UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC. AND UNITED WAY CAPITAL CORPORATION

YEARS ENDED JUNE 30, 2019 AND 2018

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

Independent Auditors' Report

Board of Directors and Management
United Way of Tucson and Southern Arizona, Inc.
and United Way Capital Corporation
Tucson, Arizona

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior Period Consolidated Financial Statements

The consolidated financial statements of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation as of June 30, 2018, were audited by other auditors whose report dated November 26, 2018, expressed an unmodified opinion on those statements.

Emphasis-of-Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information on pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

BeachFleischman PC

Tucson, Arizona
November 20, 2019

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 3,966,006	$ 3,652,560
Short-term investments	3,786,754	3,862,718
Government contracts receivable	1,360,225	1,411,005
Pledges receivable, net	2,128,779	2,457,093
Other receivables	207,984	84,322
Prepaid expenses and deposits	98,238	62,950
Total current assets	11,547,986	11,530,648
Long-term investments	1,687,554	1,613,564
Beneficial interest in funds held by others	165,634	158,412
Cash surrender value of life insurance	15,145	14,029
Property and equipment, net	3,232,704	3,200,835
Total assets	$ 16,649,023	$ 16,517,488

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable	$ 144,285	$ 127,253
Subrecipient awards payable	482,106	594,978
Accrued expenses and other liabilities	570,192	483,349
Custodial and agency liabilities	661,295	922,355
Refundable security deposits	12,808	12,808
Annuity obligations, current portion	6,954	6,544
Total current liabilities	1,877,640	2,147,287
Long-term annuity obligations	68,813	75,767
Total liabilities	1,946,453	2,223,054
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	3,525,938	3,410,872
Designated for donor advised funds	1,127,319	1,463,511
Board designated reserves	1,849,298	1,557,144
Invested in property and equipment	3,232,704	3,200,835
Total net assets without donor restrictions	9,735,259	9,632,362
With donor restrictions	4,967,311	4,662,072
Total net assets	14,702,570	14,294,434
Total liabilities and net assets	$ 16,649,023	$ 16,517,488

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains:			
Total campaign support	$ 3,580,010	$ 1,399,228	$ 4,979,238
Less amounts raised on behalf of others	(843,336)	-	(843,336)
	2,736,674	1,399,228	4,135,902
Less provision for uncollectible pledges	(329,325)	-	(329,325)
Net campaign support	2,407,349	1,399,228	3,806,577
Government contracts	6,120,822	-	6,120,822
Other gifts, grants and scholarships	21,488	1,160,950	1,182,438
Donated services and materials	194,467	36,704	231,171
Service fee income	121,486	-	121,486
Program fees	3,181	-	3,181
Rent revenue	655,388	-	655,388
Investment income	200,540	65,325	265,865
Net assets released from restriction	2,391,468	(2,391,468)	-
Total revenue, support and gains	12,116,189	270,739	12,386,928
Allocations and expenses:			
Program services:			
Collective impact:			
Allocations and grants	1,972,097	-	1,972,097
Less amounts raised on behalf of others	(843,336)	-	(843,336)
	1,128,761	-	1,128,761
Subrecipient awards	4,699,932	-	4,699,932
	5,828,693	-	5,828,693
Office rental expense to nonprofits	716,013	-	716,013
Other collective impact expenses	3,394,988	-	3,394,988
Total program services	9,939,694	-	9,939,694
Fundraising	1,173,414	-	1,173,414
Management and general	865,684	-	865,684
Total allocations and expenses	11,978,792	-	11,978,792
Increase in net assets before fund transfers	137,397	270,739	408,136
Transfers per donor request	(34,500)	34,500	-
Increase in net assets	102,897	305,239	408,136
Net assets, beginning	9,632,362	4,662,072	14,294,434
Net assets, ending	$ 9,735,259	$ 4,967,311	$ 14,702,570

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains:			
Total campaign support	$ 3,768,270	$ 1,120,280	$ 4,888,550
Less amounts raised on behalf of others	(880,924)	-	(880,924)
	2,887,346	1,120,280	4,007,626
Less provision for uncollectible pledges	(149,220)	-	(149,220)
Net campaign support	2,738,126	1,120,280	3,858,406
Government contracts	5,273,541	-	5,273,541
Other gifts, grants and scholarships	6,835	1,768,349	1,775,184
Donated services and materials	122,500	11,370	133,870
Service fee income	107,248	-	107,248
Program fees	21,084	-	21,084
Rent revenue	705,455	-	705,455
Investment income	137,614	71,882	209,496
Net assets released from restriction	2,773,130	(2,773,130)	-
Total revenue, support and gains	11,885,533	198,751	12,084,284
Allocations and expenses:			
Program services:			
Collective impact:			
Allocations and grants	1,690,809	-	1,690,809
Less amounts raised on behalf of others	(880,924)	-	(880,924)
	809,885	-	809,885
Subrecipient awards	4,326,196	-	4,326,196
	5,136,081	-	5,136,081
Office rental expense to nonprofits	763,748	-	763,748
Other collective impact expenses	2,920,411	-	2,920,411
Total program services	8,820,240	-	8,820,240
Fundraising	992,218	-	992,218
Management and general	763,541	-	763,541
Total allocations and expenses	10,575,999	-	10,575,999
Increase in net assets before fund transfers	1,309,534	198,751	1,508,285
Transfers per donor request	(54,250)	54,250	-
Increase in net assets	1,255,284	253,001	1,508,285
Net assets, beginning	8,377,078	4,409,071	12,786,149
Net assets, ending	$ 9,632,362	$ 4,662,072	$ 14,294,434

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program services			Supporting services			
	Collective impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
Allocations and grants	$ 1,972,097	$ -	$ 1,972,097	$ -	$ -	$ -	$ 1,972,097
Less amounts raised on behalf of others	(843,336)	-	(843,336)	-	-	-	(843,336)
	1,128,761	-	1,128,761	-	-	-	1,128,761
Subrecipient awards	4,699,932	-	4,699,932	-	-	-	4,699,932
Total allocations and grants	5,828,693	-	5,828,693	-	-	-	5,828,693
Salaries	1,650,713	23,691	1,674,404	775,800	491,374	1,267,174	2,941,578
Employee benefits	241,721	4,738	246,459	106,288	81,115	187,403	433,862
Payroll taxes	131,643	1,812	133,455	57,950	38,293	96,243	229,698
Total personnel expenses	2,024,077	30,241	2,054,318	940,038	610,782	1,550,820	3,605,138
Advertising	43,952	100	44,052	11,746	6,720	18,466	62,518
Bank fees	-	366	366	-	16,813	16,813	17,179
Combined federal campaign	-	-	-	349	-	349	349
Conferences and meetings	50,690	-	50,690	6,672	17,823	24,495	75,185
Donated services and materials	178,683	52,488	231,171	-	-	-	231,171
Equipment	96,228	-	96,228	27,667	19,306	46,973	143,201
Events and promotional supplies	78,250	-	78,250	34,116	2,840	36,956	115,206
Insurance	407	16,397	16,804	-	13,534	13,534	30,338
Interest expense	-	-	-	-	5,136	5,136	5,136
Loss on disposal of assets	-	-	-	-	8,544	8,544	8,544
Miscellaneous	1,200	-	1,200	-	866	866	2,066
Occupancy	22,432	337,775	360,207	4,965	2,889	7,854	368,061
Office supplies	26,463	-	26,463	2,610	4,672	7,282	33,745
Postage and shipping	496	-	496	7,024	1,292	8,316	8,812
Printing and artwork	127,135	-	127,135	52,844	5,317	58,161	185,296
Professional dues	4,477	-	4,477	3,726	10,202	13,928	18,405
Professional outside services	516,460	45,656	562,116	37,049	79,584	116,633	678,749
Subscriptions and publications	12,344	-	12,344	2,460	4,262	6,722	19,066
Technical and direct assistance	8,034	-	8,034	-	-	-	8,034
Telephone	25,036	671	25,707	5,028	5,188	10,216	35,923
Travel	108,609	-	108,609	6,665	5,861	12,526	121,135
United Way Worldwide dues	70,015	-	70,015	30,455	17,422	47,877	117,892
	9,223,681	483,694	9,707,375	1,173,414	839,053	2,012,467	11,719,842
Depreciation	-	232,319	232,319	-	26,631	26,631	258,950
	$ 9,223,681	$ 716,013	$ 9,939,694	$ 1,173,414	$ 865,684	$ 2,039,098	$ 11,978,792

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program services			Supporting services			
	Collective impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
Allocations and grants	$ 1,690,809	$ -	$ 1,690,809	$ -	$ -	$ -	$ 1,690,809
Less amounts raised on behalf of others	(880,924)	-	(880,924)	-	-	-	(880,924)
	809,885	-	809,885	-	-	-	809,885
Subrecipient awards	4,326,196	-	4,326,196	-	-	-	4,326,196
Total allocations and grants	5,136,081	-	5,136,081	-	-	-	5,136,081
Salaries	1,398,884	22,615	1,421,499	599,036	393,872	992,908	2,414,407
Employee benefits	208,056	4,523	212,579	84,708	49,025	133,733	346,312
Payroll taxes	116,818	1,809	118,627	46,126	29,213	75,339	193,966
Total personnel expenses	1,723,758	28,947	1,752,705	729,870	472,110	1,201,980	2,954,685
Advertising	34,939	88	35,027	9,574	6,899	16,473	51,500
Bank fees	-	810	810	-	17,161	17,161	17,971
Combined federal campaign	-	-	-	17,620	-	17,620	17,620
Conferences and meetings	38,805	-	38,805	6,329	14,918	21,247	60,052
Donated services and materials	104,370	29,500	133,870	-	-	-	133,870
Equipment	59,938	-	59,938	14,560	14,782	29,342	89,280
Events and promotional supplies	96,938	-	96,938	33,558	1,306	34,864	131,802
Insurance	501	15,298	15,799	-	11,929	11,929	27,728
Interest expense	-	38,505	38,505	-	5,878	5,878	44,383
Miscellaneous	-	-	-	-	4,952	4,952	4,952
Occupancy	159,845	341,474	501,319	4,802	70,401	75,203	576,522
Office supplies	11,013	-	11,013	1,993	4,244	6,237	17,250
Postage and shipping	274	11	285	10,852	2,467	13,319	13,604
Printing and artwork	113,196	-	113,196	40,172	7,128	47,300	160,496
Professional dues	13,192	-	13,192	2,721	7,843	10,564	23,756
Professional outside services	388,799	44,853	433,652	75,860	57,751	133,611	567,263
Subscriptions and publications	9,218	-	9,218	1,761	769	2,530	11,748
Technical and direct assistance	9,853	-	9,853	-	-	-	9,853
Telephone	18,923	654	19,577	3,492	4,664	8,156	27,733
Temporary services	-	-	-	4,648	-	4,648	4,648
Travel	67,057	-	67,057	6,455	6,212	12,667	79,724
United Way Worldwide dues	69,792	-	69,792	27,951	22,166	50,117	119,909
	8,056,492	500,140	8,556,632	992,218	733,580	1,725,798	10,282,430
Depreciation	-	263,608	263,608	-	29,961	29,961	293,569
	$ 8,056,492	$ 763,748	$ 8,820,240	$ 992,218	$ 763,541	$ 1,755,759	$ 10,575,999

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	$ 408,136	$ 1,508,285
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	258,950	293,569
Loss on disposal of assets	8,544	-
Donated securities	(46,369)	(75,948)
Realized (gain) loss on investments	5,805	(6,651)
Unrealized gain on investments	(108,132)	(86,666)
Cash receipts resulting from sale of donated financial assets	46,471	75,533
Provision for allowance on pledges receivable	329,325	149,220
Beneficial interest in funds held by others	(7,222)	(6,948)
Changes in operating assets and liabilities:		
Government contracts receivable	50,780	(296,631)
Pledges receivable	(1,011)	(265,329)
Other receivables	(123,662)	38,337
Prepaid expenses and deposits	(35,288)	(21,990)
Cash surrender value of life insurance	(1,116)	(1,165)
Accounts payable	17,032	18,193
Subrecipient awards payable	(112,872)	(191,147)
Accrued expenses and other liabilities	86,843	116,606
Deferred revenue	-	(35,561)
Custodial and agency liabilities	(261,060)	(502,094)
Annuity obligations	(6,544)	(6,158)
Total adjustments	100,474	(804,830)
Net cash provided by operating activities	508,610	703,455
Cash flows from investing activities:		
Purchases of investments	(1,247,500)	(2,015,504)
Proceeds from sales or maturities of investments	1,351,699	1,138,369
Purchases of property and equipment	(299,363)	(20,213)
Net cash used in investing activities	(195,164)	(897,348)
Cash flows from financing activities:		
Payments on long-term debt	-	(1,164,565)
Net cash used in financing activities	-	(1,164,565)
Net increase (decrease) in cash and cash equivalents	313,446	(1,358,458)
Cash and cash equivalents, beginning	3,652,560	5,011,018
Cash and cash equivalents, ending	$ 3,966,006	$ 3,652,560

See notes to consolidated financial statements.

1. Description of organization and summary of significant accounting policies:

Nature of Organization:

United Way of Tucson and Southern Arizona, Inc. ("UWTSA") is a non-profit organization incorporated in Arizona in September 1942 and governed by greater Tucson area community leaders who have been elected to its Board of Directors. UWTSA's mission is building a thriving community by uniting people, ideas and resources. UWTSA goes beyond temporary fixes to create lasting change in our community in quality education, financial wellness and healthy communities. UWTSA convenes people and organizations to find innovative solutions that positively impact more than 150,000 lives in Southern Arizona. UWTSA also conducts an annual fundraising campaign in the greater Tucson area. Pledges are received from corporations and individuals and are used to fund organizations assisting children, families and seniors in need and to cover current administrative and development expenses.

United Way Capital Corporation ("UWCC") is a non-profit organization incorporated in Arizona in April 2001. UWCC was established to conduct non-profit activities consistent with and in furtherance of the principles and purposes of UWTSA. UWCC owns real estate in Southern Arizona that it rents at below market rates to non-profit and governmental organizations that provide services which contribute to UWTSA's mission.

UWTSA and UWCC are hereinafter collectively referred to as "United Way."

Following is a description of program service categories:

Collective Impact:

UWTSA's vision is a community where every child receives a high-quality education from birth to career, every adult has the opportunity to thrive financially and in the workplace, and every older person can retire and age with dignity and independence. UWTSA transforms individual lives and brings long-lasting, systemic change to our community by focusing on the key, underlying issues. We fight for quality education, financial wellness, and healthy communities for every person in Tucson and Southern Arizona from birth to the end of life. Our role as community convener enables us to form strategic partnerships, mobilize the best resources and be the catalyst for needed, positive change.

Office rental to non-profits:

UWCC provides office and program space at below market rates to non-profit and governmental organizations, which provides services that contribute to UWTSA's mission.

Principles of consolidation:

The consolidated financial statements presented as United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation include all accounts of UWTSA and UWCC, which have been consolidated in accordance with accounting principals generally accepted in the United States of America (GAAP). All significant intercompany accounts and transactions have been eliminated.

1. Description of organization and summary of significant accounting policies (continued):

Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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-imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed 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.

Estimates:

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in these consolidated financial statements are management's estimate of the collectibility of pledges receivable, the useful lives of assets, the valuation of annuity payment obligations, the valuation of the fair values of the remainder beneficiary trust and the valuation of non-cash donations. These estimates are subject to change in the near term.

Public support and revenue:

An annual fundraising campaign is conducted to raise support for allocations to other organizations and agencies that provide services that assist children, families and seniors. As described further in these notes, contributions received that are intended to be used in a subsequent year or for a specific purpose are time- and/or purpose- restricted contributions and are recorded as net assets with donor restrictions until the time expires or the purpose is fulfilled.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. Funds that have been designated by the donor to agencies or collected for others are reported in the consolidated financial statements as custodial and agency liabilities.

1. Description of organization and summary of significant accounting policies (continued):

Public support and revenue (continued):

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenues from governmental and other pass-through agency contracts are reported as exchange transactions based on the contract provisions. Revenues derived from contracts that are based on units-of-service and fee-for-service are recorded in the period in which the service is provided to eligible recipients. Revenues resulting from cost reimbursement contracts are recorded in the period in which allowable costs are incurred.

Advances received from governmental funding sources in excess of costs incurred under the related grants are deferred and recognized as revenue when the related expenses are incurred.

Donated goods, facilities and services:

Support arising from donated goods and facilities are valued at their fair market value when received. Donated services are recognized in the consolidated financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills; and
- The services would typically need to be purchased if not donated.

Although United Way may utilize the services of outside volunteers, the fair value of many of these services have not been recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under GAAP.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

1. Description of organization and summary of significant accounting policies (continued):

Functional expense allocations:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include the marketing and communication, management information systems, and facilities departments. These costs are allocated based on salaries as a function of staff time tracked by functional area on timesheets.

Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Donated investments are recorded at their fair value at the date of gift. Investment gains and losses are included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements.

Pledges receivable:

Unconditional pledges receivable are recognized as revenues or gains at their estimated net realizable value in the period received and as assets, decreases of liabilities or expense depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable that are collectible over future periods are discounted to their net present value. The provision for uncollectible pledges is based on management's estimate of current economic factors, applied as a percentage to gross campaign revenues. Pledges are periodically reviewed for collectibility and written off to the provision for uncollectible pledges at the time of such determination.

Property, equipment, depreciation and amortization:

Property and equipment are stated at cost or, if acquired by gift, at estimated fair market value at the date of donation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 31.5 years. Maintenance, repairs and minor renewals are expensed as incurred while expenditures for additions and improvements with a useful life greater than a year and over $5,000 are capitalized.

Permanent collection:

UWCC owns a mineral deposit on display that it has opted to treat as a permanent collection that is not recorded on the consolidated statements of financial position. Any additional minerals, sculptures or other artwork on display as part of its permanent collection that are purchased will be expensed and, if donated, will not be recorded.

1. Description of organization and summary of significant accounting policies (continued):

Beneficial interest in trust:

Under remainder trusts, individuals establish and fund trusts with specified distributions to be made to beneficiaries over the trusts' terms. UWTSA records irrevocable remainder trusts for which it is not the trustee at the net present value of the projected cash flows, and these amounts are included in the accompanying consolidated statements of financial position as beneficial interest in funds held by others.

Endowments:

UWTSA's endowments consist of three funds established under donor restriction for charitable purposes. Net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of UWTSA has interpreted the State of Arizona's Management of Institutional Funds Act (the "Act") 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, UWTSA retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UWTSA in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, UWTSA considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Cost deduction standards:

UWTSA adheres to the following cost deduction standards set by United Way Worldwide on designated contributions (amounts raised on behalf of others):

- Fees charged are based on actual expenses
- Fundraising fees are not deducted from designated gifts originating by or from another United Way

1. Description of organization and summary of significant accounting policies (continued):

Technical and direct assistance:

Technical and direct assistance is provided directly to intended beneficiaries of a grant and/or program.

Advertising:

Advertising costs are expensed as incurred and totaled $62,518 and $51,500 for the years ended June 30, 2019 and 2018.

Tax exempt status:

Both UWTSA and UWCC are exempt from income taxes under both Federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws. UWTSA is classified as other than a private foundation under Internal Revenue Code Section 509(a)(1). UWCC is classified as other than a private foundation under Internal Revenue Code Section 509(a)(3), Type I. Income from certain activities not directly related to their tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

UWTSA and UWCC are required to file informational returns for federal and state purposes and, if they have UBTI, federal and state income tax returns. Management has performed its evaluation of tax positions taken on all open tax years and has determined that there were no positions taken that do not meet the "more likely than not" standard.

From time to time, UWTSA and UWCC may be subject to penalties and interest assessed by various taxing authorities, which are classified as management and general expenses, if they occur.

Change in accounting principle:

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. United Way has implemented ASU 2016-14 and has adjusted the presentation of these consolidated financial statements accordingly.

Subsequent events:

Management has evaluated the events that have occurred subsequent to June 30, 2019 through November 20, 2019, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects United Way's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing and for operating and maintenance reserves that could be drawn upon if the governing board approves that action.

	2019	2018
Cash and cash equivalents	$ 3,966,006	$ 3,652,560
Investments	5,474,308	5,476,282
Government contract receivables	1,360,225	1,411,005
Pledges receivable, net	2,128,779	2,457,093
Other receivables	207,984	84,322
Beneficial interest in funds held by others	165,634	158,412
Total financial assets	13,302,936	13,239,674
Contractual or donor-imposed restrictions:		
Endowment funds	(1,687,554)	(1,613,564)
Accumulated investment earnings, endowment funds	(186,363)	(210,048)
Donor restricted for specific purpose	(2,957,982)	(2,699,792)
Beneficial interest in funds held by others	(135,412)	(128,667)
Donor restricted for future year	-	(10,000)
Board designations:		
Designated for donor-advised funds	(1,127,319)	(1,463,511)
Operating reserves	(1,394,718)	(1,201,743)
Maintenance reserve	(454,580)	(355,401)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,359,008	$ 5,556,948

As part of United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, United Way invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, United Way has a committed line of credit in the amount of $300,000, which it could draw upon. Additionally, United Way has board designated net assets without donor restrictions that, while United Way does not intend to spend these for purposes other than those identified, the amount could be made available for current operations, if necessary.

3. Investments:

	2019	2018
Mutual funds	$ 1,898,973	$ 2,150,319
Equity securities	796,314	796,711
Bond and bond funds	2,688,562	2,418,724
Real estate investment trusts	90,459	110,528
	5,474,308	5,476,282
Less investments with donor restrictions	(1,687,554)	(1,613,564)
	$ 3,786,754	$ 3,862,718

Investment income for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
Dividends and interest	$ 198,159	$ 149,722
Realized gains (losses) on investments	(5,805)	6,651
Unrealized gains on investments	108,132	86,666
Investment fees	(34,621)	(33,543)
	$ 265,865	$ 209,496

4. Fair value measurements and investments:

At June 30, 2019, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
U.S. mutual funds	$ 1,446,178	$ 1,446,178	$ -	$ -
U.S. equities	513,072	513,072	-	-
International mutual funds	452,795	452,795	-	-
International equities	283,242	283,242	-	-
Bonds and bond funds	2,688,562	2,688,562	-	-
Real estate investment trusts	90,459	90,459	-	-
Total investments	5,474,308	5,474,308	-	-
Beneficial interest in funds held by others	165,634	-	-	165,634
	$ 5,639,942	$ 5,474,308	$ -	$ 165,634

4. Fair value measurements and investments (continued):

At June 30, 2018, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
U.S. mutual funds	$ 1,529,585	$ 1,529,585	$ -	$ -
U.S. equities	494,356	494,356	-	-
International mutual funds	620,734	620,734	-	-
International equities	302,355	302,355	-	-
Bonds and bond funds	2,418,724	2,418,724	-	-
Real estate investment trusts	110,528	110,528	-	-
Total investments	5,476,282	5,476,282	-	-
Beneficial interest in funds held by others	158,412	-	-	158,412
	$ 5,634,694	$ 5,476,282	$ -	$ 158,412

The asset'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 maximize the use of observable inputs and minimize the use of unobservable inputs:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that United Way has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets or active markets that United Way does not have access to;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

4. Fair value measurements and investments (continued):

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

The fair value of UWTSA's exchange trade funds, mutual funds, and money market funds are valued at the closing price reported in the active market on which the individual securities are traded (Level 1), which represents the net asset value of shares held by UWTSA at year end.

UWTSA's assets held in charitable trust are valued at the present value of expected future cash receipts adjusted for the actuarial life expectancy of the beneficiary that is receiving payments, including survivors. UWTSA's beneficial interest in perpetual trust is valued at the Organization's proportionate share of the fair value of the trust investments (Level 3).

At June 30, 2019 and 2018, the fair value of other assets and liabilities measured using Level 3 inputs on a non-recurring basis consisted of pledges receivable totaling $2,128,779 and $2,457,093, and annuity payment obligations totaling $75,767 and $82,311.

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from July 1, 2017 to June 30, 2019 is as follows:

	2019	2018
Beginning balance	$ 158,412	$ 151,464
Investment activity	7,222	6,948
Ending balance	$ 165,634	$ 158,412

5. Pledges receivable:

Campaign pledges receivable consist of unconditional promises to give from corporations, foundations, corporate employees and individual donors. All pledges are considered current as of June 30, 2019 and 2018.

Pledges receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Pledges receivable in less than one year	$ 2,453,541	$ 2,802,622
Less allowance for uncollectible pledges	(324,762)	(345,529)
Net pledges receivable	$ 2,128,779	$ 2,457,093

6. Property and equipment:

	2019	2018
Land	$ 102,000	$ 102,000
Building and improvements	7,084,605	7,084,605
Computer equipment	94,045	94,045
Construction in progress	276,016	-
Furniture and fixtures	239,874	230,383
	7,796,540	7,511,033
Less accumulated depreciation and amortization	(4,563,836)	(4,310,198)
	$ 3,232,704	$ 3,200,835

7. Beneficial interest in funds held by others:

UWTSA is the beneficiary of funds held at Community Foundation for Southern Arizona (CFSA). CFSA does not have variance power over the funds. The balance in this fund was $30,222 and $29,745 at June 30, 2019 and 2018.

UWTSA is named as a remainder beneficiary of an irrevocable trust. The recording of this trust was based on several management estimates, including the life expectancy of the current trust recipient, and is based primarily on the fair value of the principal portion of the trust's assets at June 30, 2017. At June 30, 2019 and 2018, the net present value of UWTSA's interest in this remainder trust was $135,412 and $128,667.

8. Line of credit:

UWTSA has an unsecured $300,000 revolving line of credit from a financial institution. This line of credit expires in April 2020. Interest is payable monthly at the prime rate (5.5% and 5% at June 30, 2019 and 2018) with a minimum rate of 5.5%. At June 30, 2019 and 2018, there was no outstanding balance on this note.

9. Charitable gift annuity agreements:

UWTSA has entered into charitable gift annuity agreements with various individuals. Under the terms of the agreements, UWTSA receives lump sum amounts and agrees to make distributions for a specified period of time to the donor or other beneficiaries. Assets received are recorded at fair value on the date the agreement is executed and a liability equal to the present value of the future distributions is recorded. Payments to annuitants are remitted based on the terms of the agreements and amount to $11,716 annually. The original contribution and any net investment earnings may not be sufficient to make the required periodic payments for an annuity payment obligation. If any insufficiency results, UWTSA has a continuing financial commitment to each annuitant until his/her death. Management believes that any insufficiency is not material to UWTSA's net assets without donor restrictions.

The charitable gift annuities received by UWTSA are without donor restrictions. Adjustments to the annuity liability to reflect amortization of the discount and revaluations due to changes in life expectancy are reported in the current year as a change in value of split-interest agreements. Discount rates on these obligations ranged from 5.9% to 6.7% for the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the net present value of the charitable gift annuity contracts totaled $75,767 and $82,311.

10. Custodial and agency liabilities:

Custodial liabilities represent those funds that UWTSA is holding at the discretion of affiliated and other charitable organizations. Agency liabilities represent funds that have been designated to agencies that UWTSA has not remitted. Custodial and agency liabilities consisted of the following:

	2019	2018
Custodial funds:		
United Way of Cochise County	$ 1,371	$ 154
United Way of Santa Cruz County	65,476	67,193
Employees Combined Appeal Programs:		
Combined Federal Campaign	-	128,936
City of Tucson	40,790	41,423
Pima County	99,010	91,676
Total custodial funds	206,647	329,382
Amounts designated to agencies	454,648	592,973
	$ 661,295	$ 922,355

11. Board designated reserves:

At June 30, 2019 and 2018, the Board of Directors Designated Reserves consisted of the following:

	2019	2018
UWTSA operating reserve	$ 1,175,743	$ 985,718
UWCC operating reserve	218,975	216,025
UWCC maintenance reserve	454,580	355,401
	$ 1,849,298	$ 1,557,144

In March 2013, the UWTSA Board of Directors approved the Board Designated Operating Reserve Policy (Operating Reserve Policy) to ensure the long-term stability of the organization and position it to respond to varying economic conditions and changes affecting the organization's financial position and its ability to continuously carry out its mission.

The Operating Reserve Policy is intended to fulfill the following objectives:

- To promote public and donor confidence in the long-term sustainability of the organization by preventing chronic cash flow crises that could injure its reputation and force its leaders to make expensive short-term crisis-based decisions;
- To enable the organization to sustain operations through delays in receipts of committed funding and to accept reimbursable contacts and grants without jeopardizing ongoing operations; and
- To create an internal line of credit to manage cash flow and maintain financial flexibility.

The minimum amount to be designated as operating reserves is an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Board of Directors has established a minimum of three months and a maximum of six months of average unrestricted operating costs as operating reserves.

The UWCC Board of Directors has designated net assets at June 30, 2019 as follows:

Operating Reserve:

The UWCC Board of Directors has adopted an operating reserve policy to ensure that adequate resources are available to maintain operations of the property in the event that a vacancy or other unanticipated operating issue may arise. The operating reserve policy's goal is to retain six months of average operating expenses and is fully funded at June 30, 2019.

11. Board designated reserves (continued):

Maintenance Reserve:

The UWCC Board of Directors has adopted a maintenance reserve policy to ensure that adequate resources are available for major maintenance and repairs outside the normal course of operations. The maintenance reserve will be calculated at 6% of property balances exclusive of land.

12. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Education	$ 1,370,940	$ 1,327,050
Financial Wellness	82,210	150,795
Volunteer Income Tax Assistance	22,516	31,079
Healthy Communities	599,666	457,868
Days of Caring	35,000	-
Volunteer Center	8,668	21,538
Target Areas	828,083	694,022
Various other programs	10,899	17,441
	2,957,982	2,699,793
Subject to the passage of time:		
Beneficial interests in charitable trusts held by others	135,412	128,667
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	10,000
	135,412	138,667
Subject to endowment spending policy and appropriation:		
Original donor restricted endowment gifts required to be maintained by donor:		
General use	1,533,737	1,459,747
Education	133,817	133,817
Volunteer Center	20,000	20,000
	1,687,554	1,613,564
Accumulated investment earnings, expendable to support general operations when appropriated	186,363	210,048
	$ 4,967,311	$ 4,662,072

13. Endowments:

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

	2019	2018
Endowment net assets with donor restrictions, beginning	$ 1,823,612	$ 1,826,963
Investment return:		
Interest/dividends	52,430	41,442
Net realized gains	4,987	3,730
Net unrealized gains	21,424	38,066
Total investment return	78,841	83,238
Contributions	60,100	-
Appropriation of endowment assets for expenditures	(74,644)	(73,544)
Investment fees	(13,992)	(13,045)
Endowment net assets with donor restrictions, ending	$ 1,873,917	$ 1,823,612

Funds with deficiencies:

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of the Act requires to be retained as a fund of perpetual duration. There were no deficiencies of this nature in net assets with donor restrictions as of June 30, 2019 and 2018.

Investment strategies:

To satisfy its long-term rate-of-return objectives, UWTSA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UWTSA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy:

UWTSA has adopted a spending policy that conforms to spending rates or formulas dictated by specific gift instruments or by community foundations. In the absence of donor specifications or for funds not invested in community foundations or similar organizations, endowment funds shall have a spending policy expressed as a maximum of 4% of a three-year moving average of the market value of endowment funds determined on a quarterly basis. Expenditures in excess of the 4% policy or when endowment funds are "underwater" will require the approval of a majority of the board members.

14. Retirement plan:

UWTSA maintains a 401(k) profit sharing plan (the "Plan") for all employees who meet eligibility requirements. The Plan provides for discretionary non-elective and matching employer contributions as determined by the Board of Directors. For the years ended June 30, 2019 and 2018, the Board of Directors approved a matching contribution of 50% of the first 5% of employees' contributions to the Plan. In addition, the Board of Directors approved a non-elective contribution of $1,000 per employee for all employees who worked 1,000 hours or more during the years ended June 30, 2019 and 2018. For all the years ended June 30, 2019 and 2018, defined contribution plan expense was $100,298 and $82,581.

15. Supplemental employee retirement plan:

On July 1, 2013, UWTSA adopted the United Way of Tucson and Southern Arizona Deferred Compensation Plan for the President and CEO. The plan stated that UWTSA will contribute $8,000 per year to a deferred compensation benefit plan, with three years' payments applied in arrears as of the date of the agreement. On July 1, 2018, this plan was superceded by a new plan under which UWTSA will contribute $15,000 per year to a deferred compensation benefit plan. The funds in these accounts are considered assets of UWTSA and a liability is accrued to show a corresponding payable to the employee. During the term of the plans, all income received by the plans, net of expenses and taxes, shall be accumulated and reinvested. The plans shall be transferable to the employee upon termination of his employment agreement.

Investments are valued at fair value as determined by quoted security exchange prices and fluctuate with the market value of the investments which are held in the account and any additional deferrals or payments to the President and CEO. At June 30, 2019 assets of the plan were $67,157 and primarily held in mutual funds. At June 30, 2018, the assets of the plan were $32,016 and held in cash and cash equivalents. UWTSA does not bear any of the risk for those market fluctuations. At June 30, 2019 and 2018, a liability of $67,157 and $32,016, respectively, for the present value of future retirement benefits payable has been reported in accrued expenses in the consolidated statements of financial position.

16. Donated services and materials:

Donated services and materials are primarily utilized in program services and were reported in the consolidated statements of functional expenses for the years ended June 30, 2019 and 2018:

	2019	2018
Allocations and grants	$ 178,683	$ 104,370
Rent	52,488	29,500
	$ 231,171	$ 133,870

17. Rent income:

UWCC rents office space to various non-profit and governmental entities, including UWTSA, under non-cancelable leases with varying terms and expiration dates. Rent paid to UWCC by UWTSA is eliminated in consolidation for financial statement presentation. Rental income, net of elimination, was $655,388 and $705,455 for the years ended June 30, 2019 and 2018.

UWCC contracts at rent rates that are below market due to its tenants' non-profit and governmental status. UWCC records the difference between fair market rent rate and its contracted rent rates as in-kind rent revenue. The in-kind rent revenue was $52,488 and $29,500 for the years ended June 30, 2019 and 2018, and is included in donated services and materials.

Future minimum rental income, net of eliminations, to be received at contracted rates under these lease agreements as of June 30, 2019 follow:

Year ending June 30,	
2020	$ 572,816
2021	359,620
	$ 932,436

18. Consolidated statement of cash flows:

Supplemental disclosure of cash flow information:
Cash paid for interest was $5,136 and $45,399 for the years ended June 30, 2019 and 2018.

19. Commitments and contingencies:

Property management agreement:
UWCC is party to a property management agreement with an independent outside service agent. The agreement requires monthly payments by UWCC to the agent of $2,200, which may be increased annually based on the CPI index. The agreement may be canceled by either party following 30 days' notice. The agreement also requires a construction supervision fee in the event any one repair, maintenance or improvement work exceeds $5,000. The fee is 6% of the dollars spent above $5,000 and less than $50,001 and 4% of dollars above $50,000. Any work above $750 requires specific approval of UWCC. The contract will expire as of June 30, 2021.

19. Commitments and contingencies (continued):

Lease commitments:

UWTSA has operating leases for equipment that expire at various dates through July 2019. Aggregate monthly rent of approximately $324 is due on these leases. Total rent expense on these leases was $2,223 and $3,892 for the years ended June 30, 2019 and 2018, and is included in equipment expense on the consolidated statements of functional expenses.

UWTSA leases office space in Green Valley under an operating lease through June 2021. The lease requires monthly payments that escalate on an annual basis.

Future minimum lease payments under non-cancelable operating leases are as follows:

For the year ended June 30,	
2020	$ 22,744
2021	21,191
	$ 43,935

Contingencies:

UWTSA participates in certain federal, state and local grant programs. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of UWTSA. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

UWTSA is, from time-to-time, involved in legal claims that arise in the ordinary course of business. In the opinion of management and based on consultations with legal counsel, any such matters that may exist are considered immaterial to United Way or will be covered by insurance.

20. Concentrations:

For 2019 and 2018, one agency accounted for 90% and 95% of government contracts and 94% of government contracts receivable.

21. Reclassifications:

The 2018 consolidated financial statements have been reclassified in order to conform to the 2019 consolidated financial statement presentation. The reclassifications had no effect on net assets at June 30, 2018 or on the increase in net assets for the year then ended.

22. Pending pronouncements:

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers.” ASU 2014-09 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. ASU 2014-09 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identifying the performance obligations under the contract, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations and (e) recognizing revenues as the identified performance obligations are satisfied. ASU 2014-09 also prescribes additional financial statement presentations and disclosures. ASU 2014-09 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08 "Not-for-Profit Entities" to clarify the scope and accounting guidance for contributions made and received. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard effectively excludes contributions from the requirements of ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2019, with early adoption permitted.

Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2019

ASSETS

	UWTSA	UWCC	Eliminating entries	Total
Current assets:				
Cash and cash equivalents	$ 2,947,631	$ 1,018,375	$ -	$ 3,966,006
Short-term investments	3,786,754	-	-	3,786,754
Government contracts receivable	1,360,225	-	-	1,360,225
Pledges receivable, net	2,128,779	-	-	2,128,779
Other receivables	207,984	-	-	207,984
Prepaid expenses and deposits	76,622	21,616	-	98,238
Total current assets	10,507,995	1,039,991	-	11,547,986
Long-term investments	1,687,554	-	-	1,687,554
Beneficial interest in funds held by others	165,634	-	-	165,634
Cash surrender value of life insurance	15,145	-	-	15,145
Property and equipment, net	21,523	3,211,181	-	3,232,704
Total assets	$ 12,397,851	$ 4,251,172	$ -	$ 16,649,023

LIABILITIES AND NET ASSETS

	UWTSA	UWCC	Eliminating entries	Total
Current liabilities:				
Accounts payable	$ 111,712	$ 32,573	$ -	$ 144,285
Subrecipient awards payable	482,106	-	-	482,106
Accrued expenses and other liabilities	570,192	-	-	570,192
Custodial and agency liabilities	661,295	-	-	661,295
Refundable security deposits	-	12,808	-	12,808
Annuity obligations, current portion	6,954	-	-	6,954
Total current liabilities	1,832,259	45,381	-	1,877,640
Long-term annuity obligations	68,813	-	-	68,813
Total liabilities	1,901,072	45,381	-	1,946,453
Commitment and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	3,204,883	321,055	-	3,525,938
Designated for donor advised funds	1,127,319	-	-	1,127,319
Board designated reserves	1,175,743	673,555	-	1,849,298
Invested in property and equipment	21,523	3,211,181	-	3,232,704
	5,529,468	4,205,791	-	9,735,259
With donor restrictions	4,967,311	-	-	4,967,311
Total net assets	10,496,779	4,205,791	-	14,702,570
Total liabilities and net assets	$ 12,397,851	$ 4,251,172	$ -	$ 16,649,023

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without donor restrictions						
	UWTSA	UWCC	Total	Eliminating entries	Total	With donor restrictions	Total
Revenues, support and gains:							
Total campaign support	$ 3,580,010	$ -	$ 3,580,010	$ -	$ 3,580,010	$ 1,399,228	$ 4,979,238
Less amounts raised on behalf of others	(843,336)	-	(843,336)	-	(843,336)	-	(843,336)
	2,736,674	-	2,736,674	-	2,736,674	1,399,228	4,135,902
Less provision for uncollectible pledges	(329,325)	-	(329,325)	-	(329,325)	-	(329,325)
Net campaign support	2,407,349	-	2,407,349	-	2,407,349	1,399,228	3,806,577
Government contracts	6,120,822	-	6,120,822	-	6,120,822	-	6,120,822
Other gifts, grants and sponsorships	271,488	-	271,488	(250,000)	21,488	1,160,950	1,182,438
Donated services and materials	269,729	180,238	449,967	(255,500)	194,467	36,704	231,171
Service fee income	121,486	-	121,486	-	121,486	-	121,486
Program fees	3,181	-	3,181	-	3,181	-	3,181
Rent revenue	-	911,217	911,217	(255,829)	655,388	-	655,388
Investment income	198,444	2,096	200,540	-	200,540	65,325	265,865
Net assets released from restriction	2,391,468	-	2,391,468	-	2,391,468	(2,391,468)	-
Total revenues, support and gains	11,783,967	1,093,551	12,877,518	(761,329)	12,116,189	270,739	12,386,928
Allocations and expenses:							
Allocations and other collective impact	9,413,163	250,000	9,663,163	(439,482)	9,223,681	-	9,223,681
Office rental expense to nonprofits	157,989	813,524	971,513	(255,500)	716,013	-	716,013
Fundraising	1,215,356	-	1,215,356	(41,942)	1,173,414	-	1,173,414
Management and general	890,089	-	890,089	(24,405)	865,684	-	865,684
Total allocations and expenses	11,676,597	1,063,524	12,740,121	(761,329)	11,978,792	-	11,978,792
Increase in net assets before fund transfers	107,370	30,027	137,397	-	137,397	270,739	408,136
Transfers per donor request	(34,500)	-	(34,500)	-	(34,500)	34,500	-
Increase (decrease) in net assets	72,870	30,027	102,897	-	102,897	305,239	408,136
Net assets, beginning	5,456,598	4,175,764	9,632,362	-	9,632,362	4,662,072	14,294,434
Net assets, ending	$ 5,529,468	$ 4,205,791	$ 9,735,259	$ -	$ 9,735,259	$ 4,967,311	$ 14,702,570