DASZKALBOLTON
accountants & advisors

United Way of Palm Beach County, Inc.

Financial Statements

September 30, 2019

Table of Contents

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 statement of financial position at September 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from July 1, 2019 to September 30, 2019, 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 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 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.

Daszkal Bolton LLP | 561.367.1040 | dbllp.com
2401 NW Boca Raton Boulevard | Boca Raton | Florida 33431-6632
490 Sawgrass Corporate Parkway, Suite 200 | Sunrise | Florida 33325-6252
4455 Military Trail, Suite 201 | Jupiter | Florida 33458-4828

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 September 30, 2019, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Daszkal Bolton LLP

Boca Raton, Florida
February 27, 2020

United Way of Palm Beach County, Inc.
Statement of Financial Position
September 30, 2019

Assets

Current assets:		
Cash and cash equivalents	$	2,080,615
Receivables:		
Pledges receivable, net		1,868,682
Grants		57,241
Other		8,516
Prepaid expenses		10,500
Deposits		52,250
Total current assets		4,077,804
Non-current assets:		
Investments		11,233,093
Beneficial interest in perpetual trust		27,561
Beneficial interest in charitable remainder trust		974,659
Property and equipment, net		516,782
Total non-current assets		12,752,095
Total assets	$	16,829,899

Liabilities and Net Assets

Current liabilities:		
Allocations payable	$	3,175,413
Designations payable		308,776
Accounts payable and accrued expenses		540,294
Deferred income		898,321
Current portion of annuity obligations		18,250
Total current liabilities		4,941,054
Non-current liabilities:		
Annuity obligations, net of current portion		48,789
Total liabilities		4,989,843
Commitments and contingencies		
Net assets:		
Without donor restriction		8,571,484
With donor restriction		3,268,572
Total net assets		11,840,056
Total liabilities and net assets	$	16,829,899

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Activities and Changes in Net Assets
For the Period from July 1, 2019 to September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Campaign contributions	$ 71,028	$ 639,663	$ 710,691
Less:			
Provision for uncollectible pledges	-	(163,300)	(163,300)
Other contributions	2,586	-	2,586
In-kind contributions	12,147	-	12,147
Bequest revenue	432,314	-	432,314
Special events	73,044	-	73,044
Grants	941,548	-	941,548
Net investment return	97,426	1,350	98,776
Designation fees	30,133	-	30,133
Change in value of planned giving instruments	-	4,693	4,693
Net assets released from restriction	493,374	(493,374)	-
Total revenues, gains and other support	2,153,600	(10,968)	2,142,632
Expenses:			
Program services	4,602,264	-	4,602,264
Management and general	238,052	-	238,052
Fundraising and other events	347,483	-	347,483
Total expenses	5,187,799	-	5,187,799
Change in net assets	(3,034,199)	(10,968)	(3,045,167)
Net assets at beginning of period	11,605,683	3,279,540	14,885,223
Net assets at end of period	$ 8,571,484	$ 3,268,572	$ 11,840,056

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Functional Expenses
For the Period from July 1, 2019 to September 30, 2019

	Program Services	Support Services: Management and General	Support Services: Fundraising and Other Events	Total
Allocations to agencies	$ 3,179,913	$ -	$ -	$ 3,179,913
Grants to others	721,684	-	-	721,684
Salaries	438,583	96,538	174,869	709,990
Employee benefits	42,895	11,569	40,431	94,895
Payroll taxes	21,678	13,545	15,547	50,770
Professional and consulting fees	19,964	63,349	3,553	86,866
Occupancy	21,410	12,932	15,386	49,728
Sponsored events and meetings	52,198	1,125	7,466	60,789
Printing and publications	2,313	80	19,358	21,751
Conferences	5,708	8,855	1,398	15,961
National and state affiliation dues	33,731	6,266	7,729	47,726
Telephone	1,847	1,030	1,884	4,761
Supplies	9,675	2,319	1,720	13,714
Travel	2,394	2,953	1,923	7,270
Depreciation	10,630	6,421	7,640	24,691
Insurance	3,320	1,583	2,386	7,289
Processing and bank fees	-	-	10,532	10,532
Postage	295	749	1,090	2,134
Rental and maintenance of equipment	10,997	6,142	8,293	25,432
Recognition	289	520	412	1,221
Staff development	-	-	1,740	1,740
Special events	22,740	2,076	24,126	48,942
Total expenses	$ 4,602,264	$ 238,052	$ 347,483	$ 5,187,799

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Cash Flows
For the Period from July 1, 2019 to September 30, 2019

Cash flows from operating activities:		
Change in net assets	$	(3,045,167)
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation		24,691
Net realized and unrealized gains		
from investments		(44,712)
Provision for pledge loss		163,300
(Increase) in value of planned giving instruments		(4,693)
Change in operating assets:		
Pledges receivable		372,836
Grants receivable		333,485
Other receivables		689
Prepaid expenses		5,647
Deposits		(29,250)
Change in operating liabilities:		
Allocations payable		2,395,387
Designations payable		(223,492)
Accounts payable and accrued expenses		(29,355)
Deferred income		(275,561)
Net cash used in operating activities		(356,195)
Cash flows from investing activities:		
Purchases of investments		(431,675)
Proceeds from sales of investments		325,899
Purchase of property and equipment		(15,550)
Net cash used in investing activities		(121,326)
Cash flows from financing activities		-
Net decrease in cash and cash equivalents		(477,521)
Cash and cash equivalents, beginning of period		2,558,136
Cash and cash equivalents, end of period	$	2,080,615

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 statement 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.

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 statement 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.

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 September 30, 2019, cash and cash equivalents subject to these restrictions or limitations amounted to $2,080,615.

Note 2 – Summary of Significant Accounting Policies, continued

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 statement 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 statement of financial position are categorized based on the inputs to the valuation techniques as follows:

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.

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value Measurement, continued

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 counterderivatives, 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.

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:

	Years
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.

Note 2 – Summary of Significant Accounting Policies, continued

Donated Services and Materials, continued

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 period ended September 30, 2019 were $12,147. The Organization did not receive any donated materials during the period ended September 30, 2019.

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.

In September 2019, the board of directors approved allocations and executed contracts with agencies for the year ending September 30, 2020. At September 30, 2019, allocations payable were $3,175,413.

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 statement 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

Note 2 – Summary of Significant Accounting Policies, continued

Charitable Gift Annuity Program and Split Interest Agreements, continued

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 statement 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 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 statement 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.

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

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 statement 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. The Organization is currently evaluating the impact the implementation of ASU No. 2016-02 with have on the financial statements.

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 September 30, 2019 consist of:

Financial assets at September 30, 2019:	
Cash and cash equivalents	$ 2,080,615
Pledges receivable, net	1,868,682
Grants receivable	57,241
Accounts receivable - other	8,516
Investments	11,233,093
Total financial assets	15,248,147
Less: financial assets not available for general expenditure within one year due to:	
Restricted by donors with purpose restrictions	(2,100,823)
Restricted by donors in perpetuity, endowments	(165,532)
Total financial assets unavailable for general expenditure	(2,266,355)
Total financial assets available within one year to meet cash needs for general expenditure	$ 12,981,792

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 September 30, 2019, the Organization's cash balances held at financial institutions exceeded FDIC insured limits by $1,969,812.

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 one (1) donor comprised 0% of the total gross campaign contributions for the period ended September 30, 2019, and 40% of net pledges receivable at September 30, 2019.

The Organization receives most of its grant revenue from one (1) grantor. Grant revenue received from this grantor comprised 71% of total grant revenue for the period ended September 30, 2019, and 0% of net grants receivable at September 30, 2019.

Note 5 – Investments

The Organization's investments at fair value are comprised of the following at September 30, 2019:

Mutual funds:		
TD Ameritrade Cash	$	118,360
Short-Term Government Portfolio		2,157,901
Short-Term Extended Quality Portfolio		2,139,392
U.S. Core Equity I Portfolio		4,066,087
Global Real Estate Securities Portfolio		721,922
International Core Equity Portfolio		1,339,328
Emerging Markets Core Equity Portfolio		690,103
Total investments	$	11,233,093

Net investment return consists of the following for the period ended September 30, 2019:

Interest and dividends	$	54,064
Realized gain on investments		435
Unrealized gain on investments		44,277
Total investment income	$	98,776

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 statement of financial position.

Note 6 – Pledges Receivable

Pledges receivable consist of the following at September 30, 2019:

Campaign pledges, undesignated	$	2,260,238
Campaign pledges, designated		284,744
		2,544,982
Less: allowance for uncollectible pledges		(676,300)
Pledges receivable, net	$	1,868,682

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 September 30, 2019, was deducted from the fair market value of the trust principal. A noncurrent asset of $974,659 has been recognized, representing the Organization's share of the net fair market value of the trust principal at September 30, 2019. The change in the value of the trust is reported in the statement of activities and changes in net assets in net assets with donor restriction.

Note 8 – Fair Value Measurements

At September 30, 2019, the fair value of assets recognized in the accompanying statement of financial position at fair value on a recurring basis and the level within the fair value hierarchy is as follows:

	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	$ 11,233,093	$ -	$ -	$ 11,233,093
Total investments	$ 11,233,093	$ -	$ -	$ 11,233,093
Beneficial interest in split-interest agreements:				
Perpetual trust	$ -	$ -	$ 27,561	$ 27,561
Charitable remainder agreements	-	-	974,659	974,659
Total beneficial interest in split-interest agreements	$ -	$ -	$ 1,002,220	$ 1,002,220

Note 8 – Fair Value Measurements, continued

The following table summarizes the change in fair value of the Level 3 assets for which unobservable inputs were used to determine fair value:

	Beginning Balance June 30, 2019	Changes in Value Included in Net Assets	Ending Balance September 30, 2019
Beneficial interest in split-interest agreement			
Perpetual trust	$ 27,561	$ -	$ 27,561
Charitable remainder trust	969,966	4,693	974,659
Total beneficial interest in split-interest agreements	$ 997,527	$ 4,693	$ 1,002,220

There were no transfers between Levels 1, 2 and 3 during the period ended September 30, 2019.

At September 30, 2019, 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 September 30, 2019 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.

Note 8 – Fair Value Measurements, continued

Financial Instruments Not Measured at Fair Value, continued

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 consist of the following at September 30, 2019:

Leasehold improvements	$	646,840
Furniture and equipment		228,400
		875,240
Less: accumulated depreciation		(358,458)
Property and equipment, net	$	516,782

Depreciation expense for the period ended September 30, 2019 was $24,691.

Note 10 – Net Assets

Net assets consist of the following at September 30, 2019:

Net assets without donor restriction:		
Expended for property and equipment	$	516,782
Board designated:		
Donor advised funds		1,102
Endowment		9,974,970
Undesignated		(1,921,370)
Total net assets without donor restriction	$	8,571,484
Net assets with donor restriction:		
Undesignated pledges receivable, net	$	1,573,590
Donor restricted endowment		165,532
Beneficial interest perpetual trust		27,561
Emergency needs/disaster assistance funds		432,522
Beneficial interest in charitable remainder trust		974,659
Programs		82,836
Grants		11,872
Total net assets with donor restriction	$	3,268,572

Note 10 – Net Assets, continued

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 September 30, 2019, the Organization received no such permanent endowment gifts.

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 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 period ended September 30, 2019, there were no such deficiencies.

Note 10 – Net Assets, continued

Endowment Net Assets, continued

Endowment net assets consist of the following at September 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds	$ -	$ 165,532	$ 165,532
Board designated endowment funds	9,974,970	-	9,974,970
Total	$ 9,974,970	$ 165,532	$ 10,140,502

Changes to endowment net assets are as follows for the period ended September 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2019	$ 9,826,290	$ 171,022	$ 9,997,312
Investment return	79,511	1,350	80,861
Receipts/contributions	400,716	-	400,716
Appropriated for operating expenditures	(331,547)	(6,840)	(338,387)
Endowment net assets, September 30, 2019	$ 9,974,970	$ 165,532	$ 10,140,502

Note 11 – Contingency

The Organization receives grants from various sources to supplement its programs. Grant revenue represents 44% of total revenues for the period ended September 30, 2019. 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.

Note 12 – Annuity Obligations, continued

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.

The present value of future payment liabilities of charitable gift annuities is $67,039 at September 30, 2019. 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 $30,713 for the period ended September 30, 2019.

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 September 30, 2019:

Years Ending September 30,		
2020	$	147,645
2021		151,350
2022		155,136
2023		159,012
2024		163,020
Thereafter		294,780
Total minimum lease obligation	$	1,070,943

Rent expense on the lease for the period ended September 30, 2019 was $42,491.

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% (4.57% at September 30, 2019).

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 period ended September 30, 2019. There was no outstanding balance on the line of credit at September 30, 2019.