# UNITED WAY OF NORTHERN UTAH

## FINANCIAL STATEMENTS
## and
## INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2019
With Summarized Comparative Information for the
Year Ended December 31, 2018

HBME

CERTIFIED PUBLIC ACCOUNTANTS

**UNITED WAY OF NORTHERN UTAH**

**Table of Contents**

COMMITTED. EXPERIENCED. TRUSTED



# INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the Board of Directors
United Way of Northern Utah
Ogden, Utah

We have audited the accompanying financial statements of United Way of Northern Utah (a non-profit organization) (the United Way), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and functional expenses for the year ended December 31, 2019, and the statements of cash flows for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 United Way'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 United Way's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Northern Utah as of December 31, 2019 and 2018 and the related statements of activities and functional expenses for the year ended December 31, 2019 and the statements of cash flows for the years ended December 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The prior year summarized comparative information has been derived from United Way of Northern Utah's December 31, 2018 financial statements and, in our report dated August 15, 2019, we expressed an unmodified opinion on those financial statements.

HBME, LLC

December 15, 2020

**UNITED WAY OF NORTHERN UTAH**
**Statements of Financial Position**
**December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (notes 1, 11) | $ 470,038 | $ 77,432 |
| Cash and cash equivalents, restricted (notes 1, 11) | 7,723,851 | 2,000,001 |
| Cash, CFC (note 12) | 797 | - |
| Operating investments (notes 1, 3) | 2,996,656 | 2,338,820 |
| Pledges receivable, net: | | |
| Annual campaign (note 1, 4) | 596,858 | 783,333 |
| Previous years' annual campaign (note 1, 4) | 154,386 | 198,424 |
| Corporate pledge (note 1, 4) | - | 2,000,000 |
| Government contracts and other receivables | 695,300 | 869,855 |
| Account receivable - managing pledges | - | 1,760 |
| Prepaid expenses | 2,630 | 11,256 |
| Total current assets | 12,640,516 | 8,280,881 |
| Pledges receivable, net: | | |
| Annual campaign (note 1) | 96,691 | 124,359 |
| Corporate pledge (note 1, 4) | 3,836,068 | 7,672,137 |
| Accounts receivable - managing pledges, net | 48,557 | 97,115 |
| Property and equipment, net (note 1, 5) | 1,392,820 | 1,383,960 |
| Total assets | $ 18,014,652 | $ 17,558,452 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | $ 437,908 | $ 118,469 |
| Payroll and other accrued liabilities | 119,716 | 88,884 |
| Amounts donor-designated for other campaigns | 1,664,748 | 568,171 |
| Deferred revenue | 3,416 | - |
| Note payable, net current portion (note 6) | 35,415 | 22,412 |
| Total current liabilities | 2,261,203 | 797,936 |
| Note payable, net (note 6) | 55,687 | 248,537 |
| Total liabilities | 2,316,890 | 1,046,473 |
| Net assets: | | |
| Wtihout donor restrictions (note 7) | | |
| Undesignated | 3,004,836 | 2,546,821 |
| Designated by the Board for specific use | 1,692,488 | 1,692,488 |
| | 4,697,324 | 4,239,309 |
| With donor restrictions: (note 7) | | |
| Purpose restrictions | 1,355,089 | 2,504,860 |
| Time restrictions | 9,645,349 | 9,767,810 |
| | 11,000,438 | 12,272,670 |
| Total net assets | 15,697,762 | 16,511,979 |
| Total liabilities and net assets | $ 18,014,652 | $ 17,558,452 |

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

**UNITED WAY OF NORTHERN UTAH**
**Statement of Activities**
**For the Year Ended December 31, 2019**

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | (Summarized Information) |
| PUBLIC SUPPORT AND OTHER REVENUE | | | | |
| Public support: | | | | |
| Annual campaign contributions | $ 498,453 | $ 272,493 | $ 770,946 | $ 1,089,098 |
| Campaign pledge recoveries | 43,220 | - | 43,220 | 100,156 |
| Net campaign contributions | 541,673 | 272,493 | 814,166 | 1,189,254 |
| Grants | 2,247,649 | 243,031 | 2,490,680 | 13,441,159 |
| Total public support | 2,789,322 | 515,524 | 3,304,846 | 14,630,413 |
| Other revenue: | | | | |
| Rent revenue (note 10) | 111,616 | - | 111,616 | 137,013 |
| Special events | 4,571 | - | 4,571 | 209,051 |
| Net investment return (loss) (note 3) | 393,657 | - | 393,657 | (118,743) |
| In-kind contributions (note 8) | 79,096 | - | 79,096 | 42,753 |
| Net assets released from restrictions | 1,787,756 | (1,787,756) | - | - |
| Total other revenue | 2,376,696 | (1,787,756) | 588,940 | 270,074 |
| Total public support and other revenues | 5,166,018 | (1,272,232) | 3,893,786 | 14,900,487 |
| EXPENSES | | | | |
| Program services: | | | | |
| Community investments in program services | 256,381 | - | 256,381 | 378,865 |
| Other program services | 4,212,894 | - | 4,212,894 | 2,344,830 |
| Total program services | 4,469,275 | - | 4,469,275 | 2,723,695 |
| Supporting services: | | | | |
| General and administrative | 111,002 | - | 111,002 | 110,345 |
| Marketing and development | 127,725 | - | 127,725 | 111,265 |
| Total supporting services | 238,728 | - | 238,728 | 221,610 |
| Total expenses | 4,708,003 | - | 4,708,003 | 2,945,305 |
| Changes in net assets | 458,015 | (1,272,232) | (814,217) | 11,955,182 |
| Net assets, beginning of year (as restated) | 4,239,309 | 12,272,670 | 16,511,979 | 4,556,797 |
| Net assets, end of year | $ 4,697,324 | $ 11,000,438 | $ 15,697,762 | $ 16,511,979 |

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

**UNITED WAY OF NORTHERN UTAH**
**Statement of Functional Expenses**
**For the Year Ended December 31, 2019**

| | Program Services | | | Supporting Services | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | Allocation to Agencies | All Other Programs | Total | General and Administrative | Marketing and Development | Total | Total Expenses | (Summarized Information) |
| COMMUNITY INVESTMENTS | | | | | | | | |
| Grants for program services | $ 256,381 | $ - | $ 256,381 | $ - | $ - | $ - | $ 256,381 | $ 2,328,865 |
| WAGES AND RELATED EXPENSES | | | | | | | | |
| Salaries | - | 1,043,363 | 1,043,363 | 12,868 | 72,191 | 85,059 | 1,128,422 | 914,326 |
| Health and retirement benefits | - | 200,465 | 200,465 | 13,345 | 14,388 | 27,733 | 228,198 | 172,413 |
| Payroll taxes | - | 76,365 | 76,365 | 942 | 5,284 | 6,226 | 82,591 | 72,244 |
| Total wages and related | - | 1,320,194 | 1,320,194 | 27,155 | 91,863 | 119,017 | 1,439,211 | 1,158,983 |
| OTHER EXPENSES | | | | | | | | |
| Awards and other | - | 1,556,039 | 1,556,039 | - | - | - | 1,556,039 | 240,794 |
| Programs and outreach | - | 716,782 | 716,782 | - | - | - | 716,782 | 394,334 |
| Professional fees | - | 134,933 | 134,933 | 64,040 | 4,031 | 68,071 | 203,004 | 213,907 |
| Building | - | 80,765 | 80,765 | 4,002 | 4,002 | 8,004 | 88,769 | 133,500 |
| Travel and meals | - | 66,229 | 66,229 | 4 | 1,735 | 1,740 | 67,969 | 65,617 |
| Occupancy | - | 41,832 | 41,832 | 2,073 | 2,073 | 4,146 | 45,978 | 44,308 |
| Advertising and promotion | - | 29,426 | 29,426 | 327 | 9,869 | 10,196 | 39,622 | 41,343 |
| Service club dues | - | 6,794 | 6,794 | - | - | - | 6,794 | 28,799 |
| Office supplies | - | 31,145 | 31,145 | 4,529 | 1,094 | 5,623 | 36,768 | 27,624 |
| Bank fees | - | 19,512 | 19,512 | 3,574 | 4,062 | 7,636 | 27,148 | 25,193 |
| Interest and other financial | - | 16,416 | 16,416 | 813 | 813 | 1,627 | 18,043 | 24,844 |
| Equipment repairs and maintenance | - | 20,674 | 20,674 | 1,024 | 1,024 | 2,049 | 22,723 | 23,300 |
| Telephone | - | 20,995 | 20,995 | 1,040 | 1,040 | 2,081 | 23,076 | 19,768 |
| United Way of America dues paid | - | 25,246 | 25,246 | - | - | - | 25,246 | 4,956 |
| Insurance | - | 3,800 | 3,800 | 188 | 188 | 377 | 4,177 | 4,387 |
| Postage | - | 1,681 | 1,681 | - | - | - | 1,681 | 1,229 |
| Total other expenses | - | 2,772,270 | 2,772,270 | 81,616 | 29,932 | 111,549 | 2,883,819 | 1,293,903 |
| NON-CASH EXPENSES | | | | | | | | |
| Depreciation | - | 45,033 | 45,033 | 2,231 | 2,231 | 4,463 | 49,496 | 70,801 |
| In-kind donations | - | 75,397 | 75,397 | - | 3,699 | 3,699 | 79,096 | 42,753 |
| | $ 256,381 | $ 4,212,894 | $ 4,469,275 | $ 111,002 | $ 127,725 | $ 238,728 | $ 4,708,003 | $ 4,895,305 |

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

**UNITED WAY OF NORTHERN UTAH**
**Statements of Cash Flows**
**For the Years Ended December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ (814,217) | $ 11,955,182 |
| Adjustments to reconcile change in net assets to | | |
| net cash provided (used) by operating activities | | |
| Depreciation | 49,496 | 70,801 |
| Amortization of effective interest | 18,043 | 24,845 |
| Bad debt expense | (43,220) | (100,156) |
| Unrealized gain (loss) on operating investments | 344,004 | (327,528) |
| Changes in operating assets and liabilities | | |
| Pledges receivable - annual campaign | 301,401 | 63,608 |
| Pledges receivable - corporate | 5,836,069 | (9,672,137) |
| Account receivable - managing pledges, net | 50,318 | (75,238) |
| Government contracts and other receivables | 174,555 | (348,556) |
| Prepaid expenses | 8,626 | (694) |
| Accounts payable | 319,439 | (22,737) |
| Payroll and other accrued liabilities | 30,832 | (16,816) |
| Deferred revenue | 3,416 | - |
| Amounts donor-designated for other campaigns | 1,096,577 | (506,103) |
| Net cash provided by operating activities | 7,375,339 | 1,044,471 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale (purchase) of operating investments | (1,051,493) | 591,140 |
| Realized gain on operating investments | 49,653 | 97,170 |
| Purchases of property and equipment | (8,246) | (8,680) |
| Net cash provided (used) by investing activities | (1,010,086) | 679,630 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on note payable | (248,000) | (248,000) |
| Net change in cash and cash equivalents | 6,117,253 | 1,476,101 |
| Cash and cash equivalents, beginning of year | 2,077,433 | 601,332 |
| Cash and cash equivalents, end of year | $ 8,194,686 | $ 2,077,433 |
| As presented on the statement of financial position: | | |
| Cash and cash equivalents | $ 470,038 | $ 77,432 |
| Cash and cash equivalents, restricted | 7,723,851 | 2,000,001 |
| Cash, CFC | 797 | - |
| | $ 8,194,686 | $ 2,077,433 |

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations**

The United Way of Northern Utah (the United Way), is a Utah nonprofit corporation. Its mission is to unite people and organizations to build healthy and well-educated communities where individuals, families, and neighborhoods thrive. United Way has evolved from a fundraising organization to a critical community advocate that mobilizes local partners, including businesses, community leaders, public officials, and community residents, to expand opportunities for people to succeed. The United Way focuses on three key building blocks: a quality education that leads to a stable job, sufficient income to support oneself and/or a family through retirement, and good health. Due to changing involvement as a community advocate, the United Way also recognize a fourth strategic goal area - community leadership and engagement.

The United Way raises funds through the workplace campaign, grants, and support from individual donors. The workplace campaign is conducted year-round to support allocations and organization expenses in the subsequent year. Donors may designate their pledges to specific agencies or donate undesignated funds, which United Way then allocates to community grants and strategic partnerships.

**Federal Income Tax Status**

The United Way is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively.

The United Way is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the United Way is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The United Way has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2019.

The United Way believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The United Way would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The United Way is no longer subject to tax examinations by taxing authorities for years prior to 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prior Year Summarized Comparative Information**

The financial statements include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the United Way's financial statements for the year ended December 31, 2018, from which the summarized comparative information was derived.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Cash and Cash Equivalents**

The United Way considers all cash and highly liquid financial instruments with original maturities of three months or less and which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

**Operating Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Pledges Receivable**

Pledge contributions received (Pledges Receivable) from donors are recorded as *With or Without Donor Restrictions*, depending on the existence or nature of any donor restrictions. Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows.

The discount rate determined at the initial recognition of the contribution receivable is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the United Way's past collection experience and its policies concerning the enforcement of contributions receivable, expectations about possible

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pledges Receivable (Continued)**

variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discount related to the Pledge Receivable is recorded under *With Donor Restrictions* in the Statement of Activities.

When a donor restriction expires, 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.

An allowance for uncollectible pledges receivable is provided when it is believed that receivable balances may not be collected in full. It is United Way's policy to write off receivables against the allowance when management determines the receivable will not be collected. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual analysis of receivable balances each period.

**Property and Equipment**

The United Way capitalizes all expenditures for property and equipment in excess of $1,000. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by gift, at estimated fair market value at the date of the gift.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the account and any resulting gain or loss is recognized. Maintenance and repairs which neither materially add to the value of the property and equipment nor appreciably prolong its life are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

| | Estimated Useful Lives |
|---|---|
| Buildings | 15 - 39 years |
| Office equipment | 3 - 10 years |
| Furniture and fixtures | 3 - 7 years |

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recorded during the years ended December 31, 2019 and 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for community initiatives and an operating reserve.

*Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When applicable, gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The United Way reports contributions restricted by donors as increases in *net assets without donor restrictions* if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other Donor-restricted contributions are reported as increases in *net assets with donor restrictions*, depending on the nature of the restrictions. When a restriction expires, *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. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the United Way reports the support as *net assets without donor restrictions*.

**Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Public Support and Revenues**

Annual campaigns are conducted in the fall of each year to raise support for allocation to participating agencies in the subsequent calendar year. Campaign production for undesignated contributions and pledges received or receivable for annual campaigns are recognized as income in the current year as net assets with donor restrictions. Pledges are recorded on the Statement of Financial Position as *Pledges Receivables* and allowances are provided for amounts estimated to be uncollectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Government Contracts and Program Fees**

Government grants are recognized when the related services are provided. Amounts received but unearned are included in the Statement of Financial Position as deferred revenue, when applicable.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The United Way records donated professional services at the respective fair values of the services received (Note 8).

**Advertising Costs**

The United Way uses advertising to promote its programs among the audiences it serves and to encourage contributions. The costs of advertising are expensed as incurred. Advertising costs totaled $39,622 for the year ended December 31, 2019.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the 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 the 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 under FASB ASC 820 are described below:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair Value Measurements (Continued)**

*Level 2* – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the 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* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for- Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. Subsequently, FASB created Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*. In 2019, the United Way adopted this Standard, which requires a principle-based approach for determining revenue recognition. An entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, in accordance with the core principle by applying the following steps: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; and 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Management has determined that its current revenue recognition methodology is in line with the discussed above, and therefore, has not amended these financial statements for the year ended December 31, 2019.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|---|---|
| Cash and cash equivalents | $ 470,038 |
| Operating investments | 2,996,656 |
| Pledges and accounts receivable | 1,446,544 |
| | $ 4,913,238 |

3. INVESTMENTS

The United Way's short-term investments are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at December 31, 2019 and 2018. Net realized and unrealized gains and losses on trading securities are included in net investment return (loss). For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

The composition of trading securities that are measured at fair value are as follows:

At December 31, 2019:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Operating investments | | | | |
| Exchange traded products | $ 579,532 | $ 579,532 | $ - | $ - |
| Equities | 726,104 | 726,104 | - | - |
| Mutual funds | 1,357,464 | 1,357,464 | - | - |
| Fixed income | 333,556 | 333,556 | - | - |
| Total operating investments | 2,996,656 | 2,996,656 | - | - |
| Held as cash equivalents: | 62,552 | 62,552 | - | - |
| Total assets measured at fair value | $ 3,059,208 | $ 3,059,208 | $ - | $ - |

At December 31, 2018:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Operating investments | | | | |
| Exchange traded products | $ 774,119 | $ 774,119 | $ - | $ - |
| Equities | 545,207 | 545,207 | - | - |
| Mutual funds | 540,974 | 540,974 | - | - |
| Fixed income | 478,520 | 478,520 | - | - |
| Total operating investments | 2,338,820 | 2,338,820 | - | - |
| Held as cash equivalents: | 261,027 | 261,027 | - | - |
| Total assets measured at fair value | $ 2,599,847 | $ 2,599,847 | $ - | $ - |

## 3. INVESTMENTS (CONTINUED)

Net investment return (loss) consists of the following for the years ended December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Operating investments | | |
| Interest and dividends | $ 108,878 | $ 84,684 |
| Unrealized return (loss), net | 344,004 | (327,528) |
| Realized return (loss), net | (59,225) | 12,486 |
| | 393,657 | (230,358) |
| Money market, cash equivalent investments | - | 111,615 |
| Total net investment return (loss) | $ 393,657 | $ (118,743) |

Investments 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 market fluctuations in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

## 4. PLEDGES RECEIVABLE

Pledges receivable consisted of the follows at December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Pledges receivable, net of discount | $ 4,715,081 | $ 10,802,672 |
| Allowance for uncollectible pledges | (31,078) | (24,419) |
| Total pledges receivable, net | $ 4,684,003 | $ 10,778,253 |

Pledges receivable at December 31, 2019, excluding the allowance for uncollectible pledges, are expected to be collected as follows:

| Year | Undiscounted pledge | Discount at 3 percent | Discounted pledge |
|---|---|---|---|
| 2020 | 782,322 | - | $ 782,322 |
| 2021 | 4,046,691 | (113,932) | 3,932,759 |
| | $ 4,829,013 | $ (113,932) | $ 4,715,081 |

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following, at December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 162,539 | $ 162,539 |
| Building and improvements | 1,514,941 | 1,464,831 |
| Equipment | 116,188 | 116,188 |
| Furniture and fixtures | 156,843 | 156,843 |
| | 1,950,511 | 1,900,401 |
| Less: accumulated depreciation | (564,104) | (516,441) |
| Total property and equipment, net | $ 1,386,407 | $ 1,383,960 |

Depreciation expense was 49,496 and 70,801 for the years ended December 31, 2019 and 2018, respectively.

6. NOTE PAYABLE

Note payable consists of the following as of December 31, 2019 and 2018:

Non-interest-bearing note payable, due in monthly installments of $4,000, discounted at an imputed interest rate of 3%, to January 2022, secured by the building and land:

| | 2019 | 2018 |
|---|---|---|
| Undiscounted note payable balance | 130,000 | $ 378,000 |
| Less: unamortized discount at 3.00% | (38,898) | (107,051) |
| | 91,102 | 270,949 |
| Less: current portion | (35,415) | (22,412) |
| Total note payable, net | $ 55,687 | $ 248,537 |

Future maturities of the note payable are as follows at December 31, 2019:

| | Undiscounted Payment | Discount | Total |
|---|---|---|---|
| 2020 | $ 48,000 | $ (12,585) | $ 35,415 |
| 2021 | 48,000 | (12,962) | 35,038 |
| 2022 | 34,000 | (13,351) | 20,649 |
| | $ 130,000 | $ (38,898) | $ 91,102 |

Amortization of the discount is reported in the Statement of Functional Expenses as *Interest and Other Financial Expense*.

7. NET ASSETS

**Net Assets without Donor Restrictions**

The Board of Trustees of United Way (the Board) has designated net assets without donor restrictions as follows:

- *Community initiatives* – Investments in future strategic initiatives that create long-lasting change.

- *Emergency reserve* – To provide for continued operations and community investments in the event of an unforeseen economic downturn. This reserve is adjusted annually.

- *Building debt service reserve* – To pay-off remaining balance of the note payable related to the building.

- *Building maintenance reserve* – Rent revenues collected to provide for building maintenance, as needed.

The composition of net assets without donor restrictions is designated as follows at December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Designated by the Board: | | |
| Community initiatives | $ 710,233 | $ 710,233 |
| Emergency reserve | 574,293 | 574,293 |
| Building debt service reserve | 270,949 | 270,949 |
| Building maintenance reserve | 137,013 | 137,013 |
| Undesignated | 3,004,836 | 2,546,821 |
| Total net assets without donor restrictions | $ 4,697,324 | $ 4,239,309 |

7. NET ASSETS (CONTINUED)

**Net Assets with Donor Restrictions (Continued)**

Net assets with donor restrictions consist of cash and contributions receivable as of December 31, 2019 and 2018 that are available for the following purposes:

| | 2019 | 2018 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Designated campaign contributions | $ 374,633 | $ 461,883 |
| Strategic partnerships, net | 782,322 | 1,950,000 |
| United partnerships | 180,477 | 82,977 |
| FEMA grants | 17,657 | - |
| Welcome Baby | - | 10,000 |
| | 1,355,089 | 2,504,860 |
| Subject to the passage of time: | | |
| Strategic partnerships, net | 9,598,233 | 9,672,137 |
| Managing pledges, net | 47,116 | 95,673 |
| | 9,645,349 | 9,767,810 |
| Total net assets with donor restrictions | $ 11,000,438 | $ 12,272,670 |

Net assets were released from donor restrictions by collecting pledges or by incurring expenditures that satisfied the restricted purposes. Net assets released from donor restrictions are detailed as follows for the years ended December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Expiration of time restrictions | $ - | $ 30,000 |
| Satisfaction of purpose restrictions: | | |
| IHC partnership | 1,405,513 | - |
| Campaign pledges | 359,743 | 254,885 |
| United partnerships | 12,500 | 15,048 |
| Welcome Baby | 10,000 | 10,000 |
| Community grants | - | 11,000 |
| | 1,787,756 | 290,933 |
| Total net assets released from restrictions | $ 1,787,756 | $ 320,933 |

8. IN-KIND DONATIONS

During the years ended December 31, 2019 and 2018, the United Way received the following non-cash donations that have been reflected in the accompanying financial statements:

| | 2019 | 2018 |
|---|---|---|
| Goods expense | $ - | $ 35,105 |
| Professional services expense | 20,192 | 3,391 |
| Food expense | - | 2,500 |
| Supplies expense | 58,904 | 1,757 |
| Total in-kind donations | $ 79,096 | $ 42,753 |

9. EMPLOYEE BENEFITS

The United Way has a 403(b) retirement plan whereby employees who have been employed for at least one year are eligible to receive up to a 10 percent employer matching contribution, within statutory limits. The United Way has the option to make discretionary contributions. During the years ended December 31, 2019 and 2018, the United Way made contributions of $51,005 and $38,938, respectively.

10. LEASES

**Operating Leases**

The United Way leases office equipment under a noncancelable operating lease. The lease has a term of three years, at which time the United Way may return the equipment, purchase the equipment at fair market value, or extend the lease on a month-to-month basis. In the normal course of business, it is expected the lease will be renewed or replaced by a new lease.

Future minimum lease payments required under the operating lease agreement are as follows:

| | |
|---|---|
| 2020 | $ 10,041 |
| 2021 | 5,858 |
| | $ 15,899 |

Total lease expense for the years ended December 31, 2019 and 2018 totaled $5,535 and $9,067, respectively.

**Lessor Agreements**

The United Way leases office space to tenants under noncancelable operating leases with terms of one to five years. Total lease revenue for the years ended December 31, 2019 and 2018 totaled $111,616 and $137,013, respectively.

11. CONCENTRATIONS

The United Way manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the United Way has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the United Way's mission.

Revenue and accounts receivable include one significant pledge, which represents approximately 79 percent of total revenues and 82 percent of total accounts receivable as of December 31, 2019. There were no significant revenue and accounts receivable concentrations as of December 31, 2018.

12. ANNUAL CAMPAIGN AND INTERMOUNTAIN COMBINED FEDERAL CAMPAIGN (CFC)

**United Way Annual Campaign**

The annual fundraising campaign is conducted to raise support to invest in community program services and strategic initiatives. Each year, by the end of December, the United Way reports to the public the total estimated annual campaign funds raised. Actual results may differ from estimated amounts publicly reported, due primarily to timing differences on multi-year pledges and receipts for future campaigns. Campaign pledges include restricted designations, which the United Way is required to remit to various community agencies, as directed by the donor. These commitments are paid out during the subsequent calendar year. Therefore, the payments made in the current year to programs and agencies are largely based on the results of the fall and winter of prior year campaigns, and are reflected as *Community Investment Expense* in the Statement of Activities for the year ended December 31, 2019.

If the total amount collected on restricted donor designations is less than what was originally pledged by the donor, these agencies only receive what was collected. If total designations exceed the commitment, then the agencies receive the greater amount. Any amount designated by donors to agencies in excess of the approved commitments is excluded from the amounts reported as revenues and expenses.

**Intermountain Combined Federal Campaign (CFC)**

In 2017, with the restructuring of the Combined Federal Campaign (the Federation) by the Unite States Office of Personnel Management (OPM), the multi-year CFC contract between the OPM and the United Way came to an end. The United Way continued to oversee the CFC until April 30, 2018, as a subcontractor of Kaptivate, a private business that now holds the Federal Contract. The United Way is now a member of the local Federation, which has 20 organizations that participate in the CFC within the service area of Northern Utah (Weber, Box Elder Morgan).

12. ANNUAL CAMPAIGN AND INTERMOUNTAIN COMBINED FEDERAL CAMPAIGN (CFC) (CONTINUED)

As a participating member of the Federation, the United Way agrees to be subject to CFC regulation § 950.301(e)(2)(i), wherein pledge designations made to each member organization are distributed by a proportionate share of receipts based on donor designations to each member.

13. STRATIGIC PARTNERSHIP

**Local Partnership**

On October 15, 2018, the United Way entered into an agreement with a local partner, wherein this partner agreed to contribute $12,000,000 over a three-year period. The first disbursement of $2,000,000 was contributed during 2018, the second disbursement of $2,000,000 was contributed in August 2019, the third disbursement was contributed in December 2019, and one additional contribution of $4,000,000 is anticipated to be received in January 2021. Each of these contributions are restricted by the donor for a particular purpose. The remaining $4,000,000 pledge receivable is recorded at a discount. See Note 4 for additional information.

The goal of this partnership is to improve the well-being of award recipients, reduce healthcare costs, and be a model for change by addressing social determinants of health. Once contributions are received, the United Way will disperse the monies as outlined in the criteria provided by the *Steering Committee of the Utah Alliance for the Determinants of Health*.

14. PRIOR PERIOD RESTATEMENT

During 2019, management discovered that certain purpose- and time-restricted award donations were entirely expensed in the year the donations were received, and not in the year a grant was approved for distribution by the steering committee. This resulted in expenses and current liabilities being overstated in 2018 by $1,950,000. As a result, an adjustment was made to equity at December 31, 2018 to increase *net assets with donor restrictions* by $1,950,000. The related expenses, liabilities, and equity balances were restated in these financial statements for the year ended December 31, 2018.

15. SUBSEQUENT EVENTS

**Essential Business**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 21, 2020 the Governor of Utah declared a health emergency and issued an order to close all nonessential businesses until further notice. As a not-for-profit benefitting the community, the Academy is deemed to be an essential business. Nonetheless, out of concern for our workers and pursuant to the government order, the Academy has reduced the scope of its operations and where possible, certain workers are telecommuting from their homes. While the Academy expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

**Paycheck Protection Program**

In April 2020, the Company received loan proceeds in the amount of $248,899 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot yet be determined, in whole or part, the amount of the loan forgiveness.

The United Way has evaluated subsequent events through December 15, 2020, the date the financial statements were available to be issued.