

United Way of Passaic County
[a Non-Profit Organization]

Financial Statements

Years Ended December 31, 2017 and 2016

United Way of Passaic County
Financial Statements
Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
United Way of Passaic County
[a Non-Profit Organization]

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Passaic County [a Non-Profit Organization], which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Passaic County as of December 31, 2017 and 2016, and the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 17, 2018 on our consideration of United Way of Passaic County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering United Way of Passaic County's internal control over financial reporting and compliance.

Sax LLP

Clifton, New Jersey
July 17, 2018

United Way of Passaic County
[a Non-Profit Organization]

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,419	\$ 305,625
Investments	1,136,280	992,305
Pledges receivable, net of allowance for uncollectible pledges of \$16,782 and \$51,363 for 2017 and 2016, respectively	302,785	370,302
Grants receivable	121,642	306,252
Prepaid expenses and other current assets	2,200	22,472
Total current assets	1,673,326	1,996,956
PROPERTY AND EQUIPMENT, NET	15,833	20,463
OTHER ASSETS		
Security deposits	13,558	13,558
Beneficial interest in funds held by others	341,341	307,535
Total other assets	354,899	321,093
TOTAL ASSETS	\$ 2,044,058	\$ 2,338,512
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,500	\$ 60,633
Deferred revenue	170,882	302,607
Grants and designations payable	47,129	110,468
Total current liabilities	220,511	473,708
NET ASSETS		
Unrestricted	1,183,320	1,239,754
Temporarily restricted	298,886	317,515
Permanently restricted	341,341	307,535
Total net assets	1,823,547	1,864,804
TOTAL LIABILITIES AND NET ASSETS	\$ 2,044,058	\$ 2,338,512

See Independent Auditor's Report and Notes to Financial Statements.

United Way of Passaic County
[a Non-Profit Organization]

Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
Campaign contributions	\$ 77,972	\$ 298,886	\$ -	\$ 376,858	\$ 103,970	\$ 317,515	\$ -	\$ 421,485
Private, state, and local government grants	188,030	-	-	188,030	213,693	-	-	213,693
Thrift shop sales, including subsidized rents	142,804	-	-	142,804	84,073	-	-	84,073
Less thrift shop operating costs	(212,595)	-	-	(212,595)	(88,573)	-	-	(88,573)
Gifts in kind	79,266	-	-	79,266	118,157	-	-	118,157
Investment income	152,347	-	33,806	186,153	53,474	-	6,085	59,559
Special events	7,844	-	-	7,844	22,610	-	-	22,610
Total revenues and support	<u>435,668</u>	<u>298,886</u>	<u>33,806</u>	<u>768,360</u>	<u>507,404</u>	<u>317,515</u>	<u>6,085</u>	<u>831,004</u>
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of purpose restrictions	<u>317,515</u>	<u>(317,515)</u>	<u>-</u>	<u>-</u>	<u>368,070</u>	<u>(368,070)</u>	<u>-</u>	<u>-</u>
PROGRAM SERVICE EXPENSES								
Program services								
Gifts in kind	49,797	-	-	49,797	126,065	-	-	126,065
Volunteer management and information and referral	10,471	-	-	10,471	17,086	-	-	17,086
Financial empowerment, education, and health	607,007	-	-	607,007	568,292	-	-	568,292
Total program services	<u>667,275</u>	<u>-</u>	<u>-</u>	<u>667,275</u>	<u>711,443</u>	<u>-</u>	<u>-</u>	<u>711,443</u>
SUPPORT SERVICE EXPENSES								
Management and general	56,062	-	-	56,062	62,566	-	-	62,566
Fundraising	86,280	-	-	86,280	82,644	-	-	82,644
Total support services	<u>142,342</u>	<u>-</u>	<u>-</u>	<u>142,342</u>	<u>145,210</u>	<u>-</u>	<u>-</u>	<u>145,210</u>
Total functional expenses	<u>809,617</u>	<u>-</u>	<u>-</u>	<u>809,617</u>	<u>856,653</u>	<u>-</u>	<u>-</u>	<u>856,653</u>
Increase (decrease) in net assets	(56,434)	(18,629)	33,806	(41,257)	18,821	(50,555)	6,085	(25,649)
NET ASSETS, beginning of year	<u>1,239,754</u>	<u>317,515</u>	<u>307,535</u>	<u>1,864,804</u>	<u>1,220,933</u>	<u>368,070</u>	<u>301,450</u>	<u>1,890,453</u>
NET ASSETS, end of year	<u>\$ 1,183,320</u>	<u>\$ 298,886</u>	<u>\$ 341,341</u>	<u>\$ 1,823,547</u>	<u>\$ 1,239,754</u>	<u>\$ 317,515</u>	<u>\$ 307,535</u>	<u>\$ 1,864,804</u>

United Way of Passaic County
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Statement of Functional Expenses

Year Ended December 31, 2017

	Program Service Expenses			Support Service Expenses			Total Functional Expenses	
	Gifts in Kind	Volunteer Management and Information and Referral	Financial Empowerment, Education, and Health	Total Program Service Expenses	Management and General	Fundraising		Total Support Services
Salaries and wages	\$ 17,801	\$ 3,746	\$ 291,193	\$ 312,740	\$ 20,031	\$ 30,804	\$ 50,835	\$ 363,575
Employee benefits and payroll taxes	3,807	801	30,511	35,119	4,284	6,588	10,872	45,991
Consulting and professional services	1,326	279	48,740	50,345	1,493	2,295	3,788	54,133
Rent	6,057	1,274	54,982	62,313	6,816	10,506	17,322	79,635
Special events expenses	500	105	4,324	4,929	563	866	1,429	6,358
Transportation	104	22	9,616	9,742	117	179	296	10,038
Office expenses	4,360	917	38,586	43,863	4,876	7,545	12,421	56,284
Insurance	512	108	3,590	4,210	628	966	1,594	5,804
Training and conferences	150	32	2,179	2,361	169	260	429	2,790
Advertising	65	14	479	558	73	113	186	744
Dues	819	172	6,819	7,810	922	1,417	2,339	10,149
Miscellaneous	1,175	247	19,233	20,655	1,323	2,034	3,357	24,012
Scholarship	254	53	1,868	2,175	286	439	725	2,900
Program expenses	12,397	2,609	91,234	106,240	13,951	21,454	35,405	141,645
Total functional expenses before depreciation and amortization	49,327	10,379	603,354	663,060	55,532	85,466	140,998	804,058
Depreciation and amortization	470	92	3,653	4,215	530	814	1,344	5,559
Total functional expenses	\$ 49,797	\$ 10,471	\$ 607,007	\$ 667,275	\$ 56,062	\$ 86,280	\$ 142,342	\$ 809,617

**United Way of Passaic County
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Statement of Functional Expenses

Year Ended December 31, 2016

	Program Service Expenses			Support Service Expenses			Total Functional Expenses	
	Gifts in Kind	Volunteer Management and Information and Referral	Financial Empowerment, Education, and Health	Total Program Service Expenses	Management and General	Fundraising		Total Support Services
Salaries and wages	\$ 20,742	\$ 4,070	\$ 161,131	\$ 185,943	\$ 23,341	\$ 35,894	\$ 59,235	\$ 245,178
Employee benefits and payroll taxes	6,496	1,275	50,462	58,233	7,310	11,241	18,551	76,784
Consulting and professional services	8,189	1,607	63,611	73,407	9,214	14,170	23,384	96,791
Rent	3,760	738	29,205	33,703	4,230	6,506	10,736	44,439
Special events expenses	1,111	218	8,631	9,960	1,250	1,923	3,173	13,133
Telephone	593	116	4,604	5,313	667	1,025	1,692	7,005
Transportation	202	40	1,568	1,810	227	349	576	2,386
Repairs and maintenance	2,247	441	17,453	20,141	2,528	3,888	6,416	26,557
Office expenses	945	185	7,338	8,468	1,063	1,635	2,698	11,166
Insurance	441	86	3,423	3,950	496	763	1,259	5,209
Training and conferences	245	48	1,902	2,195	275	424	699	2,894
Advertising	285	56	2,214	2,555	321	493	814	3,369
Dues	-	-	-	-	10,464	-	10,464	10,464
Subscription and publications	227	45	1,763	2,035	255	393	648	2,683
Miscellaneous	214	42	1,663	1,919	241	370	611	2,530
Campaign	-	-	-	-	-	2,518	2,518	2,518
Scholarship	-	-	3,000	3,000	-	-	-	3,000
Distribution of donated items	79,760	-	-	79,760	-	-	-	79,760
Program expenses	-	-	205,602	205,602	-	-	-	205,602
Agency grants	-	8,000	-	8,000	-	-	-	8,000
Total functional expenses before depreciation and amortization	125,457	16,967	563,570	705,994	61,882	81,592	143,474	849,468
Depreciation and amortization	608	119	4,722	5,449	684	1,052	1,736	7,185
Total functional expenses	\$ 126,065	\$ 17,086	\$ 568,292	\$ 711,443	\$ 62,566	\$ 82,644	\$ 145,210	\$ 856,653

**United Way of Passaic County
[a Non-Profit Organization]**

Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (41,257)	\$ (25,649)
Adjustments to reconcile decrease in net assets to net cash provided by (used for) operating activities		
Net unrealized and realized loss on investments	(146,142)	(14,583)
Depreciation and amortization	5,559	7,185
(Increase) decrease in assets		
Pledges receivable	67,517	(1,304)
Grants receivable	184,610	(239,738)
Prepaid expenses and other current assets	20,272	(11,108)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(58,133)	(7,706)
Deferred revenue	(131,725)	259,307
Grants and designations payable	(63,339)	(73,461)
	(162,638)	(107,057)
 CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Purchase of property and equipment	(929)	(15,603)
Proceeds from sale of securities	194,246	117,208
Purchase of investments	(225,885)	(162,615)
	(32,568)	(61,010)
 Net (decrease) in cash and cash equivalents	(195,206)	(168,067)
 CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	305,625	473,692
 CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 110,419	\$ 305,625

See Independent Auditor's Report and Notes to Financial Statements.

United Way of Passaic County [a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

a. *Nature of Organization*

The United Way of Passaic County ("UWPC" or the "Organization") is a not-for-profit organization incorporated under the laws of the State of New Jersey. The purpose of UWPC is to improve the lives of people in Passaic County by mobilizing the caring power of the community. This is accomplished by mobilizing caring individuals and corporations to give, advocate, and volunteer for the cause while providing relevant programming to individuals in need within the Organization's areas of focus.

b. *Basis of Accounting*

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets that are not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

Temporarily Restricted Net Assets - Net assets whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they may be maintained permanently by the Organization or used for a specific purpose.

c. *Tax Status*

The Organization is a non-profit corporation, exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and has been classified as an Organization that is not a private foundation under Section 509 (a).

Management evaluated the Organization's tax positions in accordance with the Financial Accounting Standards Board ("FASB") guidance on accounting for uncertainty in income taxes and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

d. *Property and Equipment*

Property and equipment are stated at cost, except for donated items which are recorded at fair value on the date of donation. Property and equipment with a cost over \$500 are capitalized. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on a straight-line basis.

Furniture and fixtures	5 - 7 years
Computer equipment	5 - 7 years
Telephone equipment	5 - 7 years
Leasehold improvements	remaining life of lease

United Way of Passaic County [a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

e. Contributed Services, Materials, and Occupancy

The Organization records the value of donated goods or specialized services based upon the fair market value at the date of donation. The donations were included in both revenue and expenses.

f. Support and Revenue

Contributions received are generally available for unrestricted use unless specifically restricted by the donor. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

g. Functional Allocation of Expenses

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

h. Unrestricted Support

The Organization's policy is to show restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

i. Contributions

Donors can choose to designate that their contributions be distributed to a specific organization or another United Way. The collections of these contributions and distribution to specified agencies or United Ways are transactions in which the UWPC is acting as an agent. These transactions are included in campaign contributions in the statements of activities as revenue and expense.

j. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

k. Pledges and Grants Receivables

The UWPC closely monitors pledges and grants receivables. The receivables are evaluated and an allowance for doubtful accounts is established based on a history of past write-offs, collections, and other factors that might result in uncollectible balances.

United Way of Passaic County
[a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

l. Investments

Investments are reported 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. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (loss) includes the Organization's gains and losses of investments bought and sold as well as held during the year.

m. Agency Grants

Agency grants are recorded as expenses when they are approved by the Board of Directors and communicated to the respective agencies and are generally payable within one year.

n. Funds Held for Others

UWPC administers campaigns for other local organizations and holds cash and cash equivalents as custodian. The total amount held as custodian included in cash and cash equivalents with a corresponding amount in grants and designations payable at December 31, 2017 and 2016, were \$10,854 and \$70,823, respectively. In exchange for administering these campaigns, UWPC earns a campaign fee of 10% of the total cash receipts collected for each campaign. Fees earned as revenue are included in campaign contribution revenue on the statements of activities.

o. 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 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 Passaic County [a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

p. Pending Pronouncements

In February 2016, the Financial Accounting Standards Board (“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, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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

In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this guidance, how a not-for-profit entity classifies its net assets will be simplified. The new standard improves how an organization presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The guidance is effective for fiscal years beginning after December 15, 2017.

q. Subsequent Events

The Organization evaluated subsequent events for potential recognition and disclosure through July 17, 2018, the date the financial statements were available to be issued.

Note 2 - Concentration of Credit Risk

The Organization maintains its cash balances at several financial institutions in New Jersey. Cash in banks are insured per institution by the Federal Deposit Insurance Corporation (“FDIC”). At times, the Organization’s balances may exceed federally insured limits.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities could occur, which would affect account balances and the amounts reported in the statements of financial position.

United Way of Passaic County
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Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 3 - Investments

Investments are stated at fair value and summarized as follows at December 31, 2017 and December 31, 2016:

	December 31, 2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 487,760	\$ 482,900	\$ (4,860)
Equities	408,387	552,111	143,724
Other assets	95,351	101,269	5,918
Totals	\$ 991,498	\$ 1,136,280	\$ 144,782
	December 31, 2016		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 487,150	\$ 465,562	\$ (21,588)
Equities	314,624	362,844	48,220
Other assets	168,722	163,899	(4,823)
Totals	\$ 970,496	\$ 992,305	\$ 21,809

United Way of Passaic County values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1 - Inputs that reflect unadjusted quoted market prices in active exchange markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimate.

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Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 3 - Investments - Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lower level of input that is significant to the fair value measurement. United Way of Passaic County's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by United Way of Passaic County to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

The additional disclosures required about fair value measurements include, among other things, (a) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (b) the gross, rather than net, basis for certain Level 3 roll-forward information, (c) use of a "class" basis rather than a "major category" basis for assets and liabilities, and (d) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The following information incorporates these disclosure requirements.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Beneficial Interest in Perpetual Trusts

Valuation inputs utilized to determine the fair value of the beneficial interest in perpetual trusts include the market value of the underlying assets within the trust as provided by the trustee and the Organization's proportionate share of the trust assets. Trust assets are held by a third party trustee. The Organization does not control the underlying assets of the trust nor does it have the ability to make investment decisions. Accordingly, beneficial interest in perpetual trusts is classified as Level 3.

	December 31, 2017			Total
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments				
Fixed Income Securities:				
Taxable US Short/Inter Term	\$ 273,881	\$ -	\$ -	\$ 273,881
Taxable high yield	163,526	-	-	163,526
International fixed income	45,493	-	-	45,493
Equity Securities:				
Large cap growth and value	304,686	-	-	304,686
Small/Mid cap growth and value	68,111	-	-	68,111
International equities	179,314	-	-	179,314
Other assets	101,269	-	-	101,269
 Total investments	 <u>\$ 1,136,280</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,136,280</u>
 Perpetual trust held by third party	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 341,341</u>	 <u>\$ 341,341</u>

United Way of Passaic County
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Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 3 - Investments - Continued

	December 31, 2016			Total
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments				
Fixed Income Securities:				
Taxable US Short/Inter Term	\$ 254,443	\$ -	\$ -	\$ 254,443
Taxable high yield	191,015	-	-	191,015
International fixed income	20,104	-	-	20,104
Equity Securities:				
Large cap growth and value	248,163	-	-	248,163
Small/Mid cap growth and value	60,180	-	-	60,180
International equities	54,500	-	-	54,500
Mixed assets	72,966	-	-	72,966
Other assets	90,934	-	-	90,934
Total investments	<u>\$ 992,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,305</u>
Perpetual trust held by third party	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,535</u>	<u>\$ 307,535</u>

The changes in Level 3 assets measured at fair value on a recurring basis at December 31, 2017 and December 31, 2016 apply to beneficial interest in perpetual trusts and are summarized as follows:

Balance, <i>December 31, 2016</i>	\$ 307,535
Change in value	<u>33,806</u>
Balance, <i>December 31, 2017</i>	<u>\$ 341,341</u>
Balance, <i>December 31, 2015</i>	\$ 301,450
Change in value	<u>6,085</u>
Balance, <i>December 31, 2016</i>	<u>\$ 307,535</u>

United Way of Passaic County
[a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2017 and December 31, 2016:

	December 31,	
	2017	2016
Furniture and fixtures	\$ 27,005	\$ 26,655
Computer equipment	13,257	12,677
Telephone equipment	7,387	7,387
Leasehold improvements	11,804	11,804
Total	59,453	58,523
Less accumulated depreciation	43,620	38,060
Property and equipment, net	\$ 15,833	\$ 20,463

Note 5 - Beneficial Interest in Funds Held by Others

The Organization has a 25% interest in a charitable remainder trust which was established for multiple beneficiaries. The fair value of the trust was \$1,365,364 and \$1,230,140 at December 31, 2017 and December 31, 2016 of which the Organization's interest was \$341,341 and \$307,535, respectively. All investment decisions for the trust are controlled by the trustee. See Note 3 for a discussion of fair value measurements.

The principal portion of this beneficial interest has been permanently restricted by the donor and has been recorded as a permanently restricted net asset.

The investment income distributed from the trust is unrestricted and is included in the statements of activities as unrestricted investment income. Unrealized gains and losses on the trust remain with the principal as permanently restricted. Distributions of income are received periodically by the UWPC. Total distributions for the year ended December 31, 2017 and December 31, 2016 were \$8,661 and \$14,210, respectively.

United Way of Passaic County
[a Non-Profit Organization]

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 6 - Temporarily Restricted Net Assets

Net assets are temporarily restricted for the following purposes at December 31, 2017 and December 31, 2016:

	December 31,	
	2017	2016
Pledge campaign	\$ 298,886	\$ 317,515
Total temporarily restricted funds	\$ 298,886	\$ 317,515

Note 7 - Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at December 31, 2017 and December 31, 2016:

	December 31,	
	2017	2016
Beneficial interest in remainder trust, See Note 5	\$ 341,341	\$ 307,535

Note 8 - Operating Lease Commitment

The Organization leases office space under an operating agreement that expires in July 2018. Under the current agreement there is an option to renew for an additional six years.

In April 2016, the Organization entered into a lease agreement for retail space to open their thrift store. Under the terms of the 3 year lease agreement, the Organization will pay \$10,000 per month commencing May 1, 2016 and terminating April 30, 2019. The rent for the thrift store was reimbursed in 2017 and 2016 by a grant received from Passaic County Community College, as part of a workforce development initiative. The thrift store is serving as a workforce training location to provide new job skills to unemployed individuals who are referred from the college training program in customer service.

The Organization sub-leases some of its office space under month to month operating leases. Total rental revenue received during 2017 and 2016 was \$10,490 and \$10,050, respectively.

Total rent expense net of rental revenue and utilities included in thrift shop expenses on the statements of activities and as rent in the statement of functional expenses for the years ended December 31, 2017 and December 31, 2016 was \$163,941 and \$124,439, respectively.

**United Way of Passaic County
[a Non-Profit Organization]**

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

Note 8 - Operating Lease Commitment - Continued

Future minimum lease payments are as follows:

For the year ending December 31,	
2018	\$ 157,622
2019	40,000
Total future minimum lease payments	<u>\$ 197,622</u>

Note 9 - Employee Benefit Plans

The Organization has a non-contributory defined contribution plan (the “plan”) for the benefit of its eligible employees. Employees become 100% vested after three years of eligibility in the plan. The Organization contributes up to 8% of a participant’s compensation to the Plan. This contribution is discretionary. Employer contributions to the plan for the years ended December 31, 2017 and December 31, 2016 totaled \$21,216 and \$21,036, respectively.

Note 10 - Affiliations

The Organization is a participant in the United Way of Tri-State, Inc. (“Tri-State”), which was formed to consolidate and coordinate fund-raising for the charitable activities of autonomous local United Ways in New Jersey, New York, and Connecticut.

In June 2005, United Way of Tri-State, Inc.’s Board entered into an agreement with United Way of America (“UWA”) to manage the day-to-day operations of United Way of Tri-State, Inc. to achieve greater coordination, reduce costs, and focus on lasting community impact. As a result, UWA maintains a small regional office and works with local United Ways, donor companies, individual contributors, and other key stakeholders.

United Way of Tri-State, Inc. has wound down operations and there is uncertainty as to the future funding that the Organization will receive from these donor companies.



**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Board of Directors
United Way of Passaic County
[a Non-Profit Corporation]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Passaic County [a Non-Profit Corporation], which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Passaic County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Passaic County's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Passaic County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the United Way of Passaic County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sax LLP

Clifton, New Jersey
July 17, 2018