

UNITED WAY OF CLINTON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Clinton County, Iowa is a non-profit corporation organized to raise funds each year by community-wide appeal. These funds are then allocated to agencies which have as their objective: benevolent and charitable works, promotion of social welfare, character building, and the improvement of the health of the community.

Use of Estimates in Preparing Financial Statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist primarily of mutual funds. Investments are stated at market value.

Pledges Receivable

Pledges receivable are recorded when pledges are made and are presented in the balance sheet net of the allowance for doubtful accounts. Pledges receivable are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Organization's historical losses.

Furniture and Equipment

All acquisitions of furniture and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Impairment of Long Lived Assets

United Way of Clinton County, Iowa reviews long-lived assets for impairment whenever events or changes in circumstances indicate 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 undiscounted net 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. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted - Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted.

Temporarily Restricted - Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted - Permanently restricted net assets include contributed net assets which require, by donor-imposed restriction, that the corpus be invested in perpetuity by the Organization. Generally, donors of these assets permit the income be made available for program operations in accordance with donor restrictions.

Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Income Tax Status

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's income tax returns. Management is not aware of any tax positions that would have a material effect on the financial statements that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities with full knowledge of the position and all relevant facts. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's income tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

The Organization recognizes penalties and interest arising from uncertain tax positions as incurred in general and administrative expenses. No such penalties or interest were recognized during the years ended September 30, 2018 and 2017.

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended September 30, 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events

Management has evaluated subsequent events through December 19, 2018, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments are recorded at market value; investments received by gift are carried at market value at date of acquisition.

Investments are comprised of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 93,368	\$ 127,730	\$ 83,472	\$ 112,097
Total	<u>\$ 93,368</u>	<u>\$ 127,730</u>	<u>\$ 83,472</u>	<u>\$ 112,097</u>

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NOTE 3 - FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature 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 lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 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's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

Mutual fund: Valued at the net asset value of shares held at year end.

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

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NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity securities	\$ <u>127,730</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>127,730</u>
Total assets at fair value	\$ <u>127,730</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>127,730</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity securities	\$ <u>112,097</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>112,097</u>
Total assets at fair value	\$ <u>112,097</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>112,097</u>

The investments of the Organization are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

A summary of changes in investments for the years ended September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Investments at market, beginning of year	\$ 112,097	\$ 114,959
Proceeds from sales	-	(22,306)
Purchases	9,896	8,695
Net realized and unrealized gains (losses)	<u>5,737</u>	<u>10,749</u>
Investments at market, end of year	<u>\$ 127,730</u>	<u>\$ 112,097</u>

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NOTE 4 - PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give.

	<u>2018</u>	<u>2017</u>
2015 - 2016 campaign	\$ -	\$ 27,192
2016 - 2017 campaign	11,570	226,521
2017 - 2018 campaign	141,020	-
Leased office space	<u>421</u>	<u>1,698</u>
Gross unconditional promises to give	<u>\$ 153,011</u>	<u>\$ 255,411</u>
Amounts due in:		
Less than one year	\$ 153,011	\$ 253,713
One to five years	<u>-</u>	<u>1,698</u>
Gross unconditional promises to give	153,011	255,411
Less: unamortized discount	-	(13)
Less: allowance for uncollectible promises to give	<u>(30,000)</u>	<u>(30,000)</u>
Net unconditional promises to give	<u>\$ 123,011</u>	<u>\$ 225,398</u>

Unconditional promises to give due in more than one year are recognized at fair value, when the donor makes an unconditional promise to give.

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment are comprised of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 38,451	\$ 37,601
Less accumulated depreciation	<u>37,601</u>	<u>37,423</u>
Furniture and equipment, net	<u>\$ 850</u>	<u>\$ 178</u>

Depreciation expense was \$178 and \$560 for the years ended September 30, 2018 and 2017, respectively.

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NOTE 6 - LEASE OF OFFICE SPACE

On January 3, 2003, United Way of Clinton County, Iowa entered a 3-year lease agreement with US Bank National Association for the lease of the building in which it operates. On January 26, 2006 the lease was extended through January 31, 2010. On February 18, 2010 the lease was extended through January 31, 2014. On December 19, 2013 the lease was extended through January 31, 2019. Required monthly payments are as follows:

February 1, 2017 to January 31, 2018	\$ 103
February 1, 2018 to January 31, 2019	106

The use of the building for a nominal charge is a contribution received. To compute the amount of the gift, the fair value of rent over the lease period was estimated and discounted using an interest rate of 1.63%. The contribution revenue was recognized as an increase in temporarily restricted net assets. Each year, an amount equal to the current year's fair value rent is reclassified from temporarily restricted to unrestricted to recognize that United Way of Clinton County, Iowa has met the restrictions for that year. The total rental expense included in the financial statements was \$2,532 for the years ended September 30, 2018 and 2017.

The following is a schedule by year of future minimum payments required under the lease:

<u>Year Ending September 30,</u>	
2019	<u>\$ 423</u>
Total	<u>\$ 423</u>

NOTE 7 - NATURE AND AMOUNT OF TEMPORARY RESTRICTIONS

Temporarily restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Prepaid pledges for 2017 - 2018 campaign	\$ -	\$ 18,089
Prepaid pledges for 2018 - 2019 campaign	12,775	-
Leased office space, less unamortized discount	<u>421</u>	<u>1,685</u>
Total	<u>\$ 13,196</u>	<u>\$ 19,774</u>

NOTE 8 - RETIREMENT PLAN

The Organization has a Simple IRA Plan. Employee contributions are discretionary and are limited to \$6,000 for any calendar year. The maximum amount the employer will match is 3% of the employee's compensation for the calendar year. The employer matching contribution to the Plan was \$1,289 and \$1,255 for the years ended September 30, 2018 and 2017, respectively.

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NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 10 - CONCENTRATIONS

As of September 30, 2018, 34.14% of United Way of Clinton County, Iowa's revenues were from LyondellBasell Industries and members employed at LyondellBasell Industries. In addition, 22.18%, 11.89% and 11.33% of United Way of Clinton County, Iowa's accounts receivable balance was related to pledges from LyondellBasell Industries, Nestle Purina Pet Care and Clysar, LLC respectively.

As of September 30, 2017, 18.03% and 15.44% of United Way of Clinton County, Iowa's revenues were from LyondellBasell Industries and members employed at LyondellBasell Industries and Archer Daniels Midland Company (ADM) and members employed at ADM. In addition, 47.21% and 11.26% of United Way of Clinton County, Iowa's accounts receivable balance was related to pledges from Archer Daniels Midland Company (ADM) and LyondellBasell Industries, respectively.

This information is an integral part of the accompanying financial statements.