



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**UNITED WAY OF GREATER
TOPEKA, INC.**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

UNITED WAY OF GREATER TOPEKA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Other Functional Expenses	6
Notes to Financial Statements	7 - 25
Supplementary Information:	
Schedule 1 - Community Impact	26
Schedule 2 - Private and Public Grant Revenues	27



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
United Way of Greater Topeka, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater Topeka, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and other functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 discussed in Note 1 to the financial statements, on July 1, 2018, the Organization adopted ASU No. 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as outlined in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 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.

Berberich Trahan & Co., P.A.

December 17, 2019
Topeka, Kansas

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

(with Summarized Financial Information for June 30, 2018)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 214,767	\$ 142,526
Short-term investments	35,402	28,013
Operating investments	438,294	272,636
Pledges receivable:		
2018-2019 campaign, less allowance of \$ 134,508	1,037,281	-
2017-2018 campaign, less allowance of \$ 145,541	-	1,078,497
Other receivables	19,180	10,764
Grants receivable	362,136	290,358
Prepaid expenses	21,038	27,529
Total current assets	<u>2,128,098</u>	<u>1,850,323</u>
Furniture and equipment, net of accumulated depreciation of \$ 370,878 and \$ 463,553, respectively	5,715	7,610
Long-term investments	1,549,758	2,128,643
Total assets	<u>\$ 3,683,571</u>	<u>\$ 3,986,576</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts and grants payable	\$ 506,195	\$ 410,777
Accrued expenses	75,427	67,087
Due to participating agencies and other communities	179,964	233,538
Deferred revenue	-	4,481
Total current liabilities	<u>761,586</u>	<u>715,883</u>
Net assets:		
Without donor restrictions	2,370,991	2,727,207
With donor restrictions	550,994	543,486
Total net assets	<u>2,921,985</u>	<u>3,270,693</u>
Total liabilities and net assets	<u>\$ 3,683,571</u>	<u>\$ 3,986,576</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

(with Summarized Financial Information for the Year Ended June 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains, and other support:				
Campaign applicable to current year:				
Contributions received - current year	\$ 2,528,034	\$ 2,797	\$ 2,530,831	\$ 2,566,839
Less: donor designations - United Way campaign	(295,718)	-	(295,718)	(281,807)
Less: allowance for uncollectible pledges	(179,414)	-	(179,414)	(107,987)
Net campaign applicable to current year	2,052,902	2,797	2,055,699	2,177,045
Private and public grants	3,000,841	-	3,000,841	2,456,814
Special grants and contributions	-	102,082	102,082	92,744
Memorial and trust income	225	-	225	670
Net investment income	91,831	10,332	102,163	201,631
In-kind contributions	25,723	-	25,723	40,177
Net assets released from restriction	107,703	(107,703)	-	-
Total revenues, gains, and other support	5,279,225	7,508	5,286,733	4,969,081
Allocations and other functional expenses:				
Community impact	1,245,752	-	1,245,752	1,322,429
Other functional expenses	4,389,689	-	4,389,689	3,848,915
Total expenses	5,635,441	-	5,635,441	5,171,344
Change in net assets	(356,216)	7,508	(348,708)	(202,263)
Net assets, beginning of year	2,727,207	543,486	3,270,693	3,472,956
Net assets, end of year	\$ 2,370,991	\$ 550,994	\$ 2,921,985	\$ 3,270,693

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

(with Summarized Financial Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (348,708)	\$ (202,263)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,341	2,727
Loss on sale of equipment	4,032	-
Net unrealized and realized gains and losses on investments	(75,255)	(173,909)
Change in assets and liabilities:		
Pledges receivable for other than long-term purposes	35,443	167,883
Other receivables	(8,416)	7,644
Grants receivable	(71,778)	(59,692)
Prepaid expenses	6,491	(2,076)
Accounts payable	95,418	(59,809)
Accrued expenses	8,340	(13,126)
Due to participating agencies and other communities	(53,574)	(10,434)
Deferred revenue	(4,481)	(106,391)
Net cash from operating activities	<u>(410,147)</u>	<u>(449,446)</u>
Cash flows from investing activities:		
Purchases of operating investments	(173,047)	29,154
Purchases of long-term investments	(23,860)	(32,978)
Proceeds from sale of long-term investments	678,000	380,023
Purchases of furniture and equipment	(4,478)	-
Net cash from investing activities	<u>476,615</u>	<u>376,199</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	<u>5,773</u>	<u>3,015</u>
Net change in cash	72,241	(70,232)
Cash and cash equivalents, beginning of year	<u>142,526</u>	<u>212,758</u>
Cash and cash equivalents, end of year	<u>\$ 214,767</u>	<u>\$ 142,526</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF OTHER FUNCTIONAL EXPENSES

Year Ended June 30, 2019

(with Summarized Financial Information for the Year Ended June 30, 2018)

	2019				2018
	Support Services				Total
	Management and General	Resource Development	Program Expenses	Total	Total
Salaries	\$ 306,148	\$ 161,043	\$ 280,897	\$ 748,088	\$ 738,860
Payroll taxes	23,102	12,515	21,889	57,506	57,169
Employee benefits and retirement	33,263	18,012	31,326	82,601	81,233
Office rent	48,809	21,105	42,443	112,357	105,727
External printing	566	10,313	1,038	11,917	13,187
Public relations	12,559	757	20,441	33,757	47,163
Campaign ambassador	-	2,518	-	2,518	1,673
Professional fees	22,731	190	-	22,921	64,237
Insurance	3,657	1,920	3,566	9,143	9,630
Technology expenses	38,062	8,958	29,320	76,340	30,611
Office supplies	7,259	6,928	6,064	20,251	18,057
Telephone	3,568	1,873	3,478	8,919	10,042
Postage and shipping	2,359	1,341	2,263	5,963	6,448
Local transportation	958	2,180	3,293	6,431	6,464
Conferences and travel	10,276	829	9,059	20,164	18,227
Meetings	1,513	565	8,370	10,448	11,307
Subscriptions and reference publications	101	14	29	144	539
Local dues	94	49	91	234	2,448
Volunteer recognition	37	282	488	807	202
National dues	18,447	9,685	17,986	46,118	47,841
Junior Leader Reader	-	-	3,700	3,700	8,845
Successful Connections	-	-	-	-	1,006
Born Learning Trail	-	-	3,720	3,720	991
Dolly Parton Library	-	-	45,871	45,871	40,100
Day of Caring	-	-	17,047	17,047	8,991
Grants	-	-	3,002,408	3,002,407	2,448,830
Christmas Bureau	-	-	13,616	13,616	35,417
Women United	-	-	3,829	3,829	4,728
WU Student Allocation	-	-	8,000	8,000	8,000
NOW Program	-	-	285	285	23
Powering the Good	-	-	-	-	2,126
Campaign expenses	-	549	-	549	1,355
Sales tax	155	81	151	387	758
Miscellaneous	2,459	3,998	4,853	11,310	13,953
Total other functional expenses before depreciation	536,123	265,705	3,585,521	4,387,348	3,846,188
Depreciation of furniture and equipment	2,341	-	-	2,341	2,727
Total other functional expenses	\$ 538,464	\$ 265,705	\$ 3,585,521	\$ 4,389,689	\$ 3,848,915

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

1 - Organization and Summary of Significant Accounting Policies

Organization

United Way of Greater Topeka, Inc. (the Organization) brings together people, companies, and nonprofits from Shawnee, Jefferson, and Jackson counties to create positive sustainable change in our community. The Organization works to solve issues no single donor, charity, or government agency can handle alone. By focusing on education, financial stability, and health, the Organization helps more children graduate and get stable jobs, helps families become financially stable, and improves the overall health of our community. The Organization supports basic needs assistance to help those in crisis move toward long-term stability.

The Organization connects individual and workplace donors throughout the community with nonprofits that are committed to long-term change. These investments help ensure that regardless of a person's zip code:

- Children are ready to learn when they start school.
- Children keep up with their peers in grade school, increasing their chances of graduating high school.
- Individuals and families are financially stable and able to save and plan for the future.
- Everyone has access to nutritious and affordable food and opportunities to be active and healthy.

Through impact work, partnerships, and collaborations, the Organization makes sure more voices join the discussion about the future of our community. Investment decisions are made by volunteers from the community. As part of a competitive grant process, volunteers meet to review submitted proposals aimed at achieving the community impact goals and addressing basic needs. Proposals showing the greatest ability to meet the goals are awarded grants.

Cash and Cash equivalents

Cash and cash equivalents consists of cash and investments with original maturities of less than three months and which have not been designated by management as operating investments (see Note 3).

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

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

The Organization maintains a significant portion of its total assets in a combination of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

Investments

Short-term investments include a non-negotiable certificate of deposit and operating investments include a savings account, a money market deposit account, and non-negotiable certificates of deposit. Both short-term and operating investments are recorded at cost since they are not affected by market rate changes.

The Organization invests in mutual funds which are reported at fair value. The Organization also invests in pooled funds at the Topeka Community Foundation (the Foundation). The pooled shares at the Foundation are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Pledges Receivable

Pledges receivable represent legally enforceable pledges which are recorded at their net realizable value in the period made. The allowance for uncollectible pledges estimated at 5.3% and 5.7% for the years ended June 30, 2019 and 2018, respectively, is based on an analysis of historical trends, current levels of campaign revenue, and other factors.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable (Continued)

Pledges for each campaign year are expected to be collected within one year. Pledges not collected by June 30 of the following year are deemed uncollectible.

Furniture and Equipment

Furniture and equipment are carried at cost. Furniture and equipment with a cost of more than \$ 1,000 and an estimated useful life of more than one year are capitalized. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

In accordance with ASC 958-605, Not-For-Profit Revenue Recognition, contributions designated to specific recipient organizations are reflected as a reduction to campaign contributions and recorded as a liability.

Donated Materials, Facilities, and Services

Donated materials, facilities, and services, such as advertising and professional services, have been recognized at fair value in the financial statements in the amounts of \$ 25,723 and \$ 40,177 for the years ended June 30, 2019 and 2018, respectively. The related expenses have been included in other functional expenses.

A substantial number of volunteers have donated significant amounts of their time on the Organization's fund-raising campaign and other activities. No amounts have been reflected in the statements for such services.

Functional Expense Allocation

Certain expenses have been allocated between program and support services based on the amount of time employees spend on each function.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, and has been classified as other than a private foundation by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. The Organization has adopted this ASU for these financial statements applying the changes retrospectively with the exception of the availability and liquidity disclosures as allowed by the standard.

The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability and liquidity of resources (see Note 2).

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted, undesignated net assets	\$ 1,487,766	\$ -
Unrestricted, board designated net assets	1,239,441	-
Temporarily restricted net assets	270,743	-
Permanently restricted net assets	272,743	-
Net assets without donor restrictions	-	2,727,207
Net assets with donor restrictions	-	543,486
	\$ 3,270,693	\$ 3,270,693

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the 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 statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance 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, 2020, including interim periods within those fiscal years. Management is currently evaluating the impact the standard may have on the financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Availability and Liquidity

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

Financial assets:	
Cash on hand and in banks	\$ 214,767
Short-term investments	35,402
Operating investments	438,294
Pledges receivable, net	1,037,281
Other receivables	19,180
Grants receivable	<u>362,136</u>
 Total financial assets	 <u>2,107,060</u>
Less financial assets held to meet donor-imposed restrictions:	
Portion of donor-restricted funds not held in long-term investments	(223,413)
 Less board-designated net assets (see Note 7)	 <u>(1,233,289)</u>
 Amount available for general expenditures within one year	 <u><u>\$ 650,358</u></u>

The Organization has established two reserve funds in order to preserve the financial health and allow the Organization to respond to unanticipated needs or funding requests in support of the strategic plan and operational goals of the Organization. These funds are board-designated. An Operating Reserve Fund consisting of a minimum of four months of direct operating expenses for the current fiscal year is maintained to meet short-term cash flow requirements during the operating cycle. In addition, an Economic Stabilization Reserve Fund is maintained with net assets without donor restrictions at a minimum level of 50% of the total dollars committed to investment in the community for the current fiscal year. Community investments include, but are not limited to, funds from donor designations, funds allocated to impact goals and basic needs, funds designated by donors to other United Ways, funds used to support community efforts, and funds used in times of disaster.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Investments

Operating investments were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Savings and money market deposit accounts:		
INTRUST Bank	\$ 476	\$ 476
Capitol Federal Savings	<u>311,784</u>	<u>46,706</u>
	<u>312,260</u>	<u>47,182</u>
Certificates of deposit:		
INTRUST Bank	9,197	9,180
Alliance Bank	<u>116,837</u>	<u>216,274</u>
	<u>126,034</u>	<u>225,454</u>
	<u>\$ 438,294</u>	<u>\$ 272,636</u>

Long-term investments held at an investment company, consisted of the following at June 30:

	<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 753,274</u>	<u>\$ 922,452</u>
	<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,119,922</u>	<u>\$ 1,317,309</u>

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Investments (Continued)

Other long-term investments, which are held in trust at the Foundation in the amount of \$ 627,306 and \$ 811,334 at June 30, 2019 and 2018, respectively, are pooled with other funds at the Foundation.

Amounts included in investment income for the years ended June 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Short-term and operating investments:		
Dividends and interest	<u>\$ 3,094</u>	<u>\$ 2,264</u>
Long-term investments:		
Dividends, interest, and capital gains	27,429	29,643
Net unrealized and realized gains and losses	75,255	173,909
Investment fees	<u>(3,615)</u>	<u>(4,185)</u>
	<u>99,069</u>	<u>199,367</u>
	<u>\$ 102,163</u>	<u>\$ 201,631</u>

4 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - Fair Value Measurements (Continued)

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2019 or 2018.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Pooled Funds: The fair value is based on quoted market prices or at estimated fair value as reported by the fund manager. The fair value of the Organization's position is the same as the pool value of the shares as reported by the fund manager. The Foundation invests in various other investments including private equity funds, fixed income, and other alternative investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurements (Continued)

In estimating fair value of the investments measured at net asset value, management monitors the Foundation's investment activity by analyzing the Foundation's investment statements. The Foundation's valuation policies and procedures are determined reasonable by management of the Foundation on a quarterly basis. These valuation procedures are to allocate the Foundation's portion of earnings based on its pro rata ownership percentage in the pool. The valuation of earnings in the pool is based on the earnings of the pooled assets, which are tracked to price indices.

The Organization reconciles investment accounts on a quarterly basis. The Organization's Board of Directors monitors the financial reports, which provide detailed information for the Foundation.

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

Description	2019			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Blended funds	\$ 638,359	\$ -	\$ -	\$ 638,359
Bond fund	284,093	-	-	284,093
Investments measured at net asset value ^(a)	-	-	-	627,306
Total	<u>\$ 922,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,549,758</u>

Description	2018			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Blended funds	\$ 914,245	\$ -	\$ -	\$ 914,245
Bond fund	403,064	-	-	403,064
Investments measured at net asset value ^(a)	-	-	-	811,334
Total	<u>\$ 1,317,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128,643</u>

^(a) In accordance with Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Fair Value Measurements (Continued)

There were no transfers between the levels during the years ended June 30, 2019 and 2018. The Organization's policy is to only recognize transfers in and out of the levels at the end of the reporting period; interim changes in the fair value inputs are not recognized.

Fair Value of Investments that use Net Asset Value (NAV)

The following table summarizes investments measured at fair value based on the NAV per share as of June 30, 2019 and 2018:

Investment	Fair Value June 30, 2019	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled funds ^(a)	\$ 627,306	None	Daily	None

Investment	Fair Value June 30, 2018	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled funds ^(a)	\$ 811,334	None	Daily	None

^(a) This investment's objective is to earn a rate of return, net of all fees, in excess of 80% S & P 500 Index/20% Barclays Capital Aggregate Government/Corporate Bond Index benchmark over rolling five-year and ten-year periods.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Operating Leases

The Organization leases office space, storage space, and equipment under agreements which are classified as operating leases. The office space lease is for an eleven-year term expiring December 31, 2029. Monthly lease payments range from \$ 5,125 to \$ 5,948. Annual net lease expense for the years ended June 30, 2019 and 2018 was \$ 96,375 and \$ 112,500, respectively. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2020	\$ 61,961
2021	62,891
2022	63,834
2023	64,792
2024	65,763
2025-2029	343,913
2030	35,687
	<hr/>
	\$ 698,841
	<hr/> <hr/>

6 - Endowment

The Organization's endowment consists of donor-restricted endowment funds and the earnings on those funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Endowment (Continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

The endowment net assets composition at June 30, 2019 and 2018 was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 423,950	\$ 423,950

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 407,845	\$ 407,845

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 407,845	\$ 407,845
Investment return:			
Net appreciation (realized and unrealized)	-	10,332	10,332
Contributions	-	5,773	5,773
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 423,950</u>	<u>\$ 423,950</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 369,557	\$ 369,557
Investment return:			
Net appreciation (realized and unrealized)	-	35,273	35,273
Contributions	-	3,015	3,015
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 407,845</u>	<u>\$ 407,845</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations after the investment of restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2019 or 2018.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - Endowment (Continued)

The Organization's endowment assets are invested at the Foundation; therefore, the Organization uses the Foundation's growth portfolio investment policy for investment of its endowment assets. This investment policy is designed to provide for the preservation of capital and for the preservation of purchasing power of the endowment assets by striving for long-term returns that either match or exceed the Foundation's spending policy, the rate of inflation, and investment fees. Endowment assets include those assets of donor-designated funds that the Organization should hold in perpetuity. Under the Foundation's investment policy, the long-term investment objective is to earn a rate of return, net of all fees, in excess of an 80% S&P 500 Index/20% Barclays Aggregate Government/Corporate Bond Index benchmark over rolling five- and ten-year periods.

The Organization's endowment funds are pooled with other funds at the Foundation. Investment gains and losses of the Foundation's investments are then allocated to the Organization by the Foundation in proportion to the Organization's portion of the investment pool. The Organization has not implemented a formal spending policy as of June 30, 2019, as the endowment income is generally being allowed to accumulate. The Organization's informal spending policy is to appropriate for expenditure the endowment earnings on a case-by-case basis in accordance with donor restrictions and/or as approved by the Board of Directors.

7 - Board Designated Net Assets

Net assets in the amount of \$ 1,233,289 and \$ 1,239,441 as of June 30, 2019 and 2018, respectively, are designated by the Board of Directors to be used for community impact, working capital, and other operational needs and contingencies.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2019	2018
Time restrictions - endowment earnings	\$ 93,975	\$ 83,590
Women United	30,177	23,151
Christmas Bureau	777	7,837
Young Leaders Society - Born Learning Trail	7,727	11,695
Community Impact	63,839	59,433
NOW Program	-	2,480
Washburn University Venture Grant Program	34,685	27,685
Campaign for Grade Level Reading	6,511	-
Dolly Parton Imagination Library	11,971	34,854
Disaster Relief	16,910	16,910
Impact funding - health	5,905	3,108
	\$ 272,477	\$ 270,743

The Organization has net assets with donor restrictions required to be maintained in perpetuity in the amount of \$ 278,517 and \$ 272,743 for June 30, 2019 and 2018, respectively. This amount represents the portion of perpetual endowment funds that is required to be retained in perpetuity either by explicit stipulation or by UPMIFA. Net assets with donor restrictions to be maintained in perpetuity are included in long-term investments on the statement of financial position.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Net Assets with Donor Restrictions (Continued)

The following net assets with donor restrictions were released from restriction for their restricted purposes or time restrictions during the years ended June 30, 2019 and 2018:

	2019	2018
Women United	\$ 7,806	\$ 9,701
Christmas Bureau	25,364	47,044
Young Leaders Society	-	219
Young Leaders Society - Junior Leader Readers	3,268	3,362
Washburn University Venture Grant Program	8,000	8,000
NOW Program	6,563	4,020
Dolly Parton Imagination Library	50,549	45,367
Home Visitation Retreat	-	994
Campaign for Grade Level Reading	6,153	-
	\$ 107,703	\$ 118,707

9 - Pension

The Organization has a defined contribution retirement plan which covers all employees at least 21 years of age with one year of service. Effective January 1, 2017, the Organization began contributing two percent of the employees' wages to the plan and will match up to two percent of an elective employee contribution. The plan employs a five-year vesting schedule for the employer match, to apply to all participants hired after April 1, 2015:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Pension cost was approximately \$ 26,700 and \$ 22,900 for the years ended June 30, 2019 and 2018, respectively.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Comparative Financial Statements

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

11 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditors' report, which is the date that the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF GREATER TOPEKA, INC.

COMMUNITY IMPACT

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Basic needs grants	\$ 370,270	\$ 395,907
Early education grants	454,068	322,219
Financial stability grants	157,575	173,184
On-grade achievement grants	263,839	431,019
Obesity grants	<u>-</u>	<u>100</u>
	<u>\$ 1,245,752</u>	<u>\$ 1,322,429</u>

UNITED WAY OF GREATER TOPEKA, INC.

PRIVATE AND PUBLIC GRANT REVENUES

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Pre - K Pilot Program	\$ 684,233	\$ 230,171
Early Childhood Block Grant	2,300,203	2,007,220
NOW Grant	-	209,818
Other contributions and grants	<u>16,405</u>	<u>9,605</u>
	<u>\$ 3,000,841</u>	<u>\$ 2,456,814</u>