UNITED WAY OF THE NATIONAL CAPITAL AREA
Vienna, VA

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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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, 2016, 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, 2016, 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
www.cliftonlarsonallen.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, 2016 and 2015, 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.

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, 2016 and 2015, 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

Calverton, Maryland
December 2, 2016

FINANCIAL STATEMENTS

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 4,045,233	$ 5,523,945
Investments (Notes 1 and 2)	20,915,459	23,620,406
Promises to give, net (Note 1 and 4)	10,688,484	9,761,959
Federal grants receivable	32,540	80,139
Prepaid and other assets	184,324	145,343
Property and equipment, net (Note 5)	772,889	923,521
Deposits	45,256	45,256
Investments held for deferred compensation plan (Note 2)	35,345	15,173
TOTAL ASSETS	$ 36,719,530	$ 40,115,742

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable and accrued expenses	$ 2,182,976	$ 2,091,453
Deferred revenue	3,922	3,225
Contributor designations payable (Note 6)	10,375,059	9,509,360
Community impact grants payable (Note 9)	757,825	1,194,063
Defined benefit pension liability (Note 12)	494,965	2,589,714
Deferred compensation (Note 2 and 12)	35,345	15,173
Total liabilities	13,850,092	15,402,988
Commitments and contingencies (Notes 3, 11, 12, 17)		
NET ASSETS		
Unrestricted		
Operating	4,170,037	4,896,282
Board designated (Note 1)	15,723,288	16,654,535
Total Unrestricted	19,893,325	21,550,817
Temporarily restricted (Notes 1 and 15)	2,801,113	2,986,937
Permanently restricted (Notes 1 and 16)	175,000	175,000
Total net assets	22,869,438	24,712,754
TOTAL LIABILITIES AND NET ASSETS	$ 36,719,530	$ 40,115,742

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
(With Comparative Totals for 2015)

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Campaign results and other support:					
Campaign results:					
Amounts raised and processed by UWNCA	$ 16,521,663	$ 1,908,500	$ -	$ 18,430,163	$ 19,286,527
Amounts raised for UWNCA by CFC	10,018,237	-	-	10,018,237	10,748,844
Campaign results	26,539,900	1,908,500	-	28,448,400	30,035,371
Provisions for cancellations and uncollectible promises to give (Note 1 and Note 4)	(1,421,283)	-	-	(1,421,283)	(1,322,075)
Net campaign results before designations honored	25,118,617	1,908,500	-	27,027,117	28,713,296
Campaign designations honored:					
Contributor designations to participating agencies	(19,529,940)	-	-	(19,529,940)	(20,384,800)
Third party processing fees	(970,798)	-	-	(970,798)	(987,178)
Net contributors' designations honored	(20,500,738)	-	-	(20,500,738)	(21,371,978)
Net campaign results	4,617,879	1,908,500	-	6,526,379	7,341,318
Fee revenue from pledges	1,449,326	-	-	1,449,326	1,581,588
Investment income (Note 2)	168,433	9,101	-	177,534	554,730
Other revenue (Note 10)	1,090,974	-	-	1,090,974	2,203,790
Noncampaign contributions and grants	178,208	-	-	178,208	323,831
Net assets released from restrictions (Note 15)	2,103,425	(2,103,425)	-	-	-
Net campaign results and other support	9,608,245	(185,824)	-	9,422,421	12,005,257
EXPENSES					
Program services:					
Community impact grants (Note 9)	840,000	-	-	840,000	1,005,125
Community initiatives and events (Note 9)	636,374	-	-	636,374	1,247,498
Community services	3,524,156	-	-	3,524,156	3,684,452
Total program services	5,000,530	-	-	5,000,530	5,937,075
Supporting Services:					
Annual campaign fundraising	3,954,074	-	-	3,954,074	3,548,648
Management and general	1,621,771	-	-	1,621,771	1,352,532
Total supporting services	5,575,845	-	-	5,575,845	4,901,180
Total expenses	10,576,375	-	-	10,576,375	10,838,255
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	(968,130)	(185,824)	-	(1,153,954)	1,167,002
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	572,352
Total other changes	689,362	-	-	689,362	572,352
CHANGE IN NET ASSETS	(1,657,492)	(185,824)	-	(1,843,316)	594,650
NET ASSETS, BEGINNING OF YEAR	21,550,817	2,986,937	175,000	24,712,754	24,118,104
NET ASSETS, END OF YEAR	$ 19,893,325	$ 2,801,113	$ 175,000	$ 22,869,438	$ 24,712,754

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, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Campaign results and other support:				
Campaign results:				
Amounts raised and processed by UWNCA	$ 16,168,153	$ 3,118,374	$ -	$ 19,286,527
Amounts raised for UWNCA by CFC	10,748,844	-	-	10,748,844
Campaign results	26,916,997	3,118,374	-	30,035,371
Provisions for cancellations and uncollectible promises to give (Note 1 and 4)	(1,322,075)	-	-	(1,322,075)
Net campaign results before designations honored	25,594,922	3,118,374	-	28,713,296
Campaign designations honored:				
Contributor designations to participating agencies	(20,384,800)	-	-	(20,384,800)
Third party processing fees	(987,178)	-	-	(987,178)
Net contributors' designations honored	(21,371,978)	-	-	(21,371,978)
Net campaign results	4,222,944	3,118,374	-	7,341,318
Fee revenue from pledges	1,581,588	-	-	1,581,588
Investment income (Note 2)	552,924	1,806	-	554,730
Other revenue (Note 10)	2,203,790	-	-	2,203,790
Noncampaign contributions and grants	323,831	-	-	323,831
Net assets released from restrictions (Note 15)	2,417,410	(2,417,410)	-	-
Net campaign results and other support	11,302,487	702,770	-	12,005,257
EXPENSES				
Program services:				
Community impact grants (Note 9)	1,005,125	-	-	1,005,125
Community initiatives and events (Note 9)	1,247,498	-	-	1,247,498
Community services	3,684,452	-	-	3,684,452
Total program services	5,937,075	-	-	5,937,075
Supporting Services:				
Annual campaign fundraising	3,548,648	-	-	3,548,648
Management and general	1,352,532	-	-	1,352,532
Total supporting services	4,901,180	-	-	4,901,180
Total expenses	10,838,255	-	-	10,838,255
CHANGES IN NET ASSETS BEFORE OTHER CHANGES	464,232	702,770	-	1,167,002
OTHER CHANGES				
Total amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost (Note 12)	572,352	-	-	572,352
Total other changes	572,352	-	-	572,352
CHANGE IN NET ASSETS	(108,120)	702,770	-	594,650
NET ASSETS, BEGINNING OF YEAR	21,658,937	2,284,167	175,000	24,118,104
NET ASSETS, END OF YEAR	$ 21,550,817	$ 2,986,937	$ 175,000	$ 24,712,754

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
(With Comparative Totals for 2015)

	2016							
	Program Services			Supporting Services				
	Program Awards to Participating Agencies	Community Services	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2016 Total	2015 Total
Community impact grants	$ 840,000	$ -	$ 840,000	$ -	$ -	$ -	$ 840,000	$ 1,005,125
Other community grants, initiatives and events	636,374	-	636,374	200,000	-	200,000	836,374	1,247,498
Subtotal	1,476,374	-	1,476,374	200,000	-	200,000	1,676,374	2,252,623
Operating expenses:								
Salaries and benefits	-	1,977,496	1,977,496	2,151,812	975,560	3,127,372	5,104,868	4,662,570
Advertising and marketing	-	709,419	709,419	575,511	23,312	598,823	1,308,242	1,036,414
Professional fees	-	303,688	303,688	330,779	194,291	525,070	828,758	1,256,567
Occupancy	-	255,789	255,789	292,963	146,048	439,011	694,800	715,238
Dues	-	114,519	114,519	128,979	63,043	192,022	306,541	323,257
Meetings, special events, and travel	-	56,766	56,766	164,516	54,566	219,082	275,848	191,250
Depreciation and amortization	-	61,196	61,196	68,923	33,689	102,612	163,808	216,771
Postage, supplies, and other	-	22,209	22,209	20,332	65,207	85,539	107,748	107,989
Staff development	-	10,929	10,929	6,580	59,369	65,949	76,878	21,747
Insurance	-	12,145	12,145	13,679	6,686	20,365	32,510	53,829
TOTAL EXPENSES	$ 1,476,374	$ 3,524,156	$ 5,000,530	$ 3,954,074	$ 1,621,771	$ 5,575,845	$ 10,576,375	$ 10,838,255

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, 2015

	2015						
	Program Services			Supporting Services			
	Program Awards to Participating Agencies	Community Services	Total Program Services	Annual Campaign Fundraising	Management and General	Total Supporting Services	2015 Total
Community impact grants	$ 1,005,125	$ -	$ 1,005,125	$ -	$ -	$ -	$ 1,005,125
Other community grants, initiatives and events	1,247,498	-	1,247,498	-	-	-	1,247,498
Subtotal	2,252,623	-	2,252,623	-	-	-	2,252,623
Operating expenses:							
Salaries and benefits	-	1,976,917	1,976,917	1,847,383	838,270	2,685,653	4,662,570
Professional fees	-	614,298	614,298	426,870	215,399	642,269	1,256,567
Advertising and marketing	-	457,125	457,125	559,807	19,482	579,289	1,036,414
Occupancy	-	308,012	308,012	305,027	102,199	407,226	715,238
Dues	-	142,233	142,233	135,768	45,256	181,024	323,257
Depreciation and amortization	-	95,379	95,379	91,044	30,348	121,392	216,771
Meetings, special events, and travel	-	31,242	31,242	121,065	38,943	160,008	191,250
Postage, supplies, and other	-	30,499	30,499	30,350	47,140	77,490	107,989
Insurance	-	23,685	23,685	22,608	7,536	30,144	53,829
Staff development	-	5,062	5,062	8,726	7,959	16,685	21,747
TOTAL EXPENSES	$ 2,252,623	$ 3,684,452	$ 5,937,075	$ 3,548,648	$ 1,352,532	$ 4,901,180	$ 10,838,255

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,843,316)	$ 594,650
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net provision for allowance for doubtful promises to give	1,329	(68,895)
Depreciation and amortization	163,808	216,771
Donated stock	(81,305)	-
Net realized and unrealized losses on investments	394,579	31,596
Loss on disposal of asset	-	468
Effects of changes in operating assets and liabilities:		
(Increase) decrease in:		
Federal grants receivable	47,599	9,442
Prepaid and other assets	(38,981)	(28,991)
Promises to give	(927,854)	2,187,503
Increase (decrease) in:		
Accounts payable and accrued expenses	91,523	(252,711)
Deferred revenue	697	3,225
Defined benefit pension liability	(2,094,749)	279,204
Community impact grants payable	(436,238)	104,890
Community impact initiatives payable	-	(12,073)
Contributor designations payable	865,699	(3,211,959)
Deferred compensation	20,172	15,173
Net cash used in operating activities	(3,837,037)	(131,707)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Draw on line of credit	1,000,000	500,000
Repayment on line of credit	(1,000,000)	(500,000)
Net cash provided by (used in) operating activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset purchases	(13,176)	(8,594)
Purchase of investments	(6,556,644)	(6,131,957)
Proceeds from sale of investments	8,928,145	8,297,226
Net cash provided by investing activities	2,358,325	2,156,675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,478,712)	2,024,968
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,523,945	3,498,977
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,045,233	$ 5,523,945

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 is a not-for-profit organization locally governed by a board of community volunteers. 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. United Way NCA raises contributions from individuals, corporations, and other public and private institutions in the national capital area through an annual campaign.

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 $28 million in fiscal year 2016. United Way NCA also receives funding from special events; corporate sponsorship; 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 600 accredited member non-profit agencies and thousands 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, United Way NCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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. 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.

Promises to Give

Contributions are recognized when the donor makes a written promise to give to United Way NCA that is, in substance, unconditional.

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, credit history, current economic conditions, and historical collection trends.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 carrying amount of an asset 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 which are 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 pledge is collected. The balance of unpaid pledges designated to agencies remains as a liability until the pledge is 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 an expense 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, 2016 and 2015, were $6,238,205 and $5,814,932, respectively.

It is United Way NCA's policy to pay agencies based on cash received. Agencies are paid out by United Way NCA based on the cash received from donors who designate to that specific agency. Designations are paid to agencies net of the administrative fees. United Way NCA campaigns are named based on the fiscal year in which the contribution/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 agencies. The 2013 and all prior-year campaigns are officially closed.

Unrestricted Net Assets

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Net Assets
Represent resources available for support of operations and mission related activities.

Board Designated Net Assets
Represent board designated resources that can only be used for purposes approved by the Board of Directors. The Board of Directors has established a reserve for the following purposes as of June 30, 2016 and 2015:

	2016	2015
Crisis Relief Fund (CRF)	$ 95,000	$ 95,000
Spong Gift	659,535	659,535
Activities related to the strategic mission of the organization for substantial future needs	14,968,753	15,900,000
Total	$ 15,723,288	$ 16,654,535

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
Represent resources restricted due to time and/or purpose. As of June 30, 2016 and 2015, there were temporarily restricted net assets of $2,801,113 and $2,986,937, respectively.

Permanently Restricted Net Assets
Represent a charitable bequest in the amount of $100,000 and another charitable bequest in the amount of $75,000; both charitable bequests are restricted to invest in perpetuity. Interest earned on the first charitable bequest is designated to support community impact grants and activities and interest on the second charitable bequest is designated to support general operations. As of June 30, 2016 and 2015, there were permanently restricted net assets of $175,000.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campaign Results and Other Support (continued)

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.

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 2 and June 4 for fiscal years 2016 and 2015, respectively. Money raised from Do More 24 was included in campaign results, and consisted of the following for the years ended June 30, 2016 and 2015.

	2016	2015
Fundraising	$ 1,028,232	$ 1,080,865
Sponsorships	102,500	53,382
Total	$ 1,130,732	$ 1,134,247

Fee Revenue from Promises to Give

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016 and 2015, was $1,146,807 and $934,533, 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, 2016 and 2015. United Way NCA is subject to and pays annual personal property taxes to the State of Virginia.

The accounting standard on 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the FASB issued 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 2015 financial statements have been reclassified to conform to the presentation of the 2016 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 December 2, 2016, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to December 2, 2016, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. However, events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016. See Note 18 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 (GAAP), 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.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2016 and 2015.

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:

	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:				
Non-U.S. equity mutual fund	$ 35,345	$ -	$ -	$ 35,345
Liability: Deferred compensation	$ 35,345	$ -	$ -	$ 35,345

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Fixed income bonds:				
U.S. government short-term duration	$ -	$ 254,714	$ -	$ 254,714
U.S. government long-term duration	-	2,114,997	-	2,114,997
U.S. bank corporate bonds	-	11,469,137	-	11,469,137
Total fixed income bonds	-	13,838,848	-	13,838,848
Equities:				
Non-U.S. equity	1,188,883	-	-	1,188,883
Small cap core	862,305	-	-	862,305
Large cap core	1,714,240	-	-	1,714,240
Large cap value	1,412,489	-	-	1,412,489
Large cap growth	1,586,974	-	-	1,586,974
Total equities	6,764,891	-	-	6,764,891
Fixed income mutual fund	3,016,667	-	-	3,016,667
Total investments	$ 9,781,558	$ 13,838,848	$ -	$ 23,620,406
Investments held for deferred compensation plan:				
Non-U.S. equity mutual fund	$ 15,173	$ -	$ -	$ 15,173
Liability: Deferred compensation	$ 15,173	$ -	$ -	$ 15,173

Investment income at June 30, 2016 and 2015 consists of the following:

	2016	2015
Interest income	$ 486,302	$ 545,131
Unrealized gains (losses)	(515,673)	(805,200)
Realized gains	121,094	773,604
Dividends	226,483	213,025
Investment fees	(140,672)	(171,830)
Total	$ 177,534	$ 554,730

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, 2016 and 2015, total cash deposits held at financial institutions were $5,621,580 and $6,447,824, respectively.

NOTE 4 – PROMISES TO GIVE

All promises to give at June 30, 2016 and 2015 are due within one year and consist of the following:

	2016	2015
Promises to give	$ 13,384,730	$ 12,456,876
Calculation for doubtful promises to give:		
Allowance for doubtful promises to give - beginning of year	(2,694,917)	(2,763,812)
Write-off of doubtful promises to give	1,285,282	1,407,312
Current year provision for cancellations and uncollectible promises to give	(1,286,611)	(1,338,417)
Allowance for doubtful promises to give - end of year	(2,696,246)	(2,694,917)
Promises to give, net	$ 10,688,484	$ 9,761,959

	2016	2015
Provision for doubtful promises to give - current year campaign	$ 1,286,611	$ 1,338,417
Provision for doubtful promises to give - prior year campaigns	1,409,635	1,356,500
Allowance for doubtful promises to give	$ 2,696,246	$ 2,694,917

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at June 30, 2016 and 2015, and depreciation and amortization expense for the years ended June 30, 2016 and 2015, consist of the following:

	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

	2015				
	Estimated Useful Lives	2015 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and equipment	3 - 10 Years	$ 1,203,989	$ (926,267)	$ 277,722	$ 116,601
Leasehold improvements	10 Years	891,190	(245,391)	645,799	85,033
Website development	3 Years	167,737	(167,737)	-	15,137
Totals		$ 2,262,916	$ (1,339,395)	$ 923,521	$ 216,771

NOTE 6 – CONTRIBUTOR DESIGNATIONS PAYABLE

Designations payable of $10,375,059 and $9,509,360 at June 30, 2016 and 2015, respectively, are considered payable out of the current year's campaign funds and accordingly, and have been included as liabilities in the accompanying statements of financial position.

NOTE 7 – LINE OF CREDIT

In November 2014, United Way NCA entered into a $1 million unsecured line-of-credit with PNC Bank with an initial one year term and an annual interest rate equal to the London Interbank Offered Rate (LIBOR) plus 1.00%. Subsequent to its inception, the line-of-credit's borrowing limit was increased to $2 million and the term was renewed through January 29, 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, 2016 and June 30, 2015, there was no outstanding principal balance or unpaid accrued interest under the line-of-credit.

NOTE 8 – PLANNED GIVING/LIFE INSURANCE

In December 2014, United Way NCA was gifted an endowment funded by death benefits of a joint and last survivor life insurance policy issued by United of Omaha Life Insurance Policy and names United Way NCA the sole owner and 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 fiscal year 2015, the premium, in the amount of $42,000, was paid to United of Omaha Life Insurance Company of which $19,173 was initially expensed. The cash surrender value will be adjusted annually to recognize realized gain or loss. The cash surrender value was $23,289 and $22,827 as of June 30, 2016 and 2015, respectively. United Way NCA may obtain a loan secured by the Policy's cash surrender value. The loan will bear interest at an annual effective interest rate of 6% premium. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2016 and June 30, 2015, respectively.

NOTE 9 – COMMUNITY IMPACT GRANTS AND INITIATIVES

Community impact grant expense for the years ended June 30, 2016 and 2015, was $840,000 and $1,005,125, respectively. Total expense for community impact initiatives in the areas of Education, Financial Stability, and Health were $836,374 and $1,247,498 for the years ended June 30, 2016 and 2015, respectively.

All grants payable are due to be paid within one year and the grants payable amount as of June 30, 2016 and 2015 approximates the present value of future grant payments. Total community impact grants payable at June 30, 2016 and 2015, was $757,825 and $1,194,063, respectively.

NOTE 10 – OTHER REVENUE

Other revenue for the years ended June 30, 2016 and 2015 consists of the following:

	2016	2015
Charitable bequests	$ 10,112	$ 1,240,259
In-kind donations	913,232	782,438
Special events	121,123	98,396
Other	46,507	83,164
Loss on disposal of asset	-	(468)
Total	$ 1,090,974	$ 2,203,790

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 year ended June 30, 2016 and 2015, the related in-kind support recorded was $617,551 and $536,563, 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, 2016 and 2015, was $295,681 and $245,875, 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 new 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,	
2017	618,439
2018	631,737
2019	638,677
2020	652,848
2021	669,169
Thereafter	1,098,082
Total	$ 4,308,952

Rent expense for the years ended June 30, 2016 and 2015, was $603,043 and $593,522, 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, an employee's right to both matching and discretionary non-elective contributions is 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, 2016 and 2015, were $287,121 and $259,607, 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, 2016 and 2015, were $18,000 and $15,173, respectively.

Defined Benefit Pension Plan

United Way NCA has a defined benefit pension plan that 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.

United Way NCA implemented the provisions of a derisking plan during the first half of fiscal year 2016 that served to reduce the organization's pension benefit obligation by approximately $7.3 million or 88 percent (as compared to the pension benefit obligation as of June 30, 2015) by offering annuities to existing retirees and lump sum payments to non-retirees. Following the completion of the derisking plan, United Way NCA's Board of Directors approved the formal termination of the Plan effective September 1, 2016. The Plan's remaining pension benefit obligation is expected to be fully paid within 90 days of receiving the IRS' approval to move forward with the termination through the deployment of the Plan's remaining assets combined with a final contribution from United Way NCA.

NOTE 12 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

The funded status and amounts recognized in the accompanying statements of financial position relating to the plan as of June 30, 2016 and 2015, are as follows:

	2016	2015
At June 30,		
Accumulated benefit obligation	$ 965,021	$ 8,006,528
Fair value of plan assets	470,056	5,416,814
Minimum liability	$ (494,965)	$ (2,589,714)
Projected benefit obligation	$ 965,021	$ 8,006,528
Fair value of plan assets	470,056	5,416,814
Unfunded status	$ (494,965)	$ (2,589,714)
Year ended June 30,		
United Way contributions	$ 2,915,836	$ 394,094
Benefits paid	$ 7,851,483	$ 595,204
Net periodic benefit cost	$ 131,724	$ 100,946
Net (gain)/loss	$ 728,416	$ 678,296
Amortization of net loss	(39,054)	(105,944)
Total amount recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic benefit cost	$ 689,362	$ 572,352

Contributions

United Way NCA expects to make a final contribution to the Plan of approximately $500,000 in the fiscal year ending June 30, 2017 or within 90 days of receiving the IRS' approval to move forward with the termination, whichever is later.

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:

	2016	2015
Benefit obligations:		
Discount rate	2.25%	4.50%
Rate of increase in compensation	N/A	N/A
Net periodic pension costs:		
Discount rate	4.50%	4.25%
Expected long-term rate of return on plan assets	1.00%	6.00%
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, 2016 and 2015, by asset category, are as follows:

	2016	2015
Debt securities	100%	100%

Assets of the plan are invested in a pooled investment 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 de-risking plan and the upcoming Plan termination, the Plan’s assets as of June 30, 2016 and 2015 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 derisking plan and upcoming 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, 2016 and 2015, by asset category as defined in Note 2, are as follows:

	2016			
	Level 1	Level 2	Level 3	Total
Pooled Separate Accounts	$ -	$ 470,056	$ -	$ 470,056

	2015			
	Level 1	Level 2	Level 3	Total
Pooled Separate Accounts	$ -	$ 5,416,814	$ -	$ 5,416,814

Estimated Future Benefit Payments

Estimated future benefit payments that are expected to be paid over the next ten years are as follows:

Years ending June 30,	
2017	$ 5,967
2018	991,672
Total	$ 997,639

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 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 will be shared equally among UWW and all participating local United Ways and will encompass strategy, investment decisions and performance management.

Each member of the DSOG, including United Way NCA, will pay $200,000 per year for a period of three consecutive years; however, each participant has the ability to terminate participation with the DSOG upon 60 days written notice. United Way NCA made its first payment in July 2015, second payment in November 2016, with third payment expected to be made in July 2017. United Way NCA's annual payment of $200,000 per year for three consecutive years will be recorded as grant expense in the period the payment is made.

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include donor-restricted and other funds, which are only available for program activities, or general support designated for future years. Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the program restriction or the expiration of the time restriction.

Temporarily restricted net assets are 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

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes at June 30, 2015:

	Balance, June 30, 2014	Additions	Releases	Balance, June 30, 2015
Purpose restricted:				
Do More 24	$ 20,720	$ 260	$ (20,980)	$ -
Education	543,863	402,861	(591,824)	354,900
Financial Stability	-	43,422	(42,171)	1,251
Health	148,103	109,749	(166,919)	90,933
Basic Needs	21,159	-	(6,508)	14,651
Community Impact Fund	1,419,275	2,352,101	(1,329,163)	2,442,213
Veterans Fund	105,231	209,981	(234,029)	81,183
Endowment Earnings	25,816	1,806	(25,816)	1,806
Total	$ 2,284,167	$ 3,120,180	$ (2,417,410)	$ 2,986,937

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS

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) accumulations 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 the organization 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

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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

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.

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

	2016	2015
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, 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 16 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The accumulated earnings and appropriations are as follows for the permanently restricted endowments as of June 30, 2015:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,816	$ 175,000	$ 200,816
Contributions	-	-	-
Investment return, net	1,806	-	1,806
Appropriations	(25,816)	-	(25,816)
Endowment net assets, end of year	$ 1,806	$ 175,000	$ 176,806

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 – SUBSEQUENT EVENT

In October 2016, United Way NCA entered into an agreement with the District of Columbia (the District) to administer and oversee the District's $4.9 million grant programs pursuant to the Children and Youth Initiative Establishment Act. Pursuant to the agreement, United Way NCA will use 90 percent of the District's funds to disburse grants to qualified non-profit organizations (grantees) capable of providing services to District children, youth and their families, including, but not limited to, early childhood development opportunities, safe and enriching centers of learning in and out of school, and other training, recreational and educational services. The remaining 10 percent of the District's funds will be retained by United Way NCA as a fee for services rendered in the administration and oversight of the District's grant programs.