grants receivable are due from federal and local agencies and private companies and are stated at net realizable value.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment whose cost is equal to or in excess of \$1,000 and whose useful life is greater than one year. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Building	40
Building improvements	7 - 30
Furniture and equipment	3 - 15

***Donated Services and Materials***

The Organization recognizes the fair value of donated services received if such services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization receives services from a number of volunteers who give significant amounts of their time to the Organization's programs, fund-raising campaigns, and management. Time donated by these volunteers is not recorded in the financial statements, as these services do not meet the required recognition criteria in accordance with FASB ASC 958.

Donated materials that can be used or sold are recognized as in-kind contributions at fair value when received from or unconditionally promised by a donor.

Donated services received during the years ended June 30, 2019 and 2018 were \$356,149 and \$42,655, respectively. The Organization did not receive any donated materials during the years ended June 30, 2019 and 2018.

***Allocations Payable to Agencies***

The Organization annually allocates funds to its affiliated agencies. The board of directors approves the total amount of allocations to be distributed for the next fiscal year. The amounts allocated to the individual agencies are determined by the Community Impact Committee. Once the board approves the allocations, the agencies are notified and agreements are executed. The allocations are considered conditional promises to give as the agencies must execute the agreements and comply with the terms and conditions included therein in order to receive the funds. As the possibility of the agencies not executing the agreements or not meeting the routine performance requirements or other conditions are considered unusual, the allocations are recognized as an expense and liability when the agreements are executed with the agencies. On occasion, funding is discontinued for an agency for not fulfilling contractual requirements, at which time an adjustment is made to the allocations payable and related expense account.

## Note 2 – Summary of Significant Accounting Policies, continued

### *Allocations Payable to Agencies, continued*

In June 2019, the board of directors approved allocations and executed contract extensions with agencies for an additional three months in preparation of changing the Organization's fiscal year end to September 30. At June 30, 2019 and 2018, allocations payable were \$780,026 and \$3,198,494, respectively.

### *Designations Payable*

The Organization honors donor designations to other non-profit agencies. To be eligible to receive a donation, the agency must be an active 501(c)(3) organization and comply with the Patriot Act.

### *Functional Allocation of Expenses*

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Certain program and support expenses, such as salaries, benefits and other administrative costs, are allocated among program services, management and general and fundraising based on management's analysis of these costs.

### *Charitable Gift Annuity Program and Split Interest Agreements*

The Organization has a charitable gift annuity program, whereby the Organization receives a transfer of assets from a donor and agrees to pay an annuitant a fixed amount of money periodically for his or her lifetime. Upon the death of the annuitant, the remaining balance will be available for general use of the Organization. When the gift annuity is established, the difference between the fair value of the assets transferred and the liability for the estimated future payments (discounted over the annuitant's life expectancy using published mortality tables), is recorded as an increase to contribution revenue without donor restriction. The Organization has not elected the fair value option for reporting purposes in subsequent periods. Accordingly, discount rate assumptions are not adjusted, and each reporting period the annuity obligation is re-measured based on changes in actuarial assumptions only (life expectancy). The resulting adjustment is recorded as net assets without donor restriction "change in value of planned giving instruments" in the statements of activities and changes in net assets.

Additionally, the Organization is a residual beneficiary of split-interest agreements whereby another entity serves as trustee. These split-interest agreements include a charitable remainder trust and a perpetual trust. Under the charitable remainder trust, the trustee holds and invests the assets and pays the annuitant(s) on a periodic basis for their lifetime. Upon the death of the annuitant(s), the Organization will receive the remaining balance (or proportionate share) from the trustee which is available for the general use of the Organization. Donor restricted contribution revenue (based on inherent time restrictions) is recognized when the Organization is notified of the existence of the remainder trust agreement based on the fair value of the assets less the fair value of the payments to be made to other beneficiaries (measured using a present value technique). The Organization has a beneficial interest in one perpetual trust which is donor restricted in perpetuity as the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The Organization's proportionate share of the perpetual trust assets are used to measure the beneficial interest. As the cash or other assets contributed by donors under these split-interest agreements are held by independent trustees, the measurement objective for the beneficial interest at initial recognition and for



## Note 2 – Summary of Significant Accounting Policies, continued

### *Charitable Gift Annuity Program and Split Interest Agreements, continued*

subsequent periods is fair value. Changes in the fair values of the Organization's beneficial interest under these arrangements are recorded as net assets with donor restriction "change in value of planned giving instruments" in the statements of activities and changes in net assets.

### *Income Taxes*

The Organization is a non-profit organization exempt from income taxes under Section 501(c)(3) of the IRC. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(1) of the IRC.

The Organization follows ASC 740, *Income Taxes*. ASC 740 creates a single model to address uncertainty in income tax provisions and prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement, classification, interest and penalties and disclosure. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

### *Recent Accounting Pronouncements*

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08 – Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. ASU No. 2018-08 should assist entities in (i) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (ii) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization does not expect the adoption of ASU No. 2018-08 to have a material effect on the financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position 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 statement of activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2020. 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 the implementation of ASU No. 2016-02 will have on the financial statements.

### *Accounting Pronouncements Adopted*

The Organization has adopted the financial statement presentation and disclosure standards contained in the FASB ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The provisions have been applied for the year ended June 30, 2019 and retrospectively to the year ended June 30, 2018 for comparative purposes.

## Note 2 – Summary of Significant Accounting Policies, continued

### Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported change in net assets.

### Date of Management's Review

The Organization evaluated events and transactions for potential recognition or disclosure in the financial statements through February 27, 2020, the date the financial statements were available to be issued.

## Note 3 – Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditure, without donor or other restrictions limiting their use, within one year at June 30, 2019 consist of:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$	2,558,136
Pledges receivable, net		2,404,818
Grants receivable		390,726
Accounts receivable - other		9,205
Investments		11,082,604
Total financial assets		<u>16,445,489</u>

Less: financial assets not available for general expenditure  
within one year due to:

Restricted by donors with purpose restrictions	(2,110,991)
Restricted by donors in perpetuity, endowments	<u>(171,022)</u>
Total financial assets unavailable for general expenditure	<u>(2,282,013)</u>

Total financial assets available within one year to meet cash needs for general expenditure	<u>\$</u>	<u>14,163,476</u>
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The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

## Note 4 – Concentration of Credit Risk

The Organization maintains most of its cash balances at one financial institution. Cash accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2019 and 2018, the Organization's cash balances held at financial institutions exceeded FDIC insured limits by \$2,407,397 and \$2,608,399, respectively.

**Note 4 – Concentration of Credit Risk, continued**

Credit risk for pledges receivable is concentrated as well because substantially all of the balances are receivable from individuals/companies located within the same geographic region. Additionally, campaign pledges received from two (2) companies comprised 25% and 38% of the total gross campaign contributions for the years ended June 30, 2019 and 2018, and 53% and 49% of net pledges receivable at June 30, 2019 and 2018, respectively.

The Organization receives most of its grant revenue from one (1) grantor. Total grant revenue received from this grantor comprised 66% and 68% of total grant revenue for the years ended June 30, 2019 and 2018, and 8% and 30% of net grants receivable at June 30, 2019 and 2018, respectively.

**Note 5 – Investments**

The Organization's investments at fair value are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mutual funds:		
TD Ameritrade Cash	\$ 124,038	\$ 5,177
Morgan Stanley Donor Advised Fund	3,096	5,693
Short-Term Government Portfolio	2,111,550	1,946,402
Short-Term Extended Quality Portfolio	2,123,567	2,077,830
U.S. Core Equity I Portfolio	4,033,740	4,149,763
Global Real Estate Securities Portfolio	735,674	657,338
International Core Equity Portfolio	1,279,479	1,333,323
Emerging Markets Core Equity Portfolio	670,460	661,870
Other	1,000	-
Total investments	<u>\$ 11,082,604</u>	<u>\$ 10,837,396</u>

Net investment return consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 296,459	\$ 12,026
Realized (loss) gain on investments	(820)	220,481
Unrealized gain on investments	247,790	457,259
Total investment income	<u>\$ 543,429</u>	<u>\$ 689,766</u>

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

**Note 6 – Pledges Receivable**

Pledges receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Campaign pledges, undesignated	\$ 2,531,441	\$ 1,635,040
Campaign pledges, designated	373,177	971,323
	<u>2,904,618</u>	<u>2,606,363</u>
Less: allowance for uncollectible pledges	(499,800)	(411,200)
Pledges receivable, net	<u>\$ 2,404,818</u>	<u>\$ 2,195,163</u>

**Note 7 – Charitable Remainder Trust**

The Organization has been named a remainder beneficiary of a charitable remainder annuity trust, which was created in 1987 upon the death of the trust settlor. Seven income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the initial fair market value of the trust assets. Upon the death of the last surviving individual beneficiary, twenty percent of the remaining principal is to be distributed to the Organization. The present value of the expected future cash flow payments to the beneficiaries, based on their estimated life expectancies and discounted at 3.5% for June 30, 2019 and 2018, was deducted from the fair market value of the trust principal. A noncurrent asset of \$969,966 and \$947,297 has been recognized, representing the Organization's share of the net fair market value of the trust principal at June 30, 2019 and 2018, respectively. Changes in the value of the trust have been reported in the statements of activities and changes in net assets as increases (decreases) in net assets with donor restriction.

**Note 8 – Fair Value Measurements**

At June 30, 2019 and 2018, the fair value of assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the fair value hierarchy are as follows:

	<u>At June 30, 2019</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Assets:				
Investments:				
Mutual funds	\$ 11,082,604	\$ -	\$ -	\$ 11,082,604
Total investments	<u>\$ 11,082,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,082,604</u>
Beneficial interest in split-interest agreements:				
Perpetual trust	\$ -	\$ -	\$ 27,561	\$ 27,561
Charitable remainder agreements	-	-	969,966	969,966
Total beneficial interest in split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,527</u>	<u>\$ 997,527</u>

**Note 8 – Fair Value Measurements, continued**

At June 30, 2018				
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	\$ 10,837,396	\$ -	\$ -	\$ 10,837,396
Total investments	<u>\$ 10,837,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,837,396</u>
Beneficial interest in split-interest agreements:				
Perpetual trust	\$ -	\$ -	\$ 26,222	\$ 26,222
Charitable remainder agreements	-	-	947,297	947,297
Total beneficial interest in split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 973,519</u>	<u>\$ 973,519</u>

The following tables summarize changes in fair value of the Level 3 assets for which unobservable inputs were used to determine fair value:

	Beginning Balance July 1, 2018	Changes in Value Included in Net Assets	Ending Balance June 30, 2019
Beneficial interest in split-interest agreement			
Perpetual trust	\$ 26,222	\$ 1,339	\$ 27,561
Charitable remainder trust	947,297	22,669	969,966
Total beneficial interest in split-interest agreements	<u>\$ 973,519</u>	<u>\$ 24,008</u>	<u>\$ 997,527</u>

	Beginning Balance July 1, 2017	Changes in Value Included in Net Assets	Ending Balance June 30, 2018
Beneficial interest in split-interest agreement			
Perpetual trust	\$ 74,705	\$ (48,483)	\$ 26,222
Charitable remainder trust	881,386	65,911	947,297
Total beneficial interest in split-interest agreements	<u>\$ 956,091</u>	<u>\$ 17,428</u>	<u>\$ 973,519</u>

There were no transfers between Levels 1, 2 and 3 during the years ended June 30, 2019 or 2018.

**Note 8 – Fair Value Measurements, continued**

At June 30, 2019 and 2018, there were no financial assets or liabilities measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

Level 1 fair value measurements using significant observable inputs include investments in mutual funds whose values are based on quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 3 fair value measurements using significant unobservable inputs include the Organization's beneficial interest in split-interest agreements. The subject of the fair value measurement (unit of account) for a beneficial interest in a trust is each individual beneficial interest. As there is currently no market in which beneficial interests in charitable trusts trade, there is no observable exit price for a beneficial interest. The valuation technique and inputs used in determining fair value of the beneficial interest in split-interest agreements varies depending on the specific terms of the agreements, and is based on information furnished by the independent trustee. Refer to Note 2 for a description of the terms of the Organization's split-interest agreements. The fair value of the beneficial interest in perpetual trust is measured using the Organization's proportionate share of the fair value of the trust assets. The fair market value of the trust assets are obtained from the trustee. For the charitable remainder trust, the fair value of the beneficial interest is estimated based on the fair value of the assets (as obtained from the trustee) less the fair value of the payments to be made to other beneficiaries. The latter is calculated using an income approach in the form of a present value technique based on assumptions including a risk adjusted discount rate of 3.5% at June 30, 2019 and 2018 and published life expectancy tables.

***Financial Instruments Not Measured at Fair Value***

The carrying amounts of cash and cash equivalents, pledges, and grants receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of allocations and designations payable, accounts payable and accrued liabilities approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying amount of annuity obligations approximates fair value because it is recorded at net present value.

**Note 9 – Property and Equipment**

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 646,840	\$ 646,840
Furniture and equipment	212,850	195,409
	<u>859,690</u>	<u>842,249</u>
Less: accumulated depreciation	(333,766)	(237,963)
Property and equipment, net	<u>\$ 525,924</u>	<u>\$ 604,286</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$95,803 and \$89,872, respectively.

**Note 10 – Net Assets**

Net assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Net assets without donor restriction:		
Expended for property and equipment	\$ 525,924	\$ 604,286
Board designated:		
Program allocations	-	217,067
Donor advised funds	3,096	7,018
Endowment	9,826,290	9,637,684
Undesignated	1,250,373	(1,759,849)
Total net assets without donor restriction	<u>\$ 11,605,683</u>	<u>\$ 8,706,206</u>
Net assets with donor restriction:		
Undesignated pledges receivable, net	\$ 1,583,831	\$ 1,592,872
Donor restricted endowment	171,022	170,156
Beneficial interest perpetual trust	27,561	26,222
Emergency needs/disaster assistance funds	474,845	579,216
Beneficial interest in charitable remainder trust	969,966	947,297
Programs	36,934	15,333
Grants	15,381	25,881
Total net assets with donor restriction	<u>\$ 3,279,540</u>	<u>\$ 3,356,977</u>

**Endowment Net Assets**

The Organization's endowments consist of funds established for a variety of purposes. Its endowments include funds designated by the board of directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Florida Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At June 30, 2019 and 2018, the Organization received no such permanent endowment gifts.

**Note 10 – Net Assets, continued**

*Endowment Net Assets, continued*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operating costs 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, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual results in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or law requires the Organization to retain as a fund of perpetual duration. Any such deficiencies of this nature would be reported in net assets with donor restriction. During the years ended June 30, 2019 and 2018, there were no such deficiencies.

The composition of the Organization's endowment net assets was as follows:

	At June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds	\$ -	\$ 171,022	\$ 171,022
Board designated endowment funds	9,826,290	-	9,826,290
Total	<u>\$ 9,826,290</u>	<u>\$ 171,022</u>	<u>\$ 9,997,312</u>
	At June 30, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds	\$ -	\$ 170,156	\$ 170,156
Board designated endowment funds	9,637,684	-	9,637,684
Total	<u>\$ 9,637,684</u>	<u>\$ 170,156</u>	<u>\$ 9,807,840</u>



**Note 10 – Net Assets, continued**

*Endowment Net Assets, continued*

Changes to endowment net assets were as follows for the years ended June 30, 2019 and 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 9,231,319	\$ 166,157	\$ 9,397,476
Investment return	611,425	-	611,425
Receipts/contributions	167,799	3,999	171,798
Appropriated for operating expenditures	(358,454)	-	(358,454)
Change in present value of annuity obligation	<u>(14,405)</u>	<u>-</u>	<u>(14,405)</u>
Endowment net assets, June 30, 2018	<u>9,637,684</u>	<u>170,156</u>	<u>9,807,840</u>
Investment return	465,318	866	466,184
Receipts/contributions	132,759	-	132,759
Appropriated for operating expenditures	(395,152)	-	(395,152)
Change in present value of annuity obligation	<u>(14,319)</u>	<u>-</u>	<u>(14,319)</u>
Endowment net assets, June 30, 2019	<u>\$ 9,826,290</u>	<u>\$ 171,022</u>	<u>\$ 9,997,312</u>

**Note 11 – Contingency**

The Organization receives grants from various sources to supplement its programs. Grant revenue represents 33% and 39% of total revenues for the years ended June 30, 2019 and 2018, respectively. Any loss of funding could have a negative impact on community services provided by the Organization. These grants require the fulfillment of certain conditions as set forth in the instrument of a grant. Failure to fulfill the conditions, or failure to continue to fulfill them, could result in the return of the funds to grantors. Although this is a possibility, management believes that any potential loss would not have a material adverse effect on the financial statements.

**Note 12 – Annuity Obligations**

The Organization has established a planned giving program whereby donors may set up charitable gift annuities with the Organization. Under this program, donors can contribute cash, securities or property to the Organization, and in return receive a guaranteed fixed income for life. Contribution revenue is recognized as the difference between the fair value of the cash or property received and the annuity liability.

Liabilities were recognized for the life annuity payments at the present value of the expected future cash payments determined using actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The annuity liability is reduced as payments are made by the Organization to the donor. Upon death of the donor, any remaining annuity liability would be recognized as revenue in the current year.

**Note 12 – Annuity Obligations, continued**

The present value of future payment liabilities of charitable gift annuities is \$67,039 and \$70,970 at June 30, 2019 and 2018, respectively. The annuity obligations are adjusted each year to reflect changes in the life expectancy of the beneficiaries.

The Organization is licensed by the State of Florida to enter into annuity agreements with donors. Florida Statutes require entities with such a license to maintain assets equal to the sum of reserves on outstanding agreements and a surplus of 25% of such reserves. Assets shall be invested only in securities permitted under Part II of Chapter 625 of the Florida Statutes.

**Note 13 – Retirement Plan**

The Organization has a 401(k) plan which is available to all non-limited duration employees who have been with the Organization at least three months. After one year of service, the Organization contributes 5% of the employee's total compensation and 50% of the employee's contribution up to a limit of 6% of compensation. Contributions totaled \$163,173 and \$132,160 for the years ended June 30, 2019 and 2018, respectively.

**Note 14 – Operating Leases**

The Organization leases office space for its headquarters in West Palm Beach, Florida under a non-cancelable agreement extending through 2026. The following is a schedule of future minimum lease payments required under the above operating lease at June 30, 2019:

<u>Years Ending June 30,</u>	
2020	\$ 146,724
2021	150,408
2022	154,176
2023	158,016
2024	162,000
Thereafter	336,300
Total minimum lease obligation	<u>\$ 1,107,624</u>

Rent expense on the lease for June 30, 2019 and 2018 totaled \$101,584 and \$132,360, respectively.

**Note 15 – Line of Credit**

On November 30, 2011, the Organization entered into a line of credit agreement with a bank in the amount of \$1,000,000. On January 28, 2014, there were modifications to the terms of the line of credit, which included an increase in the amount available for borrowing to \$1,500,000. The line of credit has a one year term, which is renewable annually, and is collateralized by all business assets of the Organization. Interest is payable monthly at Daily Libor plus 2.75% (5.12% at June 30, 2019).

**Note 15 – Line of Credit, continued**

Since execution, there were further extensions of the term. Currently, the line of credit is set to expire on April 30, 2020. All other terms and conditions of the note and other agreements and documents executed in connection with the original agreement remain in full force and effect.

Interest expense was \$0 for the years ended June 30, 2019 and 2018, respectively. There was no outstanding balance on the line of credit at June 30, 2019 and 2018.