

United Way of the Midlands  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
For the year ended June 30, 2019

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## Independent Auditor's Report

Board of Directors  
United Way of the Midlands  
Omaha, Nebraska

We have audited the accompanying financial statements of United Way of the Midlands, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows 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 of the Midlands 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.

### ***Emphasis of Matter***

As described in Note A to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the United Way of the Midlands 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 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.

**BKD, LLP**

Omaha, Nebraska  
September 25, 2019

United Way of the Midlands  
STATEMENT OF FINANCIAL POSITION  
As of June 30, 2019  
(with comparative totals as of June 30, 2018)

	<u>FY2019</u>	<u>FY2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,594,810	\$ 827,290
Cash held for others	939	1,370
Contributions receivable - 2018 campaign (less uncollectible allowance of \$584,992)	5,767,037	-
Contributions receivable - 2017 campaign (less uncollectible allowance of \$0 and \$593,319 respectively)	227,853	6,180,309
Contributions receivable - 2016 campaign (less uncollectible allowance of \$0 and \$0 respectively)	-	17,991
Contributions receivable - 2015 campaign (less uncollectible allowance of \$0 and \$0 respectively)	-	245,580
Contributions receivable - grants	-	275,000
Other assets and prepaid expenses	310,396	271,803
Investments	9,799,762	9,528,569
Beneficial interest in net assets held by the Omaha Community Foundation	2,191,720	2,265,536
Leasehold improvements and equipment (net of accumulated depreciation of \$877,726 and \$671,266 respectively)	1,479,458	1,605,862
Total assets	<u>\$ 21,371,975</u>	<u>\$ 21,219,310</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 179,707	\$ 201,833
Accrued payroll and related liabilities	350,334	255,759
Refundable advances	-	172,924
Deferred rent	669,243	674,529
Undistributed allocations and designations payable for the prior period campaign	67,074	70,078
Undistributed allocations and designations payable for the current period campaign	10,309,133	9,893,059
Total liabilities	<u>11,575,491</u>	<u>11,268,182</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated reserves	6,142,127	6,462,664
Quasi endowment	2,539,346	2,424,104
Operating	<u>(3,326,116)</u>	<u>(3,719,057)</u>
Total net assets without donor restrictions	5,355,357	5,167,711
With donor restrictions		
Perpetual in nature	3,349,044	3,349,044
Purpose restrictions	685,400	703,310
Time-restricted for future periods	<u>406,683</u>	<u>731,063</u>
Total net assets with donor restrictions	4,441,127	4,783,417
Total net assets	<u>9,796,484</u>	<u>9,951,128</u>
Total liabilities and net assets	<u>\$ 21,371,975</u>	<u>\$ 21,219,310</u>

United Way of the Midlands  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019  
(with comparative totals as of FY2018)

	Without Donor Restrictions	With Donor Restrictions	FY2019	FY2018
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions and reclassification				
Campaign contributions for the 2018 Fall Campaign				
Contributions received for the current period	\$ 16,255,421	\$ 356,683	\$ 16,612,104	\$ 16,728,985
Contributions for flood disaster relief	1,053,397	-	1,053,397	-
Contributions received for the prior period (net assets released from restriction)	819,773	(819,773)	-	-
Gross campaign results	<u>18,128,591</u>	<u>(463,090)</u>	17,665,501	16,728,985
Less donor designations	(2,053,110)	-	(2,053,110)	(2,274,076)
Less flood disaster relief designations	(1,053,397)	-	(1,053,397)	-
Less allowance for uncollectible pledges	<u>(778,812)</u>	<u>-</u>	<u>(778,812)</u>	<u>(494,093)</u>
Total campaign contributions for the current allocation period	14,243,272	(463,090)	13,780,182	13,960,816
Other contributions				
Contributions restricted for offsetting campaign expenses	7,500	15,000	22,500	39,000
Contributions for special events and miscellaneous	64,610	5,100	69,710	95,716
Contributed goods and services	<u>193,361</u>	<u>-</u>	<u>193,361</u>	<u>266,020</u>
Total other contributions	<u>265,471</u>	<u>20,100</u>	<u>285,571</u>	<u>400,736</u>
Total contributions	<u>14,508,743</u>	<u>(442,990)</u>	<u>14,065,753</u>	<u>14,361,552</u>

(Continued)

United Way of the Midlands  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019  
(with comparative totals as of FY2018)

	Without Donor Restrictions	With Donor Restrictions	FY2019	FY2018
REVENUE AND OTHER SUPPORT - CONTINUED				
Government grants	\$ 81,451	\$ -	\$ 81,451	\$ 104,611
Private grants	227,280	14,400	241,680	536,325
Net investment return	482,368	86,300	568,668	443,926
Donor designation fees	186,423	-	186,423	216,023
Contract fees	147,504	-	147,504	149,231
Other income	13,681	-	13,681	14,826
Total revenues and other support	<u>15,647,450</u>	<u>(342,290)</u>	<u>15,305,160</u>	<u>15,826,494</u>
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES				
Allocations and designations to agencies	12,562,895	-	12,562,895	11,856,094
Less total designations to agencies	(2,053,110)	-	(2,053,110)	(2,274,076)
Less total designations to agencies for flood disaster relief	(1,053,397)	-	(1,053,397)	-
Total allocations	<u>9,456,388</u>	<u>-</u>	<u>9,456,388</u>	<u>9,582,018</u>
Direct community services provided by United Way	4,111,069	-	4,111,069	4,050,889
Total allocations and direct community services	<u>13,567,457</u>	<u>-</u>	<u>13,567,457</u>	<u>13,632,907</u>
Other functional expenses				
Fundraising	1,816,062	-	1,816,062	1,778,595
Management and general	76,285	-	76,285	68,170
Total other functional expenses	<u>1,892,347</u>	<u>-</u>	<u>1,892,347</u>	<u>1,846,765</u>
Total allocations, designations, direct community services and other functional expenses	<u>15,459,804</u>	<u>-</u>	<u>15,459,804</u>	<u>15,479,672</u>
CHANGE IN NET ASSETS	187,646	(342,290)	(154,644)	346,822
NET ASSETS, BEGINNING OF YEAR	<u>5,167,711</u>	<u>4,783,417</u>	<u>9,951,128</u>	<u>9,604,306</u>
NET ASSETS, END OF YEAR	<u>\$ 5,355,357</u>	<u>\$ 4,441,127</u>	<u>\$ 9,796,484</u>	<u>\$ 9,951,128</u>

United Way of the Midlands  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2019  
(with comparative totals as of FY2018)

	Program Services			Support Services			Total	
	Community Impact	Other Program Services	Total Program Services	Fundraising	Management and General	Total Support Services	FY2019	FY2018
Allocations and designation to agencies								
Total allocations and designations to agencies	\$ 12,562,895	\$ -	\$ 12,562,895	\$ -	\$ -	\$ -	\$12,562,895	\$11,856,094
Less total designations to agencies	(2,053,110)	-	(2,053,110)	-	-	-	(2,053,110)	(2,274,076)
Less total designations to agencies for flood disaster relief	(1,053,397)	-	(1,053,397)	-	-	-	(1,053,397)	-
Net allocations to agencies	9,456,388	-	9,456,388	-	-	-	9,456,388	9,582,018
Personnel costs								
Salaries	840,013	1,492,563	2,332,576	1,057,189	38,525	1,095,714	3,428,290	3,147,642
Employee benefits	149,485	274,513	423,998	171,759	6,682	178,441	602,439	577,081
Payroll taxes	62,148	117,800	179,948	79,016	2,952	81,968	261,916	238,617
Total personnel costs	1,051,646	1,884,876	2,936,522	1,307,964	48,159	1,356,123	4,292,645	3,963,340
Professional fees	52,112	172,557	224,669	104,336	3,814	108,150	332,819	490,247
Supplies	5,901	12,531	18,432	9,494	521	10,015	28,447	30,713
Telephone	4,013	25,696	29,709	6,790	412	7,202	36,911	27,375
Postage and shipping	1,900	4,539	6,439	3,399	182	3,581	10,020	11,317
Occupancy	61,542	143,598	205,140	104,148	6,312	110,460	315,600	314,896
Equipment leasing and maintenance	10,474	31,665	42,139	17,928	1,058	18,986	61,125	63,854
Printing, publications, and promotion	47,530	122,561	170,091	53,947	4,530	58,477	228,568	371,496
Travel and transportation	9,393	19,974	29,367	18,787	411	19,198	48,565	28,791
Events, conferences and meetings	48,685	62,361	111,046	34,848	1,681	36,529	147,575	126,296
Organizational dues	4,684	11,854	16,538	10,746	461	11,207	27,745	19,908
Awards and gifts	31,866	13,579	45,445	6,275	404	6,679	52,124	43,168
Insurance	7,505	21,771	29,276	12,700	770	13,470	42,746	41,601
United Way Worldwide membership fee	33,553	78,290	111,843	56,782	3,441	60,223	172,066	172,059
Depreciation	40,324	94,089	134,413	67,918	4,129	72,047	206,460	192,593
Total non-personnel expenses	359,482	815,065	1,174,547	508,098	28,126	536,224	1,710,771	1,934,314
Total Functional Expenses	\$ 10,867,516	\$ 2,699,941	\$ 13,567,457	\$ 1,816,062	\$ 76,285	\$ 1,892,347	\$15,459,804	\$15,479,672

United Way of the Midlands  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2019  
(with comparative totals as of FY2018)

	<u>FY2019</u>	<u>FY2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(154,644)	\$ 346,822
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	206,460	192,593
Realized and unrealized gain on investments, net	(303,948)	(230,257)
Change in beneficial interests	154,740	(34,857)
Change in contributions receivable	723,990	933,563
Change in other assets and prepaid expenses	(38,593)	42,891
Change in accounts payable and refundable advances	(195,050)	20,593
Change in accrued payroll and related liabilities	94,575	(56,710)
Change in allowance - tenant improvements	(5,286)	922
Change in undistributed allocations and designations payable for the current period campaign	413,070	(3,462,952)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>895,314</u>	<u>(2,247,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(80,056)	(108,214)
Purchase of securities	(2,234,959)	(2,090,809)
Proceeds from sale of securities	2,186,790	1,599,775
NET CASH USED IN INVESTING ACTIVITIES	<u>(128,225)</u>	<u>(599,248)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	767,089	(2,846,640)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>828,660</u>	<u>3,675,300</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,595,749</u>	<u>\$ 828,660</u>
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	1,594,810	827,290
Cash held for others	939	1,370
Total cash	<u>\$ 1,595,749</u>	<u>\$ 828,660</u>

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS  
For the year ended June 30, 2019

NOTE A.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of United Way of the Midlands (the Organization).

1.      Nature of the Organization

The United Way of the Midlands is a not-for-profit corporation which incorporated in 1923 and is governed by a volunteer Board of Directors.

The mission of United Way of the Midlands is to improve lives by mobilizing the caring power of the Omaha-Council Bluffs-Metro community.

The vision of United Way of the Midlands is to engage the passion, energy and resources of community partners and leaders, working together to help underserved vulnerable populations and improve people's lives to strengthen our entire metro area in the long-term.

United Way of the Midlands is a powerful partnership of people and organizations that care about our community's future. United Way of the Midlands recruits those who have the passion, expertise and resources we need to get things done. Together, we create life-changing opportunities in education, financial stability and health, the building blocks of a good life, so our neighbors can grow stronger and remain independent.

2.      Basis of Presentation and Accounting

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 complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's 2018 financial statements from which the information was derived.

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation and Accounting - Continued

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

- a. Net assets without donor restrictions include net assets and contributions not subject to donor-imposed stipulations. Net assets without donor restrictions also include assets designated by the Board for specific purposes.
- b. Purpose and time restricted net assets include net assets and contributions subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported within the statement of activities as net assets released from donor restrictions.
- c. Perpetual in nature net assets include net assets and contributions subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by donor stipulation or by law.

3. Revenue and Other Support

Contributions, including both cash gifts and unconditional promises to give due in future periods, are recognized as revenues in the period received.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Revenue and Other Support - Continued

Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same period as the contribution is received are reported as revenues in the net assets without donor restriction class.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restriction class. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of assets other than cash or other assets to be used to acquire land and equipment are reported as revenues of the net assets with donor restriction class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statement of cash flows.

5. Contributions Receivable

Contributions receivable primarily consist of amounts pledged by donors as part of the annual fundraising campaign. Provision for uncollectible allowance is computed based upon a 5-year historical average, adjusted by management estimates of current economic factors, and applied to gross campaign contributions, including donor designations.

6. Investments and Investment Return

The Organization carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investment securities are recorded as contributions at their estimated fair value at the date of donation. Unrealized gains and losses, less external and direct internal investment expenses are included in the change in net assets in the statement of activities.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments and Investment Return - Continued

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statement of activities as with or without donor restrictions based upon existence and nature of any donor or legally imposed restriction.

7. Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost at date of acquisition, or fair value at date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets which cost \$5,000 or more with a useful life of more than one year are capitalized.

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2019.

8. Income Taxes

The United Way of the Midlands is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not identified by the Internal Revenue Service (IRS) as a private foundation. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At June 30, 2019, the Organization had no uncertain tax positions.

The Organization's Federal Return of Organization Exempt from Income Tax returns (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks for the Organization which are not reflected in the financial statements.

10. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs are allocated based on estimated time spent in support of fundraising, program and administration.

11. Fair Value of Financial Instruments

The carrying value of all financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. Investments in equity and debt securities are stated at fair value.

12. Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

13. Change in Accounting Principle

In 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. A summary of the changes is as follows:

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Change in Accounting Principle - Continued

*Statement of Financial Position*

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

*Statement of Activities*

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and internal investment expenses. Disclosure of the expense netted against investment income is no longer required. Investment expenses of \$57,985 reported in direct community services provided by United Way, fundraising, and management and general expenses in 2018 were reclassified to net investment return.

*Notes to the Financial Statements*

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on the previously reported total change in net assets.

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Standards Codification (ASC) 820 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

--Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

--Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

--Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30:

	Total	Level 1	Level 2	Level 3
Investments				
Cash equivalents	\$ 498,819	\$ 498,819	\$ -	\$ -
Fixed income	5,901,407	5,901,407	-	-
Equity funds	2,852,313	2,852,313	-	-
Complementary strategies	330,567	330,567	-	-
Real estate funds	216,656	216,656	-	-
Beneficial interest in net assets assets held by Omaha Community Foundation	2,191,720	-	-	2,191,720
	<u>\$11,991,482</u>	<u>\$9,799,762</u>	<u>\$ -</u>	<u>\$2,191,720</u>

The Organization uses the following methods and significant assumptions to estimate fair value.

Investments: The fair value of cash equivalents, fixed income, equity fund investments, complementary strategies and real estate funds is determined by obtaining quoted market prices on nationally recognized securities exchanges.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Beneficial interest in net assets held by the Omaha Community Foundation: The fair value is determined based on fair value information provided by the Foundation which is based on the Organization’s ownership interest in underlying pools. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial interest in net assets held by the Omaha Community Foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beginning fair value	\$2,265,536
Total gains of losses (realized/unrealized)	80,924
Purchases (including re-invested net earnings)	39,157
Distributions	<u>(193,897)</u>
Ending fair value	<u><u>\$2,191,720</u></u>

Gains and losses (realized and unrealized) on the beneficial interest in net assets held by the Omaha Community Foundation are included in net assets without donor restrictions for the period and are reported as net investment return without donor restrictions on the statement of activities for the year ended June 30, 2019.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE C. INVESTMENTS AND BENEFICIAL INTEREST IN NET ASSETS

The investments of the United Way of the Midlands at June 30 are as follows:

	Cost	Fair Value	Unrealized Net Gain
Cash equivalents	\$ 498,819	\$ 498,819	\$ -
Fixed income	5,829,571	5,901,407	71,836
Equity funds	2,280,062	2,852,313	572,251
Complementary strategies	321,905	330,567	8,662
Real estate funds	213,797	216,656	2,859
Subtotal	9,144,154	9,799,762	655,608
Beneficial interest in net assets held by Omaha Community Foundation	1,997,540	2,191,720	194,180
Total	<u>\$ 11,141,694</u>	<u>\$11,991,482</u>	<u>\$ 849,788</u>

On December 17, 1998, the Organization entered into an agreement establishing a fund at Omaha Community Foundation. Although ownership and management responsibility of this fund remains with the Omaha Community Foundation, the income will continue to provide perpetual gifts to the United Way of the Midlands’ campaign through distributions to the United Way of the Midlands from Omaha Community Foundation. These assets are recognized on the financial statements as “Beneficial interest in net assets held by the Omaha Community Foundation.” As of June 30, 2019, the fair value of these assets is reflected in the statement of financial position.

Shares in pooled investments at Omaha Community Foundation are apportioned to the following net assets classes:

Without donor restrictions	\$ 1,417,085
With donor restrictions	<u>774,635</u>
Total	<u>\$ 2,191,720</u>

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE D. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following at June 30:

Leasehold improvements	\$ 1,293,531
Furniture and equipment	414,467
Computer equipment and software	<u>649,186</u>
Total	\$ 2,357,184
Less accumulated depreciation	<u>(877,726)</u>
	<u><u>\$ 1,479,458</u></u>

NOTE E. CONTRIBUTED GOODS AND SERVICES

Several companies sponsored Community Ambassadors who provided approximately 4,700 hours of service to the United Way of the Midlands. Of the approximately 4,700 hours, approximately 4,200 hours were sponsored by \$25,500, made up of \$7,500 of contributions restricted to offsetting campaign expenses and \$18,000 of contributions received for the prior period (net assets released from restriction) and approximately 500 hours were contributed as services to the Organization.

Additionally, in 2019 the United Way of the Midlands received contributed marketing, advertising, and professional services with a fair value of \$193,361. That amount is reflected in the statement of activities as contributions and expenses within the net assets without donor restrictions.

NOTE F. DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan for all regular, full-time employees. The Organization will match all employee contributions up to 3%, for those employees who completed the one year service eligibility requirement, and may make discretionary contributions as well. Contribution expense for the year ended June 30 was \$262,906.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE G. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

*Net Assets Without Donor Restrictions*

Board Designated Reserve

The United Way of the Midlands holds investments which have been designated by the Board of Directors as a reserve restricted for expenditures which are not funded by annual campaign contributions.

Examples of such expenditures include capital purchases, funding for unbudgeted emergency services, and other miscellaneous unforeseen and/or non-routine expenditures. All expenditures charged to the Board Designated Reserve must be approved by the Board of Directors.

Quasi-Endowment

Quasi-endowment net assets consist of funds designated by the Board of Directors to function as an endowment.

*Net Assets With Donor Restrictions*

Purpose and Time Restricted Net Assets

Purpose and time restricted net assets are assets primarily from the Fall United Way of the Midlands Campaign, which donors restricted for the following year. Purpose and time restricted net assets consist of the following at June 30.

Endowment earnings restricted for specific purposes	\$ 357,838
Funding to offset future direct program expenses	426,782
Contributions for future grant disbursements	<u>307,463</u>
	<u>\$1,092,083</u>

Perpetual in Nature Net Assets

Perpetual in nature net assets consist of investments endowed for which donor restriction stipulates that the original gift be maintained in perpetuity. Income derived from the donated assets are restricted to be used as an annual pledge to the campaign.

United Way of the Midlands  
 NOTES TO FINANCIAL STATEMENTS – CONTINUED  
 For the year ended June 30, 2019

NOTE G.      RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES -  
 CONTINUED

*Net Assets Released From Restriction*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Expiration of time restrictions	\$ 681,063
Satisfaction of purpose restrictions	
Collective for youth program management	14,142
Developmental and intellectual disabilities	124,568
	\$ 819,773

NOTE H.      DEFERRED RENT – TENANT IMPROVEMENT ALLOWANCE

Lease rentals that have escalating rents are recorded as expense on a straight-line basis over the life of the lease. Contingent rent payments, to the extent they exceed minimum payments, are accrued during the periods in which the liability is incurred. Tenant improvement allowance provided by the landlord under the leasing agreement is deferred as a liability and amortized to income as an adjustment to rent expense over the life of the lease.

NOTE I.      PARTICIPATION PARTNER AGREEMENTS

The United Way of the Midlands has a contractual agreement with the Community Health Charities of Nebraska (CHC) whereby these two agencies would conduct a joint fund-raising campaign in the counties of Douglas, Sarpy, and Pottawattamie. Under the contract, CHC receives 5% of the “adjusted net campaign contributions” as defined by the terms of the agreement.

The United Way of the Midlands has agreed to be a national distributor for certain companies. Payroll deductions are forwarded to the United Way of the Midlands where these funds are distributed on a quarterly basis to all United Way organizations. No administrative fee is charged, however, the short-term income earned on the funds while they reside in the Organization’s accounts is used to offset the cost of providing this service. As of June 30, 2019, \$385,889 was included in cash and cash equivalents and in undistributed funds payable for the current period campaign.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE J.      ENDOWMENT FUNDS

The Organization maintains four endowment funds for which the income derived from the funds is restricted to be used as an annual pledge to the campaign or for other specific purposes. As required by generally accepted accounting principles, net assets and the changes therein 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 Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds. The Organization has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as perpetual in nature with donor restriction net assets the original value of gifts donated to the perpetual in nature endowment and the original value of subsequent gifts to the perpetual in nature endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds is classified according to donor stipulations, if any.

Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds is classified as purpose restricted with donor restriction net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) the duration and preservation of the endowment fund;
- 2) the purposes of the Organization and the donor-restricted endowment fund;
- 3) general economic conditions;
- 4) the possible effect of inflation or deflation;
- 5) the expected total return from income and the appreciation of investments;
- 6) other resources of the Organization; and
- 7) the investment policy of the Organization.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE J. ENDOWMENT FUNDS – CONTINUED

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy for the assets held by the Omaha Community Foundation of appropriating for distribution each year 4.5% of its endowment fund's market value as of December 31 of the year proceeding the calendar year in which the distribution is planned. This amount is restricted to be utilized as a perpetual gift to the annual United Way of the Midlands campaign drive. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

The Organization has a trust which must be maintained in perpetuity. The Organization has a policy for the assets held by the bank under the trust of appropriating for distribution each year 4.5% of its market value as of June 30 of the year proceeding the fiscal year in which the distribution is planned. This amount is restricted to serve those with developmental and intellectual disabilities.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE J. ENDOWMENT FUNDS – CONTINUED

The composition of net assets by type of endowment fund at  
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$3,706,882	\$3,706,882
Quasi-endowment	2,539,346	-	2,539,346
Total	<u>\$ 2,539,346</u>	<u>\$3,706,882</u>	<u>\$6,246,228</u>

Changes in  
Endowment Net Assets  
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,424,104	\$3,620,582	\$6,044,686
Investment return, net	227,283	86,300	313,583
Appropriation of endowment assets for expenditure	(112,041)	-	(112,041)
Endowment net assets, end of year	<u>\$ 2,539,346</u>	<u>\$3,706,882</u>	<u>\$6,246,228</u>

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE K. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

	FY2019
Cash and cash equivalents	\$ 1,594,810
Contributions receivable	5,994,890
Investments	9,799,762
Beneficial interest in net assets held by the Omaha Community Foundation	2,191,720
Total financial assets	19,581,182
Donor imposed restrictions	
Perpetual in nature	(3,349,044)
Purpose restrictions	(685,400)
Time-restricted for future periods	(406,683)
Net financial assets after donor imposed restrictions	15,140,055
Internal designations	
Board designated reserves	(6,142,127)
Quasi endowments	(2,539,346)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,458,582

The Organization receives contributions designated by donors and considers contributions designated for programs which are ongoing, major and central to its operations to be available to meet cash needs for general expenditures. For the year ended June 30, 2019, designated contributions of \$2,026,243 were included in the financial assets available to meet cash needs for general expenditures within one year.

The Organization’s endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The quasi-endowment of \$2,539,346 is subject to an annual spending rate of 4.5% as described in Note J. Although the Organization does not intend to spend from this quasi-endowment, unless approved by the Board for specific program purposes, these amounts could be available if necessary.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE K. LIQUIDITY AND AVAILABILITY – CONTINUED

The board designated reserves of \$6,142,127 is made up of three months of operating expenses and payout to community partner agencies, proceeds from the sale of a prior building and funds designated by the Board to supplement programs not funded by the annual campaign. These amounts are available for spending, subject to Board approval.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE L. DIRECT COMMUNITY SERVICES

Community Impact

This function is dedicated to encouraging community engagement, mobilization, and sharing a community vision. Activities include building community relationships, promotion of community involvement in priority issues, and advocating for the support of priority services. Additional activities include prioritization and research for initiative development, outcome measure development and assessment, and service implementation through fund distribution, economic development strategies, and agency designation management.

As a direct result of the strategic planning process, United Way's vision, going forward, calls for the organization to engage the passion, energy and resources of community partners and leaders, working together to help underserved vulnerable populations and improve people's lives to strengthen our entire metro area in the long-term.

United Way will be accountable to the community for achieving and communicating results of its own work, that of its partners and grant recipients. It will serve the most vulnerable among us by supporting the local safety net, and take the next critical step – committing to solutions on some of our area's biggest human challenges.

Other Program Services

Information and Referral

When a caller dials 2-1-1, they find easy access to health and human service programs in Nebraska and Iowa. Certified Resource Specialists develop and maintain a computerized comprehensive database of nearly 4,000 health and human service programs. Individuals

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE L. DIRECT COMMUNITY SERVICES – CONTINUED

who need help, often in crisis situations, are connected with the right community resources by Certified Information and Referral Specialists who use the vast database. As well, individuals and groups that want to volunteer to help others can also be linked with local nonprofit groups. The 2-1-1 community resource database is also available on our website, [www.ne211.org](http://www.ne211.org). The information gathered from both agencies and callers helps to identify gaps in local human services, which can assist local policy makers with future planning efforts. Effective July 1, 2017 the 2-1-1 Resource Center is available Monday to Friday 7 a.m. to 8 p.m. and Saturday from 8 a.m. to 5 p.m.

Court Referral

Court Referral provides an alternative to incarceration for offenders, both youth and adults, who have been ordered by the judicial system to make retribution to the community through volunteer service. Trained specialists provide placement, monitoring and reporting services to ensure the successful completion of court ordered hours. These individuals are placed in not-for-profit organizations to provide much needed assistance in carrying out each host organization's mission. The individuals gain and enhance marketable social and job skills. The judicial system gains a cost-effective means for managing offenders. The entire community is impacted and receives benefits from this program.

Comprehensive Volunteerism

United Way of the Midlands links prospective volunteers with local nonprofit organizations that need the help. These can be one-time, monthly or more regular volunteer projects that meet the skills and schedule of the volunteering individual or group. Also, volunteer leadership and management skills are developed and implemented through referral, training, recognition and consultation for both program service volunteers and those who wish to serve on policy making boards at local nonprofits. A community volunteer opportunity database is available on the Organization's website.

NOTE M. FLOOD RELIEF

United Way of the Midlands received more than \$1 million in pledges to its Nebraska and Iowa Flood Relief Fund. More than 2,500 individuals and 90 companies contributed. In April 2019, United Way of the Midlands paid approximately \$468,000 of these donations to agencies like the American Red Cross, Food Bank for the Heartland, Habitat for Humanity of

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE M. FLOOD RELIEF – CONTINUED

Omaha and Legal Aid of NE/IA for immediate crisis response and local United Ways across Nebraska for distribution in their communities. As of June 30, 2019, approximately \$585,000 of the remaining funds are included in the undistributed allocations and designations payable for the current period campaign. In August 2019, the Board of Directors reviewed the proposed allocation of the remaining funds, which will be paid out during fiscal year 2020 in support of long-term recovery efforts.

NOTE N. UNITED WAY WORLDWIDE’S COST DEDUCTION STANDARDS

United Way of the Midlands has committed to comply with the United Way Worldwide’s cost deduction standards, which govern how expenses are recovered from contributions designated to specific agencies or other United Way organizations. United Way of the Midlands has also committed to all of the other United Way Worldwide membership requirements and provides a written compliance certification to the Board of Directors and the United Way Worldwide on an annual basis.

NOTE O. CONCENTRATION OF RISK

The Organization maintains its cash at various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2019, cash and cash equivalents included \$1,506,103 held in one commercial bank. As of June 30, the uninsured and uncollateralized portion of this balance was \$1,256,103.

NOTE P. RELATED PARTY TRANSACTIONS

Material related party transactions as defined by (ASC) 850 involving the United Way of the Midlands for year ending June 30 included:

- United Way of the Midlands Board of Director membership includes executives from various organizations. These organizations respectively received payments of \$316,334 for health and dental insurance premiums
- The Board of Directors for United Way of the Midlands contributed \$189,967 to the 2018 campaign in fiscal year 2019.

United Way of the Midlands  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2019

NOTE Q. OPERATING LEASES

On May 26, 2015, the United Way of the Midlands entered into a lease for its administrative offices for ten years and 3 months; commencing on September 1, 2015, and ending on November 30, 2025. The lease contains two options to renew for sixty months each.

The future minimum annual rental payments per fiscal year are as follows:

Year ending June 30:

2020	\$ 324,834
2021	331,237
2022	337,867
2023	344,545
2024	351,368
Thereafter	508,880

NOTE R. SUBSEQUENT EVENTS

Subsequent events have been assessed through September 25, 2019, which is the date the financial statements were available to be issued, and management has concluded there were no events or transactions that would require recognition or disclosure in the financial statements other than those already disclosed.