UNITED WAY OF THE NATIONAL CAPITAL AREA

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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Management's Certification on Internal Control Over Financial Reporting

United Way of the National Capital Area's internal control over financial reporting is a process 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 an appropriate process is the responsibility of those persons charged with governance and management; and other personnel.

An entity's internal control over financial reporting includes 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 control over financial reporting. Management assessed the effectiveness of United Way of the National Capital Area's internal control over financial reporting as of June 30, 2017, 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, 2017, United Way of the National Capital Area's internal control over financial reporting is 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

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To the 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, 2017 and 2016, 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, 2017 and 2016, 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

Calverton, Maryland
November 27, 2017

FINANCIAL STATEMENTS

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 6,672,215	$ 4,045,233
Investments (Notes 1 and 2)	21,361,301	20,915,459
Promises to give, net (Notes 1 and 4)	10,119,260	10,688,484
Prepaid and other assets	289,202	262,120
Property and equipment, net (Note 5)	634,764	772,889
Investments held for deferred compensation plan (Note 2)	55,031	35,345
TOTAL ASSETS	$ 39,131,773	$ 36,719,530

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 2,194,339	$ 2,182,976
Deferred revenue and other liability (Note 15)	1,721,646	3,922
Contributor designations payable (Note 6)	9,869,383	10,375,059
Community impact and other grants payable (Notes 9 and 15)	1,239,350	757,825
Defined benefit pension liability (Note 12)	477,826	494,965
Deferred compensation (Notes 2 and 12)	55,031	35,345
Total liabilities	15,557,575	13,850,092
Commitments and contingencies (Notes 3, 11, 12, 13, 17)		
NET ASSETS		
Unrestricted		
Operating	5,151,301	4,170,037
Board designated (Notes 1 and 16)	15,646,619	15,723,288
Total Unrestricted	20,797,920	19,893,325
Temporarily restricted (Notes 1 and 16)	2,601,278	2,801,113
Permanently restricted (Notes 1 and 16)	175,000	175,000
Total net assets	23,574,198	22,869,438
TOTAL LIABILITIES AND NET ASSETS	$ 39,131,773	$ 36,719,530

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
(With Comparative Totals for 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Campaign results and other support:					
Campaign results:					
Amounts raised from UWNCA campaigns	$ 13,084,738	$ 4,412,806	$ -	$ 17,497,544	$ 18,430,163
Amounts raised by Combined Federal Campaign	9,337,966	-	-	9,337,966	10,018,237
Fee revenue from fundraising campaigns	1,533,329	-	-	1,533,329	1,449,326
Campaign results	23,956,033	4,412,806	-	28,368,839	29,897,726
Provisions for cancellations and uncollectible promises to give (Notes 1 and 4)	(539,297)	-	-	(539,297)	(1,421,283)
Net campaign results before designations honored	23,416,736	4,412,806	-	27,829,542	28,476,443
Campaign designations honored:					
Contributor designations to participating agencies	(18,887,240)	-	-	(18,887,240)	(19,529,940)
Third party processing and other fees	(1,095,288)	-	-	(1,095,288)	(970,798)
Net contributors' designations honored	(19,982,528)	-	-	(19,982,528)	(20,500,738)
Net campaign results	3,434,208	4,412,806	-	7,847,014	7,975,705
Investment income (Note 2)	1,608,711	1,251	-	1,609,962	177,534
Other revenue (Note 10)	932,286	-	-	932,286	1,090,974
Noncampaign contributions, grants and contracts	3,968,583	-	-	3,968,583	178,208
Net assets released from restrictions (Note 16)	4,613,892	(4,613,892)	-	-	-
Net campaign results and other support	14,557,680	(199,835)	-	14,357,845	9,422,421
EXPENSES					
Program services:					
Community impact grants (Notes 1 and 9)	802,500	-	-	802,500	840,000
Program Grants (Notes 9 and 15)	3,504,949	-	-	3,504,949	636,374
Program Initiatives	3,868,812	-	-	3,868,812	3,524,156
Total program services	8,176,261	-	-	8,176,261	5,000,530
Supporting Services:					
Annual campaign fundraising	3,886,040	-	-	3,886,040	3,954,074
Management and general	1,644,447	-	-	1,644,447	1,621,771
Total supporting services	5,530,487	-	-	5,530,487	5,575,845
Total expenses	13,706,748	-	-	13,706,748	10,576,375
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	850,932	(199,835)	-	651,097	(1,153,954)
OTHER CHANGES					
Total amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost (Note 12)	(53,663)	-	-	(53,663)	689,362
Total other changes	(53,663)	-	-	(53,663)	689,362
CHANGE IN NET ASSETS	904,595	(199,835)	-	704,760	(1,843,316)
NET ASSETS, BEGINNING OF YEAR	19,893,325	2,801,113	175,000	22,869,438	24,712,754
NET ASSETS, END OF YEAR	$ 20,797,920	$ 2,601,278	$ 175,000	$ 23,574,198	$ 22,869,438

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, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Campaign results and other support:				
Campaign results:				
Amounts raised from UWNCA campaigns	$ 16,521,663	$ 1,908,500	$ -	$ 18,430,163
Amounts raised by Combined Federal Campaign	10,018,237	-	-	10,018,237
Fee revenue from fundraising campaigns	1,449,326	-	-	1,449,326
Campaign results	27,989,226	1,908,500	-	29,897,726
Provisions for cancellations and uncollectible promises to give (Notes 1 and 4)	(1,421,283)	-	-	(1,421,283)
Net campaign results before designations honored	26,567,943	1,908,500	-	28,476,443
Campaign designations honored:				
Contributor designations to participating agencies	(19,529,940)	-	-	(19,529,940)
Third party processing and other fees	(970,798)	-	-	(970,798)
Net contributors' designations honored	(20,500,738)	-	-	(20,500,738)
Net campaign results	6,067,205	1,908,500	-	7,975,705
Investment income (Note 2)	168,433	9,101	-	177,534
Other revenue (Note 10)	1,090,974	-	-	1,090,974
Noncampaign contributions and grants	178,208	-	-	178,208
Net assets released from restrictions (Note 16)	2,103,425	(2,103,425)	-	-
Net campaign results and other support	9,608,245	(185,824)	-	9,422,421
EXPENSES				
Program services:				
Community impact grants (Note 9)	840,000	-	-	840,000
Program Grants (Notes 9 and 15)	636,374	-	-	636,374
Program Initiatives	3,524,156	-	-	3,524,156
Total program services	5,000,530	-	-	5,000,530
Supporting Services:				
Annual campaign fundraising	3,954,074	-	-	3,954,074
Management and general	1,621,771	-	-	1,621,771
Total supporting services	5,575,845	-	-	5,575,845
Total expenses	10,576,375	-	-	10,576,375
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	(968,130)	(185,824)	-	(1,153,954)
OTHER CHANGES				
Total amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost (Note 12)	689,362	-	-	689,362
Total other changes	689,362	-	-	689,362
CHANGE IN NET ASSETS	(1,657,492)	(185,824)	-	(1,843,316)
NET ASSETS, BEGINNING OF YEAR	21,550,817	2,986,937	175,000	24,712,754
NET ASSETS, END OF YEAR	$ 19,893,325	$ 2,801,113	$ 175,000	$ 22,869,438

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
(With Comparative Totals for 2016)

	2017							
	Program Services			Supporting Services				
	Program Grants	Program Initiatives	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2017 Total	2016 Total
Community impact grants	$ 802,500	$ -	$ 802,500	$ -	$ -	$ -	$ 802,500	$ 840,000
Program grants and expenses	3,504,949	48,106	3,553,055	200,000	-	200,000	3,753,055	863,835
Subtotal	4,307,449	48,106	4,355,555	200,000	-	200,000	4,555,555	1,703,835
Operating expenses:								
Salaries and benefits	-	2,251,454	2,251,454	2,248,235	1,134,301	3,382,536	5,633,990	5,104,868
Advertising and marketing	-	568,356	568,356	458,007	26,416	484,423	1,052,779	902,511
Professional fees	-	381,853	381,853	369,271	155,375	524,646	906,499	1,234,489
Occupancy	-	311,430	311,430	279,185	121,803	400,988	712,418	694,800
Dues	-	130,077	130,077	114,712	46,627	161,339	291,416	306,541
Meetings, special events, and travel	-	69,475	69,475	105,547	51,556	157,103	226,578	248,386
Depreciation and amortization	-	71,391	71,391	62,958	25,590	88,548	159,939	163,808
Postage, supplies, and other	-	15,498	15,498	16,533	61,500	78,033	93,531	107,748
Staff development	-	1,707	1,707	13,137	14,302	27,439	29,146	76,877
Insurance	-	19,465	19,465	18,455	6,977	25,432	44,897	32,512
TOTAL EXPENSES	$ 4,307,449	$ 3,868,812	$ 8,176,261	$ 3,886,040	$ 1,644,447	$ 5,530,487	$ 13,706,748	$ 10,576,375

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, 2016

	2016						
	Program Services			Supporting Services			
	Program Grants	Program Initiatives	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2016 Total
Community impact grants	$ 840,000	$ -	$ 840,000	$ -	$ -	$ -	$ 840,000
Program grants and expenses	636,374	27,461	663,835	200,000	-	200,000	863,835
Subtotal	1,476,374	27,461	1,503,835	200,000	-	200,000	1,703,835
Operating expenses:							
Salaries and benefits	-	1,977,496	1,977,496	2,151,812	975,560	3,127,372	5,104,868
Advertising and marketing	-	303,688	303,688	575,511	23,312	598,823	902,511
Professional fees	-	709,419	709,419	330,779	194,291	525,070	1,234,489
Occupancy	-	255,789	255,789	292,963	146,048	439,011	694,800
Dues	-	114,519	114,519	128,979	63,043	192,022	306,541
Meetings, special events, and travel	-	29,305	29,305	164,516	54,565	219,081	248,386
Depreciation and amortization	-	61,196	61,196	68,923	33,689	102,612	163,808
Postage, supplies, and other	-	22,209	22,209	20,332	65,207	85,539	107,748
Staff development	-	10,929	10,929	6,580	59,368	65,948	76,877
Insurance	-	12,145	12,145	13,679	6,688	20,367	32,512
TOTAL EXPENSES	$ 1,476,374	$ 3,524,156	$ 5,000,530	$ 3,954,074	$ 1,621,771	$ 5,575,845	$ 10,576,375

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 704,760	$ (1,843,316)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net provision for allowance for doubtful promises to give	(862,254)	1,329
Depreciation and amortization	159,939	163,808
Donated stock	(44,041)	(81,305)
Net realized and unrealized (gains) losses on investments	(1,115,135)	395,339
Effects of changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid and other assets	(27,082)	8,618
Promises to give	1,431,478	(927,854)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,363	91,523
Deferred revenue	1,717,724	697
Defined benefit pension liability	(17,139)	(2,094,749)
Community impact grants payable	481,525	(436,238)
Contributor designations payable	(505,676)	865,699
Deferred compensation	19,686	20,172
Net cash provided (used) by operating activities	1,955,148	(3,836,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on line of credit	1,500,000	1,000,000
Repayment on line of credit	(1,500,000)	(1,000,000)
Net cash provided by financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset purchases	(21,814)	(13,176)
Purchase of investments	(4,606,907)	(6,558,164)
Proceeds from sale of investments	5,300,555	8,928,905
Net cash provided by investing activities	671,834	2,357,565
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,626,982	(1,478,712)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,045,233	5,523,945
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,672,215	$ 4,045,233

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

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 the 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 to 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 $25 million in fiscal year 2017. 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 non-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 nonprofit 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 non-profit organizations, including federated non-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.

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 and unconditional promises to give, are recognized as revenue when payments are received or when donors 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. Contributions with donor imposed conditions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time restrictions expire, or a donor-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.

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 three to ten years. United Way NCA capitalizes all individual property and equipment acquisitions greater than $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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

United Way NCA also records campaign contributions where the contributor pays the designated agency directly (pay directs). United Way NCA recognizes the contributions as revenue and designations paid to participating agencies as expenses of the campaign, 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 revenue and expense for the years ended June 30, 2017 and 2016, were $5,789,403 and $6,238,205, respectively.

Non-profit organizations are paid out by United Way NCA based on the cash received from donors who designate to those specific non-profit organizations. Designations are paid to non-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 non-profit organizations. The 2014 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 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 in unrestricted net assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campaign Results and Other Support (Continued)

In addition to campaign contributions and pledges designated to United Way NCA or other non-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 June 8 and June 2 for fiscal years 2017 and 2016, respectively. Money raised from Do More 24 was included in campaign results, and consisted of the following for the years ended June 30, 2017 and 2016.

	2017	2016
Fundraising	$ 1,090,712	$ 1,028,232
Sponsorships	79,152	102,500
Total	$ 1,169,864	$ 1,130,732

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

No amounts have been reflected in the financial statements for donated volunteer services, as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the organization's program services and its fundraising campaigns.

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, 2017 and 2016 was $825,589 and $1,146,807, 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. 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. United Way NCA did not have any net unrelated business income for the years ended June 30, 2017 and 2016. United Way NCA is subject to and pays annual personal property taxes to the State of Virginia.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Receipts Policy

United Way NCA receives donor pledge payments all 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, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)". ASU 2016-02 will require entities that lease assets – referred to as "lessees" – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by entities that own the assets leased by the lessee – also known as lessor accounting – will remain largely unchanged from current generally accepted accounting principles (Topic 840 in the Accounting Standards Codification). The guidance is effective for fiscal years beginning after December 15, 2019, for private companies, and early adoption is permitted.

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, and for interim periods within fiscal years beginning after December 15, 2018.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the presentation of the 2017 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 27, 2017, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to November 27, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. However, events or transactions that provided evidence about conditions that did not exist at June 30, 2017, 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, 2017. See Note 19 for current year subsequent events.

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, 2017 and 2016.

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:

	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	-	12,555,010	-	12,555,010
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	7,348,793	-	-	7,348,793
Fixed income mutual fund	1,457,498	-	-	1,457,498
Total investments	$ 8,806,291	$ 12,555,010	$ -	$ 21,361,301
Investments held for deferred compensation plan:				
U.S. equity mutual fund	$ 55,031	$ -	$ -	$ 55,031
Liability: Deferred compensation	$ 55,031	$ -	$ -	$ 55,031

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Fixed income bonds:				
U.S. government short-term duration	$ -	$ 75,413	$ -	$ 75,413
U.S. government long-term duration	-	2,063,943	-	2,063,943
U.S. bank corporate bonds	-	10,465,878	-	10,465,878
Total fixed income bonds	-	12,605,234	-	12,605,234
Equities: Blackrock S&P 500 Index Fund	2,158,022	-	-	2,158,022
Non-U.S. equity	1,962,311	-	-	1,962,311
Small cap core	541,509	-	-	541,509
Large cap core	387	-	-	387
Large cap value	1,134,363	-	-	1,134,363
Large cap growth	1,104,121	-	-	1,104,121
Total equities	6,900,713	-	-	6,900,713
Fixed income mutual fund	1,409,512	-	-	1,409,512
Total investments	$ 8,310,225	$ 12,605,234	$ -	$ 20,915,459
Investments held for deferred compensation plan:				
U.S. equity mutual fund	$ 35,345	$ -	$ -	$ 35,345
Liability: Deferred compensation	$ 35,345	$ -	$ -	$ 35,345

Investment income at June 30, 2017 and 2016, consists of the following:

	2017	**2016**
Interest income	$ 417,101	$ 487,062
Unrealized gains (losses)	769,354	(515,673)
Realized gains	345,781	120,334
Dividends	200,979	226,483
Investment fees	(123,253)	(140,672)
Total	$ 1,609,962	$ 177,534

NOTE 3 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject United Way NCA to concentration of credit risk, include cash and cash equivalents and investments. It is United Way NCA's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk. United Way NCA maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. At June 30, 2017 and 2016, total cash deposits held at financial institutions were $7,322,816 and $5,621,580, respectively.

NOTE 4 – PROMISES TO GIVE

All promises to give, at June 30, 2017 and 2016, are due within one year and consist of the following:

	2017	2016
Promises to give	$ 11,953,252	$ 13,384,730
Calculation for doubtful promises to give:		
Allowance for doubtful promises to give - beginning of year	(2,696,246)	(2,694,917)
Write-off of doubtful promises to give and other adjustments	1,937,471	1,285,282
Current year provision for cancellations and uncollectible promises to give	(1,075,217)	(1,286,611)
Allowance for doubtful promises to give - end of year	(1,833,992)	(2,696,246)
Promises to give, net	$ 10,119,260	$ 10,688,484

	2017	2016
Provision for doubtful promises to give - current year campaign	$ 1,075,217	$ 1,286,611
Provision for doubtful promises to give - prior year campaigns	758,775	1,409,635
Allowance for doubtful promises to give	$ 1,833,992	$ 2,696,246

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, at June 30, 2017 and 2016, and depreciation and amortization expense, for the years ended June 30, 2017 and 2016, consist of the following:

	2017				
	Estimated Useful Lives	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		$ 2,278,520	$ (1,643,756)	$ 634,764	$ 159,939

	2016				
	Estimated Useful Lives	2016 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and equipment	3 - 10 Years	$ 1,217,163	$ (1,005,040)	$ 212,123	$ 78,775
Leasehold improvements	10 Years	891,190	(330,424)	560,766	85,033
Website development	3 Years	167,737	(167,737)	-	-
Totals		$ 2,276,090	$ (1,503,201)	$ 772,889	$ 163,808

NOTE 6 – CONTRIBUTOR DESIGNATIONS PAYABLE

Designations payable of $9,869,383 and $10,375,059 at June 30, 2017 and 2016, 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 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, 2017. 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, 2017 and June 30, 2016, 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

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 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 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. The first annual premium payment was made during fiscal year 2017. The cash surrender value was $0 as of June 30, 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 ten and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 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 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 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 of which $19,173 was initially expensed. The cash surrender value was $23,741 and $23,289 as of June 30, 2017 and 2016, 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, 2017 and June 30, 2016.

NOTE 9 – COMMUNITY IMPACT AND PROGRAM GRANTS

Community impact grant expense for the years ended June 30, 2017 and 2016, was $802,500 and $840,000, respectively. Total expense for program grants in the areas of Education, Veterans, Financial Stability, and Health were $1,088,949 and $836,374 for the years ended June 30, 2017 and 2016, respectively.

All grants payable are due to be paid within one year and the grants payable amount as of June 30, 2017 and 2016, approximates the present value of future grant payments. Total community impact and other grants payable at June 30, 2017 and 2016, was $1,239,350 and $757,825, respectively.

NOTE 10 – OTHER REVENUE

Other revenue for the years ended June 30, 2017 and 2016, consists of the following:

	2017	2016
Charitable bequests	$ 34,281	$ 10,112
In-kind donations	736,771	913,232
Special events	139,351	121,122
Other	21,883	46,507
Total	$ 932,286	$ 1,090,974

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 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 FY 2015, United Way NCA began recording a portion of the value of these services. For the years ended June 30, 2017 and 2016, the related in-kind support recorded was $487,195 and $617,551, 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, 2017 and 2016, was $246,100 and $295,681, respectively.

NOTE 11 – LEASES

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:

Years ending June 30,		
2018	$	631,737
2019		638,677
2020		652,848
2021		669,169
2022		685,898
Thereafter		412,184
Total	$	3,690,513

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, 2017 and 2016, was $610,393 and $603,043, respectively.

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 reduce their taxable compensation by a specific percentage or dollar amount up to the limits established by the Internal Revenue Service (IRS) and to have that amount contributed to the Plan on a pre-tax basis, which the plan refers to as elective deferrals. As a result of this feature, eligible employees are able to set aside a portion of their current salary for retirement on a pre-tax basis, thereby saving money while deferring the payment of federal income taxes on the amount of the deferral until retirement.

United Way NCA will make a matching contribution equal to 2 times an employee's elective deferrals of up to 2 percent of his/her eligible compensation. United Way NCA may also elect, on a year-to-year basis, to make a Safe Harbor contribution equal to 4 percent of an eligible employee's compensation without regard to the employee's tenure. United Way NCA made a Safe Harbor contribution in each of the last two years.

NOTE 12 – **RETIREMENT AND DEFERRED COMPENSATION PLANS** (CONTINUED)

403(b) Plan (continued)

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 2 years of service; 40% for 2 years of service; 60% for 3 years of service; 80% for 4 years of service; and 100% for 5 years of service.

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2017 and 2016, were $264,742 and $287,121, 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, 2017 and 2016, 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 frozen effective January 31, 2005. As of that date, no new participants have been enrolled in the plan. The defined benefit pension 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.

During fiscal year 2016, United Way NCA initiated a “de-risking” strategy in which vested participants no longer employed by United Way NCA were offered an opportunity to withdraw the value of their pension benefit in the form of a lump sum distribution. A total of 31 participants elected the lump sum option at a total cost to the Plan of approximately $1,302,000. Also, as part of the “de-risking” strategy, annuity contracts were purchased for retired participants from a qualified insurance company. A total of 16 annuity contracts were purchased at a cost to the Plan of $6,500,000.

NOTE 12 – **RETIREMENT AND DEFERRED COMPENSATION PLANS** (CONTINUED)

Defined Benefit Pension Plan (continued)

United Way NCA, with advice from retirement experts, selected the annuity provider (insurance company) pursuant to the Department of Labor's Interpretive Bulletin 95-1 (DOL 95-1), which provides guidance about the fiduciary rules that apply when a plan sponsor/fiduciary, such as United Way NCA, selects an annuity provider to assume the obligation to make future benefit payments. This guidance specifies the appropriate steps that a plan sponsor/fiduciary must take to obtain the safest available annuity provider. The guidance requires plan sponsors/fiduciaries to conduct an objective, thorough and analytical search to identify providers for defined benefit plans.

Following the implementation of the "de-risking" strategy, United Way NCA issued a standard termination notice on September 1, 2016, that it planned to formally terminate the Plan. 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.

The Plan's remaining participants will either elect to take their benefit as a one-time lump sum payment, which can be rolled over into an IRA or 401(k) account, or take their benefit as an immediate or deferred annuity, which will be administered by an insurance company/annuity provider. Once the annuity contract is issued by a qualified insurance company (the selection of which will again be governed by DOL 95-1), all future obligations and related costs are the responsibility of the insurance company/annuity provider. There are 19 remaining participants with projected retirement benefits of $901,941.

In order to provide participants with reasonable time to consider the options available pursuant to their election package; and to provide United Way NCA reasonable time to perform the necessary administrative tasks to process and pay lump sum elections and to complete final annuity purchases, United Way NCA requested from the PBGC an extension of time from November 22, 2017 to February 5, 2018 to distribute all Plan assets.

The principal results of the actuarial valuations for fiscal years ending June 30, 2017 and 2016, for the Plan are summarized below.

NOTE 12 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Defined Benefit Pension Plan (continued)

The funded status and amounts recognized in the accompanying statements of financial position relating to the plan as of June 30, 2017 and 2016, are as follows:

	2017	2016
At June 30,		
Accumulated benefit obligation	$ 901,941	$ 965,021
Fair value of plan assets	424,115	470,056
Minimum liability	$ (477,826)	$ (494,965)
Projected benefit obligation	$ 901,941	$ 965,021
Fair value of plan assets	424,115	470,056
Unfunded status	$ (477,826)	$ (494,965)
Year ended June 30,		
United Way contributions	$ -	$ 2,915,836
Benefits paid	$ 45,669	$ 7,851,483
Net periodic benefit cost	$ 36,524	$ 131,724
Net (gain)/loss	$ (33,868)	$ 728,416
Amortization of net loss	(19,795)	(39,054)
Total amount recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost	$ (53,663)	$ 689,362

Contributions

United Way NCA expects to make a final contribution to the Plan of approximately $500,000 on or before February 5, 2018.

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.

NOTE 12 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

Assumptions

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

	2017	2016
Benefit obligations:		
Discount rate	2.75%	2.25%
Rate of increase in compensation	N/A	N/A
Net periodic pension costs:		
Discount rate	2.25%	4.50%
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, 2017 and 2016, by asset category, are as follows:

	2017	2016
Debt securities	100%	100%

Assets of the plan are 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 also are to preserve the value of the plan's assets and provide sufficient liquidity to plan benefit payment outflows and meet the plan's requirements. In support of the implementation of the “de-risking” strategy and subsequent Plan termination, the plan’s assets as of June 30, 2017 and 2016, were invested in the Prudential Short-Term Fund, which is a money market fund that invests in short-term debt securities such as US Treasury bills and investment grade commercial paper. The decision to invest Plan assets in the Prudential Short-Term Fund was made to safeguard against the potential decline in the market value of Plan assets pending the use of those assets to fund the implementation of the “de-risking” strategy and subsequent Plan termination.

NOTE 12 – **RETIREMENT AND DEFERRED COMPENSATION PLANS** (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, 2017 and 2016, by asset category as defined in Note 2, are as follows:

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

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled separate accounts	$ -	$ 470,056	$ -	$ 470,056

Estimated Future Benefit Payments

Estimated future benefit payments of $901,941 are expected to be paid on or before February 5, 2018.

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.

NOTE 14 – 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.

NOTE 14 – 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 15 - DISTRICT OF COLUMBIA EDUCATION PROGRAMS

United Way NCA was retained by the District of Columbia for the period October 1, 2016 to October 31, 2017 (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 non-profit organizations; and (iii) to enhance the current youth development training program. United Way NCA received $6,170,000 to perform this work which included a 10% management fee.

Consistent with applicable accounting standards, the method of accounting used to record and report the receipt and disbursement of these funds in the financial statements was predicated, in part, on whether a particular transaction was (i) an unconditional transfer of cash or other assets in a voluntary nonreciprocal transfer or a reciprocal exchange transaction in which both parties receive and sacrifice something of approximately equal value; and (ii) the degree of variance power and discretion available to United Way NCA in the selection of grantees and other important matters.

The application of these accounting standards yielded four primary transaction types as described in more detail below, including (i) fiscal agent transactions; (ii) restricted contributions; (iii) exchange transactions; and (iv) earned revenue.

Fiscal Agent Transactions:

Approximately $1,853,800 of the $6,170,000 received from the District of Columbia was initially recorded as "deferred revenue and other liabilities". The District of Columbia awarded this amount to grantees to deliver out-of-school time program services for the 2016-17 school year. As a key component of its program administration role, United Way NCA disbursed approximately $1,265,800 of the $1,853,800 to grantees during the fiscal year; leaving $588,000 recorded in "deferred revenue and other liabilities" as of June 30, 2017.

Restricted Contributions:

Approximately $2,574,200 of the $6,170,000 received from the District of Columbia was for the purpose of administering the District of Columbia's summer time and other related grant programs. The amount was initially recorded as "non-campaign contributions, grants and contracts" (with a corresponding increase to temporarily restricted net assets). United Way NCA awarded approximately $2,384,000 of the $2,574,200 to qualified non-profit organizations and recorded this amount as "program grant expense" (with a corresponding decrease to temporarily restricted net assets) and "grants payable"; leaving $190,200 in "temporarily restricted net assets" as of June 30, 2017. Also, approximately $1,867,200 of the $2,384,000 grant award has disbursed during the fiscal year; leaving $516,800 in "grants payable" as of June 30, 2017.

NOTE 15 – DISTRICT OF COLUMBIA EDUCATION PROGRAMS (CONTINUED)

Exchanged Transactions:

Approximately $1,125,000 of the $6,170,000 received from the District of Columbia was earmarked (i) to deliver youth development training to local area non-profit organizations; and (ii) to enhance the current youth development training program for the future. The amount received was initially recorded as “deferred revenue and other liabilities”. Approximately $382,800 of the $1,125,000 was recorded during the fiscal year to “non-campaign contributions, grants and contracts”, with an equal amount of qualifying expenses recorded to “program initiatives”; leaving approximately $742,200 in “deferred revenue and other liabilities” as of June 30, 2017.

Earned Revenue:

Approximately $617,000 of the $6,170,000 received from the District of Columbia represents the prepayment of a 10% administration fee to be earned by United Way NCA evenly over the term of the 2016-17 school year. The amount received was initially recorded as “deferred revenue and other liabilities”. Approximately $424,000 of the $617,000 was earned by United Way NCA during the fiscal year ended June 30, 2017 and recorded as “other revenue”; leaving approximately $193,000 in “deferred revenue and other liabilities” as of June 30, 2017.

NOTE 16 – 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, 2017 and 2016, unrestricted net assets totaled $20,797,920 and $19,893,325, respectively.

<u>Operating Net Assets</u>

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, 2017 and 2016, unrestricted operating net assets totaled $5,151,301 and $4,170,037, respectively.

NOTE 16 – CHANGES IN 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, 2017 and 2016:

	2017	2016
Activities related to the strategic mission of the organization for substantial future needs	$ 14,916,038	$ 14,968,753
Spong Gift	635,581	659,535
Crisis Relief Fund (CRF)	95,000	95,000
Total	$ 15,646,619	$ 15,723,288

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.

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

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

	Balance, June 30, 2016	Additions	Releases	Balance, June 30, 2017
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	7,007	1,251	(536)	7,722
Total	$ 2,801,113	$ 4,414,057	$ (4,613,892)	$ 2,601,278

Temporarily restricted net assets were available for the following purposes at June 30, 2016:

	Balance, June 30, 2015	Additions	Releases	Balance, June 30, 2016
Purpose restricted:				
Do More 24	$ -	$ 1,168	$ (1,168)	$ -
Education	354,900	285,292	(404,028)	236,164
Financial Stability	1,251	107,587	(108,838)	-
Health	90,933	117,239	(208,172)	-
Basic Needs	14,651	22,344	(36,995)	-
Community Impact Fund	2,442,213	1,174,949	(1,228,754)	2,388,408
Veterans Fund	81,183	199,921	(111,570)	169,534
Endowment Earnings	1,806	9,101	(3,900)	7,007
Total	$ 2,986,937	$ 1,917,601	$ (2,103,425)	$ 2,801,113

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, 2017 and 2016, there were permanently restricted net assets of $175,000.

NOTE 16 – CHANGES IN 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.

NOTE 16 – CHANGES IN NET ASSETS (CONTINUED)

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

	2017	2016
Community Impact Endowment	$ 100,000	$ 100,000
Seymour Alpert Trust	75,000	75,000
Total	$ 175,000	$ 175,000

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

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

The accumulated earnings and appropriations are as follows for the permanently restricted endowments as of June 30, 2016:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,806	$ 175,000	$ 176,806
Contributions	-	-	-
Investment return, net	9,101	-	9,101
Appropriations	(3,900)	-	(3,900)
Endowment net assets, end of year	$ 7,007	$ 175,000	$ 182,007

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, 2017 and 2016 were approximately $134,200 and $76,400, respectively, and were recorded as "amounts raised and processed by United Way NCA" and "promises to give". Pledges outstanding as of June 30, 2017 and 2016 were approximately $48,000 and $37,400, respectively and are recorded in "promises to give, net".

NOTE 19 – SUBSEQUENT EVENT

United Way NCA has evaluated subsequent events through November 27, 2017, 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, 2017.

District of Columbia Education Programs:

In advance of the commencement of the District of Columbia's new 2017-18 school year, United Way NCA entered into grant agreements totaling approximately $2,075,000 with over 40 high-performing youth development non-profit organizations to deliver out-of-school time services to young people living in the District of Columbia. Each grant agreement states that, subject to the availability of funds, each grantee will receive four scheduled installments during the August 1, 2017 to July 31, 2018 grant period. The initial installment was paid in August 2017 using funds previously received from the District of Columbia in fiscal year 2017. United Way NCA expects to receive the remaining grant funds from the District of Columbia in advance of the three remaining scheduled grant installments.

Planned Giving:

In exchange for a $100,000 designated payment received in September 2017 from an existing donor who desires to leave a lasting legacy in his community in exchange for guaranteed fixed payments for life, United Way NCA is in the process of purchasing a charitable gift annuity through United Way Worldwide's Charitable Gift Annuity Program which will provide the donor with a monthly annuity payment for life and a residual payment to United Way NCA of approximately $35,000. The receipt of the residual payment is expected on or before December 31, 2017. The payment will be recorded as a non-campaign contribution in fiscal year 2018.