

UNITED WAY OF CENTRAL IOWA

FINANCIAL REPORT

**YEARS ENDED
JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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.

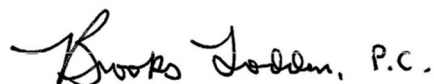
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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 4 2019, 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 solely 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 the effectiveness of United Way of Central Iowa's 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.

 Brooks Jordan, P.C.

West Des Moines, Iowa
December 4, 2019

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 3,376,283	\$ 2,724,481
Receivables:		
Annual campaign	8,164,804	10,077,868
Grants	760,632	643,296
Other	313,638	51,843
Other assets	297,016	237,156
Investments	10,693,451	10,085,695
Land, building and equipment, net	2,729,574	2,430,032
Beneficial interest in community foundation fund	8,605,816	8,348,211
Assets restricted for donor endowment, in perpetuity:		
Beneficial interest in community foundation fund	3,547,025	3,383,213
 Total assets	 <u>\$ 38,488,239</u>	 <u>\$ 37,981,795</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,217,034	\$ 1,209,084
Refundable advances and deferred revenue:		
Polk County Early Childhood Iowa	219,882	202,912
Other	198,203	199,207
Community investments and donor choice payable	1,871,533	1,577,162
Accrued expenses	104,023	119,052
 Total liabilities	 <u>\$ 3,610,675</u>	 <u>\$ 3,307,417</u>
 NET ASSETS		
Without donor restrictions:		
Designated by the governing board:		
Land, buildings, and equipment	\$ 2,729,574	\$ 2,430,032
Endowment fund	8,362,936	8,064,567
Undesignated	12,686,011	11,385,310
Total without donor restriction net assets	<u>\$ 23,778,521</u>	<u>\$ 21,879,909</u>
With donor restrictions:		
Restricted due to time	\$ 6,648,083	\$ 8,432,534
Restricted due to purpose	903,935	978,722
Perpetual in nature	3,547,025	3,383,213
Total with donor restriction net assets	<u>\$ 11,099,043</u>	<u>\$ 12,794,469</u>
 Total net assets	 <u>\$ 34,877,564</u>	 <u>\$ 34,674,378</u>
 Total liabilities and net assets	 <u>\$ 38,488,239</u>	 <u>\$ 37,981,795</u>

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GRANTS, AND OTHER SUPPORT						
Total campaign results	\$ 20,860,258	\$ 6,581,977	\$ 27,442,235	\$ 19,103,832	\$ 8,431,356	\$27,535,188
Prior year's campaign results released from time restrictions	8,390,306	(8,390,306)	-	8,734,819	(8,734,819)	-
Donor designations	(6,081,050)	-	(6,081,050)	(6,117,457)	-	(6,117,457)
Undesignated campaign contributions	\$ 23,169,514	\$ (1,808,329)	\$ 21,361,185	\$ 21,721,194	\$ (303,463)	\$21,417,731
Less estimated uncollected pledges	(903,624)	-	(903,624)	(471,415)	-	(471,415)
Net campaign contributions	\$ 22,265,890	\$ (1,808,329)	\$ 20,457,561	\$ 21,249,779	\$ (303,463)	\$20,946,316
Grants, sponsorships, & other non-campaign contributions	1,554,791	1,228,665	2,783,456	1,233,004	1,275,872	2,508,876
Investment income	375,076	-	375,076	77,924	-	77,924
Change in value of beneficial interest in community foundation fund	298,069	(40,764)	257,305	526,262	107,474	633,736
Service fees	280,487	-	280,487	269,045	-	269,045
Operation of Human Service Campus, net of expenses 2019 \$910,509; 2018 \$800,220	(160,841)	-	(160,841)	(119,001)	-	(119,001)
Other revenue	165,436	-	165,436	168,295	-	168,295
	<u>\$ 24,778,908</u>	<u>\$ (620,428)</u>	<u>\$ 24,158,480</u>	<u>\$ 23,405,308</u>	<u>\$ 1,079,883</u>	<u>\$24,485,191</u>
Satisfaction of restrictions	1,074,998	(1,074,998)	-	855,729	(855,729)	-
	<u>\$ 25,853,906</u>	<u>\$ (1,695,426)</u>	<u>\$ 24,158,480</u>	<u>\$ 24,261,037</u>	<u>\$ 224,154</u>	<u>\$24,485,191</u>
EXPENSES						
Program services:						
Community investments:						
Education	\$ 6,631,594	\$ -	\$ 6,631,594	\$ 6,766,674	\$ -	\$ 6,766,674
Income	5,377,041	-	5,377,041	4,399,293	-	4,399,293
Health	3,906,068	-	3,906,068	3,878,773	-	3,878,773
Integrated work	504,948	-	504,948	573,147	-	573,147
Other	313,574	-	313,574	276,420	-	276,420
Community service programs	3,644,882	-	3,644,882	3,973,927	-	3,973,927
Total program services	\$ 20,378,107	\$ -	\$ 20,378,107	\$ 19,868,234	\$ -	\$19,868,234
Supporting services	3,577,187	-	3,577,187	3,567,573	-	3,567,573
Total expenses	<u>\$ 23,955,294</u>	<u>\$ -</u>	<u>\$ 23,955,294</u>	<u>\$ 23,435,807</u>	<u>\$ -</u>	<u>\$23,435,807</u>
Changes in net assets	\$ 1,898,612	\$ (1,695,426)	\$ 203,186	\$ 825,230	\$ 224,154	\$ 1,049,384
Net assets at beginning of year	21,879,909	12,794,469	34,674,378	21,054,679	12,570,315	33,624,994
Net assets at end of year	<u>\$ 23,778,521</u>	<u>\$ 11,099,043</u>	<u>\$ 34,877,564</u>	<u>\$ 21,879,909</u>	<u>\$ 12,794,469</u>	<u>\$34,674,378</u>

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2019									
	Program Services						Supporting Services			
	Community Service Programs					Total Program Services	Supporting Services			Total Expenses
	Community Investments	Retired Senior Volunteer Program	United Way 2-1-1	Volunteer Engagement	Other Community Services		Fund Raising	Organizational Administration	Total Supporting Services	
Salaries	\$ 280,569	\$ 75,688	\$ 269,866	\$ 111,852	\$ 1,747,754	\$ 2,485,729	\$ 1,028,215	\$ 1,064,045	\$ 2,092,260	\$ 4,577,989
Employee benefits	46,072	12,817	45,753	28,310	372,564	505,516	240,763	232,210	472,973	978,489
Total salaries and employee benefits	\$ 326,641	\$ 88,505	\$ 315,619	\$ 140,162	\$ 2,120,318	\$ 2,991,245	\$ 1,268,978	\$ 1,296,255	\$ 2,565,233	\$ 5,556,478
Professional fees and contract services	943,066	903	20,359	13,888	71,218	1,049,434	16,112	185,967	202,079	1,251,513
Technology fees	163,418	984	28,463	6,113	38,205	237,183	26,722	59,120	85,842	323,025
Marketing	6,480	15,617	27,551	132	94,401	144,181	81,253	37,243	118,496	262,677
Conferences, conventions, meetings	16,781	274	-	66	28,155	45,276	25,109	21,034	46,143	91,419
Community events & organizational meetings	65,793	494	3,858	24,239	68,708	163,092	38,691	17,746	56,437	219,529
Community investment grants	14,387,231	-	-	-	-	14,387,231	-	-	-	14,387,231
Occupancy	10,539	3,249	22,882	3,693	57,934	98,297	34,765	67,370	102,135	200,432
Depreciation	-	-	16,345	5,448	42,678	64,471	22,701	30,874	53,575	118,046
Organization dues	250	350	12,657	500	136,998	150,755	103,890	3,575	107,465	258,220
Specific assistance to individuals	711,202	9,028	-	-	-	720,230	-	-	-	720,230
Supplies, postage, and miscellaneous	101,824	1,534	25,804	2,293	70,349	201,804	24,661	49,547	74,208	276,012
Subtotal	\$16,733,225	\$ 120,938	\$ 473,538	\$ 196,534	\$ 2,728,964	\$20,253,199	\$ 1,642,882	\$ 1,768,731	\$ 3,411,613	\$23,664,812
United Way of America dues	-	-	-	-	124,908	124,908	72,619	92,955	165,574	290,482
Total functional expenses	<u>\$16,733,225</u>	<u>\$ 120,938</u>	<u>\$ 473,538</u>	<u>\$ 196,534</u>	<u>\$ 2,853,872</u>	<u>\$20,378,107</u>	<u>\$ 1,715,501</u>	<u>\$ 1,861,686</u>	<u>\$ 3,577,187</u>	<u>\$23,955,294</u>

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2018									
	Program Services						Supporting Services			Total
	Community Service Programs					Total	Supporting Services			Total
	Community	Retired Senior	United Way	Volunteer	Other	Program	Fund	Organizational	Supporting	Total
	Investments	Volunteer	2-1-1	Engagement	Community	Services	Raising	Administration	Services	Supporting
		Program			Services				Total	Services
Salaries	\$ -	\$ 73,829	\$ 255,071	\$ 115,202	\$ 1,819,945	\$ 2,264,047	\$ 1,037,887	\$ 1,039,853	\$ 2,077,740	\$ 4,341,787
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	940,722	1,803	23,288	8,617	90,043	1,064,473	8,562	185,209	193,771	1,258,244
Technology fees	170,392	1,268	21,445	7,053	42,033	242,191	24,565	48,455	73,020	315,211
Marketing	23,867	16,278	20,906	80	353,521	414,652	76,365	90,599	166,964	581,616
Conferences, conventions, meetings	35,955	274	516	129	25,884	62,758	24,500	13,474	37,974	100,732
Community events & organizational meetings	59,519	462	953	52,888	88,614	202,436	41,855	39,729	81,584	284,020
Community investment grants	14,197,875	-	-	-	-	14,197,875	-	-	-	14,197,875
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	645	410	7,361	1,060	94,481	103,957	63,727	7,516	71,243	175,200
Specific assistance to individuals	401,777	11,022	-	-	-	412,799	-	-	-	412,799
Supplies, postage, and miscellaneous	63,555	2,039	22,914	2,878	77,213	168,599	30,300	47,030	77,330	245,929
Subtotal	\$15,894,307	\$ 121,671	\$ 427,221	\$ 223,382	\$ 3,075,698	\$19,742,279	\$ 1,602,913	\$ 1,797,698	\$ 3,400,611	\$23,142,890
United Way of America dues	-	-	-	-	125,955	125,955	73,228	93,734	166,962	292,917
Total functional expenses	\$15,894,307	\$ 121,671	\$ 427,221	\$ 223,382	\$ 3,201,653	\$19,868,234	\$ 1,676,141	\$ 1,891,432	\$ 3,567,573	\$23,435,807

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 203,186	\$ 1,049,384
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	342,108	315,005
Gain on sale of assets	(51,264)	(12,116)
(Accretion) of investment (discounts)	(32,778)	(10,876)
Net unrealized (gain) loss on investments	(147,028)	71,222
Change in value of beneficial interest in community foundation fund	(451,274)	(802,146)
Distributions from community foundation fund	193,969	168,410
Contributions made directly to community foundation fund	(300)	(19,360)
Contributions restricted for endowment	(163,812)	(37,391)
Changes in operating assets and liabilities:		
Annual campaign receivables	1,913,064	335,146
Grants and other receivables	(379,131)	(562,255)
Other assets	(59,860)	(21,077)
Accounts payable	7,950	(125,525)
Refundable advances and deferred revenue	15,966	155,934
Community investments and donor choice payable	294,371	55,843
Accrued expenses	(15,029)	24,475
Net cash provided by operating activities	<u>\$ 1,670,138</u>	<u>\$ 584,673</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 4,602,524	\$ 4,191,941
Purchases of investments	(5,030,474)	(5,603,302)
Purchases of land, building and equipment	(653,257)	(200,647)
Proceeds from sale of equipment	62,871	20,000
Net cash (used in) investing activities	<u>\$ (1,018,336)</u>	<u>\$ (1,592,008)</u>
Net increase (decrease) in cash and cash equivalents	\$ 651,802	\$ (1,007,335)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,724,481</u>	<u>3,731,816</u>
End of year	<u>\$ 3,376,283</u>	<u>\$ 2,724,481</u>
NON-CASH INVESTING ACTIVITIES		
Contributions in-kind:		
Property and equipment	<u>\$ 123,015</u>	<u>\$ -</u>
TOTAL NON-CASH INVESTING ACTIVITIES	<u>\$ 123,015</u>	<u>\$ -</u>

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 program services:

The organization has determined that for purposes of recording expenses in the statement of functional expenses there are community investments and community services programs. Community investments are programmatic investments the organization makes to further our work, these include investments in external agencies as well as investments in UWCI-led programs. Community service programs include other programmatic related support that help push the organization closer to its Goals for 2020.

In community investments, Goals for 2020 drive the 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.

Community service 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 organizations that can provide needed resources, support or direction.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies *(Continued)*

Description of program services: *(Continued)*

Community service 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 \$280,487 in 2019 and \$269,045 in 2018 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 in two classes of net assets – net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions

Net assets without donor restriction are available for use at the discretion of United Way for general operating purposes. From time to time the board may designate a portion of these net assets for a specific purpose. For example, the board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the organization's long-term financial viability.

See Note 13 for more information on the composition of the net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

United Way reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Once the restriction has been met, the net assets are reclassified as net assets without donor restrictions.

Some net assets with donor restrictions include a stipulation that assets must be maintained in perpetuity while permitting the organization to expend a portion of the income generated by the assets in accordance with the donor-imposed provisions.

See Note 13 for more information on the composition of the net assets with donor restrictions.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (*Continued*)

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.

The organization distinguishes between contributions received with donor restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions 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 increases in net assets without donor restrictions. 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, U.S. agency issues, and exchange traded bond funds. 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Functional expense allocations:

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of UWCI are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas are allocated across Community Service Programs and Supporting Services using a base that results in a ratable distribution.

Office supplies, depreciation, information technology, and equipment maintenance are allocated based on the number of full-time equivalent staff. Occupancy expenses are allocated based on square footage of office space occupied by department, and phone expenses are allocated based on the number of phone lines per department. United Way Worldwide dues are allocated based on staff's involvement and the potential benefit from United Way Worldwide's technical assistance.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14 (the ASU), *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, enhances information about liquidity and availability of resources, and provides consistency in the type of information provided about expenses and investment return. The United Way implemented the ASU and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively and did not result in any reclassifications of net assets.

Note 2. Liquidity and Availability

The organization's financial assets available for general expenditure within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 3,376,283
Receivables:	
Annual campaign	8,164,804
Grants	760,632
Other	313,638
Investments	10,693,451
Beneficial interest in community foundation fund	12,152,841
Total	<u>\$ 35,461,649</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	\$ 903,935
Restricted by donors with time restrictions	20,785
Subject to donor restricted endowment	3,623,037
Amounts unavailable to management without board approval:	
Quasi-endowment fund, primarily for long-term investing	7,988,752
Total	<u>\$ 12,536,509</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 22,925,140</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability (Continued)

To ensure the organization meets commitments, obligations, and other contingencies, and to provide flexibility for new organizational priorities within one year from the statement of financial position date, the organization has \$22,601,132 of financial assets available as of June 30, 2019. Of this balance the organization has a total cash and investment balance of \$14,069,734 as of June 30, 2019, and the organization's investment policy has an objective to maintain the necessary liquidity to match cash needs. Therefore, a portion of the invested assets are maintained in liquid short-term securities which can be converted to cash with minimum risk of losing principal or interest. The receivables primarily show those amounts expected to be collected from United Way's annual campaign and grants. Additionally, the \$8,362,936 as of June 30, 2019 in the beneficial interest in the Community Foundation are assets from a board designated quasi-endowment. Although no spending is expected from the board designated quasi-endowment, these amounts could be made available if necessary.

In addition, United Way uses a funds guideline balance as a snapshot of current liquidity, for less than a year. The funds guideline is based on United Way's undesignated net asset balance and its target range is three to six months of budgeted spending including annual program funding and the costs of operating and maintaining the organization. See Note 13 for more information on the funds guideline and United Way's short-term liquidity.

Note 3. 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.

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:

	<u>2019</u>	<u>2018</u>
Fixed income ETF (level 1)	\$ 2,548,767	\$ 1,483,642
Certificates of deposit (level 2)	3,202,612	4,509,881
U.S. agency securities (level 2)	1,106,285	1,345,463
U.S. treasury notes (level 2)	3,835,787	2,746,709
	<u>\$ 10,693,451</u>	<u>\$ 10,085,695</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments *(Continued)*

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 4. Land, Building, and Equipment

Land, building, and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 98,275	\$ 98,275
Human Service Campus building	7,720,129	7,536,720
Furniture and equipment	<u>1,339,350</u>	<u>1,786,122</u>
Total	\$ 9,157,754	\$ 9,421,117
Less accumulated depreciation, including		
Human Service Campus building		
2019 \$5,608,559; 2018 \$5,428,636	<u>6,428,180</u>	<u>6,991,085</u>
	<u>\$ 2,729,574</u>	<u>\$ 2,430,032</u>

Note 5. 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 31st 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.

NOTES TO FINANCIAL STATEMENTS

Note 5. Beneficial Interest in Community Foundation *(Continued)*

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 11,731,424	\$ 11,040,937
Contributions	164,112	56,751
Investment returns, net	451,274	802,146
Appropriations	<u>(193,969)</u>	<u>(168,410)</u>
Balance, end of year	<u>\$ 12,152,841</u>	<u>\$ 11,731,424</u>

Note 6. Lease Commitments

Operating leases:

As of June 30, 2019, the organization leases office equipment (through June 30, 2023) under an operating lease agreement. Future minimum lease payments required under the lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 34,416
2021	34,416
2022	<u>34,416</u>
	<u>\$ 103,248</u>

Total rent expense was \$33,385 and \$45,958 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 7. 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, 2019 are as follows:

Year Ending June 30,	
2020	\$ 390,200
2021	141,100
2022	5,837
	<u>\$ 537,137</u>

Note 8. Human Service Campus Operations

Summarized operating results for the years ended June 30, 2019 and 2018 of the Human Service Campus are:

	<u>2019</u>	<u>2018</u>
Revenue:		
Occupancy cost reimbursements – third parties	\$ 511,474	\$ 493,939
Occupancy cost reimbursements – United Way	186,701	177,661
Interest and miscellaneous income	51,493	9,619
	<u>\$ 749,668</u>	<u>\$ 681,219</u>
Expenses:		
Salaries and employee benefits	\$ 95,171	\$ 78,871
Security and insurance	46,204	34,906
Janitorial	131,533	120,441
Utilities	156,906	144,906
Supplies	4,924	3,444
Repairs and maintenance	188,743	137,938
Communications and other expenses	62,817	73,179
Depreciation	224,061	205,921
Miscellaneous	150	613
	<u>\$ 910,509</u>	<u>\$ 800,219</u>
Net expenses over revenue	<u>\$ (160,841)</u>	<u>\$ (119,000)</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Human Service Campus Operations *(Continued)*

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 net assets without donor restrictions to make sure the balances are more than sufficient to meet these needs.

Note 9. 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.

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, 2019 and 2018 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 2018 and 2017 is for the plan's year-end at December 31, 2018 and 2017, 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
		2018	2017		2019	2018	2017	
United Way of Central Iowa Retirement Plan	42-0680425 4-35825	Green	Green	N/A	<u>\$167,298</u>	<u>\$169,235</u>	<u>\$172,005</u>	No

NOTES TO FINANCIAL STATEMENTS

Note 9. Employee Benefit Plans *(Continued)*

Pension Plan (Defined Benefit Retirement Plan): *(Continued)*

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, 2019 and 2018.

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.

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 \$121,397 and \$110,793 for the years ended June 30, 2019 and 2018, respectively.

Note 10. Polk County Early Childhood

United Way of Central Iowa acts as a fiscal agent for the Polk County Early Childhood Iowa (PCECI), an Early Childhood Iowa area created by Polk County pursuant to the provisions of Chapter 256I.5 of the Code of Iowa. Financial transactions of this entity are included in these financial statements as an agency fund because of their fiduciary relationship with PCECI. The following financial data is for the years ended June 30, 2019 and 2018:

	2019			2018		
	Early Childhood Program	School Ready Children Services	Total	Early Childhood Program	School Ready Children Services	Total
Additions:						
State of Iowa grants:						
Early Childhood	\$ 959,650	\$ -	\$ 959,650	\$ 1,044,889	\$ -	\$ 1,044,889
Quality improvement	-	130,350	130,350	-	129,699	129,699
Allocation for administration	50,508	82,222	132,730	54,994	79,410	134,404
Other program services	-	2,528,152	2,528,152	-	2,437,891	2,437,891
Total State of Iowa grants	\$ 1,010,158	\$ 2,740,724	\$ 3,750,882	\$ 1,099,883	\$ 2,647,000	\$ 3,746,883
Interest	\$ 6,530	\$ 14,071	\$ 20,601	\$ 6,368	\$ 12,475	\$ 18,843
Total additions	\$ 1,016,688	\$ 2,754,795	\$ 3,771,483	\$ 1,106,251	\$ 2,659,475	\$ 3,765,726
Deductions:						
Program services:						
Early Childhood	\$ 954,482	\$ -	\$ 954,482	\$ 1,051,171	\$ -	\$ 1,051,171
Quality improvement	-	113,588	113,588	-	93,350	93,350
Other program services	-	2,555,708	2,555,708	-	2,478,707	2,478,707
Total program services	\$ 954,482	\$ 2,669,296	\$ 3,623,778	\$ 1,051,171	\$ 2,572,057	\$ 3,623,228
Administration	\$ 49,015	\$ 81,719	\$ 130,734	\$ 53,992	\$ 79,410	\$ 133,402
Total deductions	\$ 1,003,497	\$ 2,751,015	\$ 3,754,512	\$ 1,105,163	\$ 2,651,467	\$ 3,756,630
Net change	\$ 13,191	\$ 3,780	\$ 16,971	\$ 1,088	\$ 8,008	\$ 9,096
Balances - beginning of year	126,061	76,850	202,911	124,973	68,842	193,815
Balances - end of year	\$ 139,252	\$ 80,630	\$ 219,882	\$ 126,061	\$ 76,850	\$ 202,911

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments

In June 2019, the Board of Directors approved agency partner program investments in the amount of \$17,515,978 for the fiscal year July 1, 2019 through June 30, 2020, as part of its approval of the 2019/2020 operating budget.

Note 12. Endowment Funds

United Way of Central Iowa's donor restricted endowments consist of two funds, one established for the purpose of administering community investments and the other for the purpose of Early Childhood Initiatives. In addition, the UWCI Board of Directors has established a quasi-endowment for the purpose of providing general operational support for the organization. As required by GAAP, net assets associated with endowment funds 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity is subject to appropriation 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 without donor restricted 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 have 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 policy establishes an achievable return objective through diversification of asset classes. The 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. The current performance expectations of the endowment fund's assets are 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 fee, administrative costs, and a growth factor as established from time to time.

NOTES TO FINANCIAL STATEMENTS

Note 12. 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. 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 organizations objective to maintain the original value of the endowment gifts in perpetuity.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments. Distributions from the endowment will be handled on a case by case basis when an endowment is underwater. A review of the donor's intent as to both the purpose and accumulation of funds, investment return expectations, organizational needs and resources, and other factors will determine if it is acceptable to continue distributions from the endowment or if it is advisable to suspend distributions for a period of time. No deficiencies were reported as of June 30, 2019 or as of June 30, 2018.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 are as follows:

2019			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board Designated for quasi-endowment	\$ 8,362,936	\$ -	\$ 8,362,936
Donor-restricted endowment funds	-	3,789,905	3,789,905
Total funds	<u>\$ 8,362,936</u>	<u>\$ 3,789,905</u>	<u>\$ 12,152,841</u>
2018			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board Designated for quasi-endowment	\$ 8,064,567	\$ -	\$ 8,064,567
Donor-restricted endowment funds	-	3,666,857	3,666,857
Total funds	<u>\$ 8,064,567</u>	<u>\$ 3,666,857</u>	<u>\$ 11,731,424</u>

NOTES TO FINANCIAL STATEMENTS

Note 12. Endowment Funds *(Continued)*

Changes in endowment net assets as of June 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 8,064,567	\$ 3,666,857	\$ 11,731,424
Contributions	300	163,812	164,112
Investment return, net	318,069	133,205	451,274
Appropriations	(20,000)	(173,969)	(193,969)
Total endowment funds	<u>\$ 8,362,936</u>	<u>\$ 3,789,905</u>	<u>\$ 12,152,841</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 7,518,944	\$ 3,521,993	\$ 11,040,937
Contributions	19,360	37,391	56,751
Investment return, net	546,263	255,883	802,146
Appropriations	(20,000)	(148,410)	(168,410)
Total endowment funds	<u>\$ 8,064,567</u>	<u>\$ 3,666,857</u>	<u>\$ 11,731,424</u>

NOTES TO FINANCIAL STATEMENTS

Note 13. Net Assets

Net assets without donor restrictions

United Way's net assets without donor restrictions are comprised of Board designated and undesignated amounts for the following purposes as of June 30, 2019 and 2018.

Board Designated Quasi-Endowment

UWCI's Board has designated funds to be set aside to establish and maintain a quasi-endowment for the purposes of securing the organizations long-term financial viability and continuing to meet the needs of the organization. The endowment funds totaled \$8,362,936 and \$8,064,567 at June 30, 2019 and 2018, respectively.

Undesignated

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 \$6,287,000 to \$12,574,000 at June 30, 2019, with the fund's guideline balance being \$12,679,341. United Way ended the current fiscal year in excess of its funds guideline. With this result, early in the next fiscal year the organization approved a budget modification, which added an additional \$300,000 in community spending.

Net assets with donor restrictions

Net assets with donor restrictions are restricted as follows:

	2019	2018
Time restricted:		
Annual campaign receivable - undesignated	\$ 6,581,977	\$ 8,371,006
Annual campaign for future fiscal years	41,050	60,350
Charitable remainder unitrusts	25,056	1,178
Total time restricted	<u>\$ 6,648,083</u>	<u>\$ 8,432,534</u>
Purpose restricted:		
Supporting community investments	\$ 218,419	\$ 256,357
Early childhood initiatives	24,461	27,287
Bridges to Success	176,087	311,000
OpportUNITY	208,465	98,478
UWW/WF Essential Needs	92,897	159,068
Others restricted for specific program/project	183,606	126,532
Total purpose restricted	<u>\$ 903,935</u>	<u>\$ 978,722</u>
Perpetual in nature:		
Supporting community investments	3,264,954	3,162,205
Early childhood initiatives	282,071	221,008
	<u>\$ 3,547,025</u>	<u>\$ 3,383,213</u>
Total net assets with donor restriction	<u>\$ 11,099,043</u>	<u>\$ 12,794,469</u>

NOTES TO FINANCIAL STATEMENTS

Note 14. Reclassifications

Certain amounts in the 2018 statement of activities have been reclassified to conform to the 2019 presentation.

Note 15. Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through December 4, 2019, the date the financial statements were available to be issued.