UNITED WAY OF THE NATIONAL CAPITAL AREA

FINANCIAL STATEMENTS
June 30, 2019 and 2018

TABLE OF CONTENTS

LIVE UNITED

United Way

United Way of the National Capital Area

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, 2019, 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, 2019, 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

Rosie Allen-Herring, President & Chief Executive Officer

Kevin Smith

Kevin Smith, Chief Financial Officer

Virginia Office
1577 Spring Hill Road, Suite 420, Vienna, VA 22182
Washington, DC Office
1101 15th Street, NW, Suite 1000, Washington, DC 20005

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of the National Capital Area
Washington, DC

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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Matters

Adoption of Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 18, 2019

FINANCIAL STATEMENTS

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 4,722,358	$ 2,354,421
Investments (Note 2)	21,332,311	21,285,134
Promises to Give, Net (Note 3)	7,797,676	8,656,618
Prepaid and Other Assets	289,708	461,438
Property and Equipment, Net (Note 5)	386,017	565,182
Investments Held for Deferred Compensation Plan (Note 2)	119,357	73,640
Total Assets	$ 34,647,427	$ 33,396,433
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,035,492	$ 2,184,097
Deferred Revenue and Other Liabilities (Note 15)	3,167,205	481,430
Contributor Designations Payable (Note 6)	6,887,199	7,569,220
Community Impact and Other Grants Payable (Notes 9 and 15)	1,027,807	1,447,880
Deferred Compensation (Notes 2 and 12)	119,357	73,640
Capital Lease Liability	16,815	23,273
Total Liabilities	13,253,875	11,779,540
COMMITMENTS AND CONTINGENCIES (Notes 11, 12, 13 and 17)		
NET ASSETS		
Without Donor Restriction:		
Operating	5,135,842	4,938,402
Board-Designated (Notes 1 and 16)	13,662,267	13,927,628
Total Without Donor Restriction	18,798,109	18,866,030
With Donor Restriction:		
Purpose Restricted (Note 16)	2,420,443	2,575,863
Held in Perpetuity (Note 16)	175,000	175,000
Total With Donor Restriction	2,595,443	2,750,863
Total Net Assets	21,393,552	21,616,893
Total Liabilities And Net Assets	$ 34,647,427	$ 33,396,433

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, 2019
(With Comparative Totals for 2018)

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Total
Campaign Results and Other Support:				
Campaign Results:				
Amounts Raised from UWNCA Campaigns	$ 12,052,968	$ 1,010,520	$ 13,063,488	$ 14,523,846
Amounts Raised by Combined Federal Campaign	7,535,423	-	7,535,423	8,434,313
Fee Revenue from Fundraising Campaigns	1,411,445	-	1,411,445	1,672,166
Campaign Results	20,999,836	1,010,520	22,010,356	24,630,325
Provisions for Cancellations and Uncollectible Promises to Give	(999,385)	-	(999,385)	(973,356)
Net Campaign Results Before Designations Honored	20,000,451	1,010,520	21,010,971	23,656,969
Campaign Designations Honored:				
Contributor Designations to Participating Agencies	(13,052,464)	-	(13,052,464)	(15,058,614)
Third-Party Processing and Other Fees	(1,861,637)	-	(1,861,637)	(1,753,768)
Net Contributors' Designations Honored	(14,914,101)	-	(14,914,101)	(16,812,382)
Net Campaign Results	5,086,350	1,010,520	6,096,870	6,844,587
Investment Income	1,501,278	13,730	1,515,008	633,920
Other Revenue	1,030,318	65,000	1,095,318	1,090,835
Noncampaign Contributions, Grants and Contracts	1,463,045	2,325,425	3,788,470	6,883,938
Net Assets Released from Restrictions	3,570,095	(3,570,095)	-	-
Net Campaign Results and Other Support	12,651,086	(155,420)	12,495,666	15,453,280
EXPENSES				
Program Services:				
Program Grants	2,720,142	-	2,720,142	7,023,530
Program Initiatives	4,430,690	-	4,430,690	4,660,529
Total Program Services	7,150,832	-	7,150,832	11,684,059
Supporting Services:				
Fundraising	3,742,153	-	3,742,153	3,929,910
Management and General	1,826,022	-	1,826,022	1,677,503
Total Supporting Services	5,568,175	-	5,568,175	5,607,413
Total Expenses	12,719,007	-	12,719,007	17,291,472
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	(67,921)	(155,420)	(223,341)	(1,838,192)
OTHER CHANGES				
Total Amounts Recognized as Changes in Without Donor Restriction Net Assets but Not Yet Reclassified as Components of Net Periodic Benefit Cost	-	-	-	119,113
Total Other Changes	-	-	-	119,113
CHANGE IN NET ASSETS	(67,921)	(155,420)	(223,341)	(1,957,305)
Net Assets - Beginning of Year	18,866,030	2,750,863	21,616,893	23,574,198
NET ASSETS - END OF YEAR	$ 18,798,109	$ 2,595,443	$ 21,393,552	$ 21,616,893

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

	Without Donor Restrictions	With Donor Restrictions	Total
Campaign Results and Other Support:			
Campaign Results:			
Amounts Raised from UWNCA Campaigns	$ 13,156,579	$ 1,367,267	$ 14,523,846
Amounts Raised by Combined Federal Campaign	8,434,313	-	8,434,313
Fee Revenue from Fundraising Campaigns	1,672,166	-	1,672,166
Campaign Results	23,263,058	1,367,267	24,630,325
Provisions for Cancellations and Uncollectible Promises to Give	(973,356)	-	(973,356)
Net Campaign Results Before Designations Honored	22,289,702	1,367,267	23,656,969
Campaign Designations Honored:			
Contributor Designations to Participating Agencies	(15,058,614)	-	(15,058,614)
Third-Party Processing and Other Fees	(1,753,768)	-	(1,753,768)
Net Contributors' Designations Honored	(16,812,382)	-	(16,812,382)
Net Campaign Results	5,477,320	1,367,267	6,844,587
Investment Income	629,381	4,539	633,920
Other Revenue	1,090,835	-	1,090,835
Noncampaign Contributions, Grants and Contracts	6,201,238	682,700	6,883,938
Net Assets Released from Restrictions	2,079,921	(2,079,921)	-
Net Campaign Results and Other Support	15,478,695	(25,415)	15,453,280
EXPENSES			
Program Services:			
Program Grants	7,023,530	-	7,023,530
Program Initiatives	4,660,529	-	4,660,529
Total Program Services	11,684,059	-	11,684,059
Supporting Services:			
Fundraising	3,929,910	-	3,929,910
Management and General	1,677,503	-	1,677,503
Total Supporting Services	5,607,413	-	5,607,413
Total Expenses	17,291,472	-	17,291,472
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	(1,812,777)	(25,415)	(1,838,192)
OTHER CHANGES			
Total Amounts Recognized as Changes in Without Donor Restriction Net Assets but Not Yet Reclassified as Components of Net Periodic Benefit Cost	119,113	-	119,113
Total Other Changes	119,113	-	119,113
CHANGE IN NET ASSETS	(1,931,890)	(25,415)	(1,957,305)
Net Assets - Beginning of Year	20,797,920	2,776,278	23,574,198
NET ASSETS - END OF YEAR	$ 18,866,030	$ 2,750,863	$ 21,616,893

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, 2019
(With Comparative Totals for 2018)

	2019							
	Program Services			Supporting Services				
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services	2019 Total	2018 Total
Community Impact Grants	$ 545,000	$ -	$ 545,000	$ -	$ -	$ -	$ 545,000	$ 560,000
Program Grants and Expenses	2,175,142	726,760	2,901,902	826	62,545	63,371	2,965,273	7,474,834
Subtotal	2,720,142	726,760	3,446,902	826	62,545	63,371	3,510,273	8,034,834
Operating Expenses:								
Salaries and Benefits	-	2,601,866	2,601,866	2,027,061	1,187,332	3,214,393	5,816,259	5,732,630
Advertising and Marketing	-	205,852	205,852	503,319	20,117	523,436	729,288	1,273,385
Professional Fees	-	278,955	278,955	628,301	226,025	854,326	1,133,281	784,510
Occupancy	-	306,762	306,762	282,279	135,754	418,033	724,795	704,923
Dues	-	124,291	124,291	111,368	49,608	160,976	285,267	278,263
Meetings, Special Events, and Travel	-	52,264	52,264	69,009	31,374	100,383	152,647	117,972
Depreciation and Amortization	-	84,389	84,389	75,615	33,682	109,297	193,686	183,070
Postage, Supplies, and Other	-	20,529	20,529	14,651	63,712	78,363	98,892	104,263
Staff Development	-	6,155	6,155	9,235	6,746	15,981	22,136	33,870
Insurance	-	22,867	22,867	20,489	9,127	29,616	52,483	43,752
Total Expenses	$ 2,720,142	$ 4,430,690	$ 7,150,832	$ 3,742,153	$ 1,826,022	$ 5,568,175	$ 12,719,007	$ 17,291,472

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

	Program Services			Supporting Services			
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Community Impact Grants	$ 560,000	$ -	$ 560,000	$ -	$ -	$ -	$ 560,000
Program Grants and Expenses	6,463,530	770,788	7,234,318	209,286	31,230	240,516	7,474,834
Subtotal	7,023,530	770,788	7,794,318	209,286	31,230	240,516	8,034,834
Operating Expenses:							
Salaries and Benefits	-	2,666,587	2,666,587	1,939,054	1,126,989	3,066,043	5,732,630
Advertising and Marketing	-	264,366	264,366	977,981	31,038	1,009,019	1,273,385
Professional Fees	-	317,515	317,515	292,723	174,272	466,995	784,510
Occupancy	-	341,924	341,924	247,087	115,912	362,999	704,923
Dues	-	137,312	137,312	98,195	42,756	140,951	278,263
Meetings, Special Events, and Travel	-	16,759	16,759	59,913	41,300	101,213	117,972
Depreciation and Amortization	-	90,338	90,338	64,603	28,129	92,732	183,070
Postage, Supplies, and Other	-	25,600	25,600	14,235	64,428	78,663	104,263
Staff Development	-	7,750	7,750	11,394	14,726	26,120	33,870
Insurance	-	21,590	21,590	15,439	6,723	22,162	43,752
Total Expenses	$ 7,023,530	$ 4,660,529	$ 11,684,059	$ 3,929,910	$ 1,677,503	$ 5,607,413	$ 17,291,472

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (223,341)	$ (1,957,305)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Provision for Allowance for Doubtful Promises to Give	(87,591)	225,319
Depreciation and Amortization	193,686	183,070
Donated Stock	(44,052)	(36,125)
Net Realized and Unrealized Gains on Investments	(988,022)	(165,367)
Effects of Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Prepaid and Other Assets	171,730	(172,236)
Promises to Give	946,533	1,237,323
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(148,605)	(10,242)
Deferred Revenue and Other Liability	2,685,775	(1,240,216)
Defined Benefit Pension Liability	-	(477,826)
Community Impact Grants Payable	(420,073)	208,530
Contributor Designations Payable	(682,021)	(2,300,163)
Deferred Compensation	45,717	18,609
Net Cash Provided (Used) by Operating Activities	1,449,736	(4,486,629)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Purchases	(14,521)	(86,139)
Purchase of Investments	(6,336,746)	(3,701,612)
Proceeds from Sale of Investments	7,275,926	3,960,662
Net Cash Provided by Investing Activities	924,659	172,911
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on Line of Credit	5,000,000	6,500,000
Repayment on Line of Credit	(5,000,000)	(6,500,000)
Payments on Capital Lease	(6,458)	(4,076)
Net Cash Used by Financing Activities	(6,458)	(4,076)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,367,937	(4,317,794)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,354,421	6,672,215
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,722,358	$ 2,354,421

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of the National Capital Area (United Way NCA) is a not-for-profit organization locally governed by a volunteer board of community leaders. The mission of 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. We are uniquely positioned at the intersection of the public, private, philanthropic and nonprofit sectors, and the only organization that can mobilize the best resources and people to lead collective impact for communities across 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, having raised over $20.0 million in fiscal year 2019. 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 470 accredited member nonprofit 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 eleven 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 the City of Alexandria, Arlington, Fairfax, Prince William, and Loudoun Counties and the Virginia Piedmont area of Rappahannock, Fauquier, and Culpeper Counties.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United Stated of America (GAAP) for not-for-profit organizations, including Accounting Standards Updates (ASUs) as well as federated not-for-profit organizations such as the United Way network. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

The presentation of the financial statements conforms to ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities,* which became effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Adopted for the year ended June 30, 2019, and applied retrospectively, this new ASU provides new guidance to simplify and improve how not-for-profit entities classify net assets and how information is presented in the financial statements and notes regarding liquidity, financial performance, and cash flows.

Basis of Presentation

The presentation of United Way NCA's financial statements are in conformity with 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:

- Net assets **Without Donor Restrictions** are not restricted by any donor or grantor-imposed time, purpose, or other restrictions. Any previous restrictions have expired or otherwise have been satisfied. Net assets without donor restrictions 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 without donor restriction net assets for specific purposes, such as the pursuit of strategic opportunities, establishing an operating reserve and ensuring the organization's long-term financial viability. Since Board-designated net assets are not donor or grantor-imposed restrictions, they are reported as a component of net assets without donor restrictions. *See Note 16 for more information on the composition of net assets without donor restrictions.*

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Net assets **With Donor Restrictions** consist of assets whose use is limited by donor- or grantor-imposed time and/or purpose restrictions. When donor or grantor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

  Net assets restricted in perpetuity or for which the donor allows the use of all or a portion of the investment income and gains earned from investing the contribution toward the overall mission of the organization for a specific purpose are additionally included in this classification. The portion of the donor-restricted contribution classified as restricted in perpetuity are held in accordance with explicit donor stipulations. *See Note 16 for more information on the composition of net assets with donor restrictions and the release of restrictions.*

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.

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, 2019 and 2018, was approximately $3,031,365 and $491,400, respectively.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 use without donor restriction unless specifically restricted by the donor or grantor. Contributions with donor or grantor-imposed time or purpose restrictions are recorded as net assets with donor restrictions. When donor- or grantor-imposed time restrictions expire, or donor- or grantor-imposed purpose restrictions are fulfilled, those net assets with donor restrictions are reclassified to net assets without donor restrictions. 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 conditions, 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 three to ten years. United Way NCA capitalizes all individual property and equipment acquisitions greater than $10,000. The current capitalization threshold became effective July 1, 2018, for fiscal year 2019, increasing from the previous capitalization threshold of $1,000.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributor Designations Payable (Continued)

United Way NCA also records campaign contributions and pledges processed by a third-party processor where the contributor pays the third-party processor who 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, 2019 and 2018, were $4,328,297 and $4,371,110, 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). Nonprofit organizations are paid out by United Way NCA based on the cash received from donors who designate to those specific nonprofit organizations. Designations are paid to nonprofit 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 nonprofit organizations. The 2016 and all prior-year campaigns are officially closed.

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 either donations with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted contributions and pledges are reported as an increase in net assets with donor restrictions, 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), net assets are reclassified to net assets without donor restrictions 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 net assets without donor restrictions during the same fiscal year.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campaign Results and Other Support (Continued)

In addition to workplace campaign contributions and pledges designated to United Way NCA or other nonprofits, 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 22 and May 17 for fiscal years 2019 and 2018, respectively. Money raised from Do More 24 was included in campaign results and other support and consists of the following for the years ended June 30, 2019 and 2018.

	2019	2018
Fundraising	$ 1,008,303	$ 1,269,060
Sponsorships	47,706	78,806
Total	$ 1,056,009	$ 1,347,866

Fee Revenue from Fundraising Campaigns

Fee revenue earned from United Way NCA’s administration of campaigns is assessed on designated donations, and, unless directly paid by the sponsoring company, is deducted from designated donations. The fee 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 without donor restriction 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 net assets with donor restrictions until the restrictions are satisfied, at which point they are released from restriction and classified as net assets without donor restrictions.

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-agency transactions.

United Way NCA enters into contracts with government agencies and other organizations to perform a variety of services in exchange for fees or 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

A substantial number of volunteers have donated significant amounts of time in support of United Way NCA's programs 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 in-kind contribution relates.

Allocation of Expenses by Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. The costs to provide United Way NCA's programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, compensation costs are allocated by a department-level estimate of time and effort. Other office, occupancy, and operating expenses are allocated by organization-wide estimates of time and effort.

Advertising

Advertising costs are expensed when incurred or when donated to United Way NCA. Advertising expense for the years ended June 30, 2019 and 2018, was $505,907 and $864,291, respectively.

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, and therefore 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 unrelated to the organization's 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-profit organizations after December 31, 2017, increase income subject to Unrelated Business Income Tax. As a result of the Act, United Way NCA has incurred Federal unrelated business income tax for the years ended June 30, 2019 and 2018. In addition to Federal unrelated business income tax, United Way NCA has incurred liabilities for unrelated business income tax on qualified transportation fringe benefits in the commonwealth of Virginia and the District of Columbia as a result of state-level conformity to the provisions of the Act. United Way NCA is also subject to and pays annual personal property taxes to Fairfax County, Virginia.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and Other Taxes (Continued)

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 considered.

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

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.

FASB also issued ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance includes an improved framework for determining conditionality as well as better delineation between donor-imposed conditions and donor-imposed restrictions; and whether a contribution is conditional or unconditional, which could result in more future grants and contracts being accounted for as contributions rather than under previous guidance.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

And finally, FASB issued *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, 2022.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the presentation of the 2019 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

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 nonrecurring 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.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019 and 2018.

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:

	2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed Income Bonds:				
U.S. Government Short-Term Duration	$ -	$ 748,419	$ -	$ 748,419
U.S. Government Long-Term Duration	-	3,499,734	-	3,499,734
U.S. Bank Corporate Bonds	-	9,288,556	-	9,288,556
Total Fixed Income Bonds	-	13,536,709	-	13,536,709
Equities:				
Blackrock S&P 500 Index Fund	1,999,180	-	-	1,999,180
Non-U.S. Equity	2,095,578	-	-	2,095,578
Small Cap Core	703,605	-	-	703,605
Large Cap Value	872,857	-	-	872,857
Large Cap Growth	672,739	-	-	672,739
Total Equities	6,343,959	-	-	6,343,959
Fixed Income Mutual Fund	1,451,643	-	-	1,451,643
Total Investments	$ 7,795,602	$ 13,536,709	$ -	$ 21,332,311
Investments Held for Deferred Compensation Plan:				
U.S. Equity Mutual Fund	$ 119,357	$ -	$ -	$ 119,357
Liability: Deferred Compensation	$ 119,357	$ -	$ -	$ 119,357

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

Investment income at June 30, 2019 and 2018, consists of the following:

	2019	2018
Interest Income	$ 440,290	$ 432,656
Unrealized (Losses) Gains	447,806	(376,192)
Realized Gains	540,216	541,559
Dividends	204,461	159,220
Investment Fees	(117,765)	(123,323)
Total	$ 1,515,008	$ 633,920

NOTE 3 – PROMISES TO GIVE

All promises to give, at June 30, 2019 and 2018, are due within one year and consist of the following:

	2019	2018
Promises to Give	$ 9,769,396	$ 10,715,929
Calculation for Doubtful Promises to Give:		
Allowance for Doubtful Promises to Give - Beginning of Year	(2,059,311)	(1,833,992)
Write-Off of Doubtful Promises to Give and Other Adjustments	1,026,789	750,237
Current Year Provision for Cancellations and Uncollectible Promises to Give	(939,198)	(975,556)
Allowance for Doubtful Promises to Give - End of Year	(1,971,720)	(2,059,311)
Promises to Give, Net	$ 7,797,676	$ 8,656,618

	2019	2018
Provision for Doubtful Promises to Give - Current Year Campaign	$ 939,198	$ 975,556
Provision for Doubtful Promises to Give - Prior Year Campaigns	1,032,522	1,083,755
Allowance for Doubtful Promises to Give	$ 1,971,720	$ 2,059,311

NOTE 4 – LIQUIDITY

United Way NCA's financial assets available for general expenditure within one year of the date of the consolidated statements of financial position are as follows:

	2019	2018
Cash and Cash Equivalents	$ 4,722,358	$ 2,354,421
Investments	21,332,311	21,285,134
Promises to Give, Net	7,797,676	8,656,618
Accounts Receivable	3,175	5,318
Total Financial Assets Available Within One Year	33,855,520	32,301,491
Less:		
Amounts Unavailable for General Expenditures Within One Year, due to:		
Restricted By Donors In Perpetuity	(175,000)	(175,000)
Restricted By Donors With Purpose Restrictions	(2,420,443)	(2,575,863)
Total Amounts Unavailable For General Expenditures Within One Year	(2,595,443)	(2,750,863)
Amounts Unavailable to Management Without Board's Approval:		
Board-Designated for Crisis Relief Fund	(45,000)	(95,000)
Board-Designated for Spong Gift	(617,267)	(632,628)
Board-Designated for Strategic Mission Of the Organization	(13,000,000)	(13,200,000)
Amounts Unavailable to Management Without Board's Approval:	(13,662,267)	(13,927,628)
Total Financial Assets Available To Management For General Expenditure Within One Year	**$ 17,597,810**	**$ 15,623,000**

United Way NCA maintains a policy of structuring its financial assets, including 100% of its investment portfolio, to be available as its general expenditures, liabilities, and other obligations come due. Futhermore, in response to the timing differences between the annual receipt and payment of cash, United Way NCA deploys its $2,000,000 unsecured line of credit whenever necessary to satisfy its financial obligations in a timely manner without prematurely selling its investments. Additionally, the organization has board-designated net assets without donor restrictions that, while United Way NCA does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, at June 30, 2019 and 2018, and depreciation and amortization expense for the years ended June 30, 2019 and 2018, consist of the following:

2019	Estimated Useful Lives	2019 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and Equipment	3 - 10 Years	$ 1,269,605	$ (1,221,610)	$ 47,995	$ 83,546
Leasehold Improvements	10 Years	893,890	(586,712)	307,178	85,465
Website Development	3 Years	241,762	(210,918)	30,844	24,675
Total		$ 2,405,257	$ (2,019,240)	$ 386,017	$ 193,686

2018	Estimated Useful Lives	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
Total		$ 2,392,007	$ (1,826,825)	$ 565,182	$ 183,070

NOTE 6 – CONTRIBUTOR DESIGNATIONS PAYABLE

Contributor designations payable of $6,887,199 and $7,569,220 at June 30, 2019 and 2018, 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 7 – LINE OF CREDIT

United Way NCA maintains a $2.0 million unsecured line of credit with an annual interest rate equal to the London Interbank Offered Rate (LIBOR) plus 1.00% and a renewable one-year term that expires December 31, 2019. 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 is due and payable at the expiration date. As of June 30, 2019 and June 30, 2018, 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.

NOTE 8 – 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 (UWW), 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 Policy 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 used 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 $5,908 per year for five consecutive years. Each annual premium due on or before June 30, 2019, was paid in full. The cash surrender value was $2,883 and $0 as of June 30, 2019 and June 30, 2018, 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 4.76% if the loan is requested prior to policy year ten and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2019 and June 30, 2018, respectively.

During the fiscal year ended June 30, 2015, United Way NCA received a 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 Policy 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 a local 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 $24,898 and $24,482 as of June 30, 2019 and 2018, 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, 2019 and June 30, 2018, respectively.

NOTE 9 – COMMUNITY IMPACT AND PROGRAM GRANTS

Community impact grant expense for the years ended June 30, 2019 and 2018, was $545,000 and $560,000, respectively. Total expense for program grants in the areas of Education, Veterans, Financial Stability, and Health was $2,125,142 and $1,964,968 for the years ended June 30, 2019 and 2018, respectively.

Unpaid grants are due to be paid within one year and the grants payable amount as of June 30, 2019 and 2018, approximates the present value of future grant payments. Total community impact and other grants payable at June 30, 2019 and 2018, was $1,027,807 and $1,447,880, respectively.

NOTE 10 – OTHER REVENUE

Other revenue for the years ended June 30, 2019 and 2018, consists of the following:

	2019	2018
Charitable Bequests	$ 241,027	$ -
In-Kind Donations	497,111	730,891
Special Events	181,263	270,681
Training and Other	175,917	89,263
Total	$ 1,095,318	$ 1,090,835

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 health, education, and financial stability 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 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, 2019 and 2018, the related in-kind support recorded was $193,512 and $239,803, respectively.

United Way NCA also receives media services and donated facilities in support of the Do More 24 fundraising initiative as well as other general in-kind support for other community impact initiatives. In-kind support for the years ended June 30, 2019 and 2018, was $303,599 and $491,088, respectively.

NOTE 11 – 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 non-cancelable lease terms in excess of one year are as follows:

Year Ending June 30,	Amount
2020	$ 656,782
2021	673,103
2022	689,833
2023	413,593
Total	$ 2,433,311

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, 2019 and 2018, was $611,890 and $597,643, 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, 2019 and 2018, is $16,815 and $23,273, respectively. The capitalized equipment had a cost of $27,349 and accumulated amortization at June 30, 2019 and 2018, is $9,116 and $3,646, respectively. Amortization expense of $5,470 and $3,646 was recognized on the capitalized equipment for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2020	$ 7,792
2021	7,792
2022	2,596
Total	18,180
Less: Amount Representing Interest	(1,365)
Total	$ 16,815

NOTE 12 – 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 percent of a plan participant's elective deferrals not to exceed 2 percent of the participant's compensation. United Way NCA also applies a basic Safe Harbor provision during the plan year equal to 4 percent of a plan participant's compensation. There are no tenure requirements 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 and has declared a Safe Harbor contribution for 2019 which is payable on or before September 30, 2020.

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 percent for less than two years of service; 40 percent for two years of service; 60 percent for three years of service; 80 percent for four years of service; and 100 percent for five years of service.

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2019 and 2018, were $332,275 and $329,814, respectively.

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, 2019 and 2018, were $38,000 and $18,000, respectively.

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. United Way NCA formally terminated the Plan on September 1, 2016. The Plan covered all employees hired before April 9, 2004, who attained the age and length of service requirements. An employee's pension benefit was based upon the 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.

NOTE 12 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

United Way NCA received a confirmation letter from the Pension Benefit Guaranty 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 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 91-1). All future obligations and related costs are the responsibility of the insurance company/annuity provider.

United Way NCA certified that all benefits payable with respect to participants were 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 distributed in accordance with applicable provisions of ERISA and the provisions thereunder.

Pursuant to ERISA's requirement that PBGC audit a sample of plan terminations each year, the Plan underwent 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. On January 22, 2019, United Way NCA was notified that the PBGC had completed its audit and had confirmed that participant benefits were properly calculated and distributed in accordance with Title IV of ERISA and other applicable regulations.

NOTE 13 – 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 is approximately $123,500 and $91,300 as of June 30, 2019 and 2018, respectively.

NOTE 14 – UNITED WAY DIGITAL SERVICES

United Way NCA entered into the Digital Services Memorandum of Understanding (the Agreement) with United Way Worldwide (UWW) to become a member of the Digital Services Operating Group (the Group). The Group is comprised of UWW and a subset of local United Ways that are working together to enhance the donor experience; grow and diversify revenue; drive greater community impact; and improve operational efficiency and effectiveness of the United Way network. Each member of the Group agreed to pay $200,000 per year for a period of three consecutive years beginning in FY16. United Way NCA paid its annual membership fee in FY16, FY17, and FY18 and expensed the annual fee in the fiscal year paid. In September 2018, United Way NCA renewed its membership in the Group for a period of one year for a total cost of $100,000.

NOTE 14 – UNITED WAY DIGITAL SERVICES (CONTINUED)

The membership fee was paid in FY19 and covers a one-year period beginning September 2018. The membership fee is being amortized evenly over the one-year term. Subsequent to year-end, United Way NCA again entered into an agreement with UWW to continue its membership in the Digital Services Operating Group for an annual cost of $200,000. The membership fee was paid in FY20 and will cover the period from October 2019 to September 2020. The fee will continue to be amortized evenly over the one-year term.

Furthermore, effective in FY19, United Way NCA signed an Addendum to the Agreement to pay an annual subscription fee for using the Salesforce Philanthropy Cloud (SPC) platform. The SPC platform is an online employee engagement application designed to allow employees to donate and sign up to volunteer. The annual subscription fee covers the period from July 1 to June 30. The FY19 annual subscription fee of $25,000 was expensed in FY19. The annual subscription fee for FY20 is $50,000 and will be paid and expensed in FY20.

In August 2018, United Way NCA (Channel Partner) entered into a three-year Channel Partner Agreement (the Agreement) with UWW as part of the network's digital services strategy. The term of the Agreement is from July 1, 2018 to June 30, 2021, and includes a minimum annual license fee paid to UWW for a limited non-exclusive right to offer Salesforce Philanthropy Cloud (SPC) to customers for the internal purpose of supporting their Corporate Social Responsibility (CSR) goals, workplace giving, and volunteer events. The minimum annual license fee was $153,629 for the fiscal year ended June 30, 2019. Subsequent to year-end, the agreement was amended to acknowledge that the minimum annual license fee for year two of the three-year agreement is $230,443 and covers the period from July 1, 2019 to June 30, 2020. The fee will be fully expensed in FY20. The exact amount of the minimum annual license fee for the third year of the three-year agreement is unknown currently. Per the agreement, the fee for the third year cannot exceed 150% of the year two fee of $230,443, which would be a maximum fee of $345,665.

NOTE 15 - DISTRICT OF COLUMBIA EDUCATION PROGRAMS

On November 1, 2018, United Way NCA entered into an agreement with the District of Columbia to administer the Out of School Time program grants through September 30, 2019, for school year 2018/19 and summer 2019. Under the agreement, the District provided a grant of $12,837,109 to United Way NCA to award sub-grants to qualified non-profits through a competitive process, with the approval of the District; and to reimburse United Way NCA for administrative costs and expenses associated with its administration and oversight responsibilities of the Program. In recognition of the fact that the District retained decision-making authority over several key aspects of the program, the agreement is accounted for as a fiscal agency transaction for the sub-grant portion of the agreement and as an exchange transaction for the expense reimbursement portion of the agreement.

For the period ended June 30, 2019, United Way NCA paid District-approved sub-grants of $10,130,166, which are recorded as other liabilities until paid. The total amount of liabilities associated with these fiscal agent transactions as of June 30, 2019 and 2018, were $2,386,210 and $0, respectively, and recorded in "Deferred Revenue and Other Liabilities" on the statements of financial position. The reimbursement of United Way NCA's administrative costs and expenses of $509,958 are recorded in the "Non-campaign Contributions, Grants and Contracts" revenue line item on the statements of activities in recognition of those costs and expenses eligible for reimbursement. The total amount of deferred revenue associated with this agreement was $440,939 and $0 as of June 30, 2019 and 2018, respectively, and recorded in "Deferred Revenue and Other Liabilities" on the statements of financial position.

NOTE 15 - DISTRICT OF COLUMBIA EDUCATION PROGRAMS (CONTINUED)

United Way NCA was also a party to several agreements with the District during the fiscal years ended June 30, 2019 and 2018. The scopes of work within those agreements included (i) administering the District's Out of School Time Program for the school year 2017/18 and summer 2018; (ii) delivering youth development training to local area nonprofit organizations; and (iii) enhancing the current youth development training program. In recognition of United Way NCA's high-level of decision-making authority over key aspects of those agreements, financial transactions were accounted for as either "with restriction or without restriction grants" or "exchange transactions", depending on the specific nature of each agreement. From a revenue recognition perspective, United Way NCA recorded $921,491 and $5,580,477 within the "Non-campaign Contributions, Grants and Contracts" line item for the years ended June 30, 2019 and 2018, respectively. From an expense recognition perspective, United Way NCA recorded $50,000 and $4,498,562 within the "Program Grants" expense line item. Deferred revenue related to these exchange transactions was $114,893 and $276,899 for the fiscal years ended June 30, 2019 and 2018, respectively.

Subsequent to year-end, the agreement was amended to increase the total grant award of $12,837,109 by $431,668 to $13,268,777 and to extend the period of the agreement to December 31, 2019. Consistent with the original agreement, United Way NCA will be reimbursed for administrative costs and expenses incurred related to the amendment.

Furthermore, the District has the option to renew the agreement for up to two consecutive one-year terms. Subsequent to year-end, the District informed United Way NCA of its intent to renew the agreement for a one-year period with terms and conditions similar to those of the current agreement.

NOTE 16 – CHANGES IN NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not restricted by donor or grantor-imposed stipulations of time or purpose. The following outlines undesignated assets as well as those assets United Way NCA's Board of Directors has designated for specific purposes:

	2019	2018
Without Donor Restrictions		
Undesignated	$ 5,135,842	$ 4,938,402
Subtotal: Undesignated	5,135,842	4,938,402
Board-Designated for Crisis Relief Fund	45,000	95,000
Board-Designated for Spong Gift	617,267	632,628
Board-Designated for Strategic Mission of the Organization	13,000,000	13,200,000
Subtotal: Board Designated	13,662,267	13,927,628
Total Without Donor Restrictions	**$ 18,798,109**	**$ 18,866,030**

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

Board-designated net assets represent net assets without donor restrictions that can only be used for purposes approved by the Board of Directors such as pursuing strategic opportunities, establishing an operating reserve and promoting the organization's long-term financial viability.

Net assets with donor restrictions are either restricted by donor- or grantor-imposed stipulations, purpose, or time or are perpetually restricted. Net assets are released from donor- or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor. Net assets with donor- or grantor-imposed restrictions are as follows for the year ended June 30, 2019:

	Balance - June 30, 2018	Additions	Releases	Balance - June 30, 2019
Purpose Restricted:				
Education	$ 224,980	$ 446,036	$ (579,583)	$ 91,433
Financial Stability	217,785	1,670,159	(893,353)	994,591
Health	28,956	64,952	(93,908)	-
Basic Needs	-	3,396	(989)	2,407
Community Impact Fund	1,794,341	1,164,049	(1,813,298)	1,145,092
Veterans Fund	256,418	52,352	(141,343)	167,427
DC Education Programs	47,745	-	(41,736)	6,009
Endowment Earnings	5,638	13,731	(5,885)	13,484
Total Purpose Restricted	2,575,863	3,414,675	(3,570,095)	2,420,443
Perpetual in Nature	175,000	-	-	175,000
Total	$ 2,750,863	$ 3,414,675	$ (3,570,095)	$ 2,595,443

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions (Continued)

Net assets are released from donor- or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor. Net assets with donor- or grantor-imposed restrictions are as follows for the year ended June 30, 2018:

	Balance - June 30, 2017	Additions	Releases	Balance - June 30, 2018
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
DC Education Programs	190,157	-	(142,412)	47,745
Endowment Earnings	7,722	4,539	(6,623)	5,638
Total Purpose Restricted	2,601,278	2,054,506	(2,079,921)	2,575,863
Perpetual in Nature	175,000	-	-	175,000
Total	$ 2,776,278	$ 2,054,506	$ (2,079,921)	$ 2,750,863

Donor Restrictions Perpetual in Nature

United Way NCA's endowments represent two charitable bequests in the amount of $100,000 and $75,000. Both charitable bequests have restrictions that are perpetual in nature 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. Endowments perpetually restricted as of June 30, 2019 and 2018, were $175,000.

	2019	2018
Community Impact Endowment	$ 100,000	$ 100,000
Seymour Alpert Trust	75,000	75,000
Total	$ 175,000	$ 175,000

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.

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

Donor Restrictions Perpetual in Nature (Continued)

As a result of this interpretation, United Way NCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the fund with restrictions perpetual in nature, (b) the original value of subsequent gifts to the fund with restrictions perpetual in nature, and (c) the accumulation to the fund with restrictions perpetual in nature 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 fund that is not classified as perpetual in nature is classified as net assets with donor restrictions, until those amounts are appropriated by United Way NCA for expenditure.

In accordance with UPMIFA, United Way NCA considers the following factors in deciding to appropriate or accumulate funds with restrictions perpetual in nature:

- 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.

Underwater Endowment Funds

United Way NCA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. United Way NCA complies with the District of Columbia-enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. United Way NCA had no underwater endowment funds at June 30, 2019 and 2018.

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 deciding as to when to use the amount in excess of the perpetually restricted principal balance to fund qualifying expenditures.

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

Spending Policy (Continued)

Consistent with the goal to preserve principal and generate predictable returns, the fund with restrictions perpetual in nature shall distribute the amount in excess of the 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.

Earnings (interest income and gains) from the $175,000 in endowments are reflected as net assets with donor restrictions until appropriated for expenditure. The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2019:

	2019		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	$ 5,638	$ 175,000	$ 180,638
Contributions	-	-	-
Investment Return, Net	13,731	-	13,731
Appropriations	(5,885)	-	(5,885)
Endowment Net Assets - End of Year	$ 13,484	$ 175,000	$ 188,484

The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2018:

	2018		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	$ 7,722	$ 175,000	$ 182,722
Contributions	-	-	-
Investment Return, Net	4,539	-	4,539
Appropriations	(6,623)	-	(6,623)
Endowment Net Assets - End of Year	$ 5,638	$ 175,000	$ 180,638

NOTE 17 – 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 (deficit) or liquidity of United Way NCA.

NOTE 18 – 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, 2019 and 2018, were approximately $103,100 and $110,500, respectively, and were recorded as Amounts Raised from UWNCA Campaigns in the statements of activity and Promises to Give, Net in the statements of financial position. Pledges outstanding as of June 30, 2019 and 2018, were approximately $42,800 and $37,500, respectively, and are recorded in Promises to Give, net.

NOTE 19 – SUBSEQUENT EVENTS

For the year ended June 30, 2019, United Way NCA has evaluated subsequent events for potential recognition and disclosure through November 18, 2019, the date the financial statements were available to be issued.