

UNITED WAY COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
United Way Community Services, Inc.

Report on the Financial Statements

We have audited the financial statements of United Way Community Services, Inc. (a nonprofit organization) which comprise the statement of financial position of as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks if 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 Community Services, Inc. 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited United Way Community Services, Inc.'s 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated September 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of United Way Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way Community Services, Inc.'s internal control over financial reporting and compliance.



Orem, Utah
October 2, 2019

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019, with Comparative Totals for 2018

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 62,143	\$ 44,585
Accounts receivable	195,562	217,910
Prepaid expenses	<u>30,848</u>	<u>19,110</u>
Total current assets	288,553	281,605
Fixed Assets:		
Furniture and equipment	68,932	68,932
Vehicles	1,147,202	1,044,059
Accumulated depreciation	<u>(812,804)</u>	<u>(695,542)</u>
Net fixed assets	<u>403,330</u>	<u>417,449</u>
Total assets	<u><u>\$ 691,883</u></u>	<u><u>\$ 699,054</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 49,612	\$ 27,242
Due to United Way of Central and Southern Utah	379,591	299,227
Accrued compensated absences	<u>88,219</u>	<u>82,773</u>
Total current liabilities	517,422	409,242
Net Assets Without Donor Restrictions:		
Undesignated	14,461	179,812
Designated for benefits	<u>160,000</u>	<u>110,000</u>
Total net assets without donor restrictions	<u>174,461</u>	<u>289,812</u>
Total liabilities and net assets	<u><u>\$ 691,883</u></u>	<u><u>\$ 699,054</u></u>

The accompanying notes are an integral part of this financial statement.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2019, with Comparative Totals for 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Revenues and Support:		
Transportation services:		
Utah Transit Authority funding	\$ 1,581,597	\$ 1,559,436
Service provider contracts	99,025	106,350
Agency services	122,481	118,283
Rider fares	44,238	38,279
In-kind donations	411,692	441,996
	<u>2,259,033</u>	<u>2,264,344</u>
Total transportation services	2,259,033	2,264,344
Other revenues	720	1,657
Gain on sale of fixed assets	-	24,414
	<u>-</u>	<u>24,414</u>
Total revenues and support	2,259,753	2,290,415
Expenses:		
Program services:		
Paratransit program services	2,217,821	2,165,726
Supporting services:		
General and administrative	157,283	148,264
	<u>157,283</u>	<u>148,264</u>
Total expenses	2,375,104	2,313,990
	<u>2,375,104</u>	<u>2,313,990</u>
Change in Net Assets	(115,351)	(23,575)
Net Assets at Beginning of Year	289,812	313,387
	<u>289,812</u>	<u>313,387</u>
Net Assets at End of Year	<u>\$ 174,461</u>	<u>\$ 289,812</u>

The accompanying notes are an integral part of this financial statement.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019, with Comparative Totals for 2018

	Paratransit Program Services	General and Administrative	Totals	
			2019	2018
Salaries and wages	\$ 850,986	\$ 67,754	\$ 918,740	\$ 921,232
Employee benefits	227,274	25,221	252,495	219,270
Payroll taxes	61,501	4,896	66,397	67,091
Total personnel expenses	1,139,761	97,871	1,237,632	1,207,593
Bad debt	-	-	-	5,958
Conferences and training	5,755	-	5,755	8,128
Dues and subscriptions	1,579	-	1,579	437
Liability insurance	1,835	147	1,982	2,213
Marketing	4,779	-	4,779	6,327
Occupancy costs	114,323	2,930	117,253	117,109
Repairs and maintenance	7,494	596	8,090	3,068
Postage	480	-	480	172
Printing and copying	11,298	-	11,298	7,505
Professional fees	-	28,895	28,895	28,666
Rewards	714	-	714	1,039
Supplies	3,016	241	3,257	3,770
Travel and meals	3,005	1,147	4,152	5,096
Vehicle expense	603,659	-	603,659	555,811
Support services	191,260	15,228	206,488	206,488
Miscellaneous	406	-	406	719
Total before depreciation	2,089,364	147,055	2,236,419	2,160,099
Depreciation	128,457	10,228	138,685	153,891
Total functional expenses	<u>\$ 2,217,821</u>	<u>\$ 157,283</u>	<u>\$ 2,375,104</u>	<u>\$ 2,313,990</u>

The accompanying notes are an integral part of this financial statement.

UNITED WAY COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2019, with Comparative Totals for 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (115,351)	\$ (23,575)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,685	153,891
Gain on sale of fixed assets	-	(24,414)
In-kind donation of equipment	(99,653)	(143,209)
Changes in operating assets and liabilities:		
Accounts receivable	22,348	(51,601)
Prepaid expenses	(11,738)	(780)
Accounts payable and accrued expenses	22,370	10,526
Due to United Way of Central and Southern Utah	80,364	87,587
Accrued compensated absences	5,446	7,019
Net cash provided by operating activities	<u>42,471</u>	<u>15,444</u>
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	-	24,414
Purchases of fixed assets	(24,913)	(47,602)
Net cash used by investing activities	<u>(24,913)</u>	<u>(23,188)</u>
Net Change in Cash	17,558	(7,744)
Cash at Beginning of Year	<u>44,585</u>	<u>52,329</u>
Cash at End of Year	<u>\$ 62,143</u>	<u>\$ 44,585</u>

Supplemental Data:

The Organization paid no interest or income taxes for the year ended June 30, 2019.

The Organization received in-kind donations of \$99,653 constituting 80 percent of the fair value of vehicles purchased during the year ended June 30, 2019.

The accompanying notes are an integral part of this financial statement.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of United Way Community Services, Inc. (the Organization) have been prepared on the accrual method of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization

United Way Community Services, Inc. provides transportation services for disabled persons and senior citizens throughout Utah County.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and board of trustees.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Summarized Comparative Financial Information

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

Tax Status

The Organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation. Also, the Organization is not subject to state income taxes.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenues from grants and contracts are recognized in the period in which approved expenses are incurred or when services have been performed. No allowance for doubtful accounts has been established. Management believes all amounts are collectible.

Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to program and other activities and indirect expenses are allocated to based on estimated time and effort or square footage used. Such allocations are determined by management on an equitable basis.

Prepaid Expenses

Prepaid expenses consist of amounts paid for which the benefit extends beyond the current period. Prepaid expenses include insurance premiums and rent.

Fixed Assets

Fixed assets are carried at cost or, if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over three to ten years.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 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 ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has followed the ASU's guidance in the presentation of these financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 2, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

2. Availability and Liquidity

The following represents Organization's financial assets at June 30, 2019:

Financial assets at year end:	
Cash	\$ 62,143
Accounts receivable	195,562
	<hr/>
Total financial assets	257,705
Less amounts not available to be used within one year:	
Net assets with donor restrictions	-
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Financial assets available to meet general expenditures over the next twelve months	\$ 257,705
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The Organization's goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$460,000). Operating expenses are defined by the Organization as total expenses less depreciation and in-kind expenses (see Note 3).

3. Contributed Materials, Equipment, and Services

The Organization does not have title to all of the vehicles in its use. Some of the vehicles used by the Organization are owned by Utah Transit Authority (UTA) and are not listed as assets of the Organization. Management has estimated the fair lease value of the vehicles provided to the Organization at no cost by UTA and recorded that amount as revenue and expense in the Statement of Activities. The value of these contributions was \$201,600 for the year ended June 30, 2019.

As part of the Organization's service-provider contract with UTA, the Organization received fuel for its vehicles at no charge and recorded that amount as revenue and expense in the statement of activities. The value of the fuel received from UTA at no charge was \$110,439 for the year ended June 30, 2019.

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

4. Economic Dependence

The Organization receives substantially all of its revenue from service-provider contracts and grants. Revenue from these contracts and grants is dependent upon the funding policies of the contractors and grantors and, as such, can be adjusted at any time.

5. Related Party Transactions

The Organization is related to United Way of Central and Southern Utah (United Way) through common control, as one Board of Trustees governs both entities. The Organization owed United Way \$379,591 at June 30, 2019.

UNITED WAY COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

The Board of Trustees approved a support services fee to be charged to the Organization by United Way for administrative services. The management fee amount was \$206,488 for the year ended June 30, 2019.

The Organization leases a parking lot from United Way. Lease expense was \$77,520 for the year ended June 30, 2019.

The Organization subleases a portion of the building owned by United Way and leased by Community Action Services and Food Bank. This sublease expired in December 2011, but the Organization continues to sublease office space at the same monthly rate. In addition, the Organization is assessed a portion of the rent of the building United Way occupies. Lease expense for these two office spaces was \$33,733 for the year ended June 30, 2019.

6. Retirement Plan

A defined contribution plan is provided for all qualified employees who have been with the Organization for one or more years. The Organization contributes 5 percent of qualified employees' gross earnings to the plan. In addition, the Organization matches 50 percent of the first 6 percent of employee contributions. Organization contributions were \$52,812 for the year ended June 30, 2019.

OTHER INFORMATION



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

Board of Trustees
United Way Community Services, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Squire & Company, PC

Orem, Utah
October 2, 2019