

UNITED WAY OF CENTRAL JERSEY, INC.

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT***

YEAR ENDED DECEMBER 31, 2017

UNITED WAY OF CENTRAL JERSEY, INC.

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SECTION 1

UNITED WAY OF CENTRAL JERSEY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

UNITED WAY OF CENTRAL JERSEY, INC.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
United Way of Central Jersey, Inc.
Milltown, New Jersey**

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Central Jersey, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

Management 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 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.

**To the Board of Directors
United Way of Central Jersey, Inc.
Milltown, New Jersey**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Jersey, Inc. as of December 31, 2017, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Central Jersey, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, as required by the State of New Jersey Office of Management and Budget Circular 15-08-OMB, ***Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid***, is presented for purposes of additional analysis and is not a required part of the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of United Way of Central Jersey, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Central Jersey, Inc.'s internal control over financial reporting and compliance.



**Philadelphia, Pennsylvania
June 27, 2018**

UNITED WAY OF CENTRAL JERSEY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,339,931	\$ 2,677,751
Investments (<i>Note 3</i>)	1,439,151	1,592,503
Accrued interest	953	410
Pledge receivables, net of allowance for uncollectible pledges of \$91,149 and \$641,308 in 2017 and 2016, respectively (<i>Note 2</i>)	437,165	446,631
Grant receivable	353,572	66,991
Prepaid expenses and other assets	40,813	39,827
Property and equipment, net (<i>Note 4</i>)	1,134,802	1,219,830
Investments – beneficial interest in perpetual trust (<i>Note 5</i>)	<u>321,028</u>	<u>291,863</u>
Total Assets	<u>\$ 6,067,415</u>	<u>\$ 6,335,806</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Allocations payable	\$ 193,750	\$ 334,261
Designations payable (<i>Note 6</i>)	368,860	1,109,590
Accounts payable and accrued expenses	138,958	173,970
Deferred revenue	<u>35,000</u>	<u>-</u>
Total Liabilities	<u>736,568</u>	<u>1,617,821</u>
Net Assets		
Unrestricted		
Undesignated	3,486,125	2,896,272
Designated for endowment fund	425,455	421,725
Designated for reserve	25,000	-
Designated for building repairs and improvements	<u>75,000</u>	<u>50,000</u>
	4,011,580	3,367,997
Temporarily restricted (<i>Note 7</i>)	998,239	1,058,125
Permanently restricted (<i>Note 7</i>)	<u>321,028</u>	<u>291,863</u>
Total Net Assets	<u>5,330,847</u>	<u>4,717,985</u>
Total Liabilities and Net Assets	<u>\$ 6,067,415</u>	<u>\$ 6,335,806</u>

UNITED WAY OF CENTRAL JERSEY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Campaign pledges	\$ 1,875,669	\$ 484,225	\$ -	\$ 2,359,894	\$ 7,039,058
Less:					
Amounts designated by donors for specific organizations	1,218,996	220,456	-	1,439,452	4,452,391
Allowance and write-offs for uncollectible pledges	(563,909)	13,750	-	(550,159)	516,534
Campaign pledges, net	1,220,582	250,019	-	1,470,601	2,070,133
Grant income	771,152	143,141	-	914,293	1,533,450
Investment income	169,670	82	-	169,752	95,920
Distributions from perpetual trust	11,797	-	-	11,797	12,559
Net gain (loss) on beneficial interest in perpetual trust	-	-	29,165	29,165	(3,036)
Rental income	73,031	-	-	73,031	52,800
Service fee revenue	47,488	-	-	47,488	57,317
Special events income	-	-	-	-	960
Community program income	-	829,672	-	829,672	176,779
Contributions of clothes and equipment	223,057	-	-	223,057	223,681
Miscellaneous	5,786	-	-	5,786	423
Net assets released from restrictions	1,282,800	(1,282,800)	-	-	-
Total support and revenue	<u>3,805,363</u>	<u>(59,886)</u>	<u>29,165</u>	<u>3,774,642</u>	<u>4,220,986</u>
Program Services					
Allocations and grants					
Allocated distributions to agencies	1,890,658	-	-	1,890,658	5,134,482
Less donor designated contributions	(1,439,452)	-	-	(1,439,452)	(4,452,391)
Net distributions to agencies in Central Jersey	451,206	-	-	451,206	682,091
Community investment and impact	2,129,600	-	-	2,129,600	2,008,019
Support Services					
General and administrative expenses	335,829	-	-	335,829	439,743
Resource development/fund-raising	202,103	-	-	202,103	238,186
Other					
Building expense attributed to rental portion	43,042	-	-	43,042	42,913
Total expenses	<u>3,161,780</u>	<u>-</u>	<u>-</u>	<u>3,161,780</u>	<u>3,410,952</u>
Change in net assets	643,583	(59,886)	29,165	612,862	810,034
Net Assets					
Beginning of year	3,367,997	1,058,125	291,863	4,717,985	3,907,951
End of year	<u>\$ 4,011,580</u>	<u>\$ 998,239</u>	<u>\$ 321,028</u>	<u>\$ 5,330,847</u>	<u>\$ 4,717,985</u>

UNITED WAY OF CENTRAL JERSEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 With Summarized Information For 2016

	2017					2016	
	PROGRAM SERVICES			SUPPORT SERVICES		Total Expenses	Total Expenses
	Community Investment	Community Impact	Total Program Expenses	Management And General	Resource Development		
Allocated distributions to agencies	\$ 439,451	\$ 11,755	\$ 451,206	\$ -	\$ -	\$ 451,206	\$ 682,091
Payroll and employee benefits							
Payroll	177,468	431,883	609,351	198,339	128,720	936,410	1,017,234
Payroll taxes	16,580	33,912	50,492	19,866	11,113	81,471	82,568
Employee benefits	<u>13,619</u>	<u>65,443</u>	<u>79,062</u>	<u>22,139</u>	<u>13,076</u>	<u>114,277</u>	<u>134,193</u>
	207,667	531,238	738,905	240,344	152,909	1,132,158	1,233,995
Professional fees	5,440	151,769	157,209	8,885	2,720	168,814	36,994
Advertising & Promotion	-	57,154	57,154	-	7,542	64,696	51,544
Office expense	6,629	19,343	25,972	12,250	3,499	41,721	52,038
Information Technology	5,503	8,111	13,614	4,196	6,131	23,941	22,641
Occupancy	4,842	4,842	9,684	7,909	4,035	21,628	20,765
Travel	3,330	13,789	17,119	1,166	1,454	19,739	18,290
Payments to Affiliates (UWW)	20,051	19,441	39,492	32,084	10,471	82,047	47,056
Insurance	6,480	6,480	12,960	10,584	3,240	26,784	29,519
Community program expense	45	986,615	986,660	25	2,357	989,042	1,074,021
Repairs and maintenance	680	31,283	31,963	1,111	567	33,641	28,741
Miscellaneous	<u>191</u>	<u>2,633</u>	<u>2,824</u>	<u>2,557</u>	<u>2,672</u>	<u>8,053</u>	<u>16,265</u>
	700,309	1,844,453	2,544,762	321,111	197,597	3,063,470	3,313,960
Depreciation	<u>9,011</u>	<u>27,033</u>	<u>36,044</u>	<u>14,718</u>	<u>4,506</u>	<u>55,268</u>	<u>54,079</u>
	<u>\$ 709,320</u>	<u>\$ 1,871,486</u>	<u>\$ 2,580,806</u>	<u>\$ 335,829</u>	<u>\$ 202,103</u>	3,118,738	3,368,039
Building expense attributed to rental portion						<u>43,042</u>	<u>42,913</u>
						<u>\$3,161,780</u>	<u>\$3,410,952</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF CENTRAL JERSEY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 612,862	\$ 810,034
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	85,028	83,196
Provision for uncollectible pledges	(550,159)	516,534
Realized gain on investments	(72,938)	(12,939)
Unrealized gain on investments	(62,409)	(59,193)
Change in net assets of beneficial interest in perpetual trust	(29,165)	3,036
Changes in		
Accrued interest	(543)	(410)
Pledge receivables	559,625	(470,815)
Grant receivable	(286,581)	(3,991)
Prepaid expenses and other assets	(986)	24,193
Allocations payable	(140,511)	(22,670)
Designations payable	(740,730)	548,005
Accounts payable and accrued expenses	(35,012)	42,635
Deferred revenue	<u>35,000</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>(626,519)</u>	<u>1,457,615</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,094,948)	(1,757,048)
Sales and maturities of investments	2,383,647	1,157,673
Purchases of property and equipment	-	(24,231)
Repayment of note receivable	<u>-</u>	<u>2,167</u>
Net cash provided by (used for) investing activities	<u>288,699</u>	<u>(621,439)</u>
Net change in cash and cash equivalents	(337,820)	836,176
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,677,751</u>	<u>1,841,575</u>
End of year	<u>\$ 2,339,931</u>	<u>\$ 2,677,751</u>

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE ORGANIZATION

The United Way of Central Jersey, Inc. (the “*United Way*” or the “*Organization*”) assesses on a continuing basis the need for human service programs within the community by fostering cooperation among local, state and national agencies, while developing a means to deploy financial resources to meet those needs. The United Way is primarily supported by donor contributions through its local campaign and is governed by a volunteer board of trustees.

ACCOUNTING METHOD

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION

Financial statement presentation follows the requirements of Financial Accounting Standards Board (“*FASB*”) Accounting Standards Codification (“*ASC*”) 958-205, “*Presentation of Financial Statements*”. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to donor imposed time or purpose restrictions, and the permanently restricted net asset category includes resources whereby donors have stipulated that the gift be invested and maintained in perpetuity. Income earned from such gifts is generally available for expenditures according to donor-imposed restriction, if any.

REVENUE RECOGNITION

Revenue is derived primarily from contributions and grants. Contributions are recognized when the donor makes a promise to give to the United Way, that is, in substance, unconditional and are recorded at the estimated realizable value. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grant income from restricted grants is recognized in the period when the United Way has incurred the expenditures in compliance with the specific restrictions. The Organization accounts for contract revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract is recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Funds received under exchange contracts in advance of their usage are classified as amounts due to government agencies and included in accounts payable and other current liabilities in the statement of financial position.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

INCOME TAXES

The United Way is a not-for-profit corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New Jersey taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Management has reviewed the tax positions for each of the open tax years (2014 – 2016) or expected to be taken in United Way’s 2017 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

United Way of Central Jersey occasionally maintains deposits in excess of federally insured limits. ASC 825, “***Financial Instruments***”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

For the years ended December 31, 2017 and 2016, 20% and 18% of revenues, respectively, were derived from cost reimbursement type state grants. The loss of the grants would result in a corresponding decrease in expenses, therefore it would not have a material impact on the Organization.

CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows presentation, the United Way considers all unrestricted highly liquid investments with maturity of less than three months at the date of acquisition to be cash equivalents.

COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or fair market value at the date of donation. Depreciation charges with respect to property and equipment have been made by the United Way using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Building and improvements	15-40
Furniture and fixtures	5
Computer equipment and software	3
Equipment	5

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, would be included in property and equipment.

ALLOCATED DISTRIBUTIONS TO AGENCIES

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

FUNCTIONAL EXPENSES

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

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

FINANCIAL INSTRUMENTS

The carrying value of financial instruments including cash, pledges receivable, accounts and grant receivable, allocations and designations payable and accounts payable approximate their fair value due to the relatively short maturity of these instruments.

VALUATION OF LONG-LIVED ASSETS

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the period presented in these financial statements.

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(2) PLEDGE RECEIVABLES

Campaign receivables consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
2015 – 2016 Campaign Receivables	\$ 297,427	\$ 821,262
2016 – 2017 Campaign Receivables	93,392	266,677
2017 – 2018 Campaign Receivables	<u>137,495</u>	<u>-</u>
	528,314	1,087,939
Less: Allowance for uncollectible pledges	<u>(91,149)</u>	<u>(641,308)</u>
Pledge receivables, net	<u>\$ 437,165</u>	<u>\$ 446,631</u>

Amounts due in less than one year were \$437,165 and \$446,631 at December 31, 2017 and 2016, respectively.

Campaign receivables are unconditional promises to give by individuals and corporations, and amounts collected by third parties (*See Note 7*) on behalf of the United Way and its member agencies that have not yet been received.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance is based on prior years' experience and management's analysis of specific promises made. In addition, amounts collected by third parties on behalf of the United Way and its member agencies are reduced by amounts deemed to be uncollectible by the third party collector.

Payments on pledges are applied to the specific pledges identified on the remittance or, if unspecified, are applied based on management's discretion.

(3) INVESTMENTS

At December 31, 2017 and 2016, investments consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificates of Deposit	\$ 400,000	\$ 399,978	\$ 690,000	\$ 689,858
Common Stock	30,641	66,081	29,970	54,778
Mutual Funds				
Equity	604,968	848,406	506,527	698,920
Bonds	-	-	149,379	148,947
U.S. Government	<u>124,506</u>	<u>124,686</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$1,160,115</u>	<u>\$1,439,151</u>	<u>\$1,375,876</u>	<u>\$1,592,503</u>

As of December 31, 2017 and 2016, net unrealized gains consist of \$279,036 and \$216,627, respectively.

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

United Way utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that United Way has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the United Way’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value United Way’s investments and beneficial interest in perpetual trust at December 31, 2017 and 2016 are as follows:

<u>Investments</u>	<u>2017</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposits	\$ 399,978	\$ -	\$399,978	\$ -
Common Stock	66,081	66,081	-	-
Mutual Funds	848,406	848,406	-	-
U.S. Government	<u>124,686</u>	<u>-</u>	<u>124,686</u>	<u>-</u>
Totals	<u>\$1,439,151</u>	<u>\$914,487</u>	<u>\$524,664</u>	<u>\$ -</u>
Beneficial interest in Perpetual Trust	<u>\$ 321,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,028</u>

<u>Investments</u>	<u>2016</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposits	\$ 689,858	\$ -	\$689,858	\$ -
Common Stock	54,778	54,778	-	-
Mutual Funds	<u>847,867</u>	<u>847,867</u>	<u>-</u>	<u>-</u>
Totals	<u>\$1,592,503</u>	<u>\$902,645</u>	<u>\$689,858</u>	<u>\$ -</u>
Beneficial interest in Perpetual Trust	<u>\$ 291,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,863</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2017 and 2016.

The changes in financial instruments for which United Way used Level 3 inputs to determine fair value are as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 291,863	\$ 294,899
Unrealized gains – change in valuation	<u>29,165</u>	<u>(3,036)</u>
Balance, end of year	<u>\$ 321,028</u>	<u>\$ 291,863</u>

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(4) PROPERTY AND EQUIPMENT

The components of property and equipment are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 40,000	\$ 40,000
Building and improvements	2,091,612	2,091,612
Furniture and fixtures	50,300	50,300
Equipment	<u>197,613</u>	<u>197,613</u>
	2,379,525	2,379,525
Less: Accumulated depreciation	<u>(1,244,723)</u>	<u>(1,159,695)</u>
Property and equipment, net	<u>\$ 1,134,802</u>	<u>\$ 1,219,830</u>
Depreciation expense	<u>\$ 85,028</u>	<u>\$ 83,196</u>

Depreciation included as a charge to expense amounted to \$85,028 and \$83,196 for the years ended December 31, 2017 and 2016, respectively.

(5) BENEFICIAL INTEREST IN PERPETUAL TRUST

The United Way of Central Jersey, Inc. is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the United Way. The United Way has legally enforceable rights and claims to such assets, including the right to a 1/3 interest in the income generated, which is to be used for the benefit of the citizens of South River, New Jersey. Net realized and unrealized gains and losses related to the beneficial interest are reported as changes in permanently restricted net assets. The fair value of the United Way's share in the beneficial interest at December 31, 2017 and 2016 is \$321,028 and \$291,863, respectively.

(6) ASSETS HELD FOR OTHERS (DONOR-CHOICE DESIGNATIONS)

At December 31, 2017 and 2016, the United Way, acting as an intermediary organization, had \$71,432 and \$1,109,590, respectively, in unspent contributions received on behalf of other member agencies. These amounts will be spent on behalf of, or transferred to, the respective member agencies based upon requests or when restrictions imposed by the donor have been satisfied and in accordance with United Way Worldwide Guidelines.

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(7) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Program Activities		
Abriendo Puertas	\$ 16,669	\$ -
Adopt-a-Family	1,690	2,520
Baby Bundles	1,710	1,710
Back to School Supplies	1,176	-
Bloustein Fellowship	-	52,885
Child Success	79,000	-
Disaster Relief	800	-
Early Grade Reading	40,639	27,789
Homeless Kitchens	2,448	2,448
IBM Grants (In-Kind donations)	13,843	15,733
JFK School	68,015	-
Kjeldsen Children's Fund	20,663	18,801
Make A Difference	2,048	2,048
MIHOPE	8,577	8,577
Middlesex County Long Term Recovery Group (MCLTRG)	5,655	5,655
Needs assessment study	6,194	31,214
Nurse Family Partnership	267,508	-
Oral Health Project	-	5,000
September 11 Disaster Relief	16,776	19,694
Super Storm Sandy Recovery	65,438	65,468
Time restricted campaign pledges	250,019	595,495
Time restricted grants	65,606	157,500
Voluntary Income Tax Assistance (VITA)	17,077	-
Women's Initiatives	46,688	45,588
	<u>\$ 998,239</u>	<u>\$ 1,058,125</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows for the year ended December 31:

	<u>2017</u>
Net assets released	
Abriendo Puertas	\$ 17,573
Adopt-a-Family	3,056
Back to School Supplies	6,043
Bloustein Fellowship	52,885
Child Success	41,000
Early Grade Reading Fund	13,711
IBM Grants (In-Kind donations)	1,890
Need assessment study	25,020
New Americans Program	601
Nurse Family Partnership	89,501
Oral Health Project	10,000
Parent-Child Home Program	122,812
September 11 Disaster Relief	3,000
Super Storm Sandy Recovery	30
Time restricted campaign pledges	595,495
Time restricted grants	235,035
Voluntary Income Tax Assistance	65,148
	<u>\$ 1,282,800</u>

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

Permanently restricted net assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Beneficial interest in perpetual trust	<u>\$321,028</u>	<u>\$291,863</u>

(8) RETIREMENT PLAN

The United Way maintains a defined contribution pension plan that covers all eligible full time employees. The employer's contribution is based on five percent of employees' annual salary. The pension expense for the years ended December 31, 2017 and 2016 was \$45,492 and \$49,439, respectively. The employees may also make voluntary contributions into a separate employer sponsored defined contribution plan.

(9) COMMITMENTS

EQUIPMENT LEASES

The United Way leases office equipment under non-cancelable lease commitments expiring through 2020. Total rent expense on office equipment amounted to \$9,114 and \$9,942 in 2017 and 2016, respectively. The approximate minimal annual rental commitments, under all non-cancelable leases with terms of one year or more for the periods set forth below, are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 9,942
2019	9,942
2020	<u>3,314</u>
	<u>\$23,198</u>

(10) ADMINISTRATIVE COST RATIO (UNAUDITED)

The United Way calculates the ratio of support services to total revenue using the data on the IRS Form 990. This form is readily accessible and universally used to calculate the ratio for a nonprofit organization. The calculation method utilized is as follows:

	<u>2017</u>	<u>2016</u>
Supporting Services		
Administrative (management and general) expenses (IRS Form 990, Part IX, Line 25, Column C)	\$ 335,829	\$ 439,743
Fundraising expenses (IRS Form 990, Part IX, Line 25, Column D)	<u>202,103</u>	<u>238,186</u>
Total supporting services	<u>\$ 537,932</u>	<u>\$ 677,929</u>
Revenue (IRS Form 990, Part I, Line 12)	<u>\$5,022,440</u>	<u>\$8,574,307</u>
Administrative cost ratio	11%	8%

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, June 27, 2018, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

UNITED WAY OF CENTRAL JERSEY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2017

	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Maternal, Infant and Early Childhood Home Visiting Grant Program Passed through State of New Jersey Department of Children and Families Nurse Family Partnership	DCF 17 APMP	93.870	<u>\$311,340</u>
U.S. Department of the Treasury			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	17VITA0273	21.009	<u>42,000</u>
Total Expenditures			<u>\$353,340</u>

UNITED WAY OF CENTRAL JERSEY, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended December 31, 2017

<u>State Grantor/ Pass-Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Grant Award Amount</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>State of New Jersey Department of Children & Families</u>				
Nurse Family Partnership	DCF 17 APMP	\$711,702	01/01/2017 – 12/31/2017	<u>\$400,362</u>
Total Expenditures				<u>\$400,362</u>

UNITED WAY OF CENTRAL JERSEY, INC.

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended December 31, 2017

(1) BASIS OF PRESENTATION

The accompanying schedule of state expenditures of awards includes the state grant activity of United Way of Central Jersey, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Government Auditing Standards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SECTION 2

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors
United Way of Central Jersey, Inc.
Milltown, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Central Jersey, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Central Jersey, 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 of Central Jersey, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Central Jersey, 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 of Central Jersey, 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
United Way of Central Jersey, Inc.
Page Two**

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 of Central Jersey, 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 the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
June 27, 2018**