

**UNITED WAY OF CENTRAL IOWA**

**FINANCIAL REPORT**

**YEARS ENDED  
JUNE 30, 2018 AND 2017**

## **C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
United Way of Central Iowa  
Des Moines, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Central Iowa (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

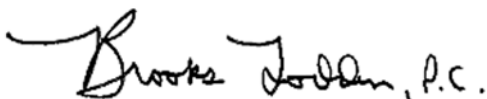
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Iowa as of June 30, 2018 and 2017, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of United Way of Central Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Central Iowa's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brooks Jordan, P.C." The signature is written in a cursive style with a large initial 'B'.

West Des Moines, Iowa  
December 6, 2018

**UNITED WAY OF CENTRAL IOWA**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	\$ 2,724,481	\$ 3,731,816
Receivables:		
Annual campaign	10,077,868	10,413,014
Grants	643,296	93,231
Other	51,843	39,653
Other assets	237,156	216,079
Investments	10,085,695	8,734,680
Land, building and equipment, net	2,430,032	2,552,274
Beneficial interest in community foundation fund	8,348,211	7,695,115
Assets restricted for permanent endowment:		
Beneficial interest in community foundation fund	3,383,213	3,345,822
	\$ 37,981,795	\$ 36,821,684
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 1,209,084	\$ 1,334,609
Refundable advances and deferred revenue:		
Polk County Early Childhood	202,912	193,815
Other	199,207	52,370
Community investments and donor choice payable	1,577,162	1,521,319
Accrued expenses	119,052	94,577
	\$ 3,307,417	\$ 3,196,690
<b>NET ASSETS</b>		
Unrestricted:		
Designated by the governing board:		
Land, buildings, and equipment	\$ 2,430,032	\$ 2,552,274
Endowment fund	8,064,567	7,518,944
Undesignated	11,385,310	10,983,461
Total unrestricted net assets	\$ 21,879,909	\$ 21,054,679
Temporarily restricted:		
Restricted due to time	\$ 8,432,534	\$ 8,735,886
Restricted due to purpose	978,722	488,607
	\$ 9,411,256	\$ 9,224,493
Permanently restricted	\$ 3,383,213	\$ 3,345,822
Total net assets	\$ 34,674,378	\$ 33,624,994
Total liabilities and net assets	\$ 37,981,795	\$ 36,821,684

*See Notes to Financial Statements.*

# UNITED WAY OF CENTRAL IOWA

## STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GRANTS, AND OTHER SUPPORT</b>								
Total campaign results	\$ 19,100,287	8,431,356	\$ -	\$ 27,531,643	\$ 18,380,987	\$ 8,734,819	\$ -	\$ 27,115,806
Prior year's campaign results released from time restrictions	8,734,819	(8,734,819)	-	-	9,191,115	(9,191,115)	-	-
Donor designations	(6,117,457)	-	-	(6,117,457)	(5,682,484)	-	-	(5,682,484)
Undesignated campaign contributions	\$ 21,717,649	\$ (303,463)	\$ -	\$ 21,414,186	\$ 21,889,618	\$ (456,296)	\$ -	\$ 21,433,322
Less estimated uncollected pledges	(471,415)	-	-	(471,415)	(1,052,840)	-	-	(1,052,840)
Net campaign contributions	\$ 21,246,234	\$ (303,463)	\$ -	\$ 20,942,771	\$ 20,836,778	\$ (456,296)	\$ -	\$ 20,380,482
Grants, sponsorships, & other non-campaign contributions	1,233,004	1,238,481	37,391	2,508,876	960,359	258,230	352,490	1,571,079
Investment income, including net unrealized (loss)								
2018 (\$71,222); 2017 (\$27,799)	81,470	-	-	81,470	45,117	-	-	45,117
Change in value of beneficial interest in community foundation fund	526,262	107,474	-	633,736	805,948	175,163	-	981,111
Service fees	269,045	-	-	269,045	274,729	-	-	274,729
Operation of Human Service Campus, net of expenses 2018 \$800,220; 2017 \$752,542	(119,001)	-	-	(119,001)	(40,690)	-	-	(40,690)
Other revenue	168,294	-	-	168,294	159,862	-	-	159,862
	<u>\$ 23,405,308</u>	<u>\$ 1,042,492</u>	<u>\$ 37,391</u>	<u>\$ 24,485,191</u>	<u>\$ 23,042,103</u>	<u>\$ (22,903)</u>	<u>\$ 352,490</u>	<u>\$ 23,371,690</u>
Satisfaction of restrictions	855,729	(855,729)	-	-	766,407	(766,407)	-	-
	<u>\$ 24,261,037</u>	<u>\$ 186,763</u>	<u>\$ 37,391</u>	<u>\$ 24,485,191</u>	<u>\$ 23,808,510</u>	<u>\$ (789,310)</u>	<u>\$ 352,490</u>	<u>\$ 23,371,690</u>
<b>COMMUNITY INVESTMENTS AND FUNCTIONAL EXPENSES</b>								
Community investments:								
Education	\$ 6,766,674	\$ -	\$ -	\$ 6,766,674	\$ 6,742,231	\$ -	\$ -	\$ 6,742,231
Income	4,399,293	-	-	4,399,293	4,346,598	-	-	4,346,598
Health	3,878,773	-	-	3,878,773	4,224,714	-	-	4,224,714
Integrated work	573,147	-	-	573,147	697,692	-	-	697,692
Other	276,420	-	-	276,420	238,387	-	-	238,387
Total	<u>\$ 15,894,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,894,307</u>	<u>\$ 16,249,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,249,622</u>
Functional expenses:								
Community service programs	3,973,927	-	-	3,973,927	3,097,009	-	-	3,097,009
Supporting services	3,567,573	-	-	3,567,573	3,722,957	-	-	3,722,957
Total community investments and functional expenses	<u>\$ 23,435,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,435,807</u>	<u>\$ 23,069,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,069,588</u>
Changes in net assets	\$ 825,230	\$ 186,763	\$ 37,391	\$ 1,049,384	\$ 738,922	\$ (789,310)	\$ 352,490	\$ 302,102
Net assets at beginning of year	<u>21,054,679</u>	<u>9,224,493</u>	<u>3,345,822</u>	<u>33,624,994</u>	<u>20,315,757</u>	<u>10,013,803</u>	<u>2,993,332</u>	<u>33,322,892</u>
Net assets at end of year	<u>\$ 21,879,909</u>	<u>\$ 9,411,256</u>	<u>\$ 3,383,213</u>	<u>\$ 34,674,378</u>	<u>\$ 21,054,679</u>	<u>\$ 9,224,493</u>	<u>\$ 3,345,822</u>	<u>\$ 33,624,994</u>

*See Notes to Financial Statements.*

**UNITED WAY OF CENTRAL IOWA**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2018 and 2017

**2018**

	Community Service Programs					Supporting Services			Total
	Retired Senior Volunteer Program	United Way 2-1-1	Volunteer Engagement	Other Community Services	Total	Fund Raising	Organizational Administration	Supporting Services Total	
	Salaries	\$ 73,829	\$ 255,071	\$ 115,202	\$ 1,819,945	\$ 2,264,047	\$ 1,037,887	\$ 1,039,853	
Employee benefits	11,001	48,230	25,343	385,058	469,632	234,843	223,283	458,126	927,758
Total salaries and employee benefits	\$ 84,830	\$ 303,301	\$ 140,545	\$ 2,205,003	\$ 2,733,679	\$ 1,272,730	\$ 1,263,136	\$ 2,535,866	\$ 5,269,545
Professional fees and contract services	1,803	23,288	8,617	90,043	123,751	8,562	185,209	193,771	317,522
Technology fees	1,268	21,445	7,053	42,033	71,799	24,565	48,455	73,020	144,819
Marketing	16,278	20,906	80	353,521	390,785	76,365	90,599	166,964	557,749
Conferences, conventions, meetings	274	516	129	25,884	26,803	24,500	13,474	37,974	64,777
Community events & organizational meetings	462	953	52,888	88,614	142,917	41,855	39,729	81,584	224,501
Occupancy	3,285	10,174	4,678	65,272	83,409	37,583	71,643	109,226	192,635
Depreciation	-	16,363	5,454	33,634	55,451	22,726	30,907	53,633	109,084
Organization dues	410	7,361	1,060	94,481	103,312	63,727	7,516	71,243	174,555
Specific assistance to individuals	11,022	-	-	-	11,022	-	-	-	11,022
Supplies, postage, and miscellaneous	2,039	22,914	2,878	77,213	105,044	30,300	47,030	77,330	182,374
Subtotal	\$ 121,671	\$ 427,221	\$ 223,382	\$ 3,075,698	\$ 3,847,972	\$ 1,602,913	\$ 1,797,698	\$ 3,400,611	\$ 7,248,583
United Way of America dues	-	-	-	125,955	125,955	73,228	93,734	166,962	292,917
Total functional expenses	\$ 121,671	\$ 427,221	\$ 223,382	\$ 3,201,653	\$ 3,973,927	\$ 1,676,141	\$ 1,891,432	\$ 3,567,573	\$ 7,541,500

*See Notes to Financial Statements.*

**UNITED WAY OF CENTRAL IOWA**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2018 and 2017

2017

	Community Service Programs				Supporting Services				Total
	Retired Senior Volunteer Program	United Way 2-1-1	Volunteer Engagement	Other Community Services	Fund Raising	Organizational Administration	Supporting Services Total		
Salaries	\$ 71,511	\$ 281,921	\$ 112,764	\$ 1,449,932	\$ 1,916,128	\$ 1,018,663	\$ 1,097,928	\$ 2,116,591	\$ 4,032,719
Employee benefits	10,312	43,798	23,724	280,140	357,974	206,841	225,979	432,820	790,794
Total salaries and employee benefits	\$ 81,823	\$ 325,719	\$ 136,488	\$ 1,730,072	\$ 2,274,102	\$ 1,225,504	\$ 1,323,907	\$ 2,549,411	\$ 4,823,513
Professional fees and contract services	670	15,294	5,457	103,477	124,898	3,728	194,726	198,454	323,352
Technology fees	1,414	25,698	2,718	33,791	63,621	24,070	54,491	78,561	142,182
Marketing	17,350	23,904	66	69,048	110,368	78,226	191,550	269,776	380,144
Conferences, conventions, meetings	2,582	3,590	873	21,926	28,971	16,773	33,169	49,942	78,913
Community events & organizational meetings	676	499	41,524	38,814	81,513	61,411	66,324	127,735	209,248
Occupancy	3,329	10,233	4,870	52,552	70,984	39,051	63,293	102,344	173,328
Depreciation	-	13,487	5,780	31,792	51,059	24,085	32,755	56,840	107,899
Organization dues	325	16,082	1,060	34,850	52,317	4,369	13,413	17,782	70,099
Specific assistance to individuals	12,027	-	-	-	12,027	-	-	-	12,027
Supplies, postage, and miscellaneous	2,995	19,372	2,869	69,896	95,132	39,159	57,954	97,113	192,245
Subtotal	\$ 123,191	\$ 453,878	\$ 201,705	\$ 2,186,218	\$ 2,964,992	\$ 1,516,376	\$ 2,031,582	\$ 3,547,958	\$ 6,512,950
United Way of America dues	-	-	-	132,017	132,017	76,753	98,246	174,999	307,016
Total functional expenses	\$ 123,191	\$ 453,878	\$ 201,705	\$ 2,318,235	\$ 3,097,009	\$ 1,593,129	\$ 2,129,828	\$ 3,722,957	\$ 6,819,966

*See Notes to Financial Statements.*



**UNITED WAY OF CENTRAL IOWA**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,049,384	\$ 302,102
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	315,005	307,985
Gain on sale of assets	(12,116)	-
Amortization (accretion) of investment premiums (discounts)	(10,876)	16,927
Net unrealized loss on investments	71,222	27,799
Change in value of beneficial interest in community foundation fund	(802,146)	(1,130,961)
Distributions from community foundation fund	168,410	149,849
Contributions made directly to community foundation fund	(19,360)	(5,345)
Contributions restricted for endowment	(37,391)	(352,490)
Changes in operating assets and liabilities:		
Annual campaign receivables	335,146	771,869
Grants and other receivables	(562,255)	409,162
Other assets	(21,077)	(75,219)
Accounts payable	(125,525)	217,213
Refundable advances and deferred revenue	155,934	(325,837)
Community investments and donor choice payable	55,843	24,598
Accrued expenses	24,475	7,049
Net cash provided by operating activities	\$ 584,673	\$ 344,701
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	\$ 4,191,941	\$ 4,771,675
Purchases of investments	(5,603,302)	(5,193,203)
Purchases of land, building and equipment	(200,647)	(133,603)
Proceeds from sale of equipment	20,000	-
Net cash (used in) investing activities	\$ (1,592,008)	\$ (555,131)
Net (decrease) in cash and cash equivalents	\$ (1,007,335)	\$ (210,430)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,731,816	3,942,246
End of year	\$ 2,724,481	\$ 3,731,816

*See Notes to Financial Statements.*

**UNITED WAY OF CENTRAL IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Significant Accounting Policies**

**Organization:**

United Way of Central Iowa (United Way) mobilizes monetary, volunteer and partner resources, collaborating in efforts to provide lasting community change and reach community Goals for 2020 in the priority areas of education, income and health.

United Way's mission statement is: "to improve lives by uniting the caring power of our community." United Way is a charitable organization, incorporated on March 21, 1918. The organization is a non-profit organization, organized and operated under IRS 501(c)(3) regulations. It is governed by a volunteer board of directors.

**Description of major programs:**

The organization has determined that for purposes of recording unrestricted expenses in the statement of activities, there are community investments and functional expenses. In community investments, Goals for 2020 drive investment decisions in the priority areas of education, income and health as follows:

Education – To improve the percentage of central Iowa students who graduate from high school to 95% by the year 2020.

Income – To increase the percentage of central Iowans who are financially self-sufficient to 75% by 2020.

Health – To increase central Iowa's Gallup Well-Being Index score from 61.5 (2014) to 64.5 by the year 2020.

Integrated Work – Education, Income, and Health components of work are integrated to propel targeted progress on the Goals of 2020.

In functional expenses the primary programs are as follows:

Retired Senior Volunteer Program – Matches the interests of individuals 55 years and older with volunteer opportunities focused on community priorities in education, income and health. United Way administers this program with United Way and federal funds.

United Way 2-1-1 – 2-1-1 is a centralized referral service for individuals needing human services assistance. The program is a 24/7 telephone helpline and website which connects individuals with agencies and organization that can provide needed resources, support or direction.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (*Continued*)

#### Description of major programs: (*Continued*)

In functional expenses the primary programs are as follows: (*Continued*)

Volunteer Engagement – Mobilizes volunteers in our community to reach Goals for 2020 in education, income and health. Activities include: linking prospective volunteers to strategic initiatives; developing training for volunteers; supporting business partners' efforts to reach corporate social responsibility goals; mobilizing volunteers to address emerging community needs; and coordinating volunteer crisis preparedness and response.

Other Community Services – Provides strategic leadership, tactical support and technology platforms to drive long-term community change and reach Goals for 2020 in education, income and health. Priorities include: developing comprehensive community impact plans using research- and evidence-based strategies; mobilizing and connecting a diverse set of individuals/organizations/partners to implement strategies; leading volunteer knowledge experts in alignment of investments and activities; obtaining, tracking and analyzing data on progress and results, and correcting course when warranted; engaging in statewide advocacy and public policy collaboration. The expenses related to Other Community Services are reported as Community Service Programs.

Also included in the Other Community Services is AFL-CIO labor costs. Partners with the South Central Iowa Federation of Labor, AFL-CIO, to build relationships between United Way, the local labor council, and its members and arranging for participation with workforce training programs.

#### Campaign contributions:

A campaign is conducted to raise financial support for United Way activities. Pledges, generally from individuals and corporations in the Central Iowa area, are recorded in the statement of activities in the year the pledge is made. Substantially all pledges are received within one year.

United Way collects pledges that are specifically designated to be directed to eligible agencies during the campaign. United Way is honoring designations made to each organization that qualifies based upon policy. United Way has no discretion as to how the donor designated pledges from the campaign are distributed; therefore, United Way does not include these contributions in its net campaign contributions total. The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general fees based on actual historical costs in accordance with United Way Worldwide Standards. United Way earned service fees totaling \$269,045 in 2018 and \$274,729 in 2017 for processing donor designated pledges.

The estimated uncollectible pledges is generally based on historical collection rates and current economic factors applied to gross campaign results, including donor designations. Substantially all pledges are received within one year, however, estimates could fluctuate significantly based on changing economic conditions in the future.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (*Continued*)

#### **Grants and other receivables:**

The receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of history with various grantors and other entities having outstanding balances, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

#### **Classification of net assets:**

The statement of financial position reports amounts for three classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets include endowment assets, which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them is generally to be expended for a specific purpose.

Temporarily restricted net assets include donor restricted assets, which are to be expended for specific purposes or at specific times. Investment income on endowment assets, including net appreciation, is also considered temporarily restricted as directed by the donors of such assets. Temporarily restricted net assets also include unconditional promises to give with payments due in future periods.

Unrestricted net assets result from revenues from the receipt of unrestricted contributions, the income from income-producing assets, and the providing of the organization's services, less expenses incurred when investing in the community towards the goals for 2020, providing services, raising contributions, and performing administrative functions.

#### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and cash equivalents:**

For the purpose of the statement of cash flows, United Way considers all highly liquid cash (including savings and money market accounts) to be cash equivalents.

#### **Contributions received:**

Contributions, which are defined as unconditional transfers of cash or other assets including unconditional promises to give those items in the future, are measured at fair value on the date received and recognized as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition. However, the recognition of conditional gifts as revenue is delayed until the conditions are met.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (*Continued*)

#### Contributions received: (*Continued*)

The organization distinguishes between contributions received with temporary restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted unless the organization meets the donor-imposed restriction on all or a portion of the amount contributed in the same reporting period in which the contribution was received. In those cases the contributions are reported as unrestricted. Receipts of unconditional promises to give with payments due in future periods are reported as restricted unless it is clear that the donor intended the gift to be used to support activities in the current or in a past period. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted.

A substantial number of volunteers and “loaned executives” have donated significant amounts of their time in United Way’s governance oversight, community engagement, fund-raising campaigns and other activities. Since the services provided do not require specialized skills, no amounts have been recorded in the financial statements.

#### Investments:

Investments include mutual funds, certificates of deposit, and U.S. agency issues. These are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities as part of investment income. For miscellaneous certificates of deposit, given the nature of these instruments and their duration, fair value is assumed to be equivalent to cost plus interest accrued. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Debt securities purchased at a discount or a premium will amortize or accrete the related discount or premium over the life of the security on a straight-line method.

#### Land, building, and equipment:

Land, building, and equipment is recorded at cost, if purchased, or at fair and market value, if donated. Depreciation is computed by the straight-line method over estimated useful lives of 10-40 years for building and 3-10 years for furniture and equipment. The organization follows the practice of capitalizing expenditures for the Human Services Campus in excess of \$2,500 and expenditures for all other categories in excess of \$500. Costs of maintenance and repairs that do not improve or extend assets lives are charged to expense.

#### Income taxes:

United Way is a charitable organization and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. United Way files a Form 990 tax return in the U.S. federal jurisdiction.

### Note 2. Investments

ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Investments (Continued)

The organization's investments are carried at fair value using level 1 and level 2 inputs and investment gains and losses are reflected in the statement of activities. The fair value of level 1 inputs are based on quoted prices for identical assets or liabilities in an active market. Level 1 inputs include mutual funds and equity securities based on the closing price reported in the active market where securities are traded. The fair value of level 2 inputs are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from observable market data.

The organization's investments consist of the following:

	2018	2017
Fixed income mutual fund (level 1)	\$ 1,483,642	\$ -
Certificates of deposit (level 2)	4,509,881	4,388,661
U.S. agency securities (level 2)	1,345,463	2,349,244
U.S. treasury notes (level 2)	2,746,709	1,996,775
	\$ 10,085,695	\$ 8,734,680

The organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance. For liquidity purposes, all of the organization's investment holdings are due to mature within a three year period.

### Note 3. Land, Building, and Equipment

Land, building, and equipment consists of the following:

	2018	2017
Land	\$ 98,275	\$ 98,275
Human Service Campus building	7,536,720	7,425,486
Furniture and equipment	1,786,122	1,720,724
Total	\$ 9,421,117	\$ 9,244,485
Less accumulated depreciation, including		
Human Service Campus building		
2018 \$5,428,636; 2017 \$5,222,715	6,991,085	6,692,211
	\$ 2,430,032	\$ 2,552,274

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Beneficial Interest in Community Foundation

The organization records a beneficial interest in the United Way of Central Iowa Endowment Fund, United Way of Central Iowa Endow Iowa Fund, and United Way of Central Iowa Endow Iowa Maureen Tiffany Education Fund (collectively referred to as the “Fund”) held by the Community Foundation of Greater Des Moines.

The Fund was originally formed by the merger of the United Way Foundation of Central Iowa and the Greater Des Moines Community Foundation. Subsequent to the merger, contributions and bequests have been added to the Fund’s balance. Under the governing agreement, United Way of Central Iowa can recommend distributions of income from the principal of the Fund, but no more frequently than quarterly. These distributions are limited to 5% of the prior December 31<sup>st</sup> balance. The distribution limit of the Fund is based upon the agreement with the Community Foundation of Greater Des Moines. In cases where the Community Foundation of Greater Des Moines reviews activities and determines a charity is not fulfilling the functions and purposes specified by United Way, the Community Foundation of Greater Des Moines Board has the ability to determine that compliance with the designations is impractical or impossible and thereby may decide not to honor such recommendations. The agreement does not allow the Community Foundation of Greater Des Moines the ability to redirect the designation to a beneficiary of its choice.

The Community Foundation of Greater Des Moines invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance held at the Foundation.

The fair value of the beneficial interest is measured using level 3 inputs, and is based on the value of the assets underlying the beneficial interest. All items of income and expense are recorded on the statement of activities in change in value of beneficial interest in Community Foundation. The activity of the beneficial interest for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 11,040,937	\$ 9,701,990
Contributions	56,751	357,835
Interest and dividends	444,100	200,545
Realized and unrealized gains	427,407	986,149
Distributions	(168,410)	(149,849)
Expenses	(69,361)	(55,733)
Balance, end of year	<u>\$ 11,731,424</u>	<u>\$ 11,040,937</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Lease Commitments

#### Operating leases:

As of June 30, 2018, the organization leases office equipment (through June 30, 2023) under operating lease agreements. Future minimum lease payments required under the leases are as follows:

<b>Year Ending June 30,</b>	
2019	\$ 31,080
2020	31,080
2021	31,080
2022	31,080
2023	28,490
	<u>\$ 152,810</u>

Total rent expense was \$45,958 and \$51,565 for the years ended June 30, 2018 and 2017, respectively.

### Note 6. Occupancy Agreements

United Way owns the Human Service Campus building and shares occupancy of the building with other qualified charitable organizations. Occupancy costs to be reimbursed to United Way under occupancy agreements at June 30, 2018 are as follows:

<b>Year Ending June 30,</b>	
2019	\$ 484,454
2020	374,663
2021	129,604
	<u>\$ 988,721</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 7. Human Service Campus Operations

Summarized operating results for the years ended June 30, 2018 and 2017 of the Human Service Campus are:

	<b>2018</b>	<b>2017</b>
Revenue:		
Occupancy cost reimbursements – third parties	\$ 493,939	\$ 543,491
Occupancy cost reimbursements – United Way	177,661	165,961
Interest and miscellaneous income	9,619	2,400
	\$ 681,219	\$ 711,852
Expenses:		
Salaries and employee benefits	\$ 78,871	\$ 78,729
Security and insurance	34,609	34,590
Janitorial	120,441	115,974
Utilities	144,906	129,296
Supplies	3,444	7,356
Repairs and maintenance	137,938	132,966
Communications and other expenses	73,477	53,545
Depreciation	205,921	200,086
Miscellaneous	613	-
	\$ 800,220	\$ 752,542
Net expenses over revenue	\$ (119,001)	\$ (40,690)

United Way has a property management agreement with a company that collects occupancy payments and makes expenditures relating to the Human Service Campus in exchange for a monthly fee. United Way may have future obligations for Human Service Campus repair or replacement expenditures and monitors its unrestricted net assets to make sure the balances are more than sufficient to meet these needs.

### Note 8. Employee Benefit Plans

#### Employee benefits program administration:

United Way sponsors two employee benefit programs in which some agencies participate. The programs sponsored are a pension plan and a 401(k) plan.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Employee Benefit Plans (Continued)

#### Pension Plan (Defined Benefit Retirement Plan):

United Way contributes to the United Way of Central Iowa Retirement Plan which is a multiemployer defined benefit pension plan. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the company chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The organization's participation in these plans for the fiscal years ended June 30, 2018 and 2017 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2017 and 2016 is for the plan's year-end at December 31, 2017 and 2016, respectively. The zone status is based on information that the company received from the plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status (calendar year)		FIP/RP Status Pending/ Implemented	Contributions of the Company (fiscal year)			Surcharge Imposed
		2017	2016		2018	2017	2016	
United Way of Central Iowa Retirement Plan	42-0680425 4-35825	Green	Green	N/A	<u>\$ 169,235</u>	<u>\$ 172,005</u>	<u>\$ 186,042</u>	No

Contributions to the plan have decreased due to the actuarial calculations of required contributions to adequately fund the plan. The organization provided more than 5% of the total contributions for the United Way of Central Iowa Retirement Plan for the years ended June 30, 2018 and 2017.

#### 401(k) Plan (Defined Contribution Retirement Plan):

The plan is a defined contribution plan established on July 1, 2001. It generally covers all participants of United Way, plus other participating agencies. Participating participants agree to contribute a percentage of their effective compensation through a salary reduction, provided they have attained the age of 21 and have completed one full year of employment in which 1,000 hours are worked. There is no minimum or maximum deferral percentage.

## NOTES TO FINANCIAL STATEMENTS

### **Note 8. Employee Benefit Plans** *(Continued)*

#### **401(k) Plan (Defined Contribution Retirement Plan):** *(Continued)*

United Way matches up to 4% of each eligible participant's salary contribution after the first year of employment. Total expense relating to the employer's contribution to the 401(k) plan was \$110,793 and \$97,654 for the years ended June 30, 2018 and 2017, respectively.

### **Note 9. Agency Funds**

United Way is the designated fiscal agent for the Polk County Early Childhood Iowa Board, who has been designated to receive and distribute Early Childhood Iowa state funding. These funds are used to further work in the areas of early childhood development and school readiness. For the years ended June 30, 2018 and 2017, funding received was \$3,746,883 and \$3,831,419, respectively.

In accordance with ASC Topic 958-605, United Way reports this activity as agency transactions. Accordingly, such agency transactions, totaling \$3,756,630 and \$3,956,061 (including expenditures relating to the state awards noted above), are not recorded or reflected in United Way's statements of activities for the years ended June 30, 2018 and 2017, respectively.

Cash and investments held as a result of these fiscal agency relationships are included in United Way's reported balances. Accordingly, a portion of the cash and investments are offset by amounts reported as refundable advances. As of June 30, 2018 and 2017, such amounts totaled \$202,912 and \$193,815, respectively.

### **Note 10. Commitments**

In June 2018, the Board of Directors approved agency partner program investments in the amount of \$16,404,109 for the fiscal year July 1, 2018 through June 30, 2019, as part of its approval of the 2018/2019 operating budget.

### **Note 11. Endowment Funds**

ASC Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Such guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The state of Iowa enacted a form of UPMIFA (SPMIFA) effective July, 2008, the provisions of which apply to endowment funds existing on or established after that date.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Endowment Funds (*Continued*)

United Way of Central Iowa's endowments consist of numerous individual gifts established to fund and support the mission of United Way of Central Iowa. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

The Board of Directors of United Way of Central Iowa has interpreted 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 of Central Iowa 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 United Way of Central Iowa in a manner consistent with the standard of prudence prescribed by SPMIFA. Further, the governing board has internally designated a portion of the unrestricted net assets as a board-designated endowment.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources to United Way of Central Iowa, and (7) United Way of Central Iowa's policy pertaining to the investment and distribution of endowment funds.

United Way of Central Iowa has adopted an investment management policy for endowment assets. The investment management policy sets forth that the responsibility for investment management of endowed funds has been delegated, by contract, solely to the Community Foundation of Greater Des Moines. The Community Foundation of Greater Des Moines and its Board of Directors has adopted a Statement of Investment Policy providing direction for the investment of endowed funds.

The underlying investment policy of the endowment funds is with the objective of achieving long-term asset appreciation. The investment policy establishes an achievable return objective through diversification of asset classes. The current performance expectation of the endowment fund's assets is a long-term, total rate of return on assets that is equal to or in excess of a 5% spending rate, anticipated inflation, investment management fees, administrative costs, and a growth factor as established from time to time. The target rate of return for the fund's investment assets is based on the assumption that future real returns will approximate or exceed the indexed rates of return experience for each asset class. To satisfy the long-term rate-of-return objectives, a total return strategy in which investment returns are achieved through both capital appreciations (realized and unrealized) and current yield (interest and dividends) is relied upon. A diversified asset allocation is targeted and it places an emphasis on fixed income, equity, and alternative investments to achieve its long-term return objectives within prudent risk parameters.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Endowment Funds (Continued)

United Way of Central Iowa has adopted a distribution and spending policy to ensure adherence to donor restrictions and to allow use of a portion of the endowment as a funding source toward making and administering community investments (agency program, community impact and community services spending) where appropriate and not in violation of donor restrictions. The policy protects the organization from year-to-year fluctuations in market returns and investment results by providing a predictable amount in the funds made available from endowment. United Way of Central Iowa calculates distributions from permanent and temporary endowments in order to fully quantify and address donor stipulations. The organization generally limits total appropriations to 5% of the previous calendar year-end value for expenditure from any endowment fund unless a larger amount is required to address donor stipulations. The level of appropriation with the current performance expectations for investments is generally consistent with the organization's objective to maintain the original value of permanent endowment gifts in perpetuity.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 are as follows:

	2018			
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 3,383,213	\$ 283,644	\$ -	\$ 3,666,857
Board Designated endowment funds	-	-	8,064,567	8,064,567
Total funds	\$ 3,383,213	\$ 283,644	\$ 8,064,567	\$ 11,731,424
	2017			
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 3,345,822	\$ 176,171	\$ -	\$ 3,521,993
Board Designated endowment funds	-	-	7,518,944	7,518,944
Total funds	\$ 3,345,822	\$ 176,171	\$ 7,518,944	\$ 11,040,937

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Endowment Funds (Continued)

Changes in endowment net assets as of June 30, 2018 and 2017 are as follows:

	2018			Total Net Endowment Assets
	Permanently Restricted	Temporarily Restricted	Unrestricted	
Balance, beginning of year	\$ 3,345,822	\$ 176,171	\$ 7,518,944	\$ 11,040,937
Contributions	37,391	-	19,360	56,751
Interest and dividends	-	140,247	303,853	444,100
Realized and unrealized gains	-	137,582	289,825	427,407
Distributions	-	(148,410)	(20,000)	(168,410)
Expenses	-	(21,946)	(47,415)	(69,361)
Balance, end of year	\$ 3,383,213	\$ 283,644	\$ 8,064,567	\$ 11,731,424
	2017			
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total Net Endowment Assets
Balance, beginning of year	\$ 2,993,332	\$ 1,007	\$ 6,707,651	\$ 9,701,990
Contributions	352,490	-	5,345	357,835
Interest and dividends	-	62,656	137,889	200,545
Realized and unrealized gains	-	306,252	679,897	986,149
Distributions	-	(129,849)	(20,000)	(149,849)
Expenses	-	(17,464)	(38,269)	(55,733)
Reclassification for prior year underwater endowment	-	(46,431)	46,431	-
Balance, end of year	\$ 3,345,822	\$ 176,171	\$ 7,518,944	\$ 11,040,937

## NOTES TO FINANCIAL STATEMENTS

### Note 12. Net Assets

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Time restricted:		
Annual campaign receivable - undesignated	\$ 8,371,006	\$ 8,734,819
Annual campaign for future fiscal years	60,350	-
Charitable remainder unitrust	1,178	1,067
	\$ 8,432,534	\$ 8,735,886
 Purpose restricted:		
Unappropriated endowment earnings	\$ 283,644	\$ 176,171
Bridges to Success	311,000	55,000
OpportUNITY	98,478	98,478
100th Year Anniversary	-	25,000
UWW/WF Essential Needs	159,068	-
Others restricted for specific program/project	126,532	133,958
	\$ 978,722	\$ 488,607
 Total temporarily restricted net assets	\$ 9,411,256	\$ 9,224,493

Permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
United Way of Central Iowa endowment	\$ 3,162,205	\$ 3,136,774
Maureen Tiffany Education endowment	221,008	209,048
	\$ 3,383,213	\$ 3,345,822

The earnings from the United Way of Central Iowa endowment are used toward making and administering community investments. The earnings from the Maureen Tiffany Education endowment fund are restricted for Early Childhood Initiatives.

The Board has established a guideline to reserve the undesignated net assets to provide financial stability and minimize financial disruption due to unexpected contingencies. The amount undesignated is a targeted dollar range representing three to six months' budgeted program and operating expenses for the next fiscal year. This targeted range was \$6,031,000 to \$12,062,000 at June 30, 2018, with the funds guideline balance being \$11,276,953. The undesignated net asset balance at June 30, 2018 was \$11,385,310.

## NOTES TO FINANCIAL STATEMENTS

### **Note 13. Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

### **Note 14. Subsequent Events - Date of Management Evaluation**

Management has evaluated subsequent events through December 6, 2018, the date the financial statements were available to be issued.