

UNITED WAY OF HUNTERDON COUNTY

AUGUST 31, 2019



UNITED WAY OF HUNTERDON COUNTY

For the Year Ended August 31, 2019

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to the Financial Statements	8 - 17



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

To the Board of Trustees of
United Way of Hunterdon County
Flemington, New Jersey

We have audited the accompanying financial statements of United Way of Hunterdon County (a non-profit organization), which comprise the Statements of Financial Position as of August 31, 2019 and 2018, and the related Statements of Activities and Changes in Net Assets, Cash Flows, and Functional Expenses 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

In 2018, the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities*, became effective. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Hunterdon County as of August 31, 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.



BKC, CPAs, PC

January 16, 2020
Flemington, New Jersey

UNITED WAY OF HUNTERDON COUNTY
Statements of Financial Position
August 31,

ASSETS

	2019	2018
Current assets		
Cash and cash equivalents	\$ 416,953	\$ 249,379
Certificates of deposit	97,832	154,537
Pledges receivable, net of allowance of uncollectible of \$52,000 and \$50,000, respectively	189,528	222,014
Other receivables	832	790
Prepaid expenses	2,826	6,616
Total current assets	707,971	633,336
Property and equipment, net of accumulated depreciation of \$309,873 and \$275,690, respectively	1,022,305	1,052,064
Other assets		
Investments	963,419	1,008,917
Total assets	\$ 2,693,695	\$ 2,694,317

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 48,103	\$ 45,420
Distributions payable to United Way Agencies	-	50,000
Designations payable	75,573	69,476
Mortgage payable - current	10,362	9,792
Total current liabilities	134,038	174,688
Benefits payable	37,279	35,269
Mortgage payable - long-term	234,060	244,356
Total liabilities	405,377	454,313
Net assets		
Without donor restrictions	2,288,318	2,235,472
With donor restrictions	-	4,532
Total net assets	2,288,318	2,240,004
Total liabilities and net assets	\$ 2,693,695	\$ 2,694,317

See accompanying notes to the financial statements.

UNITED WAY OF HUNTERDON COUNTY
Statements of Activities and Changes in Net Assets
For the Years Ended August 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Campaign results	\$ 842,414	-	\$ 842,414	\$ 761,282	\$ 11,282	\$ 772,564
Less: donor designations	(151,436)	-	(151,436)	(136,326)	-	(136,326)
Plus: prior year campaign collections	284	-	284	3,487	-	3,487
Less: bad debt expense	(47,061)	-	(47,061)	(29,565)	-	(29,565)
Total campaign pledges	644,201	-	644,201	598,878	11,282	610,160
Grants and contributions	188,882	-	188,882	257,241	-	257,241
Gifts in kind	312,441	-	312,441	242,900	-	242,900
Other designated support	141,678	-	141,678	175,270	-	175,270
Net assets released from restrictions	4,532	(4,532)	-	13,750	(13,750)	-
Total support and revenue	1,291,734	(4,532)	1,287,202	1,288,039	(2,468)	1,285,571
Expenses						
Program services						
Allocation and distributions to agencies	334,667	-	334,667	321,301	-	321,301
Program and initiatives expenses	601,467	-	601,467	585,656	-	585,656
Total program services	936,134	-	936,134	906,957	-	906,957
Support services						
Administrative	158,762	-	158,762	184,120	-	184,120
Resource development	161,447	-	161,447	124,456	-	124,456
Total support services	320,209	-	320,209	308,576	-	308,576
Total expenses	1,256,343	-	1,256,343	1,215,533	-	1,215,533
Interest and investment income	17,455	-	17,455	120,517	-	120,517
Increase (decrease) in net assets	52,846	(4,532)	48,314	193,023	(2,468)	190,555
Net assets - beginning of year	2,235,472	4,532	2,240,004	2,042,449	7,000	2,049,449
Net assets - end of year	\$ 2,288,318	\$ -	\$ 2,288,318	\$ 2,235,472	\$ 4,532	\$ 2,240,004

See accompanying notes to the financial statements.

UNITED WAY OF HUNTERDON COUNTY
Statements of Cash Flows
For the Years Ended August 31,

	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 48,314	\$ 190,555
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation expense	34,183	32,873
Bad debt expense	47,061	29,565
Amortization of debt issuance costs	60	60
Net realized and unrealized (gain) on investments and reinvested income	(14,502)	(118,977)
(Increase) decrease in assets		
Pledges receivables	(14,575)	(21,040)
Other receivables	(42)	132
Prepaid expenses	3,790	968
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	2,683	(8,803)
Distributions payable to United Way Agencies	(50,000)	(190,000)
Designations payable	6,097	(22,350)
Benefits payable	2,010	1,902
Total adjustments	16,765	(295,670)
Net cash provided (used) in operating activities	65,079	(105,115)
 Cash flows from investing activities		
Proceeds from maturity of certificate of deposit	56,705	19,217
Purchases of property and equipment	(4,424)	(11,990)
Transfers from investments	60,000	40,000
Net cash provided by investing activities	112,281	47,227
 Cash flows from financing activities		
Principal payments on long-term debt	(9,786)	(9,213)
Net cash used in financing activities	(9,786)	(9,213)
 Net increase (decrease) in cash and cash equivalents	167,574	(67,101)
 Cash and cash equivalents - beginning of year	249,379	316,480
Cash and cash equivalents - end of year	\$ 416,953	\$ 249,379

See accompanying notes to the financial statements.

UNITED WAY OF HUNTERDON COUNTY
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program Services			Support Services			Total Allocation and Expenses
	Distributions to Agencies	Community Building	Total Program Services	General Admin	Resource Development	Total Support Services	
Staff compensation and benefits	\$ -	357,000	\$ 357,000	75,728	108,182	\$ 183,910	\$ 540,910
Consulting and professional fees	-	23,117	23,117	52,917	14,296	67,213	90,330
Occupancy	-	21,949	21,949	4,654	6,651	11,305	33,254
Insurance	-	9,727	9,727	2,063	2,947	5,010	14,737
Printing and promotional	-	12,632	12,632	2,680	3,828	6,508	19,140
Postage	-	5,627	5,627	1,194	1,705	2,899	8,526
Repairs and maintenance	-	495	495	105	150	255	750
Supplies	-	6,489	6,489	1,377	1,966	3,343	9,832
Telecom	-	20,967	20,967	4,447	6,354	10,801	31,768
Travel	-	3,173	3,173	673	961	1,634	4,807
Conferences and meetings	-	4,846	4,846	1,028	1,468	2,496	7,342
Depreciation and amortization	-	22,600	22,600	4,794	6,849	11,643	34,243
Membership and subscription	-	2,177	2,177	462	660	1,122	3,299
Payments to affiliates	-	6,094	6,094	1,292	1,847	3,139	9,233
Interest and bank fees	-	11,826	11,826	2,508	3,583	6,091	17,917
Community programs and initiatives	-	92,748	92,748	-	-	-	92,748
Other outreaches	-	-	-	1,809	-	1,809	1,809
Agency distributions	14,071	-	14,071	-	-	-	14,071
Grant expense	2,200	-	2,200	-	-	-	2,200
Gifts in kind distributions	312,441	-	312,441	-	-	-	312,441
Signature event	5,955	-	5,955	-	-	-	5,955
Other special/fundraising	-	-	-	852	-	852	852
Miscellaneous expense	-	-	-	179	-	179	179
Total expense	\$ 334,667	\$ 601,467	\$ 936,134	\$ 158,762	\$ 161,447	\$ 320,209	\$ 1,256,343

See accompanying notes to the financial statements.

UNITED WAY OF HUNTERDON COUNTY
Statement of Functional Expenses
For the Year Ended August 31, 2018

	Program Services			Support Services			Total Allocation and Expenses
	Distributions to Agencies	Community Building	Total Program Services	General Admin	Resource Development	Total Support Services	
Staff compensation and benefits	\$ -	\$ 356,585	\$ 356,585	\$ 124,522	\$ 84,901	\$ 209,423	\$ 566,008
Consulting and professional fees	-	54,092	54,092	18,889	12,879	31,768	85,860
Occupancy	-	20,783	20,783	7,258	4,949	12,207	32,990
Insurance	-	9,729	9,729	3,398	2,316	5,714	15,443
Printing and promotional	-	11,927	11,927	4,164	2,840	7,004	18,931
Postage	-	7,761	7,761	2,710	1,848	4,558	12,319
Repairs and maintenance	-	971	971	339	231	570	1,541
Supplies	-	5,968	5,968	2,084	1,421	3,505	9,473
Telecom	-	15,455	15,455	5,397	3,680	9,077	24,532
Travel	-	4,191	4,191	1,464	998	2,462	6,653
Conferences and meetings	-	4,277	4,277	1,494	1,018	2,512	6,789
Depreciation and amortization	-	20,748	20,748	7,245	4,940	12,185	32,933
Membership and subscription	-	2,094	2,094	731	499	1,230	3,324
Payments to affiliates	-	6,262	6,262	2,187	1,491	3,678	9,940
Interest and bank fees	-	17,741	17,741	653	445	1,098	18,839
Community programs and initiatives	-	47,072	47,072	-	-	-	47,072
Other outreaches	-	-	-	1,585	-	1,585	1,585
Agency distributions	64,071	-	64,071	-	-	-	64,071
Grant expense	14,330	-	14,330	-	-	-	14,330
Gifts in kind distributions	242,900	-	242,900	-	-	-	242,900
Total expense	<u>\$ 321,301</u>	<u>\$ 585,656</u>	<u>\$ 906,957</u>	<u>\$ 184,120</u>	<u>\$ 124,456</u>	<u>\$ 308,576</u>	<u>\$ 1,215,533</u>

See accompanying notes to the financial statements.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of Organization

United Way of Hunterdon County (the Organization) is a non-profit organization in New Jersey whose principal activities are resource development, community impact and the support of voluntary health and welfare agencies which provide services in the community. The Organization is governed by a volunteer Board of Trustees.

The Organization is part of worldwide network of nearly 1,800 community based United Way Charities in 45 countries and territories. We advance the common good by focusing on improving education, helping people achieve financial stability and promoting healthy lives and mobilizing our constituents to give, advocate and volunteer to improve the conditions in which they live.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Organization status

The Organization has been notified by the Internal Revenue Service that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is further classified as an Organization that is not a supporting Organization under 509(a)(3) of the Code. The most significant tax positions of the Organization are its assertions that it is exempt from income taxes and its determination that no amounts are subject to unrelated business income tax (UBIT). Income generated by activities that would be considered unrelated to the Organization mission would be subject to income tax.

The Organization follows the guidance of FASB's Accounting Standards Codification (ASC) Topic 740, *Accounting for Income Taxes*, related to uncertain income tax provisions, which prescribes a threshold of more likely than not, for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has determined that it is more likely than not, that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

The Organization files a Form 990 Return of Organization Exempt Form Tax, annually with the Internal Revenue Service, as well as a State equivalent filing. Both filings are subject to audit by the appropriate authority. The Organization returns prior to 2015 are no longer subject to examination by Federal or State authorities due to the statute of limitations.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Financial presentation

The Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities*, for the year ended August 31, 2019. This ASU updated the presentation of the Organization's financial statements and disclosures. The Organization opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption.

Use of estimates

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

Cash and cash equivalents

The Organization considers all short-term investments, except certificates of deposit and treasury obligations, with an original maturity of three months or less to be cash equivalents. Money market cash accounts held in the endowment investment account are considered to be investments instead of cash accounts because the Organization holds these funds as an endowment.

Investments

The Organization classifies its marketable securities as available for sale. Securities classified as available for sale are carried in the financial statements at fair value. Realized gains and losses, determined using the specific identification method, are included in earnings; unrealized holding gains and losses are reported in the change in net assets.

Intangible assets

In accordance with accounting principles generally accepted in the United States of America, the Organization's capitalized intangible costs associated with bank borrowing are netted against long-term debt.

Property and equipment

Property and equipment are stated at cost, except for donated items that are recorded at fair value on the date of donation. Donated property and equipment are recorded as restricted support when donors stipulate how long the asset must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful lives of each asset. The estimated useful lives of the property and equipment range from five to forty years.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Additions and improvements, in excess of \$600 are capitalized and are depreciated accordingly, while general repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are included in the change in net assets.

Net asset classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are defined as follows:

Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

Revenue and support recognition

Gifts of cash and other noncapital assets are reported as support with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as unrestricted.

Revenues without donor restrictions are obtained through corporation, foundation and general public contributions. These revenues are used to provide program services as well as offset management and general fund-raising expenses. Revenues from these sources are recognized at the time the donation is pledged or received. The fair value of such pledges receivable approximate carrying value as the pledges are expected to be received within one year.

As a result of an increase in uncollectible campaign pledges, primarily caused by an increase in corporate employee retirees and attrition, the Organization wrote off a net amount of \$50,931 of pledges receivable for campaign years 2017-2018 during the year ended August 31, 2019. The reserve for bad debts was increased by \$2,000 as of August 31, 2019.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Contributed services

The Organization receives donated services from volunteers, officers and directors and other organizations to support fundraising and administrative efforts. The value of these donated services is not included in these financial services as they do not meet the criteria for recognition. The total donated hours were 16,393 and 15,535, respectively, for the years ended August 31, 2019 and 2018. There are also several gift campaigns operated for the benefit of the community where goods are received by the Organization and then distributed to recipients. The value of these donations has been recorded in the financial statements as gifts in kind revenue and expense.

Donor designated funds

The Organization receives funds that are considered pass through items that have been designated by the donor to other non-profit entities. These funds have been treated as liabilities until the funds are disbursed as they are not pledging or revenue of the Organization. These funds also include several charitable giving campaigns run by local companies for which the Organization is processing the transactions for the employer.

Functional allocation of expenses

The costs of providing programs and other initiative and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Expenses are allocated to each program or function based on time spent by the Organization's staff in each of these areas which is consistent with the benefit derived by each program.

Note 2 - Concentration of risks and uncertainties

Credit risk

The Organization maintains its cash and cash equivalents in a wide array of bank deposit accounts and financial institutions which are insured by the Federal Deposit Insurance Corporation. This investment policy limits the Organization's exposure to concentrations of credit risk. At August 31, 2019 and 2018 the Organization had no uninsured cash.

Major donors

A large percentage of the Organization's revenues comes from corporations and individual donors. During the years ended August 31, 2019 and 2018 the Organization received approximately 44% and 39%, respectively, of total campaign, grants and contributions revenues from one corporation. During the year ended August 31, 2018, the Organization received a donation from an estate that represented 14% of total campaign, grants and contributions revenues.

For the year ended August 31, 2019 and 2018, three corporate campaigns accounted for approximately 67% and 61%, respectively, of pledges receivable.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 3 - Investments

Investments are presented at fair value. Unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets. Investment income is credited to net assets without donor restrictions unless otherwise restricted by the contributor.

Investment income was comprised of the following as of August 31:

	2019	2018
Interest income on investments	\$ 23,224	\$ 20,869
Investment fees	(8,909)	(9,321)
Realized gains	79,815	30,958
Unrealized gains	(76,675)	78,011
Total investment income	\$ 17,455	\$ 120,517

Note 4 - Fair value

Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 4 - Fair value (continued)

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

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of:

<u>August 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds			
Money market	\$ 97,083	\$ -	\$ -
Mutual funds	283,713	-	-
Equity securities			
Preferred stock	25,117	-	-
Domestic common stock	557,506	-	-
Total	<u>\$ 963,419</u>	<u>\$ -</u>	<u>\$ -</u>
<u>August 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds			
Money market	\$ 42,350	\$ -	\$ -
Mutual funds	180,155	-	-
Equity securities			
Preferred stock	25,656	-	-
Domestic common stock	760,756	-	-
Total	<u>\$ 1,008,917</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Investment policy

In 2005, the Organization established an investment account, referred to internally as the endowment fund, as a designation of unrestricted net assets to increase the financial resources available for health and human services in the community. In 2006, the Organization was the beneficiary of an estate, receiving a distribution totaling \$725,000, which was unrestricted by the donor and used to initiate the endowment fund. Endowment funds are maintained in a separate investment account that is professionally managed with a diversified selection of investments.

The investment policy for management of the endowed assets of the Organization realizes the following objectives: 1) to preserve the corpus of the investment and increase its value; 2) to maximize investment income with prudent risk; 3) to create the opportunity for capital gains; and 4) to provide for flexibility in investment activity.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 5 - Investment policy (continued)

The endowment consists of a balanced portfolio of stocks and bonds. Assets are diversified to ensure that adverse or unexpected results from one security or security class will not have a significant detrimental impact on the entire portfolio. Generally, the Board designated assets will be invested within a range of equities 40% to 75%; fixed income 24% to 50%; money market up to 25%. Limitations on the percentages of investments in small cap stock, as well as industry classification for stocks and bonds are in place.

The following is a reconciliation of the endowment fund as of August 31:

	2019	2018
Beginning balance	\$ 1,008,917	\$ 929,940
Interests and dividends	20,273	19,329
Realized and unrealized appreciation of investments	3,138	108,969
Endowment withdrawals	(60,000)	(40,000)
Trust expenses	(8,909)	(9,321)
Ending balance	\$ 963,419	\$ 1,008,917

All interest and dividends earned by the endowment funds will be available for use for the purpose for which the endowment was created the fiscal year following the year in which they were earned. All capital gains distributions of mutual funds will be added to the endowment principal. Withdrawals in any calendar year may be made on up to 5% of the average of the preceding three calendar year market average of endowment assets.

Note 6 - Availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets as of August 31, 2019 as follows:

Cash and cash equivalents	\$ 416,953
Certificates of deposit	97,832
Pledges receivable, net	189,528
Total financial assets	704,313
Less:	
Amounts unavailable for general expenditures within one year due to:	
Designation payable	(75,573)
	\$ 628,740

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To manage liquidity, the Organization has a \$150,000 line of credit that can be drawn down as needed.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 7 - Property and equipment

Property and equipment consist of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 97,500	\$ 97,500
Building and improvements	1,156,257	1,153,019
Furniture, fixtures and equipment	78,421	77,235
Total property and equipment	<u>1,332,178</u>	<u>1,327,754</u>
Less: accumulated depreciation	<u>(309,873)</u>	<u>(275,690)</u>
Property and equipment, net	<u>\$ 1,022,305</u>	<u>\$ 1,052,064</u>

Depreciation expense for the years ended August 31, 2019 and 2018 was \$34,183 and \$32,873, respectively.

Note 8 - Long-term debt

Long-term debt consists of the following as of August 31:

	<u>2019</u>	<u>2018</u>
A mortgage payable to a bank, with monthly payments of \$2,091, including interest at the rate of 5.99%. The rate may be reset at the 10-year anniversary of the closing of the loan and every 5 years thereafter. The loan matures August 2034 and is collateralized by a first position lien on the building.	\$ 246,522	\$ 256,308
Less: unamortized debt issuance costs	2,100	2,160
Less: current maturities of long-term debt	<u>10,362</u>	<u>9,792</u>
	<u>\$ 234,060</u>	<u>\$ 244,356</u>

The amounts of long-term debt maturing over the next five years ending August 31, 2019 and thereafter are as follows:

2020	\$ 10,362
2021	11,050
2022	11,740
2023	12,473
2024	13,219
Thereafter	187,678

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 9 - Net assets

Components of net assets as of August 31 were as follows:

	2019	2018
Undesignated, available for general operations	\$ 1,324,899	\$ 1,226,555
Designated by the Board for		
Endowment fund	963,419	1,008,917
Total net assets without donor restrictions	\$ 2,288,318	\$ 2,235,472
 Total net assets with donor restrictions	 \$ -	 \$ 4,532

Note 10 - Supplemental disclosures of cash flow information

Gifts in kind

The Organization received gifts in kind in the amounts of \$312,441 and \$242,900 during the years ended August 31, 2019 and 2018, respectively. These amounts are recorded as income and expenses in the fiscal year they are received.

Non-cash investing and financing activities

Cash paid during the year ended August 31:

	2019	2018
Interest	\$ 14,726	\$ 15,872
 Proceeds from sale of certificates of deposits and investments	 \$ 658,588	 \$ 195,661
 Purchase of certificates of deposits and investments	 \$ 613,246	 \$ 186,452

Note 11 - Retirement plan and other postretirement benefits

The Organization sponsors a defined contribution benefit plan, covering all full-time salaried employees employed one year or more by the Organization who elect to participate. The Organization will match the employee's contribution up to 5%. The expense for the years ended August 31, 2019 and 2018 was \$19,414 and \$18,165, respectively.

UNITED WAY OF HUNTERDON COUNTY
Notes to the Financial Statements

Note 11 - Retirement plan and other postretirement benefits (continued)

During fiscal year 2017, the Organization terminated its post-retirement health benefit which provided health insurance for life to eligible employees who met certain employment thresholds. As a condition of the termination of the benefit the Organization agreed to a buy out the Organization's executive director, who was the Organization's only employee in position to meet the required employment thresholds for eligibility to receive the post-retirement benefit. Upon retirement the executive director will receive 5 annual payments of \$10,364 for a total payout of \$51,820. The Organization has imputed interest on the present value of the liability which accrues at a rate of 5.7% until the final payment is made or until the total payout amount is completed. Total benefits payable at August 31, 2019 and 2018 was \$37,279 and \$35,269, respectively.

Note 12 - Line of credit

The Organization has a revolving line of credit with a bank, with an overall borrowing limit of \$150,000, and collateralized by the assets of the Organization. The Organization is required to pay interest at prime plus 0.750 percentage points. There were no borrowings on the loan during fiscal years ended August 31, 2019 and 2018. The line of credit was extended and matures on March 9, 2020.

Note 13 - Change in accounting standards

ASU 2014-09: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This ASU as modified by ASU 2015-14, changes the timing of recording revenue for services performed. This ASU will be effective to the Organization in the year ending August 31, 2020. Management has not completed its assessment of the impact of this change.

Note 14 - Subsequent events

The Organization's management has determined that no material events or transactions occurred subsequent to August 31, 2019 and through January 16, 2020, the date of the Organization's financial statement issuance, which require additional disclosure in the Organization's financial statements.