United Way, Inc. d/b/a
United Way of Central and
Northeastern Connecticut

Financial Statements and
Independent Auditor's Report

June 30, 2019 and 2018

CohnReznick
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United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

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Independent Auditor's Report

To the Board of Directors
United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

We have audited the accompanying financial statements of United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut, which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
February 4, 2020

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Financial Position
June 30, 2019
(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Assets				
Cash and cash equivalents	$ 3,296,294	$ 85,000	$ 3,381,294	$ 3,261,911
Due from (to) other funds	(154,962)	154,962	-	-
Prepaid expenses and other assets	272,923	-	272,923	171,912
Pledges receivable, net	5,385,155	-	5,385,155	5,658,833
Other receivables	243,209	-	243,209	535,938
Investments	15,645,242	1,241,820	16,887,062	16,668,925
Investments held in trust by others	-	6,947,331	6,947,331	6,970,614
Property and equipment, net	962,421	-	962,421	1,107,179
Total assets	$ 25,650,282	$ 8,429,113	$ 34,079,395	$ 34,375,312
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 1,599,957	$ -	$ 1,599,957	$ 1,105,535
Agency program support payable	6,968,510	-	6,968,510	7,505,118
Donor designations payable	2,200,748	-	2,200,748	2,461,405
Grants payable	2,413,085	-	2,413,085	2,135,003
Total liabilities	13,182,300	-	13,182,300	13,207,061
Commitments and contingencies				
Net assets				
Without donor restrictions	12,467,982	-	12,467,982	12,746,150
With donor restrictions	-	8,429,113	8,429,113	8,422,101
Total net assets	12,467,982	8,429,113	20,897,095	21,168,251
Total liabilities and net assets	$ 25,650,282	$ 8,429,113	$ 34,079,395	$ 34,375,312

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Public support and revenue				
Campaign amounts raised	$ 17,550,831	$ 166,745	$ 17,717,576	$ 17,847,645
Add				
Contributions from other United Way campaigns, net of donor designations	206,419	-	206,419	221,561
Less				
Uncollectible pledges	(549,800)	-	(549,800)	(552,771)
Amounts designated by donors	(7,188,974)	-	(7,188,974)	(7,087,680)
Net assets released from restrictions	136,450	(136,450)	-	-
Campaign revenue, net	10,154,926	30,295	10,185,221	10,428,755
Other revenue				
Investment income, net of fees of $25,000	544,620	-	544,620	393,171
Income from trusts held by others	442,944		442,944	448,694
Community grants, initiatives and service income	1,232,611	-	1,232,611	1,038,758
Administrative fees on amounts raised on behalf of others	290,718	-	290,718	349,013
Rental income	83,192	-	83,192	83,192
Gifts in-kind	149,411	-	149,411	162,509
Miscellaneous/other revenue	103,114	-	103,114	161,618
Total other revenue	2,846,610	-	2,846,610	2,636,955
Total public support and revenue	13,001,536	30,295	13,031,831	13,065,710

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Community Investment and program services				
Community support and gross funds distributed	$ 13,188,974	$ -	$ 13,188,974	$ 13,630,461
Amounts designated by donors	(7,188,974)	-	(7,188,974)	(7,087,680)
Community Investment (program support)	6,000,000	-	6,000,000	6,542,781
Grants and initiatives	1,139,812	-	1,139,812	916,805
Community Investment services	1,661,507	-	1,661,507	2,010,463
Total Community Investment and program services	8,801,319	-	8,801,319	9,470,049
Support services				
Resource development	2,361,611	-	2,361,611	2,505,202
Management and general	1,523,861	-	1,523,861	1,428,316
Total support services	3,885,472	-	3,885,472	3,933,518
Total Community Investment and program services and support services	12,686,791	-	12,686,791	13,403,567
Operating income (deficit)	314,745	30,295	345,040	(337,857)
Nonoperating revenue and expenses:				
Realized gain on sale of investments	115,970	-	115,970	425,359
Change in unrealized gain (loss) on investments	132,547	-	132,547	(377,200)
Change in investments held in trust by others	-	(23,283)	(23,283)	306,185
Pension related changes other than net periodic pension cost	(841,430)	-	(841,430)	(146,545)
Change in net assets	(278,168)	7,012	(271,156)	(130,058)
Net assets, beginning of year	12,746,150	8,422,101	21,168,251	21,298,309
Net assets, end of year	$ 12,467,982	$ 8,429,113	$ 20,897,095	$ 21,168,251

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Cash Flows
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (271,156)	$ (130,058)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	171,923	168,329
Decrease in allowance for uncollectible pledges	(25,069)	(76,957)
Change in unrealized (gain) loss on investments	(132,547)	377,200
Realized gain on sale of investments	(115,970)	(425,359)
Change in investments held in trust by others	23,283	(306,185)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(101,011)	(50,215)
Pledges receivable	298,747	192,360
Other receivables	292,729	(138,738)
Accounts payable and accrued expenses	494,422	239,080
Campaign support due to Community Health Charities	-	(454,021)
Agency program support payable	(536,608)	(706,016)
Donor designations payable	(260,657)	(112,318)
Grants payable	278,082	(328,727)
Net cash provided by (used in) operating activities	116,168	(1,751,625)
Cash flows from investing activities		
Purchases of property and equipment, net	(27,165)	(80,023)
Proceeds from sales of investments	1,412,890	1,914,798
Purchases of investments	(1,382,510)	(1,732,968)
Net cash provided by investing activities	3,215	101,807
Net increase (decrease) in cash and cash equivalents	119,383	(1,649,818)
Cash and cash equivalents, beginning	3,261,911	4,911,729
Cash and cash equivalents, end	$ 3,381,294	$ 3,261,911

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Functional Expenses
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019				
		Support Services			
	Community investment services	Resource development	Management and general	Total	2018 Total
Salaries	$ 811,249	$ 1,368,608	$ 712,768	$ 2,892,625	$ 3,142,856
Employee benefits	148,925	245,257	146,359	540,541	748,522
Temporary help	10,639	19,093	38,603	68,335	98,125
Total salaries and related expenses	970,813	1,632,958	897,730	3,501,501	3,989,503
Promotions	27,520	101,420	-	128,940	132,184
Other professional fees	53,593	198,735	117,634	369,962	267,116
Dues and support to United Way Worldwide	52,160	88,271	56,173	196,604	219,402
Supplies, printing and production	25,538	71,048	4,300	100,886	117,559
Occupancy	173,238	66,837	104,584	344,659	379,976
Depreciation	76,021	29,534	66,368	171,923	168,329
Rental and maintenance of equipment	11,992	20,293	13,416	45,701	42,316
Insurance	22,725	8,829	66,770	98,324	96,976
Equipment, hardware and software	29,933	59,268	47,741	136,942	98,978
Postage and shipping	889	10,603	5,768	17,260	19,022
Meetings, travel and staff development	6,288	10,530	16,835	33,653	34,584
Volunteer and agency development	2,528	1,490	5,100	9,118	12,362
Telephone	8,563	14,491	10,384	33,438	25,219
Dues, subscriptions and publications	40,903	9,751	21,068	71,722	34,512
Accounting fees	3,396	5,747	50,467	59,610	62,050
Legal fees	1,530	2,589	1,649	5,768	5,000
Management fees	6,241	2,425	3,794	12,460	12,240
Gifts in-kind	142,436	6,975	-	149,411	162,509
Miscellaneous and other	5,200	19,817	34,080	59,097	64,144
	690,694	728,653	626,131	2,045,478	1,954,478
Total functional expenses	$ 1,661,507	$ 2,361,611	$ 1,523,861	$ 5,546,979	$ 5,943,981

See Notes to Financial Statements.

Note 1 - Organization and operation

United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut ("United Way") is a separate, independent non-profit organization, governed by a local volunteer board of directors. United Way has been addressing community conditions in 52 towns across central and northeastern Connecticut since 1924. United Way's mission is to engage and bring together people and resources committed to the well-being of children and families in our community. United Way's vision is a community where opportunities are available for every child to succeed in school and for every family to achieve financial security. United Way also connects individuals and families with immediate emergency assistance such as food and shelter.

Through its annual community-wide campaign and other giving options, United Way provides the opportunity for people in the community to support the causes and non-profit organizations important to them. Contributions are obtained primarily from local businesses, charitable foundations and individuals. Contributions to United Way are tax-deductible within the limitations prescribed by law.

Management believes a donation directed to United Way *Community Investment* is the single best way to make a difference in our community. Through United Way *Community Investment*, donors' gifts are invested in programs and initiatives to ensure success for children and youth, financial security for lower income families, and immediate emergency assistance for those in need. Programs funded through *Community Investment* are researched and monitored by knowledgeable staff and volunteers to ensure that donor dollars are invested in programs that produce long-lasting results and that effective non-profit management, governance, and financial accountability standards are upheld.

Note 2 - New accounting pronouncement

During 2019, the United Way adopted the provisions of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the United Way's total net assets.

Note 3 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

<u>Net assets with donor restrictions</u> - Net assets subject to donor-imposed restrictions that may or will be met by actions of United Way and/or the passage of time and net assets subject to donor-imposed restrictions that they be maintained permanently by United Way. Generally, the

donors of these assets permit United Way to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions

Contributions are recognized as revenue in the period received and recorded with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. Gains and losses on investments and other assets, if any, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a 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 accompanying statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Liquidity information

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash.

Cash and cash equivalents

United Way considers all short-term, highly liquid investments available for current use with a maturity of three months or less when acquired to be cash equivalents.

Investments

United Way reports investments at their current fair value and reflects any gain or loss in the statement of activities. Gains and losses are considered without restriction unless restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Endowment and spending policy

United Way has adopted investment and spending policies for endowment assets that emphasize preservation of capital as the primary objective with a secondary objective being conservative growth. The policy is designed to preserve the real value of the investment reserves over time while providing a modest level of income for current operating needs. Funds are not intended to be used for campaign shortfalls and the spending policy is not mandatory. Endowment assets include those assets of donor-restricted funds that United Way must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

To satisfy its long-term objectives, United Way 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). United Way targets a broadly diversified asset allocation of investments to achieve its long-term return objectives within prudent risk constraints.

The Investment Spending Policy adopted by the Board of Directors allows for the withdrawal of up to 5% of the average investment portfolio balance of the preceding twenty quarters. The authorized withdrawal for the years ended June 30, 2019 and 2018 was $600,000. The actual withdrawal for the years ended June 30, 2019 and 2018 was $600,000. The volunteer-approved spending policy withdrawal for fiscal year 2020 is $764,000.

Campaign results

Campaign results are generally calculated on gross amounts raised for all campaign efforts within the 52-town region. United Way counts all funds generated where it "manages" the workplace campaign and incurs the costs to do so, either from solicitation efforts made to and/or through corporate headquarters and/or branch locations within the central and northeastern Connecticut geographic area.

United Way has the responsibility of processing a number of workplace campaigns of companies having regional and/or national work locations and whose company headquarters is based in the Greater Hartford, Connecticut region. Recognizing that other local United Ways are primarily involved with the direct solicitation of these respective company locations, United Way does not include the campaign results from these locations in the statement of activities. These campaign results are reflected on the local United Way's financial statements.

For the Connecticut State Employees' Campaign, United Way participates as a member federation. Campaign results designated to United Way and to the certified partner agencies, from state facilities based in the Greater Hartford region, have been reflected in campaign amounts raised by United Way in the accompanying statement of activities.

Property and equipment

United Way generally capitalizes expenditures for property and equipment in excess of $2,500 with a useful life of three years or greater. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives.

Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated useful lives
Building	31 years
Tenant improvements	10 - 15 years
Furniture, fixtures and equipment	3 - 5 years
Computer equipment and software	3 - 5 years
Office equipment	3 - 5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Donated materials and services
Donated materials and services are recorded at their estimated values at date of receipt. Community volunteers have donated significant amounts of time in assisting United Way with its fundraising efforts and *Community Investment* programs. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording.

Gifts in-kind
United Way receives in-kind contributions, which are recorded as revenue and related expense when received. In-kind contributions are reported at their estimated fair value and consist primarily of advertising.

Income taxes
United Way was organized as a nonstock, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal and state corporate income taxes.

United Way has no unrecognized tax benefits at June 30, 2019 and 2018. United Way's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If United Way has unrelated business income taxes, United Way will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Functional expenses – United Way categorizes its expenses to one of three functions as follows:

- Community Investment Services are the activities that result in goods and services being distributed to beneficiaries, customers and/or members that fulfill the mission of United Way. This constitutes the total direct and allocable expenses from *Community Investment*, along with administration and support to its three regional advisory boards, community initiatives and volunteer engagement opportunities within our communities.

- Resource Development includes those expenses that are directly attributable to the fundraising efforts, including the marketing of the annual United Way Community Campaign and the administration support and relationship services extended to donors.

- Management and general expenses provide for the overall support of United Way.

Accordingly, certain costs have been allocated by management based on time records and the best available estimate of the percentage of each cost element applicable to each functional area.

Subsequent events
United Way has evaluated events and transactions for potential recognition or disclosure through February 4, 2020, which is the date the financial statements were available to be issued.

Note 4 - Liquidity

United Way regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2019, United Way has the following financial assets available to meet annual operating needs for the 2020 fiscal year as follows:

Cash and cash equivalents	$ 3,381,294
Investments	16,887,062
Investments held in trust by others	6,947,331
Campaign pledge receivables, net	5,385,155
Other receivables	243,209
Financial assets, end of year	32,844,051
Less:	
Assets to be held in perpetuity	(1,241,820)
Assets of fiscal intermediary	(135,394)
Donor restricted cash	(85,000)
Assets held in trust by others	(6,947,331)
Board designated for Community Investment	(15,645,242)
Financial assets available for general expenditure within one year	$ 8,789,264

These financial assets are not subject to any donor or contractual restrictions.

United Way supports its general operations primarily with campaign revenue, contributions and grants.

To deal with unplanned cash requirements that might arise, United Way can draw on its $1,500,000 line of credit.

Note 5 - Concentrations of credit risk

United Way maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. United Way has not experienced any loss in such accounts and believes that they are not exposed to any significant credit risk on cash and cash equivalents. The total uninsured cash balance at June 30, 2019 was approximately $3,244,000.

United Way invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of United Way's investments which could materially affect amounts reported in the financial statements.

Note 6 - Pledges receivable and estimated allowance for uncollectible pledges

Pledges receivable, which are expected to be collected within one year, and the estimated allowance for uncollectible pledges, as of June 30, 2019 and 2018, are as follows:

	2019	2018
Gross pledges receivable		
2016/17 Campaign	$ -	$ 7,350
2017/18 Campaign	-	6,242,379
2018/19 Campaign	5,950,982	-
Gross pledges receivable	5,950,982	6,249,729
Estimated allowance for uncollectible pledges		
2017/18 Campaign	-	590,896
2018/19 Campaign	565,827	-
Total estimated allowance for uncollectible pledges	565,827	590,896
Pledges receivable, net	$ 5,385,155	$ 5,658,833

The majority of campaign pledges received by United Way are honored via payroll deductions. These pledges are remitted to United Way throughout the year by the individuals' employer.

The estimated allowance for uncollectible pledges is based upon a three-year average of historical pledge loss factors adjusted by management's estimates of current economic and local business factors, applied to overall campaign activity. Initial reserve amounts are calculated (and recorded) on gross campaign amounts raised. Specific pledge amounts are written off when management has ascertained the amounts will not be collected. Otherwise, the overall outstanding campaign balance is reconciled and closed at a later date and time.

United Way Worldwide membership ("UWW") standards require the direct payment of donor directed gifts by the "*processing"* local United Way rather than having proceeds flow through the *"managing"* United Way of the workplace campaign. If no collection and payment detail is provided to United Way by the campaign "processor" (another local United Way or a third-party agent contracted by the company for its campaign), these specific designated gifts are assumed to be collected (and disbursed) in full and are recorded accordingly as campaign revenue and amounts designated by donors.

Should the actual pledge loss from a campaign be less than or greater than the amount initially reserved, the difference is recorded in current year results.

An initial reserve of 3% was established for the 2017 campaign. Actual pledge loss for this campaign, based upon payment information received by United Way inclusive of direct payments by others, was 3%. An initial reserve of 3% has been established for the 2018 campaign. For the 2015 through 2017 campaigns, the average rate of pledge loss was 3%.

Note 7 - Investments

United Way values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

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

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, United Way utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal years 2019 and 2018.

Financial assets carried at fair value at June 30, 2019 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short term fixed income	$ 6,212,512	$ 6,212,512	$ -	$ -
Global fixed income	3,894,172	3,894,172	-	-
Alternative investments	3,366,512	3,366,512	-	-
U.S. equities	3,386,596	3,386,596	-	-
Money market fund	27,270	27,270	-	-
Investments held in trust by	6,947,331	-	-	6,947,331
Total assets at fair value	$ 23,834,393	$ 16,887,062	$ -	$ 6,947,331

Financial assets carried at fair value at June 30, 2018 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short term fixed income	$ 6,199,402	$ 6,199,402	$ -	$ -
Global fixed income	3,799,136	3,799,136	-	-
Alternative investments	3,346,814	3,346,814	-	-
U.S. equities	3,323,573	3,323,573	-	-
Investments held in trust by	6,970,614	-	-	6,970,614
Total assets at fair value	$ 23,639,539	$ 16,668,925	$ -	$ 6,970,614

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2019 are as follows:

	June 30, 2018	Net unrealized loss relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30, 2019
Investments held in trust by others	$ 6,970,614	$ (23,283)	$ -	$ -	$ 6,947,331

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2018 are as follows:

	June 30, 2017	Net unrealized gains relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30, 2018
Investments held in trust by others	$ 6,664,429	$ 306,185	$ -	$ -	$ 6,970,614

Mutual funds and the money market fund are valued at the daily closing price as reported by the fund. Mutual funds and the money market fund held are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and the money market fund are deemed to be actively traded. Investments held in trust by others are designated as Level 3 instruments primarily because observable inputs are not readily available for their allocated portions of the portfolios, which are held by an unrelated party. The fair value is provided by management of the unrelated party and represents United Way's pro rata share of the fair value of the underlying investments. The unrelated party provides United Way with investment statements and valuations of its portion of the portfolios at year end. The fair value was obtained from a third-party without adjustments. As such, United Way is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

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

United Way's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended June 30, 2019 and 2018.

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2019:

	2019		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short term fixed income	$ 6,191,800	$ 6,212,512	$ 20,712
Global fixed income	4,036,644	3,894,172	(142,472)
Alternative investments	3,098,014	3,366,512	268,498
U.S. equities	2,511,169	3,386,596	875,427
Money market fund	27,270	27,270	-
Total	$ 15,864,897	$ 16,887,062	$ 1,022,165

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2018:

	2018		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short term fixed income	$ 6,262,919	$ 6,199,402	$ (63,517)
Global fixed income	3,998,154	3,799,136	(199,018)
Alternative investments	2,998,901	3,346,814	347,913
U.S. equities	2,519,333	3,323,573	804,240
Total	$ 15,779,307	$ 16,668,925	$ 889,618

Investment amounts are summarized in the statement of financial position as follows:

	2019	2018
Without donor restrictions	$ 15,645,242	$ 15,427,105
With donor restrictions	1,241,820	1,241,820
Total	$ 16,887,062	$ 16,668,925

The volunteers who make up the Investment Committee (a sub-committee of the Finance Committee) are charged with the responsibility for the management of the aggregate assets of the endowment of United Way. The majority of these volunteers are professionals within the investment industry. Their primary long-term objective is to preserve the real (i.e. inflation adjusted) purchasing power of all invested funds, while producing a modest income stream for support of operations and programs of United Way. To strengthen its fiduciary role, the Investment Committee utilizes the services of an independent consultant. The safekeeping of assets is maintained by a separate custodian.

Note 8 - Investments held in trust by others

Investments held in trust by others (and administered by a third-party trustee) represent the market values of United Way's rights to split-interest agreements. The interest in these assets is carried as a net asset with donor restriction in the statement of financial position. The distributed income from these investments is recorded as nonoperating revenue when received, as there are no restrictions on the use of these funds. The fair value as of June 30, 2019 and 2018 was $6,947,331 and $6,970,614, respectively. The change in the carrying value of investments held in trust by others during the years ended June 30, 2019 and 2018 was an unrealized (loss)/gain of ($23,283) and $306,185, respectively.

Note 9 - Property and equipment

At June 30, 2019 and 2018, the cost of property and equipment, less accumulated depreciation, is as follows:

	2019	2018
Building and land	$ 3,236,168	$ 3,209,003
Tenant improvements	170,801	170,801
Furniture, fixtures and equipment	136,910	136,910
Computer equipment and software	796,172	796,172
Office equipment	23,777	23,777
	4,363,828	4,336,663
Less accumulated depreciation	(3,401,407)	(3,229,484)
Total	$ 962,421	$ 1,107,179

Note 10 - Line of credit

On August 18, 2014, United Way entered into a revolving line of credit agreement (the "Line") with Webster Bank in the amount of $1,500,000 to be used as needed for general corporate purposes. This line is renewable annually as of March 31. Interest on advances is due and payable at a rate equal to either the adjusted daily LIBOR rate plus two hundred basis points, or the Base Lending Rate, as defined in the Line. The outstanding balance on the line of credit was $0 as of June 30, 2019 and 2018.

Note 11 - Agency program support

Through United Way's *Community Investment*, donors' gifts are invested by United Way volunteers in programs and initiatives with a proven track record of ensuring children are successful, families are financially stable and that basic needs are available to those in need. C*ommunity Investment* funded programs are monitored by trained volunteers who ensure that dollars are invested in programs to produce real results and that effective non-profit management, governance and financial accountability standards are upheld.

The total agency support expense for the year ended June 30, 2019 was $6,000,000. An additional $593,000 was available from unused funds from previous year's awards due to agency closings or other circumstances. Total awards to 47 organizations for 86 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Youth Success	$ 3,256,000	49%
Economic Mobility	1,231,000	19
Basic Needs	1,717,000	26
Other Investments (in development)	389,000	6
	$ 6,593,000	100%

The total agency support expense for the year ended June 30, 2018 was $6,542,781. An additional $457,219 was available from unused funds from previous year's awards due to agency closings or other circumstances. Total awards to 49 organizations for 86 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Ensuring Children are Successful	$ 3,965,000	57%
Family Financial Security	1,318,000	19
Basic Needs	1,717,000	24
	$ 7,000,000	100%

Note 12 - Designations to others

Through the United Way Community Campaign, donors can direct their gifts to any qualified organization in the United States over which United Way exercises/retains no discretion as to use due to donor instruction. In order to qualify, an organization must meet the following three criteria: (1) fully tax exempt, (2) donations are 100% tax deductible, (3) in full compliance with The Federal Patriot Act laws. As a member of United Way Worldwide, United Way adheres to all membership criteria including the requirements for deducting administrative fees from donor-directed pledges.

Note 13 - Grants payable

Grants payable are available for the following initiatives and are as follows as of June 30:

	2019	2018
Metro Hartford Workforce Solutions Collaborative - a public/private partnership of organizations committed to ensuring a competitive, economically self-sufficient workforce with the skills needed by area employers.	$ 1,008,455	$ 998,061
Emerging Needs Fund (formally known as Changing Community Conditions) - funds available to invest in strategies to improve lives and change community conditions, and/or respond to emergency needs that are in alignment with United Way's community goals.	202,847	233,746
WLC Family Financial Initiative - funds available to bring adult financial services such as credit and budget workshops, one-on-one financial coaching, matched savings programs and referral services to community schools in Hartford.	453,488	427,200
Generation Work - with support from the Annie E. Casey Foundation, United Way and multiple partners aim to identify and pursue effective strategies to improve employment opportunities for young adults ages 18 to 29 by improving coordination and collaboration among industry-specific approaches and youth initiatives.	264,449	242,576
Coalition for New Britain's Youth - a citywide collaborative committed to improving the lives of New Britain's youth, birth through age 24, and working to ensure they have what they need to be successful in school, career, and life.	128,471	72,445
Working Cities - funds available to support implementation of a cross-sector, collaborative partnership to increase employment among young adults in three Hartford neighborhoods: Frog Hollow, Barry Square and South Green.	151,948	99,669
North Hartford Triple Aim Collaborate is a multi-sector team focused on population health improvement. Residents and partner organizations from the business, non-profit, healthcare and government sectors are working together to design a neighborhood-level health strategy	114,000	-
Other/miscellaneous grant funding	89,427	61,306
Total grants payable	$ 2,413,085	$ 2,135,003

Note 14 - Net asset restrictions

Certain net assets are restricted to time or purpose as follows:

	2019	2018
Net assets restricted in perpetuity:		
The portion of perpetual endowment funds	$ 8,189,151	$ 8,212,434

	2019	2018
Net assets restricted to time and purpose:		
Time restrictions	$ 166,745	$ 136,450
Assigned assets - regional service areas	73,217	73,217
Total	$ 239,962	$ 209,667

Note 15 - Contributions from other United Way campaigns

This revenue is recorded on a cash basis in the financial statements, net of any pass-through amounts directed to community agencies. No fees are deducted (by United Way) on any such "donor-restricted gifts."

Note 16 - Operating leases

United Way leases certain equipment under non-cancelable operating leases which expire at various times through October 2022. Monthly aggregate payments are $4,888. United Way is responsible for maintenance, taxes and related insurance costs. Total rental expense under these leases was $45,701 and $42,316 during the years ended June 30, 2019 and 2018, respectively.

Future commitments under these leases in each of the years subsequent to June 30, 2019 are as follows:

2020	$ 25,423
2021	21,147
2022	19,291
2023	892
Total	$ 66,752

United Way leases portions of its administrative building to unrelated not-for-profit organizations. As of June 30, 2019, three leases were in effect which expire at various dates through December 2019. Rental income for the years ended June 30, 2019 and 2018 was $83,192.

Note 17 - Employee benefit plans

United Way maintains a contributory defined benefit pension plan, which vests with three years of service, and which covers substantially all of its employees at least 21 years of age with one year of service. It is United Way's policy to fund pension costs as determined by the Board of Directors, subject to the funding limitations of the Employee Retirement Income Security Act of 1974 ("ERISA").

The measurement date of this plan is June 30. The accrued benefit cost is included in accounts payable and accrued expenses in the accompanying statements of financial position.

	2019	2018
Projected benefit obligation at June 30	$ 4,582,342	$ 4,014,966
Fair value of plan assets at June 30	(3,468,657)	(3,585,180)
Under funded status	$ 1,113,685	$ 429,786
Accrued benefit cost recognized in the statement of financial position	$ (1,113,685)	$ (429,786)
Weighted average assumptions as of June 30		
Discount rate	4.00%	3.50%
Expected return on plan assets	4.00%	4.00%
Rate of compensation increase	0.00%	5.50%
Post-retirement interest rate	5.50%	5.50%
Net periodic benefit cost	$ 26,514	$ 20,130
Employer contribution	37,500	150,000
Benefits paid	190,270	243,968
Accumulated benefit obligation	4,582,342	4,014,966

The expected long-term rate of return on plan assets assumption of 4.0% was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 ("Selection of Economic Assumptions for Measuring Pension Obligations"). Based on United Way's investment allocations for the pension plan in effect as of the beginning of the fiscal year, the best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on long-term historical return on the applicable asset classes. An average inflation rate within the range equal to 3.00% was selected and added to the real rate of return range to arrive at a best estimate range of 3.98% - 4.69%. A rate of 4.00%, which is within the best estimate range, was selected.

Retiree benefit payments, which reflect expected future service, are anticipated to be paid as follows:

2020	$ 1,080,000
2021	304,000
2022	200,000
2023	356,000
2024	181,000
2025-2029	1,143,000

The asset allocations by category as of June 30, 2019 and 2018 are as follows:

	2019	%	2018	%
Equity	$ -	0%	$ -	0%
Fixed income	-	-	-	-
General account*	3,468,657	100	3,585,180	100
	$ 3,468,657	100%	$ 3,585,180	100%

* The general account assets are invested in securities with varied maturities.

United Way sets investment guidelines with the assistance of investment professionals. These guidelines are established on market conditions, risk tolerance, funding requirements and expected benefit payments. The guidelines address the investment allocation process, selection of investment professionals and monitoring of asset performance. As pension liabilities are long-term in nature, United Way employs a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk. An annual analysis on the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption.

Effective June 30, 2017, the Plan was amended to freeze all future benefit accruals under the Plan, whereby no Plan participant will earn any additional benefits and no new employees will become eligible to participate in the Plan. Final average compensation will not include any compensation earned after the effective date, and benefit accrual service will not include any service after the effective date. All participants became 100% vested in their accrued benefit as of June 30, 2017.

Pension plan assets carried at fair value at June 30, 2019 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,468,657	$ 3,468,657
Total	$ -	$ -	$ 3,468,657	$ 3,468,657

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2019 are as follows:

	Balance as of June 30, 2018	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2019
Guaranteed income fund	$ 3,585,180	$ 47,799	$ 37,500	$ -	$ (201,822)	$ 3,468,657

Pension plan assets carried at fair value at June 30, 2018 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,585,180	$ 3,585,180
Total	$ -	$ -	$ 3,585,180	$ 3,585,180

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2018 are as follows:

	Balance as of June 30, 2017	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2018
Guaranteed income fund	$ 3,647,219	$ 36,011	$ 150,000	$ -	$ (248,050)	$ 3,585,180

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

	2019 Fair value	2018 Fair value	Valuation technique	Significant unobservable inputs	Range of significant input values	Weighted average
Guaranteed income fund	$ 3,468,657	$ 3,585,180	Discounted cash flow	Current yields of similar instruments	1.00% - 1.75%	1.37%

The guaranteed income fund is valued at fair value by discounting the cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (Level 3).

A reconciliation of items not yet reflected in net periodic benefit cost and a component of without donor restrictions net assets is as follows for the years ended June 30, 2019 and 2018:

	June 30, 2018	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of curtailment	June 30, 2019
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	146,545	-	694,885	-	841,430
	$ 146,545	$ -	$ 694,885	$ -	$ 841,430

	June 30, 2017	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of curtailment	June 30, 2018
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	-	-	146,545	-	146,545
	$ -	$ -	$ 146,545	$ -	$ 146,545

The estimated effect in the next fiscal year of items not yet reflected in net periodic benefit cost is as follows:

	July 1, 2019	Estimated amounts to be reclassified as net periodic benefit cost in 2020
1. Transition obligation	$ -	$ -
2. Net prior service cost	-	-
3. Net loss	841,430	24,376

No plan assets are expected to be returned to the employer during the next fiscal year.

Based on the facts and circumstances that existed at June 30, 2019, United Way expects to contribute $125,000 to the plan during fiscal year 2020. United Way believes with prudent risk tolerance and asset diversification, the plan should be able to meet its pension obligations in the future.

In addition, United Way maintains a voluntary retirement savings program for its employees. Under this 403(b) Thrift Plan, eligible employees may contribute any amount from pre-tax salary provided that total annual contributions do not exceed the maximum permitted under the Internal Revenue Code. To participate in this plan, employees must complete one year of service.

United Way makes a matching contribution, for employees with less than 20 years of service, equal to 50% of the salary reduction amount contributed during the plan year up to 3% of compensation received during the plan year. For those employees with 20 years or more of service (excluding highly compensated employees), the matching contribution is equal to 75% of the salary reduction amount contributed during the plan year up to 4.5% of compensation received during the plan year. Vesting of these matching contributions is 100% when an employee has completed three years of service. United Way's contributions during the years ended June 30, 2019 and 2018 were $40,306 and $122,527, respectively.

Note 18 - Endowment

United Way's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, United Way classifies as net assets with donor restrictions (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. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions to time and purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2019 were as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,645,242	-	15,645,242
Total funds	$ 15,645,242	$ 1,241,820	$ 16,887,062

Endowment net asset composition by type of fund as of June 30, 2018 were as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,427,105	-	15,427,105
Total funds	$ 15,427,105	$ -	$ 16,668,925

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 15,427,105	$ 1,241,820	$ 16,668,925
Investment income	529,747	39,873	569,620
Net realized and unrealized appreciation	248,517	-	248,517
Amounts appropriated for expenditure	(560,127)	(39,873)	(600,000)
Endowment net assets, end of year	$ 15,645,242	$ 1,241,820	$ 16,887,062

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 15,560,776	$ 1,241,820	$ 16,802,596
Investment income	387,265	30,906	418,171
Net realized and unrealized depreciation	48,158	-	48,158
Amounts appropriated for expenditure	(569,094)	(30,906)	(600,000)
Endowment net assets, end of year	$ 15,427,105	$ 1,241,820	$ 16,668,925

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires United Way to retain as a fund of perpetual duration. As of June 30, 2019 and 2018, there were no deficiencies of this nature.

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