

UNITED WAY OF THE NATIONAL CAPITAL AREA

FINANCIAL STATEMENTS
June 30, 2020 and 2019



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Management's Certification on Internal Controls Over Financial Reporting

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

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

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Management assessed the effectiveness of United Way of the National Capital Area's internal controls over financial reporting as of June 30, 2020, 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, 2020, United Way of the National Capital Area's internal controls over financial reporting are effective based on the criteria established in *Internal Control—Integrated Framework*.



Rosie Allen-Herring, President & Chief Executive Officer



Kevin Smith, Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of United Way of the National Capital Area, which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Adoption of Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and the Financial Accounting Standards Board (FASB) Accounting Standards Update 2014-09: *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 12, 2020

FINANCIAL STATEMENTS

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 6,958,335	\$ 4,722,358
Investments (Note 2)	20,634,778	21,332,311
Promises to Give, Net (Note 3)	6,621,704	7,797,676
Accounts Receivable, Prepaid and Other Assets	448,154	289,708
Property and Equipment, Net (Note 5)	250,574	386,017
Investments Held for Deferred Compensation Plan (Note 2)	141,758	119,357
	\$ 35,055,303	\$ 34,647,427
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,449,454	\$ 2,035,492
Deferred Revenue and Other Liabilities (Note 16)	3,845,822	3,167,205
Contributor Designations Payable (Note 6)	5,857,387	6,887,199
Community Impact and Other Grants Payable (Notes 10 and 16)	1,316,290	1,027,807
Deferred Compensation (Notes 2 and 13)	141,758	119,357
Loan Payable (Note 8)	940,913	-
Capital Lease Liability	9,922	16,815
	13,561,546	13,253,875
Total Liabilities		
COMMITMENTS AND CONTINGENCIES (Notes 11, 12, 13 and 18)		
NET ASSETS		
Without Donor Restriction:		
Operating	6,031,459	5,135,842
Board-Designated (Notes 1 and 18)	12,959,313	13,662,267
Total Without Donor Restriction	18,990,772	18,798,109
With Donor Restriction:		
Purpose Restricted (Note 18)	2,327,985	2,420,443
Held in Perpetuity (Note 18)	175,000	175,000
Total With Donor Restriction	2,502,985	2,595,443
Total Net Assets	21,493,757	21,393,552
Total Liabilities And Net Assets	\$ 35,055,303	\$ 34,647,427

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, 2020
(With Comparative Totals for 2019)

	2020		2020 Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Campaign Results and Other Support:				
Campaign Results:				
Amounts Raised from UWNCA Campaigns	\$ 11,444,692	\$ 638,809	\$ 12,083,501	\$ 13,063,488
Amounts Raised by Combined Federal Campaign	7,161,764	-	7,161,764	7,535,423
Fee Revenue from Fundraising Campaigns	1,320,096	-	1,320,096	1,411,445
Campaign Results	<u>19,926,552</u>	<u>638,809</u>	<u>20,565,361</u>	<u>22,010,356</u>
Provisions for Cancellations and Uncollectible				
Promises to Give	(1,602,434)	-	(1,602,434)	(999,385)
Net Campaign Results Before Designations Honored	18,324,118	638,809	18,962,927	21,010,971
Campaign Designations Honored:				
Contributor Designations to Participating Agencies	(11,674,401)	-	(11,674,401)	(13,052,464)
Third-Party Processing and Other Fees	(1,852,691)	-	(1,852,691)	(1,861,637)
Net Contributors' Designations Honored	<u>(13,527,092)</u>	<u>-</u>	<u>(13,527,092)</u>	<u>(14,914,101)</u>
Net Campaign Results	<u>4,797,026</u>	<u>638,809</u>	<u>5,435,835</u>	<u>6,096,870</u>
Investment Income	1,189,425	17,077	1,206,502	1,518,307
Other Revenue	826,375	98,651	925,026	960,918
Noncampaign Contributions, Grants and Contracts	2,338,169	2,768,318	5,106,487	3,922,870
Net Assets Released from Restrictions	3,615,313	(3,615,313)	-	-
Net Campaign Results and Other Support	<u>12,766,308</u>	<u>(92,458)</u>	<u>12,673,850</u>	<u>12,495,666</u>
EXPENSES				
Program Services:				
Program Grants	3,153,814	-	3,153,814	2,860,143
Program Initiatives	4,449,492	-	4,449,492	4,290,689
Total Program Services	<u>7,603,306</u>	<u>-</u>	<u>7,603,306</u>	<u>7,150,832</u>
Supporting Services:				
Fundraising	3,333,612	-	3,333,612	3,742,153
Management and General	1,636,727	-	1,636,727	1,826,022
Total Supporting Services	<u>4,970,339</u>	<u>-</u>	<u>4,970,339</u>	<u>5,568,175</u>
Total Expenses	<u>12,573,645</u>	<u>-</u>	<u>12,573,645</u>	<u>12,719,007</u>
CHANGE IN NET ASSETS	192,663	(92,458)	100,205	(223,341)
Net Assets - Beginning of Year	<u>18,798,109</u>	<u>2,595,443</u>	<u>21,393,552</u>	<u>21,616,893</u>
NET ASSETS - END OF YEAR	<u>\$ 18,990,772</u>	<u>\$ 2,502,985</u>	<u>\$ 21,493,757</u>	<u>\$ 21,393,552</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	2019 Total
Campaign Results and Other Support:			
Campaign Results:			
Amounts Raised from UWNCA Campaigns	\$ 12,052,968	\$ 1,010,520	\$ 13,063,488
Amounts Raised by Combined Federal Campaign	7,535,423	-	7,535,423
Fee Revenue from Fundraising Campaigns	1,411,445	-	1,411,445
Campaign Results	<u>20,999,836</u>	<u>1,010,520</u>	<u>22,010,356</u>
Provisions for Cancellations and Uncollectible Promises to Give			
Promises to Give	(999,385)	-	(999,385)
Net Campaign Results Before Designations Honored	20,000,451	1,010,520	21,010,971
Campaign Designations Honored:			
Contributor Designations to Participating Agencies	(13,052,464)	-	(13,052,464)
Third-Party Processing and Other Fees	(1,861,637)	-	(1,861,637)
Net Contributors' Designations Honored	<u>(14,914,101)</u>	<u>-</u>	<u>(14,914,101)</u>
Net Campaign Results	<u>5,086,350</u>	<u>1,010,520</u>	<u>6,096,870</u>
Investment Income	1,504,577	13,730	1,518,307
Other Revenue	895,918	65,000	960,918
Noncampaign Contributions, Grants and Contracts	1,597,445	2,325,425	3,922,870
Net Assets Released from Restrictions	<u>3,570,095</u>	<u>(3,570,095)</u>	<u>-</u>
Net Campaign Results and Other Support	12,651,086	(155,420)	12,495,666
EXPENSES			
Program Services:			
Program Grants	2,860,143	-	2,860,143
Program Initiatives	<u>4,290,689</u>	<u>-</u>	<u>4,290,689</u>
Total Program Services	7,150,832	-	7,150,832
Supporting Services:			
Fundraising	3,742,153	-	3,742,153
Management and General	<u>1,826,022</u>	<u>-</u>	<u>1,826,022</u>
Total Supporting Services	<u>5,568,175</u>	<u>-</u>	<u>5,568,175</u>
Total Expenses	<u>12,719,007</u>	<u>-</u>	<u>12,719,007</u>
CHANGE IN NET ASSETS	(67,921)	(155,420)	(223,341)
Net Assets - Beginning of Year	<u>18,866,030</u>	<u>2,750,863</u>	<u>21,616,893</u>
NET ASSETS - END OF YEAR	<u>\$ 18,798,109</u>	<u>\$ 2,595,443</u>	<u>\$ 21,393,552</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020							2019 Total
	Program Services			Supporting Services			2020 Total	
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Community Impact Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 545,000
Program Grants and Expenses	3,153,814	994,636	4,148,450	-	22,100	22,100	4,170,550	2,965,273
Subtotal	3,153,814	994,636	4,148,450	-	22,100	22,100	4,170,550	3,510,273
Operating Expenses:								
Salaries and Benefits	-	2,458,692	2,458,692	1,769,102	1,177,941	2,947,043	5,405,735	5,816,259
Professional Fees	-	158,433	158,433	790,720	136,927	927,647	1,086,080	1,133,281
Occupancy	-	354,833	354,833	265,586	117,287	382,873	737,706	724,795
Advertising and Marketing	-	202,837	202,837	312,096	35,219	347,315	550,152	729,288
Dues	-	132,622	132,622	92,777	39,197	131,974	264,596	285,267
Depreciation and Amortization	-	67,887	67,887	47,491	20,065	67,556	135,443	193,686
Postage, Supplies, and Other	-	19,170	19,170	10,771	52,143	62,914	82,084	98,892
Meetings, Special Events, and Travel	-	29,028	29,028	12,251	22,003	34,254	63,282	152,647
Insurance	-	26,978	26,978	18,873	7,973	26,846	53,824	52,483
Staff Development	-	4,376	4,376	13,945	5,872	19,817	24,193	22,136
Total Expenses	<u>\$ 3,153,814</u>	<u>\$ 4,449,492</u>	<u>\$ 7,603,306</u>	<u>\$ 3,333,612</u>	<u>\$ 1,636,727</u>	<u>\$ 4,970,339</u>	<u>\$ 12,573,645</u>	<u>\$ 12,719,007</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	2019						
	Program Services			Supporting Services			2019 Total
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Community Impact Grants	\$ 545,000	\$ -	\$ 545,000	\$ -	\$ -	\$ -	
Program Grants and Expenses	<u>2,315,143</u>	<u>586,759</u>	<u>2,901,902</u>	<u>826</u>	<u>62,545</u>	<u>63,371</u>	<u>2,965,273</u>
Subtotal	2,860,143	586,759	3,446,902	826	62,545	63,371	3,510,273
Operating Expenses:							
Salaries and Benefits	-	2,601,866	2,601,866	2,027,061	1,187,332	3,214,393	5,816,259
Advertising and Marketing	-	205,852	205,852	503,319	20,117	523,436	729,288
Professional Fees	-	278,955	278,955	628,301	226,025	854,326	1,133,281
Occupancy	-	306,762	306,762	282,279	135,754	418,033	724,795
Dues	-	124,291	124,291	111,368	49,608	160,976	285,267
Meetings, Special Events, and Travel	-	52,264	52,264	69,009	31,374	100,383	152,647
Depreciation and Amortization	-	84,389	84,389	75,615	33,682	109,297	193,686
Postage, Supplies, and Other	-	20,529	20,529	14,651	63,712	78,363	98,892
Staff Development	-	6,155	6,155	9,235	6,746	15,981	22,136
Insurance	-	22,867	22,867	20,489	9,127	29,616	52,483
Total Expenses	<u>\$ 2,860,143</u>	<u>\$ 4,290,689</u>	<u>\$ 7,150,832</u>	<u>\$ 3,742,153</u>	<u>\$ 1,826,022</u>	<u>\$ 5,568,175</u>	<u>\$ 12,719,007</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 100,205	\$ (223,341)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Net Provision for Allowance for Doubtful Promises to Give	561,921	(87,591)
Depreciation and Amortization	135,443	193,686
Donated Stock	(71,903)	(44,052)
Net Realized and Unrealized Gains on Investments	(710,490)	(991,321)
Effects of Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable, Prepaid and Other Assets	(158,446)	171,730
Promises to Give	614,051	946,533
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(586,038)	(148,605)
Deferred Revenue and Other Liability	678,617	2,685,775
Community Impact Grants Payable	288,483	(420,073)
Contributor Designations Payable	(1,029,812)	(682,021)
Deferred Compensation	22,401	45,717
Net Cash (Used) Provided by Operating Activities	(155,568)	1,446,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Purchases	-	(14,521)
Purchase of Investments	(4,219,994)	(6,333,447)
Proceeds from Sale of Investments	5,677,519	7,275,926
Net Cash Provided by Investing Activities	1,457,525	927,958
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on Line of Credit	3,000,000	5,000,000
Repayment on Line of Credit	(3,000,000)	(5,000,000)
Proceeds from Loan Payable	940,913	-
Payments on Capital Lease	(6,893)	(6,458)
Net Cash Provided (Used) by Financing Activities	934,020	(6,458)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,235,977	2,367,937
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,722,358	2,354,421
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,958,335	\$ 4,722,358

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of the National Capital Area (United Way NCA) is a not-for-profit organization locally governed by a volunteer board of community leaders. The mission of United Way NCA is to improve lives of underserved individuals in the national capital area by focusing community resources on creating measurable and lasting impact. United Way NCA pursues this mission by fighting for the health, education, and financial stability of every person in our community. We are uniquely positioned at the intersection of the public, private, philanthropic, and nonprofit sectors, and the only organization that can mobilize the best resources and people to lead collective impact for communities across the region. That is what it means to “Live United” in the national capital area.

This year, United Way NCA wrapped up its five-year Community Commitment, which launched in fiscal year 2016. Over the last five years, United Way NCA and its partners provided academic and wraparound services to 14,567 low-to-moderate-income middle school students to help them transition to high school and perform at grade level through our 13 Title I community schools across the region. United Way NCA also served 23,176 students and families through an integrated approach to health and wellness. 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 also provided over 100,000 area residents free financial coaching and tax preparation services resulting in \$103.5 million in tax refunds 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 single largest annual fundraising campaigns within the United Way network, raising over \$7.0 million in fiscal year 2020. United Way NCA’s fundraising efforts provides financial support for not only its own programs and operations, but to 476 accredited member nonprofit agencies and hundreds of other 501(c)(3) organizations serving the national capital area. United Way NCA also generates funding from special events, corporate sponsorships, and grants received from corporations, foundations, and government entities as well as fees earned from providing program management, nonprofit training and other professional services to local area governments, municipalities and nonprofit professionals.

United Way NCA also encourages donors to contribute to community impact funds in each of the eleven regions represented by United Way NCA. These regions are: Prince George’s and Montgomery Counties in Maryland, the District of Columbia, and the Northern Virginia areas of the City of Alexandria, Arlington, Fairfax, Prince William, and Loudoun Counties and the Virginia Piedmont area of Rappahannock, Fauquier, and Culpeper Counties.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and required the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The update—adopted early by United Way NCA in FY2020—addresses the complexity of revenue recognition and provides sufficient information to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The modified retrospective approach was used in transition to the adoption of the accounting standard and applied to all contracts that were not completed as of the implementation date of July 1, 2019. The organization's financial statements reflect the application of this ASU. No cumulative-effect adjustment to net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the organization's reported historical revenue.

Additionally, United Way NCA also adopted the requirements of the FASB's ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2018-08 did not significantly impact the United Way NCA's reported historical revenue or expense.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

- Net assets **Without Donor Restrictions** are not restricted by any donor or grantor-imposed time, purpose, or other restrictions. Any previous restrictions have expired or otherwise have been satisfied. Net assets without donor or grantor-imposed restrictions represent funds that are fully available, at the discretion of management and the Board of Directors, for United Way NCA to utilize in support of its mission, including programs, fundraising, and core management activities. At its discretion, the Board of Directors may designate a portion of unrestricted net assets for specific purposes, such as the pursuit of strategic opportunities, establishing an operating reserve and promoting the organization's long-term financial viability. Since Board-designated net assets are not donor or grantor-imposed restrictions, they are reported as a component of net assets without donor restrictions. *See Note 18 for more information on the composition of net assets without donor restrictions.*
- Net assets **With Donor Restrictions** consist of assets whose use is limited by donor or grantor-imposed time and/or purpose restrictions. When donor or grantor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Net assets restricted in perpetuity or for which the donor allows the use of all or a portion of the investment income and gains earned from investing the contribution toward the overall mission of the organization for a specific purpose are additionally included in this classification. The portion of the donor-restricted contribution classified as restricted in perpetuity are held in accordance with explicit donor stipulations. *See Note 18 for more information on the composition of net assets with donor restrictions and the release of restrictions.*

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments with original maturities of three months or less; and investments in money market funds that are carried at cost plus accrued interest, which approximates fair value. It is United Way NCA's practice to place its cash and cash equivalents and investments in high credit quality financial institutions. Balances in these accounts may exceed federally insured limits.

Certain accounts held by United Way NCA are restricted for use related to specific programmatic activities. United Way NCA has established such an account for the District of Columbia's Out of School Time programs and activities. Total cash on-hand in a restricted bank account as of June 30, 2020 and 2019 was approximately \$3,667,772 and \$3,031,365, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

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

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

Contributions and Promises to Give

Contributions, which include paid gifts, grants, and unconditional promises to give, are recognized as revenue when payments are received or when donors and grantors make written promises to give to United Way NCA that are, in substance, unconditional. Contributions are available for use unless specifically restricted by the donor or grantor. Contributions with donor or grantor-imposed time or purpose restrictions are recorded as net assets with donor restrictions. When donor or grantor-imposed time restrictions expire or purpose restrictions are fulfilled, those net assets with donor or grantor-imposed restrictions are reclassified to net assets without donor restrictions. These reclassifications are reported as net assets released from restriction on the statement of activities. Contributions with a specific donor or grantor-imposed conditional barrier, such as a matching gift or grant, combined with a right of return or recession are recognized as revenue when the conditions have been substantially met.

Provision for Uncollectible Promises to Give

Unconditional promises to give (pledges) are recognized as revenue in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The provision for doubtful accounts is based on management's evaluation of the collectability of promises to give. Management determines the allowance for doubtful accounts by regularly evaluating promises to give and considering current and projected financial and economic conditions, including the impact from the COVID-19 pandemic, and historical collection trends.

Property and Equipment

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

United Way NCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to future undiscounted net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributor Designations Payable

Certain campaign contributions and pledges made to United Way NCA are designated to other agencies. These campaign contributions and pledges are recognized as campaign results and contributor designations to participating agencies. United Way NCA disburses the amounts to agencies after contributions are received and pledges collected. The balance of unpaid pledges designated to agencies remains as a liability until the pledges are collected and paid or until the annual campaign is officially closed. United Way NCA is acting as an agent or trustee to transfer designated contributions to agencies, and in doing so, has no discretion over the use of designated contributions.

United Way NCA also records campaign contributions and pledges processed by a third-party processor where the contributor pays the third-party processor who pays the designated agency directly (pay directs). United Way NCA is not involved with the receipt or disbursement of these pledges; therefore, no corresponding pledge receivable or contributor designations payable are recorded. Total pay direct campaign results and contributor designations for the years ended June 30, 2020 and 2019, were \$4,538,646 and \$4,328,297, respectively.

As a recognized federation of the Combined Federal Campaign (CFC), United Way NCA honors designations made to each member nonprofit organization by distributing a proportionate share of receipts based on donor designations to each member nonprofit organization per CFC regulations established by the Office of Personnel Management (OPM). United Way NCA disburses those receipts to designated nonprofit organizations based on the cash received from donors who designate to those specific nonprofit organizations. Designations are paid to nonprofit organizations net of fundraising, processing, and administrative fees.

As a general matter, in addition to up-front credit card and cash contributions, campaigns allow employee pledges to be paid through payroll deductions for the upcoming calendar or fiscal year depending on the specific campaign. Campaigns are officially closed after the final campaign has been audited and all donations that United Way NCA has received are paid out to the appropriate designated nonprofit organizations. The 2017 and all prior-year campaigns are officially closed.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The revenue-related information below describes the nature, amount, and timing of the revenue that was recognized when the associated performance obligations was accomplished and the earning process completed for exchange transactions, as well as the recognition policies for contribution revenue.

Campaign Results and Other Support

Campaign contributions and pledges designated to United Way NCA are recognized as revenue when promises to give are acknowledged in writing and are recorded as either donations with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted contributions and pledges are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Campaign contributions and pledges designated to other agencies, which are recognized as campaign results with a corresponding entry to contributor designations to participating agencies, are reported as an increase and corresponding decrease in net assets without donor restrictions during the same fiscal year.

In addition to workplace campaign contributions and pledges designated to United Way NCA or other nonprofits, Campaign Results and Other Support also include results from special initiatives. In fiscal year 2013, United Way NCA launched a community-inspired 24-hour day of giving event titled “Do More 24.” Given the unprecedented need caused by the COVID-19 pandemic in 2020, United Way NCA joined efforts with giving day initiatives from two other regional organizations to create #GivingTuesdayNow. The results included 13,000 donors giving to over 450 organizations to support families in the greater Washington, D.C. area. The event was held on May 5 and May 22 for fiscal years 2020 and 2019, respectively. Money raised from Do More 24 was included in Campaign Results and Other Support and consists of the following for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 532,580	\$ 1,008,303
Sponsorships	62,500	47,706
Total	<u>\$ 595,080</u>	<u>\$ 1,056,009</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Fee Revenue from Fundraising Campaigns

United Way NCA earns fee revenue to support campaign fundraising and administration activities including vetting nonprofit organizations, working with organizations to support their workplace campaign efforts, managing donor relation activities, and distributing designated contributions. These fees are paid either directly by the sponsoring company or deducted from designated contributions and pledges. In recognition that substantially all of these services are performed during United Way NCA’s fiscal year, combined with the fact that the time period provided by sponsoring companies for their employees to make annual pledges and contributions also occur during the fiscal year, the entire campaign fundraising and administration fee is recognized during the fiscal year in which the pledge or contribution is made.

United Way NCA also earns annual application fees from local area nonprofits who desire to become a member of United Way NCA’s network of non-profit partners. United Way NCA’s nonprofit partners must meet a strict set of eligibility criteria as part of an annual partner application process. The application process provides assurance to our donors, campaign sponsors and supporters that United Way NCA’s nonprofit partners meet the highest standards of financial transparency and accountability. In recognition that the annual partnership year runs from July 1 through June 30 (which coincides with United Way NCA’s fiscal year), and the annual application process begins in November and ends three months later in January (which takes place inside of United Way NCA’s fiscal year), revenue from application fees are recognized and the performance obligations are satisfied within the same fiscal year.

Revenue from campaign fundraising and administration fees for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Campaign Fees	\$ 984,057	\$ 1,076,184
Application and Listing Fees	336,039	335,261
Total	<u>\$ 1,320,096</u>	<u>\$ 1,411,445</u>

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 and classified as net assets without donor restrictions. 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 revenue in the period the commitments are accepted by United Way NCA and classified as net assets with donor restrictions until the restrictions are satisfied, at which point they are released from restriction and classified as net assets without donor restrictions.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Non-Campaign Contributions, Grants, and Contracts (Continued)

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

United Way NCA entered into contracts with government agencies and other organizations to perform a variety of services in exchange for fees or reimbursement of qualifying expenses. The types of services performed include, but are not limited to, program and grants management services, and organizational training and development services. To the extent these contracts and related services are considered exchange transactions, whereby United Way NCA receives cash or other assets in exchange for providing services of approximately equal value, fee revenue is recognized when services are rendered, deliverables are met, and/or related expenses are incurred, depending on the terms of each contract. Revenue from contracts with customers for the years ended June 30, 2020 and 2019 was \$1,387,804 and \$1,055,891, respectively. Of that amount, approximately \$151,000 was unpaid as of fiscal year end, and therefore recorded in Accounts Receivable, Prepaid Expenses and Other Assets as of June 30, 2020. The amount was subsequently paid in full early in the new fiscal year.

Donated Services

A substantial number of volunteers have donated significant amounts of time in support of United Way NCA's programs and fundraising campaigns. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

In-Kind Contributions

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

Allocation of Expenses by Activities

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed when incurred or when donated to United Way NCA. Advertising expense for the years ended June 30, 2020 and 2019 was \$424,239 and \$505,907, respectively.

Income and Other Taxes

United Way NCA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and therefore qualifies as an organization eligible to receive deductible charitable contributions and has been classified as an organization that is not a private foundation. Income that is unrelated to the organization's tax-exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Under the Tax Cuts and Jobs Act (the Act) enacted in January 2018, United Way NCA incurred unrelated business income tax on qualified transportation fringe benefits. With the retroactive repeal of certain aspects of the Act in 2020, United Way NCA will no longer incur taxes on these benefits. The Commonwealth of Virginia and the District of Columbia have also repealed state-level conformity to the Act which no longer requires United Way NCA to incur state-level tax obligations related to qualified transportation fringe benefits. United Way NCA will be filing amended Form 990-T returns for all years impacted to request a full refund of all taxes paid.

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

Cash Receipts Policy

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of campaign results, revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), on February 25, 2016. The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and by requiring footnote disclosure about key information pertaining to leasing arrangements. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories. Financing leases, similar to capital leases, will require the recognition of an asset and liability, measured at the present value of the lease payments. Operating leases will also require the recognition of an asset and liability measured at the present value of the lease payments. Lessor accounting remains substantially unchanged. United Way NCA will adopt the new standard for its fiscal year ending June 30, 2023.

Reclassification

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform to the presentation of the fiscal year 2020 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

Subsequent Events

United Way NCA has evaluated subsequent events through November 12, 2020, which is the date the financial statements were available to be issued. There were no events that required adjustments to or disclosure in United Way NCA's financial statements for the year ended June 30, 2020.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2** Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable for the asset or liability, significant to the fair value measurement, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant judgment or estimation.

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, 2020 and 2019.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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:

	2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Fixed Income Bonds:				
U.S. Government Long-Term Duration	\$ -	\$ 3,263,686	\$ -	\$ 3,263,686
U.S. Bank Corporate Bonds	-	10,154,456	-	10,154,456
Total Fixed Income Bonds	-	13,418,142	-	13,418,142
Equities:				
iShares S&P 500 Index Fund	2,137,968	-	-	2,137,968
Non-U.S. Equity	1,961,757	-	-	1,961,757
Small Cap Core	703,817	-	-	703,817
Large Cap Core	10,749	-	-	10,749
Large Cap Value	842,098	-	-	842,098
Large Cap Growth	908,159	-	-	908,159
Total Equities	6,564,548	-	-	6,564,548
Fixed Income Mutual Fund	652,088	-	-	652,088
Total Investments	\$ 7,216,636	\$ 13,418,142	\$ -	\$ 20,634,778
Investments Held for Deferred Compensation Plan:				
U.S. Equity Mutual Fund	\$ 141,758	\$ -	\$ -	\$ 141,758
Liability: Deferred Compensation	\$ 141,758	\$ -	\$ -	\$ 141,758

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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:

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

Investment income as of June 30, 2020 and 2019, consists of the following:

	2020	2019
Interest Income	\$ 419,972	\$ 440,290
Unrealized (Losses) Gains	(60,585)	447,806
Realized Gains	771,075	543,515
Dividends	195,260	204,461
Investment Fees	(119,220)	(117,765)
Total	<u>\$ 1,206,502</u>	<u>\$ 1,518,307</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 – PROMISES TO GIVE

All promises to give, as of June 30, 2020 and 2019, are due within one year and consist of the following:

	<u>2020</u>	<u>2019</u>
Promises to Give	\$ 9,155,345	\$ 9,769,396
Calculation for Doubtful Promises to Give:		
Allowance for Doubtful Promises to Give - Beginning of Year	(1,971,720)	(2,059,311)
Write-Off of Doubtful Promises to Give and Other Adjustments	941,635	1,026,789
Current Year Provision for Cancellations and Uncollectible Promises to Give	<u>(1,503,556)</u>	<u>(939,198)</u>
Allowance for Doubtful Promises to Give - End of Year	<u>(2,533,641)</u>	<u>(1,971,720)</u>
Promises to Give, Net	<u>\$ 6,621,704</u>	<u>\$ 7,797,676</u>
	<u>2020</u>	<u>2019</u>
Provision for Doubtful Promises to Give - Current Year Campaign	\$ 1,503,556	\$ 939,198
Provision for Doubtful Promises to Give - Prior Year Campaigns	<u>1,030,085</u>	<u>1,032,522</u>
Allowance for Doubtful Promises to Give	<u>\$ 2,533,641</u>	<u>\$ 1,971,720</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 – LIQUIDITY

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

	2020	2019
Cash and Cash Equivalents	\$ 6,958,335	\$ 4,722,358
Investments	20,634,778	21,332,311
Promises to Give, Net	6,621,704	7,797,676
Accounts Receivable	151,539	3,175
Total Financial Assets Available Within One Year	34,366,356	33,855,520
Less:		
Amounts Unavailable for General Expenditures Within One Year, due to:		
Restricted By Donors In Perpetuity	(175,000)	(175,000)
Restricted By Donors With Purpose Restrictions	(2,327,985)	(2,420,443)
Total Amounts Unavailable For General Expenditures Within One Year	(2,502,985)	(2,595,443)
Amounts Unavailable to Management Without Board's Approval:		
Board-Designated for Crisis Relief Fund	(45,000)	(45,000)
Board-Designated for Spong Gift	(614,313)	(617,267)
Board-Designated for Strategic Mission Of the Organization	(12,300,000)	(13,000,000)
Amounts Unavailable to Management Without Board's Approval:	(12,959,313)	(13,662,267)
Total Financial Assets Available To Management For General Expenditure Within One Year	\$ 18,904,058	\$ 17,597,810

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, as well as, depreciation and amortization expense, for the years ended June 30, 2020 and 2019, consist of the following:

	Estimated Useful Lives	2020			
		2020 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and Equipment	3 - 10 Years	\$ 1,228,829	\$ (1,206,135)	\$ 22,694	\$ 31,065
Leasehold Improvements	10 Years	893,890	(672,178)	221,712	79,703
Website Development	3 Years	241,762	(235,594)	6,168	24,675
Total		<u>\$ 2,364,481</u>	<u>\$ (2,113,907)</u>	<u>\$ 250,574</u>	<u>\$ 135,443</u>

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

NOTE 6 – CONTRIBUTOR DESIGNATIONS PAYABLE

Contributor designations payable of \$5,857,387 and \$6,887,199 as of June 30, 2020 and 2019, respectively, are considered payable out of the current year's campaign funds and, accordingly, have been included as liabilities in the accompanying statements of financial position.

NOTE 7 – LINE OF CREDIT

United Way NCA maintains a \$2.0 million unsecured line of credit with an annual interest rate equal to the London Interbank Offered Rate (LIBOR) plus 1.00% and a renewable one-year term that expires January 31, 2021. Any borrowings under the line of credit are assessed interest at the prevailing rate; any monthly accrued but unpaid interest is due and payable at the end of each month; and any outstanding principal balance and accrued but unpaid interest is due and payable at the expiration date. As of June 30, 2020, and 2019, there was no outstanding principal balance or unpaid accrued interest under the line of credit. United Way NCA plans to request a renewal on or before the scheduled expiration date.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 – LOAN PAYABLE

On May 4, 2020 the United Way NCA received a loan from a lender in the amount of \$939,400 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. As the application for forgiveness has not been completed as of the date the financial statements were available to be issued, information such as the covered period is not determinable.

NOTE 9 – PLANNED GIVING/LIFE INSURANCE

United Way Life

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

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 9 – PLANNED GIVING/LIFE INSURANCE (CONTINUED)

United Way Life (Continued)

During fiscal year ended June 30, 2017, United Way NCA received a legacy gift that will be funded by death benefits of a life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and beneficiary of the policy's death benefits. The policy, in the amount of \$250,000 will be paid to United Way NCA upon maturation to support the future growth of United Way NCA's programs, services, and operations. The donor of the legacy gift agreed to keep the policy in full force and effect by making five consecutive annual contributions in the amount of \$2,954 to United Way NCA on or before the payment due date. United Way NCA used the donor's annual contribution along with annual matching funds in the amount of \$2,954 (provided by a former donor) to remit to United of Omaha Life Insurance Company timely annual premium payments of \$5,908 per year for five consecutive years. Each annual premium due on or before June 30, 2019 was paid in full. The cash surrender value was \$6,446 and \$2,883 as of June 30, 2020 and June 30, 2019, respectively. United Way NCA may obtain a loan secured by the policy's cash surrender value. The loan would bear interest at an annual effective interest rate of 4.76% if the loan is requested prior to policy year ten and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2020 and June 30, 2019, respectively.

During the fiscal year ended June 30, 2015, United Way NCA received a legacy gift that will be funded by death benefits of a joint and last survivor life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and co-beneficiary of the policy's death benefits. The policy, in the amount of \$304,725, will be paid to United Way NCA upon maturation; \$204,725 will be disbursed to United Way NCA supporting the future growth of United Way NCA's programs, services, and operations, and \$100,000 will be dispersed by United Way NCA to a local university. In lieu of five consecutive annual premium payments, a one-time \$42,000 premium was paid during fiscal year 2015 to United of Omaha Life Insurance Company. The cash surrender value was \$25,288 and \$24,898 as of June 30, 2020 and 2019, 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, 2020 and June 30, 2019, respectively.

NOTE 10 – COMMUNITY IMPACT AND PROGRAM GRANTS

Community impact grant expense for the years ended June 30, 2020 and 2019, was \$0 and \$545,000, respectively. Total expense for program grants in the areas of Education, Veterans, Financial Stability, and Health was \$3,153,814 and \$2,265,143 for the years ended June 30, 2020 and 2019, respectively.

Unpaid grants are due to be paid within one year and the grants payable amount as of June 30, 2020 and 2019, approximates the present value of future grant payments. Total community impact and other grants payable as of June 30, 2020 and 2019, was \$1,316,290 and \$1,027,807, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 11 – OTHER REVENUE

Other revenue for the years ended June 30, 2020 and 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Charitable Bequests	\$ -	\$ 241,027
In-Kind Donations	636,288	497,111
Special Events	173,410	191,103
Micellaneous	<u>115,328</u>	<u>31,677</u>
Total	<u>\$ 925,026</u>	<u>\$ 960,918</u>

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

United Way Worldwide (UWW) maintains relationships with the National Football League (NFL), the Ad Council, and other organizations for the benefit of local United Ways, including United Way NCA. UWW underwrites the cost to produce Public Service Announcements (PSAs) that promote health, education, and financial stability that feature individuals who are involved in various local United Way community volunteer activities. The NFL, the Ad Council, and other organizations furnish the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year to disseminate PSAs for the benefit of and at no cost to the United Way network. As a member of the UWW network, United Way NCA is a direct beneficiary of the services provided by the NFL, the Ad Council and the other organizations; and therefore, beginning in fiscal year 2015, United Way NCA began recording a portion of the value of these services. For the years ended June 30, 2020 and 2019, the related in-kind support recorded was \$185,188 and \$193,512, respectively.

As a result of the Covid-19 pandemic various types of face masks were donated to United Way NCA. The masks were given to regional partners and organizations for distribution. The value as of June 30, 2020 for these masks was approximately \$285,000.

United Way NCA also receives media services and donated facilities in support of the Do More 24 fundraising initiative as well as other general in-kind support for other community impact initiatives. In-kind support for the years ended June 30, 2020 and 2019, was \$166,100 and \$303,599, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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June 30, 2020 and 2019

NOTE 12 – LEASES

Rental Agreements

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 673,103
2022	689,833
2023	413,593
Total	<u>\$ 1,776,529</u>

In accordance with FASB Accounting Standards Codification 840 (Accounting for Leases), United Way NCA records rent expense on a straight-line basis over the term of the lease. Rent expense for the years ended June 30, 2020 and 2019, was \$610,010 and \$611,890, respectively.

Capital Lease Obligations

United Way NCA entered into capital lease obligations for copier equipment beginning in fiscal year 2018. The liability under this capital lease as of June 30, 2020 and 2019 is \$9,922 and \$16,815, respectively. The capitalized equipment had a cost of \$27,349 and accumulated amortization as of June 30, 2020 and 2019 is \$14,586 and \$9,116, respectively. Amortization expense of \$5,470 was recognized on the capitalized equipment for the years ended June 30, 2020 and 2019.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 7,792
2022	2,596
Total	10,388
Less: Amount Representing Interest	<u>(466)</u>
Total	<u>\$ 9,922</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 13 – RETIREMENT AND DEFERRED COMPENSATION PLANS

403(b) Plan

United Way NCA sponsors a defined contribution 403(b) plan which allows eligible employees to make elective pre-tax contributions; and to receive matching contributions, discretionary Safe Harbor contributions and discretionary non-elective contributions. Eligible employees may elect to participate by contributing a percentage or dollar amount—up to the limits established by the Internal Revenue Service (IRS)—on a pre-tax basis, referred to as elective deferrals. This contribution allows plan participants to defer federal income taxes until retirement by setting aside a portion of their current salary.

United Way NCA makes a uniform matching contribution equal to 200 percent of a plan participant's elective deferrals not to exceed 2 percent of the participant's compensation. United Way NCA also applies a basic Safe Harbor provision during the plan year equal to 4 percent of a plan participant's compensation. There are no tenure requirements in order for a plan participant to receive the Safe Harbor Contribution. United Way NCA made a Safe Harbor contribution in each of the last two years and has declared a Safe Harbor contribution for 2020 which was paid on June 19, 2020.

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

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2020 and 2019, were \$272,088 and \$332,275, 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, 2020 and 2019, was \$29,000 and \$38,000, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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June 30, 2020 and 2019

NOTE 14 – EMPLOYMENT AGREEMENT

United Way NCA has a current employment contract with a certain officer of the organization. In the event of termination other than for cause, the contract provides for severance payments for a period of up to 12 months. Furthermore, the contract provides for the full payment of any accrued but unused paid time-off (PTO) upon termination of employment for any reason and the full payment amount shall not be subject to any cap or maximum payment. The value of any accrued but unused PTO is approximately \$129,000 and \$108,000 as of June 30, 2020 and 2019, respectively.

NOTE 15 – MODERN UNITED WAY INITIATIVE

United Way NCA entered into the Digital Services Memorandum of Understanding (the Agreement) with United Way Worldwide (UWW) to become a member of the Digital Services Operating Group (the Group). The Group is comprised of UWW and a subset of local United Ways that are working together to enhance the donor experience; grow and diversify revenue; drive greater community impact; and improve operational efficiency and effectiveness of the United Way network. United Way NCA has paid the annual membership fee every year beginning in FY16. The fifth and final annual membership fee of \$200,000 was paid in September 2019 and covers a one-year period ending September 2020. The membership fee is being amortized over the one-year term. Future digital services will now be included within the suite of annual membership benefits provided by UWW at no additional cost.

Furthermore, effective in FY2020, United Way NCA signed an Addendum to the Agreement to pay an annual subscription fee for using the Salesforce Philanthropy Cloud (SPC) platform. The SPC platform is an online employee engagement application designed to allow employees to donate and sign-up to volunteer. The annual subscription fee covers the period from July 1 to June 30. The FY2020 annual subscription fee of \$25,000 was expensed in FY2020. The annual subscription fee will also be discontinued as the SPC platform will become available as part of the suite of annual membership benefits provided by UWW at no additional cost.

In August 2018, United Way NCA (Channel Partner) entered into a three-year Channel Partner Agreement (the Agreement) with UWW. The term of the Agreement is from July 1, 2018 to June 30, 2021 and includes a minimum annual license fee paid to UWW for a limited non-exclusive right to offer Salesforce Philanthropy Cloud (SPC) to customers for the internal purpose of supporting their Corporate Social Responsibility (CSR) goals, workplace giving, and volunteer events. The minimum annual license fee for the fiscal years ended June 30, 2020 and 2019 was \$230,443 and \$153,629, respectively. The minimum annual license fee for the year ending June 30, 2021 is \$345,665.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 16 - DISTRICT OF COLUMBIA EDUCATION PROGRAMS

On October 1, 2019, United Way NCA entered into an agreement with the District of Columbia to administer the Out-of-School Time program grants through September 30, 2020 for school year 2019/20 and summer 2020. Under the agreement, the District provided a grant of \$12,651,804 to United Way NCA to award sub-grants to qualified nonprofits through a competitive process, with the approval of the District; and to reimburse United Way NCA for administrative costs and expenses associated with its administration and oversight responsibilities of the Program. In recognition of the fact that the District retained decision-making authority over several key aspects of the program, the agreement is accounted for as a fiscal agency transaction for the sub-grant portion of the agreement and as an exchange transaction for the expense reimbursement portion of the agreement.

For the period ended June 30, 2020, United Way NCA paid District-approved sub-grants of \$11,437,219, which are recorded as other liabilities until paid. The total amount of liabilities associated with these fiscal agent transactions as of June 30, 2020 and 2019 were \$3,087,028 and \$2,386,210, respectively, and recorded in "Deferred Revenue and Other Liabilities" on the Statement of Financial Position. The reimbursement of United Way NCA's administrative costs and expenses of \$968,135 are recorded in the "Non-campaign Contributions, Grants and Contracts" revenue line item on the Statement of Activities in recognition of those costs and expenses eligible for reimbursement. The total amount of deferred revenue associated with this agreement were \$446,383 and \$440,939 as of June 30, 2020 and 2019, respectively, and recorded in "Deferred Revenue and Other Liabilities" on the Statement of Financial Position.

Due to budget cuts resulting from the COVID-19 pandemic, the District of Columbia's Office of Out of School Time Grants and Youth Outcomes made the decision not to exercise the final one-year renewal option and bring in-house all program administration functions beginning with school year 2020-2021. Funding previously received by United Way NCA from the District of Columbia for school year 2020-2021 in the amount of \$2,148,357 was returned on August 11, 2020 in anticipation of the start of the new school year. The current agreement under which United Way NCA is performing program-related activities expires November 30, 2020 and includes the close out of school year 2019-2020, Summer 2020 and a variety of other Out of School Time program-related activities.

NOTE 17 – PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS COMMUNITY SCHOOLS INITIATIVE

Effective November 1, 2019, United Way NCA entered into a ten month professional services agreement (the Agreement) with the Board of Education for Prince George's County to provide technical assistance in support of the County's Community Schools initiative, including (i) vetting of quality partners, vendors and providers to deliver requisite programming; (ii) the creation of a foundational framework for partner and stakeholder capacity building to promote quality and effective programming; (iii) the creation of a foundational framework for monitoring and evaluating programmatic impact; and (iv) establishing a structured data management plan that will ensure informed decision-making and quality programming. Pursuant to the Agreement, United Way NCA is eligible to be reimbursed for up to \$584,541 in qualifying costs and expenses actually incurred. As of June 30, 2020, United Way NCA incurred qualifying costs and expenses of approximately \$305,745 and recognized corresponding fee revenue in an equivalent amount. An amendment to extend the Agreement to August 31, 2021, to expand the scope of work, and to increase the budget is currently pending.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 18 – CHANGES IN NET ASSETS

Net Assets Without Donor Restrictions

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

	2020	2019
Without Donor Restrictions		
Undesignated	\$ 6,031,459	\$ 5,135,842
Subtotal: Undesignated	6,031,459	5,135,842
Board-Designated for Crisis Relief Fund	45,000	45,000
Board-Designated for Spong Gift	614,313	617,267
Board-Designated for Strategic Mission of the Organization	12,300,000	13,000,000
Subtotal: Board Designated	12,959,313	13,662,267
Total Without Donor Restrictions	\$ 18,990,772	\$ 18,798,109

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

Net Assets With Donor Restrictions

Net assets with donor restrictions are either restricted by donor or grantor-imposed stipulations, purpose, or time or are perpetually restricted. Net assets are released from donor or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor. Net assets with donor or grantor-imposed restrictions are as follows for the year ended June 30, 2020:

	Balance - June 30, 2019	Additions	Releases	Balance - June 30, 2020
Purpose Restricted:				
Education	\$ 91,433	\$ 242,121	\$ (255,121)	\$ 78,433
Financial Stability	994,591	609,528	(1,140,387)	463,732
Health	-	29,063	(29,063)	-
Basic Needs	2,407	90	(5)	2,492
Community Impact Fund	1,145,092	2,571,320	(2,097,695)	1,618,717
Veterans Fund	167,427	53,655	(79,713)	141,369
DC Education Programs	6,009		(6,009)	-
Endowment Earnings	13,484	17,078	(7,320)	23,242
Total Purpose Restricted	2,420,443	3,522,855	(3,615,313)	2,327,985
Perpetual in Nature	175,000	-	-	175,000
Total	\$ 2,595,443	\$ 3,522,855	\$ (3,615,313)	\$ 2,502,985

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 18 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions (Continued)

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

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

Donor Restrictions Perpetual in Nature

United Way NCA's endowments represent two charitable bequests in the amount of \$100,000 and \$75,000. Both charitable bequests have restrictions that are perpetual in nature and therefore must be invested in perpetuity. Interest earned on the first charitable bequest is designated to support community impact grants and activities, while interest on the second charitable bequest is designated to support general operations. Endowments perpetually restricted as of June 30, 2020 and 2019, were \$175,000.

	2020	2019
Community Impact Endowment	\$ 100,000	\$ 100,000
Seymour Alpert Trust	75,000	75,000
Total	<u>\$ 175,000</u>	<u>\$ 175,000</u>

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.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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June 30, 2020 and 2019

NOTE 18 – CHANGES IN NET ASSETS (CONTINUED)

Donor Restrictions Perpetual in Nature (Continued)

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

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

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

Investment Policy

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

Underwater Endowment Funds

United Way NCA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. United Way NCA complies with the District of Columbia-enacted version of UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. United Way NCA had no underwater endowment funds on June 30, 2020 and 2019.

Spending Policy

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

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 18 – CHANGES IN NET ASSETS (CONTINUED)

Spending Policy (Continued)

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

Earnings (interest income and gains) from the \$175,000 in endowments are reflected as net assets with donor restrictions until appropriated for expenditure. The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2020:

	2020		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 13,484	\$ 175,000	\$ 188,484
Contributions	-	-	-
Investment Return, Net	17,077	-	17,077
Appropriations	(7,319)	-	(7,319)
Endowment Net Assets - End of Year	<u>\$ 23,242</u>	<u>\$ 175,000</u>	<u>\$ 198,242</u>

The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2019:

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
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June 30, 2020 and 2019

NOTE 19 – 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 20 – 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, 2020 and 2019 were approximately \$88,000 and \$103,000, respectively, and were recorded as amounts raised and processed by United Way NCA and Promises to give. Pledges outstanding as of June 30, 2020 and 2019 were approximately \$23,000 and \$43,000, respectively, and are recorded in promises to give, net.

NOTE 21 – CONDITIONAL CONTRIBUTIONS

United Way NCA had \$198,728 in conditional grants and contributions for which the condition had not been met as of June 30, 2020. No contributions had been awarded to United Way NCA as of June 30, 2019 in which the conditions had not been fulfilled.

United Way NCA had no outbound grants and contributions for which the condition had not been met as of June 30, 2020 and 2019.