

**United Way of Benton and  
Franklin Counties**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2017 and 2016**

# United Way of Benton & Franklin Counties

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Way of Benton & Franklin Counties  
Kennewick, Washington

We have audited the accompanying financial statements of United Way of Benton & Franklin Counties (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 Benton & Franklin Counties

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Benton & Franklin Counties as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Tri-Cities, Washington  
June 15, 2018

# United Way of Benton & Franklin Counties

## Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,244,289	\$ 1,266,564
Campaign pledges receivable, net	1,655,072	1,786,648
Other Assets	10,706	12,869
Total current assets	<u>2,910,067</u>	<u>3,066,081</u>
Cash value of life insurance	244,127	238,214
Investments	2,957,144	2,453,034
Certificates of Deposit	298,609	500,128
Land, building, and equipment, net	<u>378,920</u>	<u>333,869</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,788,867</u></u>	<u><u>\$ 6,591,326</u></u>
<b>LIABILITIES</b>		
Accounts payable and other accrued liabilities	\$ 84,498	\$ 93,264
Community funding payable	435,857	410,481
Donor designations payable	1,370,142	886,035
Total liabilities	<u>1,890,497</u>	<u>1,389,780</u>
<b>NET ASSETS</b>		
Unrestricted, board designated	3,945,048	3,564,819
Temporarily restricted	264,833	954,151
Permanently restricted	688,489	682,576
Total net assets	<u>4,898,370</u>	<u>5,201,546</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,788,867</u></u>	<u><u>\$ 6,591,326</u></u>

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

# United Way of Benton & Franklin Counties

## Statement of Activities and Changes in Net Assets

Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
<b>PUBLIC SUPPORT AND REVENUE</b>				
Gross campaign results	\$ 767,293	\$ -	\$ -	\$ 767,293
Pledges collected in excess of allowance	67,192	-	-	67,192
Less donor designations	(346,060)	-	-	(346,060)
Less provision for uncollectible	(36,316)	-	-	(36,316)
In-kind revenue	105,104	-	-	105,104
Net campaign revenue	<u>557,213</u>	<u>-</u>	<u>-</u>	<u>557,213</u>
Gross campaign results	-	2,707,659	-	2,707,659
Less donor designations	-	(1,430,051)	-	(1,430,051)
Less provision for uncollectible	-	(124,653)	-	(124,653)
In-kind revenue	-	169,272	-	169,272
Net campaign revenue	<u>-</u>	<u>1,322,227</u>	<u>-</u>	<u>1,322,227</u>
Other revenue				
Administrative fees	113,420	-	-	113,420
Investment income	95,227	-	5,913	101,140
Realized investment gain	245,668	-	-	245,668
Unrealized investment losses	(50,455)	-	-	(50,455)
Miscellaneous income	61,760	-	-	61,760
Net assets released from restrictions	<u>2,011,545</u>	<u>(2,011,545)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>3,034,378</u>	<u>(689,318)</u>	<u>5,913</u>	<u>2,350,973</u>
<b>EXPENSES</b>				
Program services				
Community funds awarded	889,755	-	-	889,755
Program services	746,983	-	-	746,983
Non-cash program services	310,736	-	-	310,736
Support services	648,987	-	-	648,987
Non-cash support services	<u>57,688</u>	<u>-</u>	<u>-</u>	<u>57,688</u>
<b>TOTAL EXPENSES</b>	<u>2,654,149</u>	<u>-</u>	<u>-</u>	<u>2,654,149</u>
<b>CHANGES IN NET ASSETS</b>	<u>380,229</u>	<u>(689,318)</u>	<u>5,913</u>	<u>(303,176)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,564,819</u>	<u>954,151</u>	<u>682,576</u>	<u>5,201,546</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,945,048</u>	<u>\$ 264,833</u>	<u>\$ 688,489</u>	<u>\$ 4,898,370</u>

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

# United Way of Benton & Franklin Counties

## Statement of Activities and Changes in Net Assets

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
<b>PUBLIC SUPPORT AND REVENUE</b>				
Gross campaign results	\$ 797,968	\$ -	\$ -	\$ 797,968
Pledges collected in excess of allowance	102,140	-	-	102,140
Less donor designations	(181,774)	-	-	(181,774)
Less provision for uncollectible	(36,568)	-	-	(36,568)
Net campaign revenue	<u>681,766</u>	<u>-</u>	<u>-</u>	<u>681,766</u>
Gross campaign results	-	2,654,729	-	2,654,729
Less donor designations	-	(1,003,187)	-	(1,003,187)
Less provision for uncollectible	-	(108,196)	-	(108,196)
Net campaign revenue	<u>-</u>	<u>1,543,346</u>	<u>-</u>	<u>1,543,346</u>
Other revenue				
Administrative fees	123,999	-	-	123,999
Foundation grant revenue	-	85,000	-	85,000
Investment income	49,385	-	27,540	76,925
Realized investment gains	71,004	-	-	71,004
Unrealized investment gains	8,673	-	-	8,673
Miscellaneous income	86,254	-	-	86,254
Net assets released from restrictions	<u>1,486,244</u>	<u>(1,486,244)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>2,507,325</u>	<u>142,102</u>	<u>27,540</u>	<u>2,676,967</u>
<b>EXPENSES</b>				
Program services				
Community funds awarded	809,151	-	-	809,151
Program Services	813,394	-	-	813,394
Non-cash program services	375,693	-	-	375,693
Support services	664,754	-	-	664,754
Non-cash support services	<u>55,682</u>	<u>-</u>	<u>-</u>	<u>55,682</u>
<b>TOTAL EXPENSES</b>	<u>2,718,674</u>	<u>-</u>	<u>-</u>	<u>2,718,674</u>
<b>CHANGES IN NET ASSETS</b>	<u>(211,349)</u>	<u>142,102</u>	<u>27,540</u>	<u>(41,707)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,776,168</u>	<u>812,049</u>	<u>655,036</u>	<u>5,243,253</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,564,819</u>	<u>\$ 954,151</u>	<u>\$ 682,576</u>	<u>\$ 5,201,546</u>

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

# United Way of Benton & Franklin Counties

## Statement of Functional Expenses

Year ended December 31, 2017

	Program Services			Support Services			Total	
	Community Funding Services	Community Solutions	Youth & Childhood Success	Total Program Services	Organization Administration	Fundraising	Total Support Services	2017
Community funds awarded	\$ 862,507	\$ -	\$ 27,248	\$ 889,755	\$ -	\$ -	\$ -	\$ 889,755
Salaries	63,063	185,067	167,615	415,745	151,907	209,350	361,257	777,002
Employment taxes and benefits	25,737	75,412	68,532	169,681	62,111	85,583	147,694	317,375
Total salaries, taxes and benefits	88,800	260,479	236,147	585,426	214,018	294,933	508,951	1,094,377
Occupancy	1,423	6,272	3,712	11,407	992	1,835	2,827	14,234
Communication	1,040	3,114	2,762	6,916	2,456	3,366	5,822	12,738
Insurance	563	1,691	1,496	3,750	1,313	1,818	3,131	6,881
Dues and subscriptions	1,157	2,663	2,041	5,861	2,146	7,441	9,587	15,448
Marketing and advertising	911	4,651	14,318	19,880	-	2,587	2,587	22,467
Printing and supplies	1,068	6,093	25,836	32,997	1,677	10,578	12,255	45,252
Postage	191	674	500	1,365	1,242	2,734	3,976	5,341
Conferences and transportation	426	4,908	1,437	6,771	1,191	6,669	7,860	14,631
Professional fees	3,646	10,686	9,692	24,024	16,383	28,873	45,256	69,280
Repairs and maintenance	3,189	9,570	6,646	19,405	3,541	5,511	9,052	28,457
Special events	2,897	4,133	2,505	9,535	-	16,524	16,524	26,059
Payments to affiliates	2,980	8,732	7,920	19,632	7,191	9,908	17,099	36,731
Other expenses	2	6	6	14	53	4,007	4,060	4,074
Total cash expenses	970,800	323,672	342,266	1,636,738	252,203	396,784	648,987	2,285,725
Marketing and advertising	10,137	30,389	67,669	108,195	1,574	28,916	30,490	138,685
Printing and supplies	444	59,875	92,241	152,560	161	1,423	1,584	154,144
Professional fees	654	1,891	1,730	4,275	1,561	2,164	3,725	8,000
Repairs and maintenance	659	2,834	1,721	5,214	541	946	1,487	6,701
Special events	1,462	3,274	2,924	7,660	-	9,959	9,959	17,619
Total non-cash expenses	13,356	98,263	166,285	277,904	3,837	43,408	47,245	325,149
Total expenses before depreciation	984,156	421,935	508,551	1,914,642	256,040	440,192	696,232	2,610,874
Depreciation	4,040	18,376	10,416	32,832	3,889	6,554	10,443	43,275
Total functional expenses	\$ 988,196	\$ 440,311	\$ 518,967	\$ 1,947,474	\$ 259,929	\$ 446,746	\$ 706,675	\$ 2,654,149

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



# United Way of Benton & Franklin Counties

## Statement of Functional Expenses

Year ended December 31, 2016

	Program Services			Support Services			Total	
	Community Funding Services	Community Solutions	Youth & Childhood Success	Total Program Services	Organization Administration	Fundraising	Total Support Services	2016
Community Funding Grants	\$ 761,901	\$ 47,250	\$ -	\$ 809,151	\$ -	\$ -	\$ -	\$ 809,151
Salaries	63,897	187,260	169,841	420,998	154,213	212,471	366,684	787,682
Employment taxes and benefits	26,260	76,961	69,803	173,024	63,382	87,323	150,705	323,729
Total salaries, taxes and benefits	90,157	264,221	239,644	594,022	217,595	299,794	517,389	1,111,411
Occupancy	1,172	5,163	3,056	9,391	817	1,510	2,327	11,718
Communication	753	2,361	1,997	5,111	1,641	2,294	3,935	9,046
Insurance	597	1,751	1,588	3,936	1,442	1,987	3,429	7,365
Dues and subscriptions	576	423	477	1,476	3,552	11,647	15,199	16,675
Marketing and advertising	1,310	21,096	37,296	59,702	213	2,436	2,649	62,351
Printing and supplies	1,607	5,363	47,420	54,390	2,872	16,183	19,055	73,445
Postage	328	1,040	844	2,212	1,764	4,343	6,107	8,319
Conferences and transportation	664	2,708	2,290	5,662	1,369	8,272	9,641	15,303
Professional fees	2,616	7,667	6,954	17,237	7,795	29,834	37,629	54,866
Repairs and maintenance	3,603	13,129	9,469	26,201	5,017	7,617	12,634	38,835
Special events	2,353	7,474	4,724	14,551	1,003	12,618	13,621	28,172
Payments to affiliates	2,957	8,666	7,859	19,482	7,136	9,832	16,968	36,450
Other expenses	3	8	10	21	160	4,011	4,171	4,192
Total cash expenses	870,597	388,320	363,628	1,622,545	252,376	412,378	664,754	2,287,299
Marketing and advertising	22,180	54,386	88,487	165,053	2,812	20,882	23,694	188,747
Printing and supplies	715	17,919	146,898	165,532	721	1,169	1,890	167,422
Professional fees	649	1,902	3,131	5,682	1,566	2,158	3,724	9,406
Repairs and maintenance	816	3,383	2,138	6,337	819	1,349	2,168	8,505
Special events	939	2,306	1,877	5,122	50	17,226	17,276	22,398
Total non-cash expenses	25,299	79,896	242,531	347,726	5,968	42,784	48,752	396,478
Total expenses before depreciation	895,896	468,216	606,159	1,970,271	258,344	455,162	713,506	2,683,777
Depreciation	3,490	15,376	9,101	27,967	2,432	4,498	6,930	34,897
Total functional expenses	\$ 899,386	\$ 483,592	\$ 615,260	\$ 1,998,238	\$ 260,776	\$ 459,660	\$ 720,436	\$ 2,718,674

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

# United Way of Benton & Franklin Counties

## Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	<u>\$ (303,176)</u>	<u>\$ (41,707)</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	43,275	34,897
Unrealized (gain) loss on investments	50,455	(8,673)
Realized gain on investments	(245,668)	(71,004)
Donated Investments	(724,445)	-
Bad debt expense	106,621	103,246
Net increase in cash value of life insurance	(5,913)	(27,540)
Changes in assets and liabilities:		
Campaign pledges receivable	24,955	(96,896)
Prepaid expenses	2,163	76,383
Accounts payable and other accrued liabilities	(8,766)	49,590
Allocations payable to community partners	25,376	(19,711)
Donor designations payable	484,107	(199,840)
Total adjustments	<u>(247,840)</u>	<u>(159,548)</u>
<b>Net cash used by operating activities</b>	<u>(551,016)</u>	<u>(201,255)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale or maturities of investments	2,972,066	953,774
Proceeds from maturities of certificates of deposits	201,519	-
Purchase of investments	(2,556,518)	(879,324)
Purchase of equipment	<u>(88,326)</u>	<u>(21,024)</u>
<b>Net cash provided by investing activities</b>	<u>528,741</u>	<u>53,426</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(22,275)</u>	<u>(147,829)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,266,564</u>	<u>1,414,393</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,244,289</u></u>	<u><u>\$ 1,266,564</u></u>

### Supplemental Disclosures of Non-Cash Transactions:

Total donated investments amounted to \$724,445 and \$0 for the years ended December 31, 2017 and 2016, respectively.

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

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### **NOTE 1 — ORGANIZATION**

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The mission of United Way of Benton and Franklin Counties is to improve lives by mobilizing the caring power of our community to ensure that people live safe, healthy, productive lives.

We've been working in our region for nearly 60 years, and have witnessed the transformational power of working together. Through our partnerships with donors, nonprofits, businesses, volunteers and community-minded leaders, we continue to collectively build a stronger hometown.

This year, we've used our expertise to bring people and data together to understand and respond to our community's most critical needs. We have:

- Mobilized thousands across our community and equipped them for action – to give, advocate and volunteer to improve the conditions in which we live.
- Connected all sectors of our community to create long-term social change that produces well-educated, financially stable and healthy individuals and families—that's our workforce and customer base of today and tomorrow.
- Raised, invested and leveraged philanthropic contributions to create and support innovative solutions to generate sustained community impact.
- Held ourselves accountable through our commitment to continually measure improvements in living conditions and quality of life across our community.

In 2017, donors and companies enabled our United Way to fund more than 50 of the most effective local programs that work together to create change that lasts. We invest in solutions and the opportunities those solutions provide to ensure a better future for everyone in Benton- and Franklin-Counties.

#### **Community Funding Processes**

Community Impact Funding Process – This ongoing process includes an open bid invitation with a two-year funding cycle. In 2016, volunteers evaluated bids against the published minimum criteria which included alliance with the most pressing needs identified in the Community Solutions Strategic Plan, meeting measurable outcomes, financial accountability, and relevant experience. This process enabled United Way to allocate funds to local health and human service providers who deliver effective and efficient services in Benton and Franklin Counties. Programs are evaluated against the agreed-upon outcomes to determine funding continuation for the second year.

Mid-Cycle Funding Process – In 2017, United Way made additional funding available by re-evaluating net asset balances based on the current economic environment. This one-time funding process included an open bid invitation to support programs with an emphasis on prevention and roots causes and response to existing conditions. Funding options include both emerging service needs and capital funding. Programs are evaluated against the agree-upon outcomes to determine funding continuation for the second year.

#### **Private Foundation Grants**

Long-Term Follow-Along Grant - During 2012, United Way was the recipient of a four-year grant from the Bill and Melinda Gates Foundation. Funds from the grant help reduce intergenerational poverty in our community by focusing on the Community Solutions areas of education, health, financial stability, and basic needs. Selected grantees have been evaluating the impact of their programs over a four-year period of time, and ultimately whether those services lead to a reduction in poverty. Grant funding concluded June 30, 2017.

Attendance Matters Grant – During 2013, United Way was the recipient of a three-year grant from the Bill and Melinda Gates Foundation. Funds from the grant help reduce intergenerational poverty in our community by focusing on increasing high school graduation rates. United Way collaborates with educators, businesses, parents, the community, and students to support regular school attendance by directly engaging 17 middle schools across seven school districts. Grant funding concluded June 30, 2017.

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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NOTE 1 — ORGANIZATION (Continued)

### **Private Foundation Grants (Continued)**

Building Community Philanthropy Grant – During 2016, United Way was the recipient of a three-year grant from Philanthropy Northwest. Funds from the grant help reduce intergenerational poverty in our community by focusing on pursuing learning goals, middle school chronic absenteeism, and preparing children for kindergarten. Selected grantees are providing services that support the purposes of the grant. Grant funding concludes June 30, 2019.

### **United Way Annual Campaign**

United Way solicits campaign pledges from businesses and individuals residing primarily in Benton and Franklin Counties of Washington. The annual fundraising campaign is United Way's principal source of revenue and can be affected by economic conditions. A decrease in contributions could affect the United Way's ability to provide services and allocate resources to the community.

United Way provides a "Donor Choice" program, which was established to meet the changing needs of donors. Donors may designate their pledges to United Way's community partners, as well as other qualified 501(c)(3) not-for profit agencies.

In 2017, United Way implemented an electronic fundraising tool called "E-Pledge". This on-line pledge platform is a more efficient, secure, and engaging way for individuals to give to causes they care about.

## **NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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### **Financial Statement Presentation**

United Way of Benton & Franklin Counties reports information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

### **Support and Expenses**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Pledges collected in excess of allowance increased net assets \$67,192 and \$102,140 for the years ended December 31, 2017 and 2016, respectively. These were realized due to an account management procedure that places increased emphasis on follow-up of expected promises to give. Pledge allowance estimates are re-evaluated annually and updated based upon historical information and economic factors.

Gifts of goods, services, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Total contributed goods, services, or equipment recognized as revenue amounted to \$274,376 and \$337,408 for the years ended December 31, 2017 and 2016, respectively.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. Planned major maintenance activities are accounted for using the direct-expensing method of accounting.

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### ***NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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#### ***Contributed Services***

United Way recognized contributed professional services in the amount of \$8,000 for the years ended December 31, 2017 and 2016. Recognized contributed services were related to audit and accounting services.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Functional Allocation of Expenses***

The costs of providing program services and other costs are reported on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and support service centers that benefit from such costs. Payroll and related costs are allocated to functional cost centers based upon the estimated time personnel devote to each cost center. Other costs are allocated based on reasonable estimates determined by management. All allocation methods are reviewed and revised when necessary to reflect changes in the nature, level of activities, and the delivery of services.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand, cash on deposit, and highly liquid short-term investments with maturity of 90 days or less at the time of acquisition. United Way regularly maintains cash balances in excess of federally insured limits. As a Principal Combined Fund Organization, funds are held in a separate account for the Combined Federal Campaign.

#### ***Pledges Receivable***

Pledges for contributions are recorded when received and allowances are provided for amounts estimated to be uncollectible (see Note 3).

#### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are presented in the financial statements at fair market value, with the resulting realized and unrealized gains and losses included in the Statement of Activities and Changes in Net Assets. The United Way investment policy identifies acceptable and appropriate investment strategy. Emphasis is placed on capital growth, preservation of purchasing power and diversification of risk.

#### ***Certificates of Deposits***

At December 2017 and 2016, \$368,751 and \$500,128 are held as Certificates of Deposits which the FDIC has insured. The maturity dates range from November 2018 to November 2019 for the year ended December 31, 2017 and October 2017 to November 2019 for the year ended December 31, 2016.

#### ***Land, Building, and Equipment***

Land, building, and equipment with costs of \$750 or more are recorded at cost for purchased items and estimated fair market value for assets donated. Depreciation is determined using the straight-line method based on estimated useful lives of 3 to 35 years. Assets received with donor restrictions whose restrictions are met in the same year they are received are reported as unrestricted assets. Gifts of long-lived assets or gifts of cash restricted to purchase long-lived assets without stipulations about how long the assets must be used are reported as unrestricted net assets.

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### ***NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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#### ***Fair Value of Financial Instruments***

United Way categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that United Way has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, United Way may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. United Way has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

#### ***Income taxes***

Under provisions of Section 501(c)(3) of the Internal Revenue Code, United Way is exempt from federal income taxes, except for net income from unrelated business activities. As of December 31, 2017 and 2016, United Way had no unrelated business activities subject to federal income tax.

Management has evaluated United Way's tax positions and concluded that United Way had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of ASC 740-10.

#### ***Advertising***

Costs incurred for advertising are expensed when incurred. Advertising costs for the years ended December 31, 2017 and 2016 were \$22,467 and \$62,351, respectively. In-kind advertising costs for the years ended December 31, 2017 and 2016 were \$138,685 and \$188,747, respectively.

#### ***Reclassifications***

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

#### ***Subsequent events***

Subsequent events have been evaluated through June 15, 2018, which is the date the financial statements were available to be issued.

# United Way of Benton & Franklin Counties

## Notes to Financial Statements

### NOTE 3 — CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable are composed of the following:

	December 31, 2017		
	<u>Pledges Receivable</u>	<u>Allowance for Uncollectible Pledges</u>	<u>Net</u>
2017 Fundraising Campaign	\$ 1,690,059	\$ 124,653	\$ 1,565,406
2016 Fundraising Campaign	234,178	144,512	89,666
	<u>\$ 1,924,237</u>	<u>\$ 269,165</u>	<u>\$ 1,655,072</u>

  

	December 31, 2016		
	<u>Pledges Receivable</u>	<u>Allowance for Uncollectible Pledges</u>	<u>Net</u>
2016 Fundraising Campaign	\$ 1,752,664	\$ 108,196	\$ 1,644,468
2015 Fundraising Campaign	317,651	175,471	142,180
	<u>\$ 2,070,315</u>	<u>\$ 283,667</u>	<u>\$ 1,786,648</u>

The allowance for uncollectible pledges is based upon a historical average pledge loss and is adjusted for current economic factors as determined appropriate by management. The allowance is applied to the gross campaign, including donor designations. All pledges are expected to be collected in less than one year. Bad debt expense for the years ended December 31, 2017 and 2016 was \$106,621 and \$103,246, respectively.

### NOTE 4 — LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment are composed of the following:

	December 31,	
	<u>2017</u>	<u>2016</u>
Land	\$ 52,000	\$ 52,000
Building	792,146	785,128
Equipment	244,459	209,067
	<u>1,088,605</u>	<u>1,046,195</u>
Less Accumulated Depreciation	709,685	712,326
Land, Building, and Equipment, Net	<u>\$ 378,920</u>	<u>\$ 333,869</u>

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### **NOTE 5 — COMMUNITY FUNDING AND DONOR DESIGNATIONS PAYABLE**

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#### **Community Funding**

United Way of Benton & Franklin Counties' Community Solutions Funding process includes an open bid invitation. In 2016, volunteers evaluated bids against minimum criteria which included, among others, alliance with the Community Solutions Strategic Plan, meeting outcomes and prior experience. The open bid process is a two-year funding cycle. Programs are evaluated to stated outcomes to determine funding continuation to the second year. United Way is using a similar evaluation process to distribute grant funds for the Community Solutions Long-Term Follow Along Project funded by the Gates Foundation. Program funding for both of these projects is paid on a July 1 through June 30 fiscal period basis.

Community Solutions Funding unpaid amounts are composed of the following:

	December 31,	
	2017	2016
Community Solutions Funding	\$ 424,714	\$ 380,951
Long-Term Follow-Along Grant Funding	11,143	29,530
	<u>\$ 435,857</u>	<u>\$ 410,481</u>

#### **Donor Designations**

Cash contributions and pledges designated by donors to specific organizations are considered agency transactions as defined by ASC 958. As such, United Way considers these amounts raised on behalf of others. Donor designations payable consisted of the following:

	December 31,	
	2017	2016
Community Agencies	\$ 732,680	\$ 478,556
Alexis de Tocqueville	555,727	222,425
Combined Federal Campaign	59,042	165,875
Company Processor Campaign	21,319	17,831
Combined Fund Drive	1,374	1,348
	<u>\$ 1,370,142</u>	<u>\$ 886,035</u>

### **NOTE 6 — NET ASSETS**

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The establishment and maintenance of reserves is a prudent business practice. Adequate unrestricted reserves enable United Way to support strategic business practices, and to manage cash flow interruptions due to deficiencies in revenue attainment, larger than expected pledge receivable write-offs, business interruption with a major employer, or community disaster. The Board of Directors has designated unrestricted net assets for the following purposes:

#### **Working Capital Fund**

The intent of the working capital fund is to effectively manage and address current ongoing financial obligations such as budgeted expenses and agency and community services payments. The working capital funding basis is \$759,615 and is fully funded for the years ended December 31, 2017 and 2016.



# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### **NOTE 6 — NET ASSETS (Continued)**

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#### ***Operating Reserve***

The intent of the operating reserve is to meet the operating needs of the organization. Funds may also be used for unanticipated, unbudgeted operating needs not covered by annual revenue. The operating reserve funding basis is \$400,103 and is fully funded for the years ended December 31, 2017 and 2016.

#### ***Community Investment Reserve Fund***

This fund is used to meet strategic or emergent community needs identified by the Board of Directors. The funding basis is \$614,834 and is fully funded for the years ended December 31, 2017 and 2016.

#### ***Capital Asset Replacement***

Amounts have been designated for new and replacement capital purchases as approved by the Board of Directors. The funding basis is \$150,000 and is funded at \$132,900 and \$137,670, respectively, for the years ended December 31, 2017 and 2016.

#### ***Individual Assistance Fund***

This fund is to be used to assist individuals who have exhausted all of the normal community resources and are in need of immediate and emergency assistance. The individual assistance funding basis is \$2,500 and is fully funded for the years ended December 31, 2017 and 2016.

#### ***President's Fund***

Amounts have been designated for expenses in support of United Way activities not reimbursed from the annual campaign proceeds. The funding basis is \$1,500 and is funded at \$240 and \$260, respectively, for the years ended December 31, 2017 and 2016.

#### ***New Programs/Emerging Needs***

Amounts designated to this fund are for new programs and needs not covered by the current Community Solutions funding process. This fund is not restricted to current United Way service providers. Multi-year provisional grants for a new program are permissible. A process separate from the routine annual allocations process is utilized to request, screen, and evaluate proposals, and recommend funding for new program areas. The funding basis shall be as designated by the Board of Directors and is funded at \$100,509 and \$105,420, respectively, for the years ended December 31, 2017 and 2016.

#### ***United Way Quasi Endowment***

In 1991, the Board of Directors created a permanent fund where annual investment income from the quasi-endowment funds would be used to underwrite the cost of administration, pledge loss, and fundraising expenses. This would allow the proceeds of an annual fundraising campaign to be utilized for community needs. Investment income from the United Way Endowment should be retained in the fund until the minimum endowment objective is reached. The board-designated endowment funds are included in unrestricted net assets. Donor-designated endowment funds are included in restricted net assets. The Board of Directors determines the funding basis.

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### **NOTE 6 — NET ASSETS (Continued)**

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#### **Community Solutions Endowment Amount Available for Distribution**

In 2013, United Way received an endowed gift of \$442,063. Per the Endowment Policy, earnings available for distribution were \$37,613 and \$-0- for the years ended December 31, 2017 and 2016, respectively. Per the Policy, distributions were made in conjunction with the United Way Community Solutions Funding Process in 2017 and 2016, respectively.

Unrestricted net assets are composed of the following:

	December 31,	
	2017	2016
Working Capital Fund	\$ 759,615	\$ 759,615
Operating Reserve	400,103	400,103
Community Investment Reserve Fund	614,834	614,834
Capital Asset Replacement	132,900	137,670
Individual Assistance Fund	2,500	2,500
President's Fund	240	260
New Programs/Emerging Needs	100,509	105,420
United Way Quasi Endowment - General	1,336,717	1,138,145
Community Solutions Endowment Distribution Amount	37,613	-
Accumulated Reserve Fund	181,098	72,403
Investment in Land, Building, and Equipment, Net	378,919	333,869
	<u>\$ 3,945,048</u>	<u>\$ 3,564,819</u>

Temporarily restricted net assets are amounts for a future period and represent the following:

#### **Pledge Receivables**

Pledge receivables that are temporarily restricted due to the time that they are expected to be received or disbursed. The portion of pledge receivables that are raised on behalf of others reduces this amount.

#### **Attendance Matters™ Grant**

In 2013, United Way was the recipient of a four-year grant in the amount of \$150,000 from a large private foundation to support the Attendance Matters™ project. These funds are restricted in purpose and time.

#### **Community Solutions Follow-Along Grant**

During 2012, United Way was the recipient of a four-year grant in the amount of \$270,000 from The Bill and Melinda Gates Foundation. Funds from the grant will be used to support the Community Solutions Follow-Along Project. Grant funds were received bi-annually with \$135,000 received in 2012 and 2015 as outcomes stated in the grant were achieved. Work on this grant was completed in 2016.

#### **Philanthropy Northwest Grant**

During 2016, United Way was the recipient of a three-year grant in the amount of \$170,000 from Philanthropy Northwest for Building Community Philanthropy. Funds from the grant will be used to support the Attendance Matters Chronic Absenteeism Pilot Project and the Birth 2 Five Building Resilience through Family Support Project. Grant funds are scheduled to be received annually with \$85,000 received in 2017 and \$85,000 in 2016.

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### **NOTE 6 — NET ASSETS (Continued)**

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Temporarily restricted net assets are available for the following purposes or periods:

	December 31,	
	<u>2017</u>	<u>2016</u>
Grants	\$ 24,419	\$ 145,621
Pledge Receivables	240,414	808,530
	<u>\$ 264,833</u>	<u>\$ 954,151</u>

Permanently restricted net assets represent the following:

#### **General Endowment Fund**

The objective of this endowment fund is to create a permanent funding source sufficient to underwrite the full cost of United Way's administration, pledge loss, and fundraising expenses. Certain donors have purchased life insurance contracts with a face amount of approximately \$560,000 and transferred ownership of the policies to the General Endowment.

#### **Community Solutions Endowment Fund**

The objective of this endowment fund is to create a permanent funding source to support United Way's Community Solutions work. This endowment was initially funded in 2013 with a restricted gift of \$442,063.

The composition of permanently restricted net assets is as follows:

	December 31,	
	<u>2017</u>	<u>2016</u>
General Endowment - Cash Value of Life Insurance	\$ 244,127	\$ 238,214
General Endowment	2,299	2,299
Community Solutions Endowment	442,063	442,063
	<u>\$ 688,489</u>	<u>\$ 682,576</u>

### **NOTE 7 — RETIREMENT PLANS**

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Employees of United Way meeting prescribed length of service requirements are covered under provisions of a tax-deferred annuity retirement plan that is subject to Section 403(b) of the Internal Revenue Code providing for employer and employee contributions and a contributory master tax-deferred annuity retirement plan with employer contributions only. Both plans are classified as defined contribution plans. United Way expenses the costs as incurred. Costs of \$130,693 and \$128,892 were incurred for the years ended December 31, 2017 and 2016, respectively.

# United Way of Benton & Franklin Counties

## Notes to Financial Statements

### NOTE 8 – FAIR VALUE DISCLOSURES

United Way uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how United Way measures fair value, refer to Note 2 – Summary of Significant Accounting Policies.

#### **Financial Instruments Recorded at Fair Value**

The fair values of available-for-sale investments are estimated based on quoted prices in active markets for identical assets. The following tables present the fair value hierarchy for the balance of the assets and liabilities of United Way measured at fair value on a recurring basis as of December 31:

	December 31, 2017			
Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 486,704	\$ -	\$ -	\$ 486,704.00
Equities	1,200,870	-	-	1,200,870
Fixed Income	1,269,570	-	-	1,269,570
	<u>\$ 2,957,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,957,144</u>

  

	December 31, 2016			
Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 776,316	\$ -	\$ -	\$ 776,316
Equities	1,070,107	-	-	1,070,107
Fixed Income	606,611	-	-	606,611
	<u>\$ 2,453,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,453,034</u>

Total unrestricted investment income amounted to \$95,227 and \$49,385 for the years ended December 31, 2017 and 2016, respectively.

Investment advisory fees amount to \$20,421 and \$13,036 for the years ended December 31, 2017 and 2016, respectively.

# United Way of Benton & Franklin Counties

## Notes to Financial Statements

### NOTE 9 — ENDOWMENTS

United Way's endowments consist of mutual funds, bond funds, and capital markets and were established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of United Way has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way 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 for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds:				
Community Solutions Endowment Funds	\$ -	\$ -	\$ 442,063	\$ 442,063
General Endowment Funds	-	-	246,426	246,426
Board Designated Endowment Funds	<u>1,374,330</u>	-	-	<u>1,374,330</u>
Total Funds	<u>\$ 1,374,330</u>	<u>\$ -</u>	<u>\$ 688,489</u>	<u>\$ 2,062,819</u>

# United Way of Benton & Franklin Counties

## Notes to Financial Statements

### NOTE 9 — ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds:				
Community Solutions Endowment Funds	\$ -	\$ -	\$ 442,063	\$ 442,063
General Endowment Funds	-	-	240,513	240,513
Board Designated Endowment Funds	1,138,145	-	-	1,138,145
Total Funds	<u>\$ 1,138,145</u>	<u>\$ -</u>	<u>\$ 682,576</u>	<u>\$ 1,820,721</u>

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 1,138,145	\$ -	\$ 682,576	\$ 1,820,721
Distributions	-	-	-	-
Contributions	-	-	-	-
Total Distributions and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Return:				
Investment Income	50,222	-	5,913	56,135
Realized and Unrealized Gains	185,963	-	-	185,963
Total Investment Return	<u>236,185</u>	<u>-</u>	<u>5,913</u>	<u>242,098</u>
Endowment Net Assets, End of Year	<u>\$ 1,374,330</u>	<u>\$ -</u>	<u>\$ 688,489</u>	<u>\$ 2,062,819</u>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 1,061,115	\$ -	\$ 655,036	\$ 1,716,151
Distributions	-	-	-	-
Contributions	-	-	-	-
Total Distributions and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Return:				
Investment Income	14,351	-	27,540	41,891
Realized and Unrealized Gains	62,679	-	-	62,679
Total Investment Return	<u>77,030</u>	<u>-</u>	<u>27,540</u>	<u>104,570</u>
Endowment Net Assets, End of Year	<u>\$ 1,138,145</u>	<u>\$ -</u>	<u>\$ 682,576</u>	<u>\$ 1,820,721</u>

# United Way of Benton & Franklin Counties

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## Notes to Financial Statements

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### ***NOTE 9 — ENDOWMENTS (Continued)***

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#### ***Return Objectives and Risk Parameters***

United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that provides a balance that will enhance total return while avoiding undue risk concentration in any single asset class or category. The performance goal of the Endowment shall be measured as time-weighted rates of return compared to appropriate capital market indices.

#### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate of return objectives, United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### ***Spending Policy***

It is the policy of United Way to maintain a minimum principal value plus annual contributions adjusted for inflation at the end of each calendar year. This is consistent with United Way's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Once each Endowment goal has been achieved distribution amounts will be calculated annually per the Board Approved Endowment Policy. There is a minimum distribution of \$5,000 to help stabilize endowed funds in the event of weak market results or deflation and will maintain low administration costs. In establishing this policy, United Way considered the long-term expected return on its endowment.