

UNITED WAY OF THE NATIONAL CAPITAL AREA

FINANCIAL STATEMENTS
June 30, 2018 and 2017

TABLE OF CONTENTS

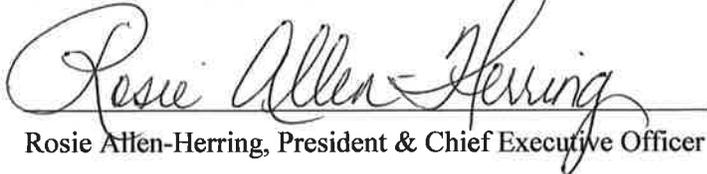
	PAGE
MANAGEMENT’S CERTIFICATION ON INTERNAL CONTROL OVER FINANCIAL REPORTING	1
INDEPENDENT AUDITORS’ REPORT	2
FINANCIAL STATEMENTS.....	4
Statements of Financial Position	5
Statement of Activities - 2018	6
Statement of Activities - 2017	7
Statement of Functional Expenses – 2018	8
Statement of Functional Expenses – 2017	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11

Management's Certification on Internal Controls Over Financial Reporting

United Way of the National Capital Area's internal controls over financial reporting are designed to provide reasonable assurance that its financial statements are reliable and prepared in accordance with accounting principles generally accepted in the United States of America. Maintaining appropriate internal controls over financial reporting is the responsibility of those persons charged with governance and management; and other personnel.

An entity's internal controls over financial reporting include those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Management assessed the effectiveness of United Way of the National Capital Area's internal controls over financial reporting as of June 30, 2018, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework*. Based on that assessment, management concluded that, as of June 30, 2018, United Way of the National Capital Area's internal controls over financial reporting are effective based on the criteria established in *Internal Control—Integrated Framework*.


Rosie Allen-Herring, President & Chief Executive Officer
Kevin Smith, Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of the National Capital Area
Vienna, Virginia

We have audited the accompanying financial statements of United Way of the National Capital Area, which comprise the statements of financial position as of June 30, 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.

Auditors' 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 auditors' 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.

Board of Directors
United Way of the National Capital Area

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the National Capital Area as of June 30, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 20, 2018

FINANCIAL STATEMENTS

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS		
	2018	2017
Cash and cash equivalents	\$ 2,354,421	\$ 6,672,215
Investments (Notes 1 and 2)	21,285,134	21,361,301
Promises to give, net (Notes 1 and 3)	8,656,618	10,119,260
Prepaid and other assets	461,438	289,202
Property and equipment, net (Note 4)	565,182	634,764
Investments held for deferred compensation plan (Note 2)	73,640	55,031
TOTAL ASSETS	\$ 33,396,433	\$ 39,131,773
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,184,097	\$ 2,194,339
Deferred revenue and other liability (Note 14)	481,430	1,721,646
Contributor designations payable (Note 5)	7,569,220	9,869,383
Community impact and other grants payable (Notes 8 and 14)	1,447,880	1,239,350
Defined benefit pension liability (Note 11)	-	477,826
Deferred compensation (Notes 2 and 11)	73,640	55,031
Capital lease liability	23,273	-
Total liabilities	11,779,540	15,557,575
Commitments and contingencies (Notes 10, 11, 12, 16)		
NET ASSETS		
Unrestricted:		
Operating	4,938,402	5,151,301
Board designated (Notes 1 and 15)	13,927,628	15,646,619
Total unrestricted	18,866,030	20,797,920
Temporarily restricted (Notes 1 and 15)	2,575,863	2,601,278
Permanently restricted (Notes 1 and 15)	175,000	175,000
Total net assets	21,616,893	23,574,198
TOTAL LIABILITIES AND NET ASSETS	\$ 33,396,433	\$ 39,131,773

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018			2018 Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Campaign results and other support:					
Campaign results:					
Amounts raised from UWNCA campaigns	\$ 12,473,879	\$ 2,049,967	\$ -	\$ 14,523,846	\$ 16,960,296
Amounts raised by Combined Federal Campaign	8,434,313	-	-	8,434,313	9,337,966
Fee revenue from fundraising campaigns	<u>1,672,166</u>	<u>-</u>	<u>-</u>	<u>1,672,166</u>	<u>1,533,329</u>
Campaign results	<u>22,580,358</u>	<u>2,049,967</u>	<u>-</u>	<u>24,630,325</u>	<u>27,831,591</u>
Provisions for cancellations and uncollectible promises to give (Notes 1 and 3)	<u>(973,356)</u>	<u>-</u>	<u>-</u>	<u>(973,356)</u>	<u>(539,297)</u>
Net campaign results before designations honored	<u>21,607,002</u>	<u>2,049,967</u>	<u>-</u>	<u>23,656,969</u>	<u>27,292,294</u>
Campaign designations honored:					
Contributor designations to participating agencies	(15,058,614)	-	-	(15,058,614)	(18,887,240)
Third party processing and other fees	<u>(1,753,768)</u>	<u>-</u>	<u>-</u>	<u>(1,753,768)</u>	<u>(1,095,288)</u>
Net contributors' designations honored	<u>(16,812,382)</u>	<u>-</u>	<u>-</u>	<u>(16,812,382)</u>	<u>(19,982,528)</u>
Net campaign results	<u>4,794,620</u>	<u>2,049,967</u>	<u>-</u>	<u>6,844,587</u>	<u>7,309,766</u>
Investment income (Note 2)	629,381	4,539	-	633,920	1,609,962
Other revenue (Note 9)	1,050,254	-	-	1,050,254	1,011,438
Noncampaign contributions, grants and contracts	6,924,519	-	-	6,924,519	4,426,679
Net assets released from restrictions (Note 15)	<u>2,079,921</u>	<u>(2,079,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net campaign results and other support	<u>15,478,695</u>	<u>(25,415)</u>	<u>-</u>	<u>15,453,280</u>	<u>14,357,845</u>
EXPENSES					
Program services:					
Community impact grants (Notes 1 and 8)	560,000	-	-	560,000	802,500
Program grants (Notes 8 and 14)	6,463,530	-	-	6,463,530	3,504,949
Program initiatives	<u>4,660,529</u>	<u>-</u>	<u>-</u>	<u>4,660,529</u>	<u>3,868,812</u>
Total program services	<u>11,684,059</u>	<u>-</u>	<u>-</u>	<u>11,684,059</u>	<u>8,176,261</u>
Supporting Services:					
Annual campaign fundraising	3,929,910	-	-	3,929,910	3,886,040
Management and general	<u>1,677,503</u>	<u>-</u>	<u>-</u>	<u>1,677,503</u>	<u>1,644,447</u>
Total supporting services	<u>5,607,413</u>	<u>-</u>	<u>-</u>	<u>5,607,413</u>	<u>5,530,487</u>
Total expenses	<u>17,291,472</u>	<u>-</u>	<u>-</u>	<u>17,291,472</u>	<u>13,706,748</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	(1,812,777)	(25,415)	-	(1,838,192)	651,097
OTHER CHANGES					
Total amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost (Note 11)	<u>119,113</u>	<u>-</u>	<u>-</u>	<u>119,113</u>	<u>(53,663)</u>
Total other changes	<u>119,113</u>	<u>-</u>	<u>-</u>	<u>119,113</u>	<u>(53,663)</u>
CHANGE IN NET ASSETS	(1,931,890)	(25,415)	-	(1,957,305)	704,760
NET ASSETS, BEGINNING OF YEAR	<u>20,797,920</u>	<u>2,601,278</u>	<u>175,000</u>	<u>23,574,198</u>	<u>22,869,438</u>
NET ASSETS, END OF YEAR	<u>\$ 18,866,030</u>	<u>\$ 2,575,863</u>	<u>\$ 175,000</u>	<u>\$ 21,616,893</u>	<u>\$ 23,574,198</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	2017			2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Campaign results and other support:				
Campaign results:				
Amounts raised from UWNCA campaigns	\$ 12,547,490	\$ 4,412,806	\$ -	\$ 16,960,296
Amounts raised by Combined Federal Campaign	9,337,966	-	-	9,337,966
Fee revenue from fundraising campaigns	1,533,329	-	-	1,533,329
Campaign results	<u>23,418,785</u>	<u>4,412,806</u>	<u>-</u>	<u>27,831,591</u>
Provisions for cancellations and uncollectible promises to give (Notes 1 and 3)	(539,297)	-	-	(539,297)
Net campaign results before designations honored	<u>22,879,488</u>	<u>4,412,806</u>	<u>-</u>	<u>27,292,294</u>
Campaign designations honored:				
Contributor designations to participating agencies	(18,887,240)	-	-	(18,887,240)
Third party processing and other fees	(1,095,288)	-	-	(1,095,288)
Net contributors' designations honored	<u>(19,982,528)</u>	<u>-</u>	<u>-</u>	<u>(19,982,528)</u>
Net campaign results	<u>2,896,960</u>	<u>4,412,806</u>	<u>-</u>	<u>7,309,766</u>
Investment income (Note 2)	1,608,711	1,251	-	1,609,962
Other revenue (Note 9)	1,011,438	-	-	1,011,438
Noncampaign contributions and grants	4,426,679	-	-	4,426,679
Net assets released from restrictions (Note 15)	4,613,892	(4,613,892)	-	-
Net campaign results and other support	<u>14,557,680</u>	<u>(199,835)</u>	<u>-</u>	<u>14,357,845</u>
EXPENSES				
Program services:				
Community impact grants (Note 8)	802,500	-	-	802,500
Program grants (Notes 8 and 14)	3,504,949	-	-	3,504,949
Program initiatives	3,868,812	-	-	3,868,812
Total program services	<u>8,176,261</u>	<u>-</u>	<u>-</u>	<u>8,176,261</u>
Supporting Services:				
Annual campaign fundraising	3,886,040	-	-	3,886,040
Management and general	1,644,447	-	-	1,644,447
Total supporting services	<u>5,530,487</u>	<u>-</u>	<u>-</u>	<u>5,530,487</u>
Total expenses	<u>13,706,748</u>	<u>-</u>	<u>-</u>	<u>13,706,748</u>
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	850,932	(199,835)	-	651,097
OTHER CHANGES				
Total amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost (Note 11)	(53,663)	-	-	(53,663)
Total other changes	<u>(53,663)</u>	<u>-</u>	<u>-</u>	<u>(53,663)</u>
CHANGE IN NET ASSETS	904,595	(199,835)	-	704,760
NET ASSETS, BEGINNING OF YEAR	<u>19,893,325</u>	<u>2,801,113</u>	<u>175,000</u>	<u>22,869,438</u>
NET ASSETS, END OF YEAR	<u>\$ 20,797,920</u>	<u>\$ 2,601,278</u>	<u>\$ 175,000</u>	<u>\$ 23,574,198</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018							2017 Total
	Program Services			Supporting Services				
	Program Grants	Program Initiatives	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2018 Total	
Community impact grants	\$ 560,000	\$ -	\$ 560,000	\$ -	\$ -	\$ -	\$ 560,000	\$ 802,500
Program grants and expenses	<u>6,463,530</u>	<u>770,788</u>	<u>7,234,318</u>	<u>209,286</u>	<u>31,230</u>	<u>240,516</u>	<u>7,474,834</u>	<u>3,965,882</u>
Subtotal	7,023,530	770,788	7,794,318	209,286	31,230	240,516	8,034,834	4,768,382
Operating expenses:								
Salaries and benefits	-	2,666,587	2,666,587	1,939,054	1,126,989	3,066,043	5,732,630	5,633,990
Advertising and marketing	-	264,366	264,366	977,981	31,038	1,009,019	1,273,385	1,040,964
Professional fees	-	317,515	317,515	292,723	174,272	466,995	784,510	745,633
Occupancy	-	341,924	341,924	247,087	115,912	362,999	704,923	711,494
Dues	-	137,312	137,312	98,195	42,756	140,951	278,263	291,416
Meetings, special events, and travel	-	16,759	16,759	59,913	41,300	101,213	117,972	187,516
Depreciation and amortization	-	90,338	90,338	64,603	28,129	92,732	183,070	159,939
Postage, supplies, and other	-	25,600	25,600	14,235	64,428	78,663	104,263	93,531
Staff development	-	7,750	7,750	11,394	14,726	26,120	33,870	28,984
Insurance	-	21,590	21,590	15,439	6,723	22,162	43,752	44,899
TOTAL EXPENSES	<u>\$ 7,023,530</u>	<u>\$ 4,660,529</u>	<u>\$ 11,684,059</u>	<u>\$ 3,929,910</u>	<u>\$ 1,677,503</u>	<u>\$ 5,607,413</u>	<u>\$ 17,291,472</u>	<u>\$ 13,706,748</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	2017						
	Program Services			Supporting Services			
	Program Grants	Program Initiatives	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2017 Total
Community impact grants	\$ 802,500	\$ -	\$ 802,500	\$ -	\$ -	\$ -	\$ 802,500
Program grants and expenses	<u>3,504,949</u>	<u>252,523</u>	<u>3,757,472</u>	<u>208,410</u>	<u>-</u>	<u>208,410</u>	<u>3,965,882</u>
Subtotal	4,307,449	252,523	4,559,972	208,410	-	208,410	4,768,382
Operating expenses:							
Salaries and benefits	-	2,251,454	2,251,454	2,248,235	1,134,301	3,382,536	5,633,990
Advertising and marketing	-	561,428	561,428	453,120	26,416	479,536	1,040,964
Professional fees	-	220,987	220,987	369,271	155,375	524,646	745,633
Occupancy	-	310,506	310,506	279,185	121,803	400,988	711,494
Dues	-	130,077	130,077	114,712	46,627	161,339	291,416
Meetings, special events, and travel	-	33,937	33,937	102,024	51,555	153,579	187,516
Depreciation and amortization	-	71,391	71,391	62,958	25,590	88,548	159,939
Postage, supplies, and other	-	15,498	15,498	16,533	61,500	78,033	93,531
Staff development	-	1,546	1,546	13,137	14,301	27,438	28,984
Insurance	-	19,465	19,465	18,455	6,979	25,434	44,899
TOTAL EXPENSES	<u>\$ 4,307,449</u>	<u>\$ 3,868,812</u>	<u>\$ 8,176,261</u>	<u>\$ 3,886,040</u>	<u>\$ 1,644,447</u>	<u>\$ 5,530,487</u>	<u>\$ 13,706,748</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,957,305)	\$ 704,760
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net provision for allowance for doubtful promises to give	225,319	(862,254)
Depreciation and amortization	183,070	159,939
Donated stock	(36,125)	(44,041)
Net realized and unrealized gains on investments	(165,367)	(1,115,135)
Effects of changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid and other assets	(172,236)	(27,082)
Promises to give	1,237,323	1,431,478
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,242)	11,363
Deferred revenue and other liability	(1,240,216)	1,717,724
Defined benefit pension liability	(477,826)	(17,139)
Community impact grants payable	208,530	481,525
Contributor designations payable	(2,300,163)	(505,676)
Deferred compensation	18,609	19,686
Net cash provided (used) by operating activities	<u>(4,486,629)</u>	<u>1,955,148</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on line of credit	6,500,000	1,500,000
Repayment on line of credit	(6,500,000)	(1,500,000)
Payments on capital lease	(4,076)	-
Net cash used by financing activities	<u>(4,076)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset purchases	(86,139)	(21,814)
Purchase of investments	(3,701,612)	(4,606,907)
Proceeds from sale of investments	3,960,662	5,300,555
Net cash provided by investing activities	<u>172,911</u>	<u>671,834</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,317,794)	2,626,982
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,672,215</u>	<u>4,045,233</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,354,421</u>	<u>\$ 6,672,215</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The mission of the United Way of the National Capital Area (United Way NCA) is to improve lives of underserved individuals in the national capital area by focusing community resources on creating measurable and lasting impact. United Way NCA pursues this mission by fighting for the health, education, and financial stability of every person in our community. United Way NCA is a not-for-profit organization locally governed by a volunteer board of community leaders. United Way NCA brings together the voices, expertise, and resources to define, articulate, and implement a common agenda for change in the region. That is what it means to “Live United” in the national capital area.

As part of its five-year Community Commitment, which was launched in fiscal year 2016, United Way NCA and its partners are providing academic and wraparound services designed to help the region's 12,000 low-to-moderate income students attending Title I middle schools successfully transition to high school performing academically at grade level and on track for continued success. United Way NCA also helps to ensure students are well-nourished and healthy because research shows that students who are well-nourished and healthy have better attendance, improved behavior, and better academic performance. United Way NCA and its partners are also providing services that will help remove barriers to financial stability and affordable housing for 100,000 area residents, thereby allowing them to plan, save, and get ahead.

In addition, United Way NCA raises funds throughout the year primarily through employer-sponsored workplace giving campaigns. In fact, United Way NCA manages one of the largest annual fundraising campaigns within the United Way network, raising over \$20.0 million annually. United Way NCA also receives funding from special events, corporate sponsorships, and grants received from corporations, foundations, and government entities. United Way NCA’s fundraising efforts provides financial support for not only its own programs and operations, but to over 500 accredited member not-for-profit agencies and hundreds of other 501(c)(3) organizations serving the national capital area.

United Way NCA also encourages donors to contribute to community impact funds in each of the eight regions represented by United Way NCA. These regions are: Prince George’s and Montgomery Counties in Maryland, the District of Columbia, and the Northern Virginia areas of Alexandria, Arlington, Fairfax-Falls Church, Prince William County, and Loudoun County. These funds are distributed in a competitive grant process by United Way NCA to not-for-profit organizations that provide services targeting the region’s most vulnerable residents.

A summary of United Way NCA’s significant accounting policies follows:

Basis of Accounting

The accounting policies of United Way NCA conform to accounting principles generally accepted in the United States of America for not-for-profit organizations, including federated not-for-profit organizations such as the United Way network. The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions, such as time or purpose restrictions. Accordingly, net assets of United Way NCA and changes therein are classified and reported as follows:

- Unrestricted net assets are not restricted by donors or grantors, or the donor- or grantor-imposed time, purpose or other restrictions have expired or otherwise have been satisfied. Unrestricted net assets represent funds that are fully available, at the discretion of management and the Board of Directors, for United Way NCA to utilize in support of its mission, including programs, fundraising, and core management activities. At its discretion, the Board of Directors may designate a portion of unrestricted net assets for specific purposes, such as funding certain strategic initiatives, cultivating donor relationships, establishing an operating reserve, setting aside resources to fund pension or other financial obligations, and so forth. Since Board-designated net assets are not donor- or grantor-imposed restrictions, they are reported as a component of unrestricted net assets.
- Temporarily restricted net assets are comprised of funds restricted by donors or grantors for specific purposes or time periods. When donor or grantor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- Permanently restricted net assets consist of contributions which the donor has restricted in perpetuity and for which the donor allows the use of all or a portion of the investment income and gains earned from investing the contribution to be used to either support the overall mission of the organization or for a specific purpose. The portion of a donor-restricted contribution that is classified as permanently restricted is the amount that must be retained permanently in accordance with explicit donor stipulations.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less; and investments in money market funds that are carried at cost plus accrued interest, which approximates fair value.

It is United Way NCA's practice to place its cash and cash equivalents and investments in high credit quality financial institutions. Balances in these accounts may exceed federally insured limits. At June 30, 2018 and 2017, total cash deposits held at financial institutions were \$2,834,044 and \$7,322,816, respectively.

Certain accounts held by United Way NCA are restricted for use related to specific programmatic activities. United Way NCA has established such an account for the District of Columbia's Out of School Time programs and activities. Total cash on-hand in a restricted bank account as of June 30, 2018 and 2017, was approximately \$491,000 and \$2,310,000, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments with readily determinable fair values are reflected at fair market value. Donated securities are recorded at the fair value on the date of the gift. To adjust the carrying value, unrealized gains and losses are reported in the statements of activities as a component of investment income or loss.

United Way NCA invests in a professionally managed portfolio that contains fixed income bonds, publicly traded equities, and mutual funds. Such investments are exposed to various risks, such as market and credit.

Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions and Promises to Give

Contributions, which include paid gifts, grants and unconditional promises to give, are recognized as revenue when payments are received or when donors and grantors make written promises to give to United Way NCA that are, in substance, unconditional. Contributions are available for unrestricted use unless specifically restricted by the donor or grantor. Contributions with donor or grantor imposed time or purpose restrictions, are recorded as temporarily restricted net assets. When donor or grantor-imposed time restrictions expire, or a donor- or grantor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. These reclassifications are reported as net assets released from restriction on the statement of activities. Contributions with donor- or grantor-imposed conditions, such as a matching gift or grant, are recognized as revenue when the conditions have been substantially met.

Provision for Uncollectible Promises to Give

Unconditional promises to give (pledges) are recognized as revenue in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The provision for doubtful accounts is based on management's evaluation of the collectability of promises to give. Management determines the allowance for doubtful accounts by regularly evaluating promises to give and considering financial condition, current economic conditions, and historical collection trends.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated lives, which range from 3 to 10 years. United Way NCA capitalizes all individual property and equipment acquisitions greater than \$1,000.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

United Way NCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributor Designations Payable

Certain campaign contributions made to United Way NCA are designated to be paid out to other agencies. These campaign contributions are recognized as campaign results and contributor designations to participating agencies. United Way NCA disburses the amounts to agencies when the pledges are collected. The balance of unpaid pledges designated to agencies remains as a liability until the pledges are collected and paid out or until the annual campaign is officially closed.

United Way NCA also records campaign contributions where the contributor pays the designated agency directly (pay directs). United Way NCA recognizes the contributions as campaign results and contributor designations to participating agencies, with no corresponding pledge receivable or contributor designations payable recorded because United Way NCA is uninvolved with the receipt and disbursement of these types of pledges. Total pay direct campaign results and contributor designations for the years ended June 30, 2018 and 2017, were \$4,371,110 and \$5,789,403, respectively.

As a partner federation for the Combined Federal Campaign (CFC), United Way NCA honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member per CFC regulations established by the Office of Personnel Management (OPM). Not-for-profit organizations are paid out by United Way NCA based on the cash received from donors who designate to those specific not-for-profit organizations. Designations are paid to not-for-profit organizations net of fundraising, processing, and administrative fees. United Way NCA campaigns are named based on the fiscal year in which the contribution or pledge window closes. In addition to up-front credit card and cash contributions, these campaigns solicit payroll deductions for the upcoming calendar or fiscal year depending on the specific campaign. Campaigns are closed when the final campaign has been audited and all donations that United Way NCA has received are paid out to the appropriate designated not-for-profit organizations. All prior-year campaigns up to and including 2015 are officially closed.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campaign Results and Other Support

Campaign contributions and pledges designated to United Way NCA are recognized as revenue when promises to give are acknowledged in writing and are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted contributions and pledges are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Campaign contributions and pledges designated to other agencies, which are recognized as campaign results with a corresponding entry to contributor designations to participating agencies, are reported as an increase and corresponding decrease in unrestricted net assets during the same fiscal year.

In addition to workplace campaign contributions and pledges designated to United Way NCA or other not-for-profits, Campaign Results and Other Support also include results from special initiatives. In fiscal year 2013, United Way NCA launched a community-inspired 24-hour day of giving event titled “Do More 24.” The event was held on May 17 and June 8 for fiscal years 2018 and 2017, respectively. Giving from the Do More 24 event (excluding in-kind donations and sponsorships) was included in campaign results in the amounts of \$1,269,060 and \$1,090,712 for the years ended June 30, 2018 and 2017, respectively.

Fee Revenue from Fundraising Campaigns

Fee revenue earned from United Way NCA’s administration of campaigns is assessed on and deducted from designated donations and is used to support United Way NCA’s fundraising and operational efforts. United Way NCA does not record a fee on pay directs since it does not administer those campaigns; they are administered by a third-party processor for a fee.

Non-Campaign Contributions, Grants and Contracts

United Way NCA receives contributions and grants from individuals, corporations, foundations and government agencies that are unrelated to a workplace or other federated fundraising campaign. Unconditional, non-reciprocal and unrestricted contributions and grants are recorded as revenue in the period the commitments are accepted by United Way NCA. Contributions and grants containing donor or grantor-imposed use or time restrictions which are not satisfied during the current accounting period are initially recorded as temporarily restricted revenue until the restrictions are satisfied, at which point they are released from restriction.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Campaign Contributions, Grants and Contracts (CONTINUED)

Conditional contributions and grants are recorded as revenue in the period the conditions are satisfied. Contributions and grants that are deemed to be reciprocal transactions are treated as exchange transactions and recorded as revenue when the earnings process is complete. The receipt of contributions and grants designated to another entity, for which United Way NCA has no variance or decision-making power to alter the ultimate recipients or other important terms and conditions of the transactions, are recorded as fiscal-agent transactions.

United Way NCA enters into contracts with government agencies and other organizations to perform a variety of services in exchange for fees or in exchange for reimbursement of qualifying expenses. The types of services performed include, but are not limited to federation fundraising, program management, grants management, campaign administration, and professional training services. To the extent these contracts are considered exchange transactions, whereby United Way NCA receives cash or other assets in exchange for providing services of approximately equal value, revenue is recorded as services are rendered and the earnings process is complete.

Donated Services

A substantial number of volunteers have donated significant amounts of time to the organizations program services and fundraising campaigns. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

In-Kind Contributions

In-kind contributions, such as free advertising, supplies, specialized services and use of facilities, are included in the statements of activities within Other Revenue at their estimated fair market value on the date of donation and either capitalized, as it relates to equipment, or shown in the representative functional expense category to which the gift relates.

Allocation of Expenses by Activities

The costs of providing United Way NCA's various programs and services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the benefiting programs and supporting services based on the level of effort United Way NCA staff devoted to each area during the year.

Advertising

Advertising costs are expensed when incurred or when donated to United Way NCA. Advertising expense for the years ended June 30, 2018 and 2017, was \$864,291 and \$825,589, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and Other Taxes

United Way NCA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, United Way NCA qualifies as an organization eligible to receive deductible charitable contributions and has been classified as an organization that is not a private foundation. Income that is not related to tax-exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Under the Tax Cuts and Jobs Act (the Act), qualified transportation fringe benefits paid by not-for-profits after December 31, 2017 increase income subject to Unrelated Business Income Tax. As a result of the Act, United Way NCA will incur unrelated business income tax for the year ended June 30, 2018. United Way NCA is also subject to and pays annual personal property taxes.

The accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, United Way NCA may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated United Way NCA's tax positions and concluded that United Way NCA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Cash Receipts Policy

United Way NCA receives donor pledge payments year round. Pledge payments received are first applied to any remaining prior year campaign balance, if applicable, and then to the current campaign. Donor intent is always reviewed.

Use of Estimates

The preparation of financial statements 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 amount of campaign results, revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

New Accounting Pronouncements

In February 2016, FASB issued *Accounting Standards Update (ASU) 2016-02, Leases (Topic 842)*. This guidance introduces a lessee model that brings substantially all leases onto the statement of financial position. The main difference between the guidance in ASU 2016-02 and current GAAP is the recognition of lease assets and lease liabilities by lessees for these leases classified as operating leases under current GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, including several practical expedients to be applied to all leases. United Way NCA will adopt the new standard for its fiscal year ending June 30, 2021.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (CONTINUED)

On August 18, 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities project by issuing *ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. United Way NCA will adopt the new financial statement presentation format for its fiscal year ending June 30, 2019.

The Financial Accounting Standards Board (FASB) Accounting Standards Update (*ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*) applies to all entities, including not-for-profits. The FASB recognizes the difficulty and diversity in practice among not-for-profits in distinguishing between grants as exchange transactions or contributions. The proposed ASU will help organizations determine if transactions should be accounted for as a contribution or an exchange transaction. Exchange transactions are defined as a reciprocal transfer between two entities that results in one of the entities acquiring assets or services or incurring other obligations; therefore, common not-for-profit revenue streams like membership dues, tuition, admission fees, licensing, training fees, trade show registrations, and program fees will be addressed by the new guidance. The ASU also includes an improved framework for determining whether a contribution is conditional or not, and to better distinguish between donor-imposed conditions and donor-imposed restrictions. United Way NCA will adopt the new revenue recognition standards for its fiscal year ended June 30, 2020, which is the first year in which United Way NCA is subject to the ASU 2014-09 Update.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

Subsequent Events

United Way NCA evaluated subsequent events through November 20, 2018, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to November 20, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. However, events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2018. See Note 18 for current year subsequent events.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Codification Topic on *Fair Value Measurements* requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a non-recurring basis, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair market value measurements. The Fair Value Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2** Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3** Inputs to the valuation methodology are unobservable for the asset or liability, significant to the fair value measurement, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, United Way NCA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The equity securities and equity and fixed income mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. The fair value of corporate bonds is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 2. The government fixed income bonds and foreign bank fixed income bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items. The deferred compensation liability is based on the fair value of the deferred compensation plan assets that are observable inputs, and are, therefore, considered Level 1. There were no Level 3 investments as of June 30, 2018 and 2017.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income bonds:				
U.S. government short-term duration	\$ -	\$ 1,587,700	\$ -	\$ 1,587,700
U.S. government long-term duration	-	1,764,095	-	1,764,095
U.S. bank corporate bonds	-	9,104,784	-	9,104,784
Total fixed income bonds	-	12,456,579	-	12,456,579
Equities:				
Blackrock S&P 500 Index Fund	2,317,010	-	-	2,317,010
Non-U.S. equity	2,318,008	-	-	2,318,008
Small cap core	739,243	-	-	739,243
Large cap value	964,795	-	-	964,795
Large cap growth	1,056,309	-	-	1,056,309
Total equities	7,395,365	-	-	7,395,365
Fixed income mutual fund	1,433,190	-	-	1,433,190
Total investments	\$ 8,828,555	\$ 12,456,579	\$ -	\$ 21,285,134
Investments held for deferred compensation plan:				
U.S. equity mutual fund	\$ 73,640	\$ -	\$ -	\$ 73,640
Liability: Deferred compensation	\$ 73,640	\$ -	\$ -	\$ 73,640

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income bonds:				
U.S. government short-term duration	\$ -	\$ 277,279	\$ -	\$ 277,279
U.S. government long-term duration	-	2,517,086	-	2,517,086
U.S. bank corporate bonds	-	9,760,645	-	9,760,645
Total fixed income bonds	<u>-</u>	<u>12,555,010</u>	<u>-</u>	<u>12,555,010</u>
Equities:				
Blackrock S&P 500 Index Fund	2,087,116	-	-	2,087,116
Non-U.S. equity	2,419,280	-	-	2,419,280
Small cap core	648,972	-	-	648,972
Large cap value	1,109,143	-	-	1,109,143
Large cap growth	1,084,282	-	-	1,084,282
Total equities	<u>7,348,793</u>	<u>-</u>	<u>-</u>	<u>7,348,793</u>
Fixed income mutual fund	<u>1,457,498</u>	<u>-</u>	<u>-</u>	<u>1,457,498</u>
Total investments	<u>\$ 8,806,291</u>	<u>\$ 12,555,010</u>	<u>\$ -</u>	<u>\$ 21,361,301</u>
Investments held for deferred compensation plan:				
U.S. equity mutual fund	<u>\$ 55,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,031</u>
Liability: Deferred compensation	<u>\$ 55,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,031</u>

Investment income, at June 30, 2018 and 2017, consists of the following:

	2018	2017
Interest income	\$ 432,656	\$ 417,101
Unrealized (losses) gains	(376,192)	769,354
Realized gains	541,559	345,781
Dividends	159,220	200,979
Investment fees	<u>(123,323)</u>	<u>(123,253)</u>
Total	<u>\$ 633,920</u>	<u>\$ 1,609,962</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – PROMISES TO GIVE

All promises to give, at June 30, 2018 and 2017, are due within one year and consist of the following:

	<u>2018</u>	<u>2017</u>
Promises to give	\$ 10,715,929	\$ 11,953,252
Calculation for doubtful promises to give:		
Allowance for doubtful promises to give - beginning of year	(1,833,992)	(2,696,246)
Write-off of doubtful promises to give and other adjustments	750,237	1,937,471
Current year provision for cancellations and uncollectible promises to give	<u>(975,556)</u>	<u>(1,075,217)</u>
Allowance for doubtful promises to give - end of year	<u>(2,059,311)</u>	<u>(1,833,992)</u>
Promises to give, net	<u>\$ 8,656,618</u>	<u>\$ 10,119,260</u>
	<u>2018</u>	<u>2017</u>
Provision for doubtful promises to give - current year campaign	\$ 975,556	\$ 1,075,217
Provision for doubtful promises to give - prior year campaigns	<u>1,083,755</u>	<u>758,775</u>
Allowance for doubtful promises to give	<u>\$ 2,059,311</u>	<u>\$ 1,833,992</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, at June 30, 2018 and 2017, and depreciation and amortization expense for the years ended June 30, 2018 and 2017, consist of the following:

	Estimated Useful Lives	2018			
		2018 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and equipment	3 - 10 Years	\$ 1,256,355	\$ (1,139,335)	\$ 117,020	\$ 79,098
Leasehold improvements	10 Years	893,890	(501,247)	392,643	85,465
Website development	3 Years	241,762	(186,243)	55,519	18,507
Totals		<u>\$ 2,392,007</u>	<u>\$ (1,826,825)</u>	<u>\$ 565,182</u>	<u>\$ 183,070</u>

	Estimated Useful Lives	2017			
		2017 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and equipment	3 - 10 Years	\$ 1,216,893	\$ (1,060,237)	\$ 156,656	\$ 80,236
Leasehold improvements	10 Years	893,890	(415,782)	478,108	79,703
Website development	3 Years	167,737	(167,737)	-	-
Totals		<u>\$ 2,278,520</u>	<u>\$ (1,643,756)</u>	<u>\$ 634,764</u>	<u>\$ 159,939</u>

NOTE 5 – CONTRIBUTOR DESIGNATIONS PAYABLE

Designations payable of \$7,569,220 and \$9,869,383 at June 30, 2018 and 2017, respectively, are considered payable out of the current year's campaign funds and, accordingly, have been included as liabilities in the accompanying statements of financial position.

NOTE 6 – LINE OF CREDIT

United Way NCA maintains a \$2 million unsecured line-of-credit with PNC Bank with an annual interest rate equal to the London Interbank Offered Rate (LIBOR) plus 1.00% and a renewable one-year term that expires November 30, 2018. Any borrowings under the line-of-credit are assessed interest at the prevailing rate; any monthly accrued but unpaid interest is due and payable at the end of each month; and any outstanding principal balance and accrued but unpaid interest are due and payable at the expiration date. As of June 30, 2018 and 2017, there was no outstanding principal balance or unpaid accrued interest under the line-of-credit. United Way NCA plans to request a renewal on or before the scheduled expiration date.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 7 – PLANNED GIVING/LIFE INSURANCE

United Way Life

As part of a planned giving program called United Way Life, which is sponsored by United Way Worldwide, United Way NCA has purchased life insurance policies on behalf of two donors. One policy was purchased during fiscal year 2017 and another during fiscal year 2015. The United Way Life program allows donors to utilize life insurance to accomplish their philanthropic objectives by enabling them to create a legacy gift that will benefit the future. The donor contributes an amount sufficient to cover the annual premiums. Additionally, gifts designated by donors to enhance the United Way Life program provide funds for “matching” premiums which increases the value of the policy. The life insurance policy is issued as one single policy. The cash surrender value of the policy is included in other assets in the statements of financial position.

As described in more detail below, United Way NCA is the sole beneficiary of the policy purchased during the year ended June 30, 2017, and a joint beneficiary of the policy purchased during the fiscal year ended June 30, 2015.

During fiscal year ended June 30, 2017, United Way NCA received a legacy gift that will be funded by death benefits of a life insurance policy issued by United of Omaha Life Insurance Company that names United Way NCA as the sole owner and beneficiary of the policy’s death benefits. The policy, in the amount of \$250,000 will be paid to United Way NCA upon maturation to support the future growth of United Way NCA’s programs, services, and operations. The donor of the legacy gift agreed to keep the policy in full force and effect by making five consecutive annual contributions in the amount of \$2,954 to United Way NCA on or before the payment due date. United Way NCA will use the donor’s annual contribution along with annual matching funds in the amount of \$2,954 (provided by a former donor) to remit to United of Omaha Life Insurance Company timely annual premium payments of \$5,907 per year for five consecutive years. Each annual premium due on or before June 30, 2018, was paid in full. The cash surrender value was \$0 as of June 30, 2018 and 2017. United Way NCA may obtain a loan secured by the policy’s cash surrender value. The loan would bear interest at an annual effective interest rate of 4.76% if the loan is requested prior to policy year 10 and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2018 and 2017.

During fiscal year ended June 30, 2015, United Way NCA received another legacy gift that will be funded by death benefits of a joint and last survivor life insurance policy issued by United of Omaha Life Insurance Company that names United Way NCA as the sole owner and co-beneficiary of the policy’s death benefits. The policy, in the amount of \$304,725, will be paid to United Way NCA upon maturation; \$204,725 will be disbursed to United Way NCA supporting the future growth of United Way NCA’s programs, services, and operations, and \$100,000 will be dispersed by United Way NCA to Georgetown University. In lieu of five consecutive annual premium payments, a one-time \$42,000 premium was paid during fiscal year 2015 to United of Omaha Life Insurance Company. The cash surrender value was \$24,482 and \$23,741 as of June 30, 2018 and 2017, respectively. United Way NCA may obtain a loan secured by the Policy’s cash surrender value. The loan would bear interest at an annual effective interest rate of 6.00%. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2018 and 2017.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 7 – PLANNED GIVING/LIFE INSURANCE (CONTINUED)

Charitable Gift Annuity

Consistent with United Way NCA’s donor cultivation and stewardship philosophy, which provides donors with a continuum of giving options designed to meet their needs throughout their lifetime, and as part of United Way Worldwide’s (UWW) Charitable Gift Annuity Program (CGA Program), which allows a donor to leave a lasting legacy in exchange for a guaranteed fixed payment for life, United Way NCA facilitated the purchase of a charitable gift annuity through UWW’s CGA Program to provide an existing donor with a monthly annuity payment for life and a targeted gift to United Way NCA of approximately \$18,255. The gift was recorded as an unrestricted contribution in fiscal year 2018.

NOTE 8 – COMMUNITY IMPACT AND PROGRAM GRANTS

Community impact grant expense for the years ended June 30, 2018 and 2017, was \$560,000 and \$802,500, respectively. Total expense for program grants in the areas of Education, Veterans, Financial Stability, and Health were \$1,964,968 and \$1,088,949 for the years ended June 30, 2018 and 2017, respectively.

All grants payable are due to be paid within one year and the grants payable amount as of June 30, 2018 and 2017, approximates the present value of future grant payments. Total community impact and other grants payable at June 30, 2018 and 2017, was \$1,447,880 and \$1,239,350, respectively.

NOTE 9 – OTHER REVENUE

Other revenue, for the years ended June 30, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Charitable bequests	\$ -	\$ 34,281
In-kind donations	730,891	736,771
Special events	270,681	218,502
Other	<u>48,682</u>	<u>21,883</u>
Total	<u>\$ 1,050,254</u>	<u>\$ 1,011,438</u>

United Way NCA records contribution revenue for certain donated services and materials received at the fair value of those items. These donations are reflected in the statements of activities.

United Way Worldwide (UWW) maintains relationships with the National Football League (NFL), the Ad Council, and other organizations for the benefit of local United Ways, including United Way NCA. UWW underwrites the cost to produce Public Service Announcements (PSAs) that promote education, financial stability, and healthy living that feature individuals who are involved in various local United Way community volunteer activities. The NFL, the Ad Council, and other organizations furnish the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year to disseminate

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 9 – OTHER REVENUE (CONTINUED)

PSAs for the benefit of and at no cost to the United Way network. As a member of the UWW network, United Way NCA is a direct beneficiary of the services provided by the NFL, the Ad Council and the other organizations; and therefore, beginning in fiscal year 2015, United Way NCA began recording a portion of the value of these services. For the years ended June 30, 2018 and 2017, the related in-kind support recorded was \$239,803 and \$487,195, respectively.

United Way NCA also receives media services and donated facilities in support of the Do More 24 initiative. In-kind support for the years ended June 30, 2018 and 2017, was \$491,088 and \$246,100, respectively.

NOTE 10 – LEASES

Rental Agreements

United Way NCA leases office space in the District of Columbia and Vienna, Virginia and various types of office equipment with differing terms. During fiscal year 2012, United Way NCA entered into two office leases with 10-year terms which commenced in 2013. United Way NCA received certain lease incentives with these leases. These incentives are recognized over the life of the leases and are reflected in the accounts payable and accrued expenses line within the statements of financial position. Total future minimum lease payments under these leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

<u>Years ending June 30,</u>	
2019	\$ 640,859
2020	656,782
2021	673,103
2022	689,833
2023	<u>413,593</u>
Total	<u>\$ 3,074,170</u>

In accordance with FASB Accounting Standards Codification 840 (Accounting for Leases), United Way NCA records rent expense on a straight-line basis over the term of the lease. Rent expense for the years ended June 30, 2018 and 2017, was \$597,643 and \$610,393, respectively.

Capital Lease Obligations

United Way NCA entered into capital lease obligations for copier equipment beginning in fiscal year 2018. The liability under this capital lease at June 30, 2018 is \$23,273. The capitalized equipment had a cost of \$27,349 and accumulated amortization of \$9,116 as of June 30, 2018. Amortization expense of \$9,116 was recognized on the capitalized equipment for the year ended June 30, 2018.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 10 – LEASES (CONTINUED)

Capital Lease Obligations (CONTINUED)

Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	
2019	\$ 7,792
2020	7,792
2021	7,792
2022	2,596
	<hr/> 25,972
Less: Amount representing interest	(2,699)
Total	<hr/> \$ 23,273 <hr/>

NOTE 11 – RETIREMENT AND DEFERRED COMPENSATION PLANS

403(b) Plan

United Way NCA sponsors a defined contribution 403(b) plan which allows eligible employees to make elective pre-tax contributions; and to receive matching contributions, discretionary Safe Harbor contributions and discretionary non-elective contributions.

Eligible employees may elect to participate by contributing a percentage or dollar amount—up to the limits established by the Internal Revenue Service (IRS)—on a pre-tax basis, referred to as elective deferrals. This contribution allows plan participants to defer federal income taxes until retirement by setting aside a portion of their current salary.

United Way NCA makes a uniform matching contribution equal to 200% of a plan participant’s elective deferrals not as to exceed 2% of the participant’s compensation. United Way NCA also applies a basic Safe Harbor provision during the plan year equal to 4% of a plan participant’s compensation. No tenure requirements must be met in order for a plan participant to receive the Safe Harbor Contribution. United Way NCA made a Safe Harbor contribution in each of the last two years.

Employees are always fully vested in their elective deferrals, including any catch-up contributions, rollover contributions or discretionary non-elective Safe Harbor contributions. However, employer contributions are subject to the following vesting schedule: 0% for less than two years of service; 40% for two years of service; 60% for three years of service; 80% for four years of service; and 100% for five years of service.

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2018 and 2017, were \$329,814 and \$264,742, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 11 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

457(b) Plan

United Way NCA sponsors a deferred compensation plan under Section 457(b), which provides certain key executives (participants) the opportunity to participate in a deferred compensation program. Under the program, participants elect to defer a portion of their taxable compensation and earn returns on these deferrals based on directed investment selections. Additionally, United Way NCA may elect to make discretionary contributions on behalf of the participants. All elective deferrals and discretionary contributions, including any investment gains and income (account earnings), will be distributed immediately following the participant's separation from the organization. Discretionary contributions charged to the statements of activities for the years ended June 30, 2018 and 2017, was \$18,000 each year.

Defined Benefit Pension Plan

The Defined Benefit Plan of the United Way of the National Capital Area (the Plan) was originally established effective January 1, 1978, and subsequently amended effective January 31, 2005, to freeze further accruals under the Plan. As of that date, no new participants have been enrolled in the plan. The Plan covers all employees hired before April 9, 2004, who have attained the age and length of service requirements of the plan. An employee's pension benefit is based upon years of service, the employee's final average salary, and any excess of the employee's final average salary over the employee's specified salary per the Social Security Average Annual Wage table. Plan assets are held by Prudential Retirement.

United Way NCA formally terminated the Plan on September 1, 2016. United Way NCA received a confirmation letter from the Pension Benefit Guarantee Company (PBGC) on February 7, 2017, acknowledging the decision to terminate the Plan, and a favorable determination letter from the Internal Revenue Service (IRS) on July 25, 2017.

As part of the plan termination process, the Plan's participants elected to take their benefit as a one-time lump sum payment rolled over into an IRA or 401(k) account, or to take their benefit as an immediate or deferred annuity, administered by an insurance company/annuity provider. The annuity contract was issued by a qualified insurance company (the selection of which was governed by DOL 95-1). All future obligations and related costs are the responsibility of the insurance company/annuity provider.

United Way NCA has certified that all benefits payable with respect to participants have been calculated and valued correctly in accordance with applicable provisions of The Employee Retirement Income Security Act of 1974 (ERISA) and the regulations thereunder; all plan benefits under the Plan were satisfied on or before February 5, 2018; and any plan assets in excess of those needed to satisfy all plan benefits have been or will be distributed in accordance with applicable provisions of ERISA and the provisions thereunder.

Pursuant to ERISA's requirement that the PBGC audit a sample of plan terminations each year, the Plan is undergoing a standard audit designed to confirm that participant benefits were properly calculated and distributed in accordance with plan provisions and in compliance with applicable laws and regulations administered by the PBGC. United Way NCA will provide the PBGC with all requested documentation in a timely manner.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 11 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Defined Benefit Pension Plan (CONTINUED)

The principal results of the actuarial valuations for fiscal years ending June 30, 2018 and 2017, for the Plan are summarized below.

The funded status and amounts recognized in the accompanying statements of financial position relating to the plan as of June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
At June 30,		
Accumulated benefit obligation	\$ -	\$ 901,941
Fair value of plan assets	-	424,115
Minimum liability	<u>\$ -</u>	<u>\$ (477,826)</u>
Projected benefit obligation		\$ 901,941
Fair value of plan assets	-	424,115
Unfunded status	<u>\$ -</u>	<u>\$ (477,826)</u>
Year ended June 30,		
United Way contributions	<u>\$ 626,100</u>	<u>\$ -</u>
Benefits paid	<u>\$ 432,069</u>	<u>\$ 45,669</u>
Net periodic benefit cost	<u>\$ 29,161</u>	<u>\$ 36,524</u>
Net (gain)/loss	\$ 138,071	\$ (33,868)
Amortization of net loss	<u>(18,958)</u>	<u>(19,795)</u>
Total amount recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost	<u>\$ 119,113</u>	<u>\$ (53,663)</u>

Contributions

Based on a calculation performed by the Plan's actuary, United Way NCA made its final contribution to the Plan of \$626,100.

Benefits Paid

Benefits paid to participants by United Way NCA include scheduled retirement payments to eligible participants as well as lump-sum payments requested by eligible participants and allowed under the plan.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 11 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Assumptions

Weighted-average assumptions used to determine benefit obligations and net periodic pension cost are as follows:

	<u>2018</u>	<u>2017</u>
Benefit obligations:		
Discount rate	N/A	2.75%
Rate of increase in compensation	N/A	N/A
Net periodic pension costs:		
Discount rate	2.75%	2.25%
Expected long-term rate of return on plan assets	1.00%	1.00%
Rate of increase in compensation	N/A	N/A

United Way NCA determines the expected long-term rate of return on plan assets by taking into consideration the historical returns of various asset classes and the types of investments the plan is expected to hold.

The plan's weighted-average asset allocations at June 30, 2018 and 2017, by asset category, are as follows:

	<u>2018</u>	<u>2017</u>
Debt securities	N/A	100%

Assets of the plan were invested in a manner consistent with fiduciary standards of the Employees Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present; and (b) all transactions undertaken on behalf of the plan must be for the sole interest of plan participants and beneficiaries, to provide benefits in a prudent manner.

Investment objectives of the plan preserved the value of the plan's assets and provided sufficient liquidity to plan benefit payment outflows to meet plan requirements. In support of the implementation of the Plan termination, plan assets were invested in the Prudential Short-Term Fund—a money market fund investing in short-term debt securities such as US Treasury bills and investment grade commercial paper—in order to safeguard against potential market value decline pending the use of those assets for the Plan termination that occurred during fiscal year 2018.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 11 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Assumptions (CONTINUED)

The net asset value of the Prudential Short-Term Fund (a pooled separate account or PSA) is based on the market value of the underlying investments. The fair values of the United Way NCA's plan assets at June 30, 2018 and 2017, by asset category as defined in Note 2, are as follows:

	2018			
	Level 1	Level 2	Level 3	Total
Pooled separate accounts	\$ -	\$ -	\$ -	\$ -
	2017			
	Level 1	Level 2	Level 3	Total
Pooled separate accounts	\$ -	\$ 424,115	\$ -	\$ 424,115

Pension benefits and related expenses totaling \$1,066,286 were paid on or before February 5, 2018, and the plan was terminated.

NOTE 12 – EMPLOYMENT AGREEMENT

United Way NCA has a current employment contract with a certain officer of the organization. In the event of termination other than for cause, the contract provides for severance payments for a period of up to 12 months. Furthermore, the contract provides for the full payment of any accrued but unused paid time-off (PTO) upon termination of employment for any reason and the full payment amount shall not be subject to any cap or maximum payment. The value of any accrued but unused PTO as of June 30, 2018 and 2017, have been included in these financial statements.

NOTE 13 – UNITED WAY DIGITAL SERVICES OPERATING GROUP

United Way NCA entered into an agreement with United Way Worldwide (UWW) to help create and operate the Digital Services Operating Group (DSOG). The DSOG, which is comprised of UWW and a subset of local United Ways, is focused on opportunities to enhance the donor experience, grow and diversify revenue, drive greater community impact, and improve operational efficiency and effectiveness for the United Way network. All intellectual property created by the DSOG for the benefit of the United Way network is the property of UWW.

The DSOG is structured as a fiscal sponsorship with UWW serving as the fiscal sponsor. This will allow the DSOG to operate as a discrete charitable project with shared decision making. UWW will provide strategic leadership, project and contract management, accounting services, financial reporting, staff support, and administration. Decision making is shared equally among UWW and all participating local United Ways and will encompass strategy, investment decisions and performance management.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 13 – UNITED WAY DIGITAL SERVICES OPERATING GROUP (CONTINUED)

Each member of the DSOG, including United Way NCA, agreed to pay \$200,000 per year for a period of three consecutive years, with the ability to terminate participation upon 60 days' written notice. United Way NCA made its first, second, and third payments in July 2015, November 2016, and August 2017, respectively. United Way NCA's \$200,000 annual payments were recorded as grant expense in the period the payments were made.

NOTE 14 – DISTRICT OF COLUMBIA EDUCATION PROGRAMS

Beginning in October 2016, United Way NCA has entered into numerous annual agreements and related amendments with the District of Columbia (i) to provide District of Columbia children, youth, and their families with early childhood development opportunities; safe and enriching centers of learning in and out of school; and other training, recreational and educational services; (ii) to deliver youth development training to local area not-for-profit organizations; and (iii) to enhance the current youth development training program.

Pursuant to those agreements and related amendments, United Way NCA has recorded within the Contributions, Contracts and Grants line item revenue and administration fees for the years ended June 30, 2018 and 2017, of \$5,580,477 and \$3,382,839, respectively.

United Way NCA has also recorded within the Program Grant Expense line item, sub-grants for the years ended June 30, 2018 and 2017, of \$4,498,562 and \$2,416,000, respectively; and within the Program Initiatives line item, direct program expenses for the years ended June 30, 2018 and 2017, of \$345,924 and \$123,395, respectively.

NOTE 15 – CHANGES IN NET ASSETS

Unrestricted Net Assets

Unrestricted net assets represent net assets that are neither permanently restricted nor temporarily restricted by donor- or grantor-imposed stipulations. As of June 30, 2018 and 2017, unrestricted net assets totaled \$18,866,030 and \$20,797,920, respectively.

Operating Net Assets

Operating net assets represent resources available for support of all mission related activities, including all program, fundraising and core management activities. As of June 30, 2018 and 2017, unrestricted operating net assets totaled \$4,938,402 and \$5,151,301, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 15 – CHANGES IN NET ASSETS (CONTINUED)

Unrestricted Net Assets (CONTINUED)

Board Designated Net Assets

Board designated net assets represent board designated resources that can only be used for purposes approved by the Board of Directors such as funding certain strategic initiatives, cultivating donor relationships, establishing an operating reserve, setting aside resources to fund pension and other financial obligations, and other important activities. The Board of Directors has established a reserve for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Activities related to the strategic mission of the organization for substantial future needs	\$ 13,200,000	\$ 14,916,038
Spong gift	632,628	635,581
Crisis relief fund (CRF)	95,000	95,000
Total	\$ 13,927,628	\$ 15,646,619

Restricted Net Assets

Restricted net assets are the net assets that are either permanently restricted or temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources restricted due to time and/or purpose and include other funds, which are only available for program activities, or general support designated for future years. Temporarily restricted net assets are released from restrictions by incurring expenses satisfying the program restriction or the expiration of the time restriction.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 15 – CHANGES IN NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets (CONTINUED)

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance, June 30, 2018</u>
Purpose restricted:				
Education	\$ 97,984	\$ 434,260	\$ (307,264)	\$ 224,980
Financial Stability	62,500	570,882	(415,597)	217,785
Health	67,224	225,200	(263,468)	28,956
Basic Needs	-	13,238	(13,238)	-
Community Impact Fund	1,965,024	660,437	(831,120)	1,794,341
Veterans Fund	210,667	145,950	(100,199)	256,418
District of Columbia Education Programs	190,157	-	(142,412)	47,745
Endowment Earnings	<u>7,722</u>	<u>4,539</u>	<u>(6,623)</u>	<u>5,638</u>
Total	<u>\$ 2,601,278</u>	<u>\$ 2,054,506</u>	<u>\$ (2,079,921)</u>	<u>\$ 2,575,863</u>

Temporarily restricted net assets were available for the following purposes at June 30, 2017:

	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance, June 30, 2017</u>
Purpose restricted:				
Education	\$ 236,164	\$ 280,256	\$ (418,436)	\$ 97,984
Financial Stability	-	326,711	(264,211)	62,500
Health	-	243,414	(176,190)	67,224
Basic Needs	-	19,212	(19,212)	-
Community Impact Fund	2,388,408	817,756	(1,241,140)	1,965,024
Veterans Fund	169,534	151,300	(110,167)	210,667
District of Columbia Education Programs	-	2,574,157	(2,384,000)	190,157
Endowment Earnings	<u>7,007</u>	<u>1,251</u>	<u>(536)</u>	<u>7,722</u>
Total	<u>\$ 2,801,113</u>	<u>\$ 4,414,057</u>	<u>\$ (4,613,892)</u>	<u>\$ 2,601,278</u>

Permanently Restricted Net Assets

Permanently restricted net assets represent two charitable bequests in the amount of \$100,000 and \$75,000. Both charitable bequests are permanently restricted and therefore must be invested in perpetuity. Interest earned on the first charitable bequest is designated to support community impact grants and activities, while interest on the second charitable bequest is designated to support general operations. As of June 30, 2018 and 2017, there were permanently restricted net assets of \$175,000.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 15 – CHANGES IN NET ASSETS (CONTINUED)

Permanently Restricted Net Assets (CONTINUED)

United Way NCA has interpreted the District of Columbia-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing United Way NCA to appropriate for expenditure or accumulate so much of an endowment fund as United Way NCA determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, United Way NCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by United Way NCA for expenditure.

In accordance with UPMIFA, United Way NCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Investment Policy

The endowment fund is tracked separately, monitored by the Finance Committee, and invested in fixed income assets according to United Way NCA's investment policy which seeks to preserve principal and achieve predictable returns.

Spending Policy

Management will consider the intent of the donor as expressed in the gift instrument, UPMIFA factors as listed above, and United Way NCA resource requirements in making a determination as to when to use the amount in excess of the permanently restricted principal balance to fund qualifying expenditures.

Consistent with the goal to preserve principal and generate predictable returns, the endowment fund shall distribute the amount in excess of the permanently restricted principal balance as of the end of the prior year.

The endowment investing and spending policy shall be reviewed annually by the Finance Committee. The committee may adjust the spending rate as it deems appropriate in order to fulfill the objectives outlined in the policy.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 15 – CHANGES IN NET ASSETS (CONTINUED)

Spending Policy (CONTINUED)

Earnings (interest income and gains) from the \$175,000 in endowments are reflected as temporarily restricted net assets until appropriated for expenditure.

	<u>2018</u>	<u>2017</u>
Community Impact Endowment	\$ 100,000	\$ 100,000
Seymour Alpert Trust	<u>75,000</u>	<u>75,000</u>
Total	<u><u>\$ 175,000</u></u>	<u><u>\$ 175,000</u></u>

The accumulated earnings and appropriations are as follows for the permanently restricted endowments as of June 30, 2018:

	2018		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,722	\$ 175,000	\$ 182,722
Contributions	-	-	-
Investment return, net	4,539	-	4,539
Appropriations	<u>(6,623)</u>	<u>-</u>	<u>(6,623)</u>
Endowment net assets, end of year	<u><u>\$ 5,638</u></u>	<u><u>\$ 175,000</u></u>	<u><u>\$ 180,638</u></u>

The accumulated earnings and appropriations are as follows for the permanently restricted endowments as of June 30, 2017:

	2017		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,007	\$ 175,000	\$ 182,007
Contributions	-	-	-
Investment return, net	1,251	-	1,251
Appropriations	<u>(536)</u>	<u>-</u>	<u>(536)</u>
Endowment net assets, end of year	<u><u>\$ 7,722</u></u>	<u><u>\$ 175,000</u></u>	<u><u>\$ 182,722</u></u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, United Way NCA is a party to claims and litigation. Management, based on consultation with legal counsel, is of the opinion that the ultimate outcome of these matters will have no material impact on the financial position, change in net assets, or liquidity of United Way NCA.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 17 – RELATED-PARTY TRANSACTIONS

Board members and employees make annual pledges and contributions in support of United Way NCA's mission. Pledges and contributions for the years ended June 30, 2018 and 2017, were approximately \$110,500 and \$134,200, respectively, and were recorded as "amounts raised and processed by United Way NCA" and "promises to give". Pledges outstanding as of June 30, 2018 and 2017, were approximately \$37,500 and \$48,000, respectively, and are recorded in "promises to give, net."

NOTE 18 – SUBSEQUENT EVENT

United Way NCA has evaluated subsequent events through November 20, 2018, which is the date the financial statements were available to be issued. Other than the transactions noted below, there were no events that required adjustments to or disclosure in United Way NCA's financial statements for the year ended June 30, 2018.

District of Columbia Education Programs

In September 2018, the grant agreement which governs United Way NCA's role in the administration of the District of Columbia's Out of School programs was increased by \$622,000 from \$4,620,000 to \$5,242,000. These funds will continue to support District of Columbia children, youth, and their families with early childhood development opportunities, safe and enriching centers of learning in and out of school, and other training, recreational, and educational services. Consistent with the original agreement, United Way NCA will earn a program administration fee on the amount of the increase. The original term of the agreement, which was from December 13, 2017 to October 31, 2018, remains unchanged.

Furthermore, in October 2018, United Way NCA entered into an agreement to serve as the District of Columbia's grant-making partner to administer and oversee the District's Out of School Time programs for the 2018-19 school year, including providing sub-grants to nonprofit organizations so they can provide services to District of Columbia children, youth, and their families, including, but not limited to, early childhood development opportunities, safe and enriching centers of learning in and out of school, and other training, recreational, and educational services. The total grant award is approximately \$12,837,000. Of this amount, up to \$11,886,000 will be accounted for as a fiscal agency transaction to be used by United Way NCA to award subgrants to qualified not-for-profit organizations to deliver Out of School Time program services to District of Columbia children, youth, and their families. The remaining amount of up to \$951,000 will be accounted for as an administration fee to be earned over the term of the grant by United Way NCA to administer Out of School Time programs.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 18 – SUBSEQUENT EVENT (CONTINUED)

Salesforce Philanthropy Cloud

In August 2018, United Way NCA (Channel Partner) entered into a three-year Channel Partner Agreement (the Agreement) with United Way Worldwide (UWW). Terms of the agreement include a minimum annual license fee paid to UWW for a limited non-exclusive right to market, promote, advertise, and sell Salesforce Philanthropy Cloud (SPC) to customers for the internal purpose of supporting corporate social responsibility (CSR) goals, workplace giving, and volunteer events. The Agreement also grants United Way NCA the right to resell (with or without charging a license fee and pursuant to certain license fee caps) the use of SPC to companies, institutions, government agencies, and individual end-users to explore, make, and manage donations and to sign up employees for volunteer opportunities. The first minimum annual license fee, which was paid in August 2018, was for approximately \$154,000. The minimum annual license fees for years two and three will likely be higher than in year one; however, the exact amount is unknown at this time and is dependent on the application of an agreed upon allocation model that takes into consideration the total number of donors and giving dollars for each Channel Partner, including United Way NCA.