

UNITED WAY OF SUMNER COUNTY

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
United Way of Sumner County  
Gallatin, Tennessee

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Way of Sumner County (the "Organization") which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 of Sumner County as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

K. J. Ruff CPAs PLLC

Nashville, Tennessee  
September 12, 2019

UNITED WAY OF SUMNER COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 353,445	\$ 371,798
Investments	23,029	22,467
Pledges receivable, net of allowance of \$63,881 and \$61,731, respectively	323,318	383,526
Prepaid expenses	1,390	1,437
Furniture and equipment, net	959	2,842
Deposits	<u>1,200</u>	<u>1,200</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 703,341</u></u>	<u><u>\$ 783,270</u></u>
<b>LIABILITIES</b>		
Allocations to agencies	\$ 553,375	\$ 631,983
Accrued expenses	<u>7,318</u>	<u>7,452</u>
<b>TOTAL LIABILITIES</b>	<u>560,693</u>	<u>639,435</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	23,353	32,568
Board-designated	<u>87,776</u>	<u>90,897</u>
Total net assets without donor restrictions	111,129	123,465
Net assets with donor restrictions	<u>31,519</u>	<u>20,370</u>
<b>TOTAL NET ASSETS</b>	<u>142,648</u>	<u>143,835</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 703,341</u></u>	<u><u>\$ 783,270</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SUMNER COUNTY

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE			
Gross campaign results	\$ 812,139	\$ 11,149	\$ 823,288
Less donor designations	(125,720)	-	(125,720)
Less provision for uncollectible accounts	(69,322)	-	(69,322)
Net campaign revenues	617,097	11,149	628,246
Special events	56,661	-	56,661
In-kind contributions	33,064	-	33,064
Designations from other United Ways, net of fees of \$7,113 and \$8,895, respectively	29,017	-	29,017
Service fees	6,191	-	6,191
Other contributions	13,103	-	13,103
Interest income	1,580	-	1,580
TOTAL SUPPORT AND REVENUE	756,713	11,149	767,862
PROGRAM SERVICES			
Allocations and designations to agencies	585,678	-	585,678
Less donor designation	(125,720)	-	(125,720)
Net allocations and designations to agencies	459,958	-	459,958
Allocations and designations - other costs	26,826	-	26,826
Community building	57,654	-	57,654
TOTAL PROGRAM SERVICES	544,438	-	544,438
SUPPORTING SERVICES			
Management and general	118,086	-	118,086
Campaign development	106,525	-	106,525
TOTAL SUPPORTING SERVICES	224,611	-	224,611
TOTAL COSTS AND EXPENSES	769,049	-	769,049
CHANGE IN NET ASSETS	(12,336)	11,149	(1,187)
NET ASSETS - BEGINNING OF YEAR	123,465	20,370	143,835
NET ASSETS - END OF YEAR	\$ 111,129	\$ 31,519	\$ 142,648

See accompanying notes to financial statements.

2018

WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
\$ 911,470	\$ -	\$ 911,470
(114,428)	-	(114,428)
(79,393)	-	(79,393)
717,649	-	717,649
44,681	-	44,681
35,052	-	35,052
54,879	-	54,879
5,196	-	5,196
9,565	-	9,565
802	-	802
867,824	-	867,824
665,769	-	665,769
(114,428)	-	(114,428)
551,341	-	551,341
25,273	-	25,273
75,275	-	75,275
651,889	-	651,889
88,456	-	88,456
95,483	-	95,483
183,939	-	183,939
835,828	-	835,828
31,996	-	31,996
91,469	20,370	111,839
\$ 123,465	\$ 20,370	\$ 143,835

UNITED WAY OF SUMNER COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			
	Allocations and Designations	Community Building	Total Program Services	Management and General	Campaign Development	Total Supporting Services	Total
Salaries	\$ 15,018	\$ 20,029	\$ 35,047	\$ 65,921	\$ 57,138	\$ 123,059	\$ 158,106
Payroll taxes	1,175	1,567	2,742	5,159	4,472	9,631	12,373
Employee benefits	1,619	2,159	3,778	7,106	6,159	13,265	17,043
Total personnel costs	17,812	23,755	41,567	78,186	67,769	145,955	187,522
Days of Action:							
Stuff the Bus	-	6,287	6,287	-	-	-	6,287
Coat drive	-	5,530	5,530	-	-	-	5,530
Community leadership	-	7,231	7,231	-	-	-	7,231
Total Days of Action	-	19,048	19,048	-	-	-	19,048
Printing and promotional	-	2,352	2,352	234	4,585	4,819	7,171
Occupancy	3,122	4,164	7,286	13,705	11,879	25,584	32,870
Professional services	1,956	2,608	4,564	8,585	7,442	16,027	20,591
Travel and training	14	269	283	259	-	259	542
Dues to United Way Worldwide and others	1,204	1,606	2,810	5,285	4,581	9,866	12,676
Maintenance, equipment rental and other contracts	915	1,221	2,136	4,018	3,483	7,501	9,637
Business insurance	625	834	1,459	2,746	2,380	5,126	6,585
Office expense	969	1,290	2,259	4,252	3,685	7,937	10,196
Meetings and events	30	268	298	31	41	72	370
	8,835	14,612	23,447	39,115	38,076	77,191	100,638
Total other operating expenses	26,647	57,415	84,062	117,301	105,845	223,146	307,208
Depreciation of property and equipment	179	239	418	785	680	1,465	1,883
Total operating expenses	26,826	<u>\$ 57,654</u>	84,480	<u>\$ 118,086</u>	<u>\$ 106,525</u>	<u>\$ 224,611</u>	309,091
Net allocations and designations (shown separately on the Statement of Activities)	<u>459,958</u>		<u>459,958</u>				<u>459,958</u>
	<u>\$ 486,784</u>		<u>\$ 544,438</u>				<u>\$ 769,049</u>

See accompanying notes to financial statements.



UNITED WAY OF SUMNER COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			
	Allocations and Designations	Community Building	Total Program Services	Management and General	Campaign Development	Total Supporting Services	Total
Salaries	\$ 14,368	\$ 28,735	\$ 43,103	\$ 48,850	\$ 51,724	\$ 100,574	\$ 143,677
Payroll taxes	1,137	2,274	3,411	3,867	4,094	7,961	11,372
Employee benefits	1,225	2,451	3,676	4,166	4,411	8,577	12,253
Total personnel costs	16,730	33,460	50,190	56,883	60,229	117,112	167,302
Days of Action:							
Stuff the Bus	-	6,536	6,536	-	-	-	6,536
Coat drive	-	12,304	12,304	-	-	-	12,304
Community leadership	-	5,258	5,258	-	-	-	5,258
Total Days of Action	-	24,098	24,098	-	-	-	24,098
Printing and promotional	-	129	129	1,761	3,956	5,717	5,846
Occupancy	3,313	6,626	9,939	11,264	11,926	23,190	33,129
Professional services	1,408	2,816	4,224	4,787	5,069	9,856	14,080
Travel and training	100	310	410	1,277	916	2,193	2,603
Dues to United Way Worldwide and others	1,232	2,464	3,696	4,189	4,436	8,625	12,321
Maintenance, equipment rental and other contracts	868	1,735	2,603	2,950	3,123	6,073	8,676
Business insurance	601	1,202	1,803	2,043	2,163	4,206	6,009
Office expense	715	1,431	2,146	2,433	2,577	5,010	7,156
Meetings and events	118	627	745	229	410	639	1,384
	8,355	17,340	25,695	30,933	34,576	65,509	91,204
Total other operating expenses	25,085	74,898	99,983	87,816	94,805	182,621	282,604
Depreciation of property and equipment	188	377	565	640	678	1,318	1,883
Total operating expenses	25,273	<u>\$ 75,275</u>	100,548	<u>\$ 88,456</u>	<u>\$ 95,483</u>	<u>\$ 183,939</u>	284,487
Net allocations and designations (shown separately on the Statement of Activities)	551,341		551,341				551,341
	<u>\$ 576,614</u>		<u>\$ 651,889</u>				<u>\$ 835,828</u>

See accompanying notes to financial statements.

UNITED WAY OF SUMNER COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (1,187)	\$ 31,996
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,883	1,883
Increase in provision for uncollectible accounts	2,150	7,492
(Increase) decrease in assets:		
Pledges receivable	58,058	(23,419)
Prepaid expenses	47	14
Decrease in liabilities:		
Allocations to agencies	(78,608)	(2,737)
Accrued expenses	<u>(134)</u>	<u>(74)</u>
TOTAL ADJUSTMENTS	<u>(16,604)</u>	<u>(16,841)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(17,791)</u>	<u>15,155</u>
INVESTING ACTIVITIES		
Interest income re-invested in certificates of deposit	<u>(562)</u>	<u>(67)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(562)</u>	<u>(67)</u>
NET INCREASE (DECREASE) IN CASH	(18,353)	15,088
CASH - BEGINNING OF YEAR	<u>371,798</u>	<u>356,710</u>
CASH - END OF YEAR	<u>\$ 353,445</u>	<u>\$ 371,798</u>

See accompanying notes to financial statements.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - NATURE OF ACTIVITIES

The United Way of Sumner County (the "Organization") adopted by-laws in April 1985. Its purpose is to bring together in one united appeal all possible contribution campaigns of the community's health, welfare and educational agencies. Additionally, the Organization is committed to deploy financial support to agencies, to maximize resources available for services aimed at the most urgent needs of the community, to muster community support and commitment and to manage its operation effectively. A campaign is held annually for contributions from donors in Sumner County which are then allocated as support to partner agencies and other charities in Sumner County based on the recommendation of a volunteer allocation committee.

The volunteer Board of Directors is the governing body to which management is accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

**Net assets without donor restrictions:** Net assets that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. There are currently no donor restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Pledges Receivable and Campaign Expenses

Campaigns are conducted each year to raise support for member charities in the subsequent year. Unconditional pledges receivable are recognized in the period received, with an allowance provided for estimated uncollectible accounts. The allowance for uncollectible accounts is computed based on a three-year historical average write-off percentage, adjusted by management estimates of current economic factors, applied to gross campaign results including donor designations. Outstanding pledges receivable are considered collectible within one year.

Allocations to funded partner agencies are recognized as program service expenses in the period that corresponds to the campaign revenues recognized. All contributions are considered available for use as approved by the Board of Directors unless specifically restricted or designated by the donor. Campaign pledges designated by donors to specific agencies or other United Way organizations are considered to be agency type transactions and are recorded as pledges receivable and included with allocations to agencies on the statement of financial position and not included in net revenues or expenses of the Organization. Campaign expenses for annual campaigns are recognized in the period incurred. The Organization honors designations made by donors to each organization by distributing a proportionate share of receipts based on donor designations to each organization.

Investments

Investments are comprised of certificates of deposit with maturities greater than three months.

Furniture and Equipment

Furniture and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$500 or more and an expected useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years. Accumulated depreciation amounts to \$25,030 at June 30, 2019 and \$23,147 at June 30, 2018.

Accrued Vacation and Sick Pay

Unused sick time can be accrued and carried forward from year-to-year up to a maximum of 90 days. Sick time is not paid upon termination and is not recorded on the financial statements. Vacation time is earned after 90 days of service. Five days can be carried forward from year-to-year. Vacation time is paid upon termination and is accrued in the financial statements.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Service:

Allocations and Designations - includes activities such as allocations to partner agencies and related planning and fund distribution costs.

Donor designations represents the gross amount of campaign funding designated by donors to an eligible 501(c)(3) agency.

Net allocations and designations represents the amount provided to agencies from unrestricted campaign funds.

Other costs of allocations and designations include the other costs of processing and distributing allocations and designations to agencies.

Community Building - costs associated with quarterly Days of Action in the community, including the Stuff the Bus program, coat drive and community leadership.

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, human resources, finance, budgeting, information technology and other administrative activities.

Campaign Development - includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Salaries and other operating expenses have been allocated on the basis of time and effort.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Fees

Service fees are amounts charged by the Organization for raising, processing and transferring donor-designated gifts to non-partner agencies and other United Way organizations. Donor-designated pledges are assessed both a fundraising and a management and general fee based on actual historical costs in accordance with United Way Worldwide's Membership Requirements as outlined in its publication titled *Cost Deduction Requirements for Membership Requirement M*. The Organization is committed to complying with that requirement in assessing these service fees. Amounts designated by donors are presented at the gross amount in the statements of activities prior to such charges.

Printing and Promotional

Printing and promotional costs are expensed as incurred.

Donated Services and In-Kind Contributions

A large number of volunteers donate substantial amounts of time toward the annual campaign and the various community activities; however, no values for in-kind amounts have been included in the financial statements. Donated property and other in-kind amounts have been included in the financial statements. Donated property and other in-kind contributions are recognized in the financial statements at fair value when received.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. The Organization recognizes campaign revenues, net of an estimated allowance and calculates the related allocations payable accordingly. Accordingly, actual results could differ from those estimates.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2019 and September 12, 2019, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Adoption of New Accounting Standard

On August 18, 2016, the Financial Accounting Standards Board ("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. Additionally, ASU 2016-14 requires all not for profit organizations to present expenses by their natural and functional classification. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Authoritative Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is in the process of evaluating the impact of this new guidance.

UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The adoption of ASU 2018-08 is not expected to have a material impact on the Organization's financial statements.

NOTE 3 - LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 353,445	\$ 371,798
Investments	23,029	22,467
Pledges receivable, net	323,318	383,526
Less: assets limited as to use		
Allocations to agencies	(553,375)	(631,983)
Board-designated	(87,776)	(90,897)
Donor restricted	<u>(31,519)</u>	<u>(20,370)</u>
	<u>\$ 27,122</u>	<u>\$ 34,541</u>

The Organization is a fund-raising organization and receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period. During that same 12-month period, additional contributions are received from donors. Additionally, board-designated funds in the form of an operating reserve could be made available for general expenditure, if necessary.



UNITED WAY OF SUMNER COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, pledges receivable and investments.

United Way holds cash and certificates of deposit with various financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts, and management considers this to be a normal business risk. Pledges receivable consist of corporate and individual pledges for the annual campaign, which are widely dispersed to mitigate credit risk.

NOTE 5 - OPERATING LEASES

United Way leases office space for \$1,180 per month under a lease which expires August 2023. The Organization also leases office equipment under an operating lease expiring in 2023. Total cash rental payments made during 2019 amounted to \$16,106 (\$16,846 during 2018).

A summary of the future minimum lease payments for equipment as of June 30, 2019 follows:

<u>Year ending June 30,</u>	
2020	\$ 16,724
2021	16,724
2022	16,724
2023	19,296
2024	<u>2,359</u>
	<u>\$ 71,827</u>

UNITED WAY OF SUMNER COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 6 - NET ASSETS WITH AND WITHOUT DONOR RESTRICTITONS

Net assets at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
<u>Net assets without donor restriction</u>		
Undesignated	\$ 23,353	\$ 32,568
Board-designated:		
Emerging needs	8,746	14,816
Operating reserve	<u>79,030</u>	<u>76,081</u>
Total board-designated	<u>87,776</u>	<u>90,897</u>
	<u>\$ 111,129</u>	<u>\$ 123,465</u>
 <u>Net assets with donor restriction</u>		
Purpose restriction:		
Disaster relief	\$ 20,370	\$ 20,370
Publix emergency fund	<u>11,149</u>	<u>-</u>
	<u>\$ 31,519</u>	<u>\$ 20,370</u>

The board-designated operating reserve is computed based on three months of the current operating budget.

NOTE 7 - IN-KIND DONATIONS

In-kind donations recognized by the Organization for the years ended June 30 are included as contributions revenue, with the related expense as follows:

	<u>2019</u>	<u>2018</u>
Days of Action - coat drive	\$ 5,530	\$ 12,163
Campaign kick-off	1,671	-
Special event - Gala	10,561	11,195
Special event - golf tournament	4,002	-
Occupancy	10,110	10,110
Office expense	<u>1,190</u>	<u>1,584</u>
	<u>\$ 33,064</u>	<u>\$ 35,052</u>