



**United Way
Blackhawk Region**

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way Blackhawk Region, Inc.
Janesville, Wisconsin

We have audited the accompanying financial statements of United Way Blackhawk Region, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 United Way Blackhawk Region, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, United Way Blackhawk Region, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. 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 financial statements as a whole. The accompanying schedule of allocations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Janesville, Wisconsin
May 6, 2019

UNITED WAY BLACKHAWK REGION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,601,537	\$ 1,818,989
Certificates of deposit	776,169	22,430
Unconditional promises to give, net	1,302,848	1,426,924
Prepaid expenses	5,363	5,369
Investments	1,821,987	1,956,841
Beneficial interest in assets held by Community Foundation of Southern Wisconsin	96,092	102,628
Beneficial interest in perpetual trust	531,271	592,714
Property and equipment, net	365,756	294,724
Certificates of deposit, limited use	10,206	10,200
Total assets	<u>\$ 6,511,229</u>	<u>\$ 6,230,819</u>
LIABILITIES		
Accounts payable	\$ 4,771	\$ 7,312
Accrued payroll and related liabilities	8,807	9,803
Due to designated agencies	131,414	157,510
Grants payable	17,590	-
Total liabilities	162,582	174,625
NET ASSETS		
Without donor restrictions	3,910,625	3,405,347
With donor restrictions	2,438,022	2,650,847
Total net assets	<u>6,348,647</u>	<u>6,056,194</u>
Total liabilities and net assets	<u>\$ 6,511,229</u>	<u>\$ 6,230,819</u>

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Gross campaign results for the prior year	\$ 674,400	\$ -	\$ 674,400
Less donor designations	(11,528)	-	(11,528)
Change in provision for uncollectible promises	7,577	-	7,577
Net campaign revenue for the prior year	670,449	-	670,449
Gross campaign results for the current year	-	1,627,828	1,627,828
Less donor designations	-	(131,414)	(131,414)
Less provision for uncollectible promises	-	(81,391)	(81,391)
Net campaign revenue for the current year	-	1,415,023	1,415,023
Designations from other United Ways	131,596	-	131,596
Gifts in-kind	27,973	-	27,973
Grants, contracts and other contributions	278,841	4,441	283,282
Processing and designation fees	101	-	101
Investment return, net	(59,132)	(95,025)	(154,157)
Miscellaneous income	8,120	-	8,120
Rental income	14,723	-	14,723
Total revenues	1,072,671	1,324,439	2,397,110
PROGRAM ALLOCATIONS AND EXPENSES			
Gross funds awarded/distributed	1,546,340	-	1,546,340
Less donor designations	(65,861)	-	(65,861)
Net community impact funds awarded/distributed	1,480,479	-	1,480,479
Other community impact expenses	177,109	-	177,109
Supporting activities			
Management and general	212,951	-	212,951
Fundraising	234,118	-	234,118
Total supporting activities	447,069	-	447,069
Total program allocations and expenses	2,104,657	-	2,104,657
NET ASSETS RELEASED FROM RESTRICTIONS	1,537,264	(1,537,264)	-
Change in net assets	505,278	(212,825)	292,453
Net assets at beginning of year	3,405,347	2,650,847	6,056,194
Net assets at end of year	\$ 3,910,625	\$ 2,438,022	\$ 6,348,647

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Gross campaign results for the prior year	\$ 867,282	\$ -	\$ 867,282
Less donor designations	(4,900)	-	(4,900)
Change in provision for uncollectible promises	765	-	765
Net campaign revenue for the prior year	863,147	-	863,147
Gross campaign results for the current year	\$ -	1,783,309	1,783,309
Less donor designations	-	(157,510)	(157,510)
Less provision for uncollectible promises	-	(89,135)	(89,135)
Net campaign revenue for the current year	-	1,536,664	1,536,664
Designations from other United Ways	187,330	-	187,330
Gifts in-kind	29,519	-	29,519
Grants, contracts and other contributions	42,600	-	42,600
Processing and designation fees	781	-	781
Investment return, net	196,817	97,808	294,625
Miscellaneous income	5,973	-	5,973
Rental income	14,969	-	14,969
Total revenues	1,341,136	1,634,472	2,975,608
PROGRAM ALLOCATIONS AND EXPENSES			
Gross funds awarded/distributed	1,649,689	-	1,649,689
Less donor designations	(46,791)	-	(46,791)
Net community impact funds awarded/distributed	1,602,898	-	1,602,898
Other community impact expenses	110,828	-	110,828
Supporting activities			
Management and general	215,802	-	215,802
Fundraising	234,427	-	234,427
Total supporting activities	450,229	-	450,229
Total program allocations and expenses	2,163,955	-	2,163,955
NET ASSETS RELEASED FROM RESTRICTIONS	1,283,760	(1,283,760)	-
Change in net assets	460,941	350,712	811,653
Net assets at beginning of year	2,944,406	2,300,135	5,244,541
Net assets at end of year	\$ 3,405,347	\$ 2,650,847	\$ 6,056,194

See accompanying notes.

UNITED WAY BLACKHAWK REGION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Supporting Activities			Total Expenses
	Community Impact	Management and General	Fundraising	
Salaries	\$ 93,216	\$ 128,073	\$ 123,829	\$ 345,118
Benefits	9,706	13,336	12,894	35,936
Payroll taxes	7,145	9,817	9,493	26,455
Professional fees	-	16,196	5,391	21,587
Computer software support	11,246	5,064	4,311	20,621
Office supplies	558	686	616	1,860
Telephone	1,489	2,046	1,978	5,513
Postage	560	751	916	2,227
Occupancy	7,176	9,859	9,531	26,566
Office equipment	1,537	2,111	2,042	5,690
Printing and publicity	15,382	339	18,586	34,307
Subscriptions	-	559	-	559
Local travel	2,140	2,887	3,491	8,518
Local meetings	8,758	1,044	19,930	29,732
Membership dues	7,463	10,239	10,420	28,122
Insurance	1,173	1,612	1,559	4,344
Library	1,650	62	1,302	3,014
CI Transformation	2,016	-	-	2,016
Miscellaneous	-	173	-	173
Expenses before depreciation	171,215	204,854	226,289	602,358
Depreciation	5,894	8,097	7,829	21,820
Total expenses before grants and allocations	177,109	212,951	234,118	624,178
Grants and allocations	1,546,340	-	-	1,546,340
Less donor designations	(65,861)	-	-	(65,861)
Total program allocations and expenses	<u>\$ 1,657,588</u>	<u>\$ 212,951</u>	<u>\$ 234,118</u>	<u>\$ 2,104,657</u>

See accompanying notes.

UNITED WAY BLACKHAWK REGION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Supporting Activities			Total Expenses
	Community Impact	Management and General	Fundraising	
Salaries	\$ 50,486	\$ 119,139	\$ 122,247	\$ 291,872
Benefits	4,876	11,196	11,805	27,877
Payroll taxes	3,834	9,049	9,285	22,168
Professional fees	301	28,497	3,816	32,614
Computer software support	8,954	2,704	2,852	14,510
Office supplies	379	1,950	821	3,150
Telephone	879	2,019	2,129	5,027
Postage	343	788	831	1,962
Occupancy	4,134	12,382	10,009	26,525
Office equipment	903	2,073	2,185	5,161
Printing and publicity	16,758	333	26,603	43,694
Subscriptions	-	546	-	546
Local travel	418	901	1,355	2,674
Local meetings	9,002	1,913	16,674	27,589
Membership dues	4,737	10,876	12,133	27,746
Insurance	698	1,603	1,692	3,993
Miscellaneous	-	359	-	359
Expenses before depreciation	106,702	206,328	224,437	537,467
Depreciation	4,126	9,474	9,990	23,590
Total expenses before grants and allocations	110,828	215,802	234,427	561,057
Grants and allocations	1,649,689	-	-	1,649,689
Less donor designations	(46,791)	-	-	(46,791)
Total program allocations and expenses	<u>\$ 1,713,726</u>	<u>\$ 215,802</u>	<u>\$ 234,427</u>	<u>\$ 2,163,955</u>

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 292,453	\$ 811,653
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Allowance for uncollectible promises to give	(7,195)	12,369
Net realized and unrealized (gains) losses	113,031	(167,685)
Change in value of benefical interest in assets held by Community Foundation of Southern Wisconsin	6,536	(12,838)
Change in value of benefical interest in perpetual trust	61,443	(35,572)
Depreciation	21,820	23,590
(Increase) decrease in assets		
Unconditional promises to give	131,271	(293,389)
Prepaid expenses	6	(964)
Increase (decrease) in liabilities		
Accounts payable	(2,541)	(1,816)
Accrued payroll and related liabilities	(996)	354
Due to designated agencies	(26,096)	21,572
Grants payable	17,590	-
	<u>607,322</u>	<u>357,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(92,852)	-
Purchases of and investment return retained in investments	-	(431,386)
Proceeds from sales of investments	21,823	-
Purchases of and interest retained in certificates of deposit	(753,745)	(6)
	<u>(824,774)</u>	<u>(431,392)</u>
Net change in cash	(217,452)	(74,118)
Cash at beginning of year	<u>1,818,989</u>	<u>1,893,107</u>
Cash at end of year	<u>\$ 1,601,537</u>	<u>\$ 1,818,989</u>

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

The mission of United Way Blackhawk Region, Inc. is to improve lives by mobilizing the caring power of communities.

Community Impact Strategies

United Way Blackhawk Region is dedicated to advancing the common good by creating opportunities for a better life for all. United Way collaborates with community partners to identify community issues and develop strategies to create long-lasting change by addressing the underlying causes of these problems.

Advancing the common good is less about helping one person at a time and more about changing systems to help all of us. We are all connected and interdependent. We all win when a child succeeds in school, when families are financially stable, when people are healthy. Everyone deserves opportunities to have a good life: a quality education that leads to a stable job, enough income to support a family through retirement, and good health.

United Way's impact areas are Education, Financial Stability and Health, the building blocks for a good life:

- Education—Helping children and youth achieve their potential
- Financial Stability—Promoting financial stability and independence
- Health—Improving people's health

United Way Community Services Building provides space at a reduced rate for two local non-profit groups, one for profit group and meeting room that can seat approximately 40 people.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated Services

Donated services are valued at the services' fair value at the date of service if the services would have been purchased if they had not been donated. Donated services not included in the financial statements because they do not meet the financial statement recognition criteria include significant amounts of time donated by a substantial number of volunteers for the United Way Blackhawk Region's program services and fund raising campaigns.

Promises to Give

United Way Blackhawk Region's unconditional promises to give consist of amounts due from businesses, foundations, and individuals. The provision for uncollectible promises is computed based on historical collectability of promises and current economic conditions in the community and approved by the board of directors and adjusted by management estimates. The uncollectible provision is based on the gross campaign. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Donor designated promises are assessed both a fundraising and processing fee based on a three year historical average in accordance with United Way Worldwide membership standards as outlined in their publication titled United Way Worldwide Implementation Requirements of Membership Standard M (Cost Deduction for Designated Funds).

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The building is depreciated over its estimated useful life of forty years. Structural building improvements are depreciated over 20 years. Equipment is depreciated over their estimated useful lives of five to ten years.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, computer software support, office supplies, telephone, postage, occupancy, office equipment, printing and publicity, local travel, local meetings, membership dues, insurance, and depreciation, which are allocated on the basis of estimates of time and effort.

Management overhead percentage is computed based on dividing management and general and fundraising expenses divided by total revenue on the IRS Form 990, which does not include gifts in kind or unrealized gains/losses. For the years ended December 31, 2018 and 2017, the management overhead percentage of revenue is computed to be 17% and 16%, respectively.

The following program services and supporting activities are included in the accompanying financial statements.

Community Impact—

- Improving the lives of all people affected by the community's issues, not just clients of programs funded by United Way.
- Pinpointing the root causes of problems that threaten our community and developing strategies and partnerships to change them.
- Working in a multi-faceted role with whatever partners can play a role in changing community conditions.
- Going beyond the annual campaign to create long-term, ongoing relationships with diverse community investors.

*Management and general—*Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of United Way of Blackhawk Region's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of United Way of Blackhawk Region; and manage the financial and budgetary responsibilities of United Way of Blackhawk Region.

*Fundraising—*Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in net assets without donor restriction or net assets with donor restrictions depending on the existence of any donor-imposed 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 statements of activities as net assets released from restrictions.

Beneficial Interest in Assets Held by Community Foundation of Southern Wisconsin

United Way Blackhawk Region has transferred assets to the Community Foundation of Southern Wisconsin and has specified that the assets and related earnings be used to benefit various programs of United Way Blackhawk Region. Because United Way Blackhawk Region and the Foundation are not interrelated and United Way Blackhawk Region is the ultimate beneficiary of the transferred assets and related earnings the transfers are considered to be reciprocal and not contributions to the Foundation. Accordingly, related earnings are presented with investment return in the accompanying statement of activities.

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust is a resource held and administered, at the direction of the donor, by an outside trustee for the benefit of United Way Blackhawk Region whereby 25% of the income of the trust is distributed to United Way Blackhawk Region annually. The beneficial interest in perpetual trust is carried at the value of the investments in the trust. Distributions from the trust are to be used for general support for United Way Blackhawk Region and recorded as unrestricted support in the statements of activities. Adjustments to the value of the investments in the trust are recorded as investment return with donor restrictions in the statements of activities. Under the terms of the perpetual trust, United Way Blackhawk Region has the irrevocable right to receive 25% of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. 25% of each investment's value held in the trust are reported as assets in the statements of financial position.

Adoption of New Accounting Pronouncement

United Way of Blackhawk Region adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This 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. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

United Way Blackhawk Region is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through May 6, 2019, the date which the financial statements were available to be issued.

NOTE 2—CERTIFICATES OF DEPOSIT

United Way Blackhawk Region has elected the reimbursement (self-insured) method to finance the cost of unemployment compensation benefits. Accordingly, United Way Blackhawk Region has placed in the custody of the Treasurer, Wisconsin Unemployment Compensation Division, two certificates of deposits in the amount of \$10,206 and \$10,200 at December 31, 2018 and 2017, respectively.

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2018	2017
Fall 2018 Campaign	\$ 1,138,175	\$ -
Fall 2017 Campaign	361,502	1,295,946
Fall 2016 Campaign	-	335,742
Other	740	-
Unconditional promises to give	1,500,417	1,631,688
Less allowance for uncollectible promises to give	(197,569)	(204,764)
Unconditional promises to give, net	\$ 1,302,848	\$ 1,426,924

All unconditional promises to give at December 31, 2018 are due within one year.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 89,714	\$ 48,579
Mutual funds	1,732,273	1,908,262
Investments	<u>\$ 1,821,987</u>	<u>\$ 1,956,841</u>

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 71,700	\$ 71,700
Building	777,454	687,392
Computer equipment	29,851	38,670
Furniture, fixtures and other equipment	<u>12,489</u>	<u>22,852</u>
Property and equipment	891,494	820,614
Less accumulated depreciation	<u>(525,738)</u>	<u>(525,890)</u>
Property and equipment, net	<u>\$ 365,756</u>	<u>\$ 294,724</u>

NOTE 6—RETIREMENT PLAN

United Way Blackhawk Region sponsors a tax-sheltered annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of United Way Blackhawk Region. United Way Blackhawk Region matches participant's contributions to the plan up to 6% of the individual participant's compensation. Plan expenses were \$21,062 and \$12,130 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7—DESCRIPTION OF LEASING ARRANGEMENTS

In September 1989, the United Way Blackhawk Region began leasing office space in the building on a month to month basis to various nonprofit organizations. As of December 31, 2018 and 2017, the United Way Blackhawk Region held lease agreements with two other nonprofit organizations and one for profit organization. Each agreement requires monthly payments. Lease income for the United Way Blackhawk Region was \$14,723 and \$14,969 for the years ended December 31, 2018 and 2017, respectively.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8—CONCENTRATIONS OF CREDIT RISK

United Way Blackhawk Region maintains cash balances at five financial institutions. Accounts at four institutions are insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000. One account is insured by the National Credit Union Administration (NCUA) up to \$250,000. Both are fully backed by the faith and credit of the US Government. At December 31, 2018 and 2017, United Way Blackhawk Region's uninsured cash balances total approximately \$1,390,000 and \$1,120,000, respectively. United Way Blackhawk Region maintains its cash balances with high credit quality financial institutions. United Way Blackhawk Region believes its credit policies do not result in significant adverse risk and historically has not experienced significant credit-related losses.

NOTE 9—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value as of December 31, 2018				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 1,732,273	\$ 1,732,273	\$ -	\$ -
Money market funds	89,714	89,714	-	-
Beneficial interest in perpetual trust	531,271	-	-	531,271
Beneficial interest in assets held by Community Foundation of Southern Wisconsin	96,092	-	-	96,092
	\$ 2,449,350	\$ 1,821,987	\$ -	\$ 627,363
Assets at Fair Value as of December 31, 2017				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 1,908,262	\$ 1,908,262	\$ -	\$ -
Money market funds	48,579	48,579	-	-
Beneficial interest in perpetual trust	592,714	-	-	592,714
Beneficial interest in assets held by Community Foundation of Southern Wisconsin	102,628	-	-	102,628
	\$ 2,652,183	\$ 1,956,841	\$ -	\$ 695,342

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9—FAIR VALUE MEASUREMENTS (continued)

Fair values for mutual funds and money market funds are determined by reference to quoted market prices in active markets. When quoted prices are not available, fair value is estimated using recently executed transactions. The fair value of the beneficial interest in perpetual trust is based on United Way Black Hawk Region, Inc.'s pro rata share of the fair value of the underlying assets as reported to United Way Blackhawk Region, Inc. by the trust. The beneficial interest in assets held by Community Foundation of Southern Wisconsin represents an agreement between United Way Blackhawk Region, Inc. and the Foundation in which United Way Blackhawk Region, Inc. transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to United Way Blackhawk Region, Inc. by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The table below presents a reconciliation from the beginning balance to the ending balance of the beneficial interests measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2018 and 2017:

	Beneficial Interests	
Year ended December 31, 2018	Assets Held by Community Foundation	Perpetual Trust
Beginning balance	\$ 102,628	\$ 592,714
Change in value of beneficial interest	(6,536)	(32,082)
Distributions	-	(29,361)
Ending balance	\$ 96,092	\$ 531,271
	Beneficial Interests	
Year ended December 31, 2017	Assets Held by Community Foundation	Perpetual Trust
Beginning balance	\$ 89,790	\$ 557,142
Change in value of beneficial interest	12,838	107,279
Distributions	-	(71,707)
Ending balance	\$ 102,628	\$ 592,714

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10—NET ASSETS

United Way Blackhawk Region's board of directors has designated net assets without donor restrictions for the following purposes:

	2018	2017
Designated for endowment	\$ 1,334,700	\$ 1,425,497
Designated for future community impact projects	164,390	25,000
Designated for unemployment compensation benefits	10,200	10,200
Designated for roof repair	60,000	45,000
Undesignated	2,341,335	1,899,650
 Net assets without donor restrictions	 \$ 3,910,625	 \$ 3,405,347

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

	2018	2017
Subject to expenditure for time and purpose:		
Campaign	\$ 1,415,023	\$ 1,537,266
Dolly Parton Imagination Library	4,441	-
Subject to UWBR's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$198,800 and \$232,380 for 2018 and 2017) which, once appropriated, is expendable to support:		
General operations	487,287	520,867
Not subject to appropriation or expenditure:		
Beneficial interest in perpetual trust	531,271	592,714
 Total net assets with donor restrictions	 \$ 2,438,022	 \$ 2,650,847

A fundraising campaign is conducted in the fall of each year to provide funds for allocations to the member agencies and operations of United Way Blackhawk Region for the following calendar year. Therefore, the cash contributions and pledges of contributions received by December 31 as a result of the campaign in the fall are restricted to cover the operations for the following year. Annually, assets are released from donor restrictions by allocations to participating agencies satisfying the restricted purposes specified by donors.

NOTE 11—ENDOWMENT

United Way Blackhawk Region, Inc.'s endowment consists of two individual funds established for supporting operations. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11—ENDOWMENT (continued)

designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. United Way Blackhawk Region is subject to Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. The board of directors of United Way Blackhawk Region has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, United Way Blackhawk Region considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

United Way Blackhawk Region has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, United Way Blackhawk Region considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of United Way Blackhawk Region and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of United Way Blackhawk Region, and (7) the investment policies of United Way Blackhawk Region

United Way Blackhawk Region has adopted investment and spending policies for endowment assets that attempt to provide additional income to fund programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that United Way Blackhawk Region must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results above the benchmark while managing risk. United Way Blackhawk Region's investment objective is for the value of investment assets, exclusive of contributions and withdrawals, to grow through returns generated by capital appreciation and investment income. The rate of return earned by the portfolio's asset classes are targeted to be at or above weighted, commonly accepted performance benchmarks.

To satisfy its long-term rate-of-return objectives, United Way Blackhawk Region 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). United Way Blackhawk Region targets investments to achieve its long-term return objectives within prudent risk constraints.

The spending policy provides for United Way Blackhawk Region the ability to withdraw funds from the principal of the board designated endowment with a super majority vote of $\frac{2}{3}$ of the board of directors. To date, all earnings of the endowment have been reinvested and no distributions have been made from the endowment.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2018 and 2017, is as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,334,700	\$ -	\$ 1,334,700
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	288,487	288,487
Accumulated investment gains	-	198,800	198,800
Total funds	\$ 1,334,700	\$ 487,287	\$ 1,821,987
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,425,497	\$ -	\$ 1,425,497
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	288,487	288,487
Accumulated investment gains	-	232,380	232,380
Total funds	\$ 1,425,497	\$ 520,867	\$ 1,946,364
Changes in endowment net assets for the years ended December 31, 2018 and 2017, are as follows:			
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 1,425,497	\$ 520,867	\$ 1,946,364
Investment return, net	(90,797)	(33,580)	(124,377)
Endowment net assets at end of year	\$ 1,334,700	\$ 487,287	\$ 1,821,987
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 899,139	\$ 458,631	\$ 1,357,770
Transfers	400,000	-	400,000
Investment return, net	126,358	62,236	188,594
Endowment net assets at end of year	\$ 1,425,497	\$ 520,867	\$ 1,946,364

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 12—PAYMENTS TO AFFILIATED ORGANIZATIONS

United Way Blackhawk Region serves the citizens of Rock County, Wisconsin, and northern Winnebago County, Illinois, and is independently governed by a local board of directors comprised of community leaders and volunteers. United Way Blackhawk Region is dedicated to creating positive change and is a member organization of United Way Worldwide and United Way Wisconsin. United Way Blackhawk Region paid annual membership fees to United Way Worldwide of \$22,871 and \$23,050 for the years ended December 31, 2018 and 2017, respectively. United Way Blackhawk Region paid annual membership fees to United Way Wisconsin of \$3,750 and \$3,300 for the years ended December 31, 2018 and 2017, respectively.

NOTE 13—LIQUIDITY AND AVAILABILITY

The table below reflects United Way Blackhawk Region's financial assets as of the date of the statement of financial position reduced by amounts not available for general expenditures within one year of the date of the statement of financial position:

Cash	\$ 1,601,537
Certificates of deposit	776,169
Unconditional promises to give, net	1,302,848
Investments	1,821,987
Certificates of deposit, limited use	<u>10,206</u>
 Financial assets at end of year	 5,512,747
 Less those unavailable for general expenditures within one year:	
Board designations	(234,590)
Long-term certificates of deposit	(602,206)
Restricted by donors with time or purpose restrictions	(131,414)
Board-designated endowment funds	(1,334,700)
Donor-restricted endowment funds including spendable portion	<u>(487,287)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 2,722,550</u></u>

Financial assets not available for general expenditures include \$1,821,987 set aside for endowment purposes and long-term investing. However, board-designated endowment funds and the spendable portion of donor-restricted endowment funds totaling \$1,533,500 could be made available if necessary. As part of United Way Blackhawk Region'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.

UNITED WAY BLACKHAWK REGION, INC.
SCHEDULE OF ALLOCATIONS
Year Ended December 31, 2018

2018 Investment in Education total: \$478,866

Boys & Girls Club of Janesville	Youth Development and Guidance Program
Community Action, Inc.	Community Kids Program
	Merrill Community Center Youth Program
Family Services of S.W.A.N.I.	CASA of Rock County
Lutheran Social Services	Runaway and Youth Services (RAYS)
RSVP	Intergenerational Program
Salvation Army - Janesville	Youth Development/Community Center
Stateline Boys & Girls Club	Youth Development and Guidance
Stateline Family YMCA	Beloit Childcare, After School Care and Day Camp Scholarships
	Beloit Youth Membership Scholarships
	Beloit Youth Program Scholarships
Janesville School District	Capacity Building - Early Literacy Task Force
Dolly Parton Imagination Library	Janesville, Beloit, Edgerton Communities
Scholastic Book Fair	South Beloit-School District

UNITED WAY BLACKHAWK REGION, INC.
SCHEDULE OF ALLOCATIONS
Year Ended December 31, 2018

2018 Investment in Financial Stability total: \$736,462

American Red Cross	Disaster Services
	Services to Armed Forces
Beloit Meals on Wheels	Home Delivered Meals
Community Action, Inc.	AWARE
	Beloit Fresh Start Program
	Fatherhood Initiative
	Transitional Living Program
	Merrill Community Center Senior Program
ECHO	ECHO Way Home
Edgerton Community Outreach	Client Services
	Food Pantry
Family Services of S.W.A.N.I.	Beloit Domestic Violence Survivor Center
	Capacity Building - Life Financial Solutions
Family Promise	Emergency Shelter for Homeless Families
Janesville Community Day Care Center	Ruger Site Tuition Assistance
KANDU	Waiting List Project
Project 16:49	Robin House
RSVP	In Home Groups
	Seniors Volunteering for Seniors
Salvation Army - Beloit	Corps Community Center
	Feeding Program
	Food Pantry
	Rental Payment Assistance
Salvation Army - Janesville	Family Social Services Assistance Program
SMILES	Scholarship Fund
Stateline Literacy Council	Adult Basic Education
	English as a Second Language (ESL)
YWCA of Rock County	Immigrant Outreach Services
	Transitions for Women
	Alternatives to Violence
	Child Care Program

UNITED WAY BLACKHAWK REGION, INC.
SCHEDULE OF ALLOCATIONS
Year Ended December 31, 2018

2018 Investment in Health total: \$305,565

AIDS Network	Case Management	
Beloit Regional Hospice	Palliative Care	
Catholic Charities	FACE - Kids	
	Recreation for Adults with Disabilities	
Community Action, Inc.	Personal Responsibility Empowerment Program	
Epilepsy Foundation	Supportive Care	
Family Services of S.W.A.N.I.	Individual and Family Counseling	
	Sexual Assault Recovery Program	
	Youth2Youth	
Health Net	Dental Care	
	Primary Medical Care	
	Vision Care	
	Capacity Building	
Lutheran Social Services	Counseling Programs for Beloit & Janesville Clinics	
	Enrichment Center	
Nutrition & Health	Prenatal Care & Nutrition Education	
RSVP	Community Referrals	
SMILES	Equine Assisted Therapy	
YWCA of Rock County	CARE House	
	United Way Dane County 2-1-1	25,000
	Miscellaneous	447
	Total allocations	1,546,340
	Less donor designations	(65,861)
	Net community impact funds awarded/distributed	\$ 1,480,479