

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

Financial Statements

Years Ended December 31, 2018 and 2017

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

Financial Statements

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Board of Directors
United Way of Passaic County
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Emphasis of Matter

As discussed in Note 1b to the financial statements, as of December 31, 2018, the Organization adopted Accounting Standards Update (“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 that matter.

Sax LLP

Clifton, New Jersey
June 26, 2019

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

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 93,219	\$ 110,419
Investments	966,827	1,136,280
Pledges receivable, net of allowance for uncollectible pledges of \$16,782 and \$16,782 for 2018 and 2017, respectively	319,487	302,785
Grants receivable	228,247	121,642
Prepaid expenses and other current assets	14,287	2,200
Total current assets	1,622,067	1,673,326
PROPERTY AND EQUIPMENT, NET	15,444	15,833
OTHER ASSETS		
Security deposits	8,017	13,558
Beneficial interest in funds held by others	296,192	341,341
Total other assets	304,209	354,899
TOTAL ASSETS	\$ 1,941,720	\$ 2,044,058
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,659	\$ 2,500
Deferred revenue	294,385	170,882
Grants and designations payable	68,677	47,129
Total current liabilities	369,721	220,511
NET ASSETS		
Without donor restrictions	963,039	1,183,320
With donor restrictions	608,960	640,227
Total net assets	1,571,999	1,823,547
TOTAL LIABILITIES AND NET ASSETS	\$ 1,941,720	\$ 2,044,058

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

United Way of Passaic County
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Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Campaign contributions	\$ 151,018	\$ 312,768	\$ 463,786	\$ 77,972	\$ 298,886	\$ 376,858
Private, state, and local government grants	311,921	-	311,921	188,030	-	188,030
Gifts in kind	104,929	-	104,929	79,266	-	79,266
Investment income (loss), net of fees of \$10,929 and \$10,599, respectively	(97,741)	(45,149)	(142,890)	152,347	33,806	186,153
Special events	4,717	-	4,717	7,844	-	7,844
Total revenues and support	<u>474,844</u>	<u>267,619</u>	<u>742,463</u>	<u>505,459</u>	<u>332,692</u>	<u>838,151</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	<u>298,886</u>	<u>(298,886)</u>	<u>-</u>	<u>317,515</u>	<u>(317,515)</u>	<u>-</u>
PROGRAM SERVICE EXPENSES						
Program services						
Gifts in kind	46,257	-	46,257	49,797	-	49,797
Volunteer management and information and referral	10,490	-	10,490	10,471	-	10,471
Financial empowerment, education, and health	617,873	-	617,873	607,007	-	607,007
Total program services	<u>674,620</u>	<u>-</u>	<u>674,620</u>	<u>667,275</u>	<u>-</u>	<u>667,275</u>
SUPPORT SERVICE EXPENSES						
Management and general	77,670	-	77,670	56,062	-	56,062
Fundraising	91,341	-	91,341	86,280	-	86,280
Total support services	<u>169,011</u>	<u>-</u>	<u>169,011</u>	<u>142,342</u>	<u>-</u>	<u>142,342</u>
Total functional expenses	<u>843,631</u>	<u>-</u>	<u>843,631</u>	<u>809,617</u>	<u>-</u>	<u>809,617</u>
Increase (decrease) in net assets from continuing operations	(69,901)	(31,267)	(101,168)	13,357	15,177	28,534
Loss from discontinued operations	<u>(150,380)</u>	<u>-</u>	<u>(150,380)</u>	<u>(69,791)</u>	<u>-</u>	<u>(69,791)</u>
Increase (decrease) in net assets	(220,281)	(31,267)	(251,548)	(56,434)	15,177	(41,257)
NET ASSETS, beginning of year	<u>1,183,320</u>	<u>640,227</u>	<u>1,823,547</u>	<u>1,239,754</u>	<u>625,050</u>	<u>1,864,804</u>
NET ASSETS, end of year	<u>\$ 963,039</u>	<u>\$ 608,960</u>	<u>\$ 1,571,999</u>	<u>\$ 1,183,320</u>	<u>\$ 640,227</u>	<u>\$ 1,823,547</u>

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

Statement of Functional Expenses

Year Ended December 31, 2018

	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	\$ 20,254	\$ 3,773	\$ 267,190	\$ 291,217	\$ 21,950	\$ 54,147	\$ 76,097	\$ 367,314
Employee benefits and payroll taxes	2,243	817	32,795	35,855	8,187	8,641	16,828	52,683
Consulting and professional services	2,696	291	72,006	74,993	16,534	1,235	17,769	92,762
Rent	11,985	1,295	100,713	113,993	6,092	4,907	10,999	124,992
Transportation	904	-	13,543	14,447	5,605	3,883	9,488	23,935
Office expenses	1,039	768	38,114	39,921	2,073	9,278	11,351	51,272
Insurance	430	110	6,331	6,871	2,085	-	2,085	8,956
Advertising	107	-	1,600	1,707	280	-	280	1,987
Dues	777	163	11,476	12,416	8,763	6,494	15,257	27,673
Miscellaneous	539	252	3,231	4,022	5,408	2,413	7,821	11,843
Program expenses	4,755	2,990	69,626	77,371	-	78	78	77,449
Total functional expenses before depreciation and amortization	45,729	10,459	616,625	672,813	76,977	91,076	168,053	840,866
Depreciation and amortization	528	31	1,248	1,807	693	265	958	2,765
Total functional expenses	\$ 46,257	\$ 10,490	\$ 617,873	\$ 674,620	\$ 77,670	\$ 91,341	\$ 169,011	\$ 843,631

**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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Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (251,548)	\$ (41,257)
Adjustments to reconcile decrease in net assets to net cash provided by (used for) operating activities		
Net unrealized and realized (gain) loss on investments	199,288	(146,142)
Depreciation and amortization	2,765	5,559
(Increase) decrease in assets		
Pledges receivable	(16,702)	67,517
Grants receivable	(106,605)	184,610
Prepaid expenses and other current assets	(12,087)	20,272
Security deposits	5,541	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	4,159	(58,133)
Deferred revenue	123,503	(131,725)
Grants and designations payable	21,548	(63,339)
	(30,138)	(162,638)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Purchase of property and equipment	(2,376)	(929)
Proceeds from sale of securities	41,557	194,246
Purchase of investments	(26,243)	(225,885)
	12,938	(32,568)
Net (decrease) in cash and cash equivalents	(17,200)	(195,206)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	110,419	305,625
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 93,219	\$ 110,419

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, 2018 and 2017

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

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, which the Organization has adopted for the years ended December 31, 2018 and 2017. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net asset terminology has been revised accordingly and a liquidity and availability disclosure is included to comply with the new ASU.

Assets accumulated, and resources received and expended by the Organization are either without donor restrictions or restricted by the donor for a particular purpose. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restrictions.

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, 2018 and 2017

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, including unconditional promises to give (pledges), are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a restriction by the donor expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization records contributions with donor restrictions for which the restriction is met in the same reporting period as contributions without donor restrictions

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.

Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

g. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. All direct costs are allocated directly to each program.

h. 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.

i. 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.

j. 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.

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

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies - Continued

j. Investments - Continued

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.

k. 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.

l. 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, 2018 and 2017, were \$-0- and \$10,854, 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.

m. 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.

n. 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.

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

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies - Continued

o. Pending Pronouncements - Continued

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

p. Subsequent Events

The Organization evaluated subsequent events for potential recognition and disclosure through June 26, 2019, 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.

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 3 - Investments

Investments are stated at fair value and summarized as follows at December 31, 2018 and December 31, 2017:

	December 31, 2018		
	Cost	Fair Value	Unrealized Gain
Fixed income	\$ 427,278	\$ 409,572	\$ (17,706)
Equities	418,794	468,977	50,183
Other assets	89,792	88,278	(1,514)
Totals	\$ 935,864	\$ 966,827	\$ 30,963
	December 31, 2017		
	Cost	Fair Value	Unrealized Gain
Fixed income	\$ 442,760	\$ 482,900	\$ 40,140
Equities	408,387	552,111	143,724
Other assets	95,351	101,269	5,918
Totals	\$ 946,498	\$ 1,136,280	\$ 189,782

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, 2018 and 2017

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, 2018			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	\$ 282,531	\$ -	\$ -	\$ 282,531
Taxable high yield	84,073	-	-	84,073
International fixed income	43,189	-	-	43,189
Equity securities				
Large cap growth and value	268,632	-	-	268,632
Small/mid cap growth and value	54,729	-	-	54,729
International equities	145,391	-	-	145,391
Other assets	88,282	-	-	88,282
	<u>\$ 966,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966,827</u>
Total investments				
Perpetual trust held by third party	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,192</u>	<u>\$ 296,192</u>

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 3 - Investments - Continued

	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>

The changes in Level 3 assets measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017 apply to beneficial interest in perpetual trusts and are summarized as follows:

Balance, <i>December 31, 2017</i>	\$ 341,341
Change in value	<u>(45,149)</u>
Balance, <i>December 31, 2018</i>	<u>\$ 296,192</u>
 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>

United Way of Passaic County
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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31, 2018 and December 31, 2017:

	December 31,	
	2018	2017
Furniture and fixtures	\$ 27,005	\$ 27,005
Computer equipment	15,632	13,257
Telephone equipment	7,387	7,387
Leasehold improvements	11,804	11,804
Total	61,828	59,453
Less accumulated depreciation	46,384	43,620
Property and equipment, net	\$ 15,444	\$ 15,833

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 \$1,184,769 and \$1,365,364 at December 31, 2018 and December 31, 2017 of which the Organization's interest was \$296,192 and \$341,341, 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, 2018 and December 31, 2017 were \$15,422 and \$8,661, respectively.

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 6 - Net Assets with Donor Restrictions

Time restricted net assets at December 31, 2018 and December 31, 2017 are as follows:

	December 31,	
	2018	2017
Pledge campaign	\$ 312,768	\$ 298,886

Donor restricted net assets that are perpetual in nature at December 31, 2018 and December 31, 2017 are as follows:

	December 31,	
	2018	2017
Beneficial interest in remainder trust, See Note 5	\$ 296,192	\$ 341,341

Note 7 - Operating Lease Commitment

In 2018, the Organization has exercised an option in their lease agreement for their existing office space. The option extends the lease agreement for an additional six years and ends July 31, 2024

The Organization sub-leases some of its office space under month to month operating leases. Total rental revenue received during 2018 and 2017 was \$19,040 and \$10,0490, respectively.

Total rent expense net of rental revenue and utilities included in discontinued operations on the statements of activities and as rent in the statement of functional expenses for the years ended December 31, 2018 and December 31, 2017 was \$164,299 and \$163,941, respectively.

Future minimum lease payments are as follows:

For the year ending December 31,		
2019	\$	23,917
2020		57,400
2021		57,400
2022		58,254
2023		59,450
2024 and thereafter		94,129
Total future minimum lease payments	\$	350,550

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 8 - 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, 2018 and December 31, 2017 totaled \$1,535 and \$21,216, respectively.

Note 9 - Liquidity and Availability

The following reflects United Way of Passaic County's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include campaign contributions that are time-restricted and amounts that are perpetually restricted in nature.

Financial assets, at year-end	\$ 1,903,972
Less those unavailable for general expenditures within one year, due to	
Restricted for program and/or purpose	(296,192)
Restricted based on time	<u>(312,768)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,295,012</u>

United Way of Passaic County is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, United Way of Passaic County must maintain sufficient resources to meet those responsibilities to its donors. United Way of Passaic County maintains investment accounts in which there is unrestricted cash earning interest. Should a situation arise in which the Organization needs available cash without donor restrictions, the funds are then drawn out of the investment account. These accounts are reviewed and monitored on a regular basis.

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.

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

Note 11 - Discontinued Operations

During the year ended December 31, 2018, the Organization discontinued their thrift store operations which were located in Paterson, NJ. The operating results of the thrift store for the years ended December 31, 2018 and 2017 are included as discontinued operations in the statements of activities.

Included within the loss from discontinued operations for the years ended December 31, 2018 and 2017, was thrift store sales of \$11,683 and \$142,804, respectively, and thrift store expenses of \$162,063 and \$212,595, respectively.