

UNITED WAY OF CENTRAL IOWA

FINANCIAL REPORT

**YEARS ENDED
JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, 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.

 Brooks Ladden, P.C.

West Des Moines, Iowa
December 1, 2017

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

| ASSETS | 2017 | 2016 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 3,731,816 | \$ 3,942,246 |
| Receivables: | | |
| Annual campaign | 10,413,014 | 11,184,883 |
| Grants | 93,231 | 511,864 |
| Other | 39,653 | 30,182 |
| Other assets | 216,079 | 140,860 |
| Investments | 8,734,680 | 8,357,878 |
| Land, building and equipment, net | 2,552,274 | 2,726,656 |
| Beneficial interest in community foundation fund | 7,695,115 | 6,708,658 |
| Assets restricted for permanent endowment: | | |
| Beneficial interest in community foundation fund | 3,345,822 | 2,993,332 |
| | <u>\$ 36,821,684</u> | <u>\$ 36,596,559</u> |
| Total assets | | |
| | <u>\$ 36,821,684</u> | <u>\$ 36,596,559</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 1,334,609 | \$ 1,117,396 |
| Refundable advances and deferred revenue: | | |
| Polk County Early Childhood | 193,815 | 299,805 |
| Other | 52,370 | 272,217 |
| Community investments and donor choice payable | 1,521,319 | 1,496,721 |
| Accrued expenses | 94,577 | 87,528 |
| | <u>\$ 3,196,690</u> | <u>\$ 3,273,667</u> |
| Total liabilities | | |
| | <u>\$ 3,196,690</u> | <u>\$ 3,273,667</u> |
| NET ASSETS | | |
| Unrestricted: | | |
| Designated by the governing board: | | |
| Land, buildings, and equipment | \$ 2,552,274 | \$ 2,726,656 |
| Endowment fund | 7,518,944 | 6,754,082 |
| Undesignated | 10,983,461 | 10,835,019 |
| Total unrestricted net assets | <u>\$ 21,054,679</u> | <u>\$ 20,315,757</u> |
| Temporarily restricted: | | |
| Restricted due to time | \$ 8,735,886 | \$ 9,192,126 |
| Restricted due to purpose | 488,607 | 821,677 |
| | <u>\$ 9,224,493</u> | <u>\$ 10,013,803</u> |
| Permanently restricted | <u>\$ 3,345,822</u> | <u>\$ 2,993,332</u> |
| | <u>\$ 33,624,994</u> | <u>\$ 33,322,892</u> |
| Total net assets | | |
| | <u>\$ 33,624,994</u> | <u>\$ 33,322,892</u> |
| Total liabilities and net assets | <u>\$ 36,821,684</u> | <u>\$ 36,596,559</u> |

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

| | 2017 | | | | 2016 | | | |
|--|---------------|---------------------------|---------------------------|---------------|---------------|---------------------------|---------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES, GRANTS, AND OTHER SUPPORT | | | | | | | | |
| Total campaign results | \$ 18,380,987 | \$ 8,734,819 | \$ - | \$ 27,115,806 | \$ 19,280,756 | \$ 9,191,115 | \$ - | \$ 28,471,871 |
| Prior year's campaign results released from time restrictions | 9,191,115 | (9,191,115) | - | - | 8,827,820 | (8,827,820) | - | - |
| Donor designations | (5,682,484) | - | - | (5,682,484) | (6,722,887) | - | - | (6,722,887) |
| Undesignated campaign contributions | \$ 21,889,618 | \$ (456,296) | \$ - | \$ 21,433,322 | \$ 21,385,689 | \$ 363,295 | \$ - | \$ 21,748,984 |
| Less estimated uncollected pledges | (1,052,840) | - | - | (1,052,840) | (921,543) | - | - | (921,543) |
| Net campaign contributions | \$ 20,836,778 | \$ (456,296) | \$ - | \$ 20,380,482 | \$ 20,464,146 | \$ 363,295 | \$ - | \$ 20,827,441 |
| Grants, sponsorships, & other non-campaign contributions | 960,359 | 258,230 | 352,490 | 1,571,079 | 1,088,241 | 869,141 | 113,780 | 2,071,162 |
| Investment income, including net unrealized gain (loss) | | | | | | | | |
| 2017 (\$27,799); 2016 \$9,826 | 45,117 | - | - | 45,117 | 60,554 | - | - | 60,554 |
| Change in value of beneficial interest in community foundation fund | 805,948 | 175,163 | - | 981,111 | (199,247) | (149,912) | - | (349,159) |
| Service fees | 274,729 | - | - | 274,729 | 287,636 | - | - | 287,636 |
| Operation of Human Service Campus, net of expenses 2017 \$752,542; 2016 \$775,123 | (40,690) | - | - | (40,690) | (61,874) | - | - | (61,874) |
| Other revenue | 159,862 | - | - | 159,862 | 146,721 | - | - | 146,721 |
| | \$ 23,042,103 | \$ (22,903) | \$ 352,490 | \$ 23,371,690 | \$ 21,786,177 | \$ 1,082,524 | \$ 113,780 | \$ 22,982,481 |
| Satisfaction of restrictions | 766,407 | (766,407) | - | - | 48,400 | (48,400) | - | - |
| | \$ 23,808,510 | \$ (789,310) | \$ 352,490 | \$ 23,371,690 | \$ 21,834,577 | \$ 1,034,124 | \$ 113,780 | \$ 22,982,481 |
| COMMUNITY INVESTMENTS AND FUNCTIONAL EXPENSES | | | | | | | | |
| Community investments: | | | | | | | | |
| Education | \$ 6,742,231 | \$ - | \$ - | \$ 6,742,231 | \$ 6,551,019 | \$ - | \$ - | \$ 6,551,019 |
| Income | 4,346,598 | - | - | 4,346,598 | 3,444,818 | - | - | 3,444,818 |
| Health | 4,224,714 | - | - | 4,224,714 | 4,267,347 | - | - | 4,267,347 |
| Integrated work | 697,692 | - | - | 697,692 | 708,044 | - | - | 708,044 |
| Other | 238,387 | - | - | 238,387 | 281,132 | - | - | 281,132 |
| Total | \$ 16,249,622 | \$ - | \$ - | \$ 16,249,622 | \$ 15,252,360 | \$ - | \$ - | \$ 15,252,360 |
| Functional expenses: | | | | | | | | |
| Community service programs | 2,967,008 | - | - | 2,967,008 | 3,034,505 | - | - | 3,034,505 |
| Supporting services | 3,852,958 | - | - | 3,852,958 | 3,668,105 | - | - | 3,668,105 |
| | \$ 23,069,588 | \$ - | \$ - | \$ 23,069,588 | \$ 21,954,970 | \$ - | \$ - | \$ 21,954,970 |
| Changes in net assets | \$ 738,922 | \$ (789,310) | \$ 352,490 | \$ 302,102 | \$ (120,393) | \$ 1,034,124 | \$ 113,780 | \$ 1,027,511 |
| Net assets at beginning of year | 20,315,757 | 10,013,803 | 2,993,332 | 33,322,892 | 20,436,150 | 8,979,679 | 2,879,552 | 32,295,381 |
| Net assets at end of year | \$ 21,054,679 | \$ 9,224,493 | \$ 3,345,822 | \$ 33,624,994 | \$ 20,315,757 | \$ 10,013,803 | \$ 2,993,332 | \$ 33,322,892 |

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2017 and 2016

| | 2017 | | | | | | | | |
|--|--|---------------------|-------------------------|--------------------------------|--------------|---------------------|----------------------------------|---------------------------------|--------------|
| | Community Service Programs | | | | | Supporting Services | | | |
| | Retired Senior Volunteer Program | United Way 2-1-1 | Volunteer Engagement | Other Community Services | Total | Fund Raising | Organizational Administration | Supporting Services Total | Total |
| Salaries | \$ 71,511 | \$ 255,098 | \$ 108,528 | \$ 1,399,110 | \$ 1,834,247 | \$ 981,959 | \$ 1,216,513 | \$ 2,198,472 | \$ 4,032,719 |
| Employee benefits | 10,312 | 37,537 | 22,735 | 268,275 | 338,859 | 198,272 | 253,663 | 451,935 | 790,794 |
| Total salaries and employee benefits | \$ 81,823 | \$ 292,635 | \$ 131,263 | \$ 1,667,385 | \$ 2,173,106 | \$ 1,180,231 | \$ 1,470,176 | \$ 2,650,407 | \$ 4,823,513 |
| Professional fees and contract services | 670 | 13,985 | 5,250 | 100,998 | 120,903 | 1,937 | 200,511 | 202,448 | 323,351 |
| Technology fees | 1,414 | 17,538 | 1,430 | 18,331 | 38,713 | 12,904 | 90,566 | 103,470 | 142,183 |
| Marketing | 17,350 | 23,894 | 64 | 69,028 | 110,336 | 78,212 | 191,596 | 269,808 | 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 | 497 | 41,524 | 38,810 | 81,507 | 61,408 | 66,332 | 127,740 | 209,247 |
| 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 | 19,351 | 2,866 | 69,856 | 95,068 | 39,130 | 58,048 | 97,178 | 192,246 |
| Subtotal | \$ 123,191 | \$ 411,292 | \$ 194,980 | \$ 2,105,528 | \$ 2,834,991 | \$ 1,458,100 | \$ 2,219,859 | \$ 3,677,959 | \$ 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 | \$ 411,292 | \$ 194,980 | \$ 2,237,545 | \$ 2,967,008 | \$ 1,534,853 | \$ 2,318,105 | \$ 3,852,958 | \$ 6,819,966 |

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2017 and 2016

| | 2016 | | | | | | | | |
|--|--|---------------------|-------------------------|--------------------------------|--------------|---------------------|----------------------------------|---------------------------------|--------------|
| | Community Service Programs | | | | | Supporting Services | | | |
| | Retired Senior Volunteer Program | United Way 2-1-1 | Volunteer Engagement | Other Community Services | Total | Fund Raising | Organizational Administration | Supporting Services Total | Total |
| Salaries | \$ 65,980 | \$ 3,859 | \$ 104,423 | \$ 1,286,540 | \$ 1,460,802 | \$ 879,335 | \$ 1,194,778 | \$ 2,074,113 | \$ 3,534,915 |
| Employee benefits | 9,452 | 889 | 22,691 | 268,541 | 301,573 | 186,069 | 252,688 | 438,757 | 740,330 |
| Total salaries and employee benefits | \$ 75,432 | \$ 4,748 | \$ 127,114 | \$ 1,555,081 | \$ 1,762,375 | \$ 1,065,404 | \$ 1,447,466 | \$ 2,512,870 | \$ 4,275,245 |
| Professional fees and contract services | 2,433 | 566,096 | 1,605 | 93,343 | 663,477 | 1,045 | 187,720 | 188,765 | 852,242 |
| Technology fees | 1,572 | 344 | 1,943 | 17,680 | 21,539 | 16,693 | 85,549 | 102,242 | 123,781 |
| Marketing | 19,131 | 901 | 358 | 28,608 | 48,998 | 49,915 | 261,543 | 311,458 | 360,456 |
| Conferences, conventions, meetings | 984 | - | 2,800 | 27,159 | 30,943 | 16,148 | 21,557 | 37,705 | 68,648 |
| Community events & organizational meetings | 1,337 | 146 | 41,018 | 95,566 | 138,067 | 42,476 | 41,784 | 84,260 | 222,327 |
| Occupancy | 4,494 | - | 6,510 | 49,934 | 60,938 | 39,615 | 62,312 | 101,927 | 162,865 |
| Depreciation | - | - | 6,115 | 28,544 | 34,659 | 26,512 | 34,678 | 61,190 | 95,849 |
| Organization dues | 325 | - | 500 | 35,226 | 36,051 | 2,643 | 7,560 | 10,203 | 46,254 |
| Specific assistance to individuals | 12,769 | - | - | - | 12,769 | - | - | - | 12,769 |
| Supplies, postage, and miscellaneous | 2,685 | 1,672 | 3,011 | 89,884 | 97,252 | 31,640 | 56,918 | 88,558 | 185,810 |
| Subtotal | \$ 121,162 | \$ 573,907 | \$ 190,974 | \$ 2,021,025 | \$ 2,907,068 | \$ 1,292,091 | \$ 2,207,087 | \$ 3,499,178 | \$ 6,406,246 |
| United Way of America dues | - | - | - | 127,437 | 127,437 | 74,090 | 94,837 | 168,927 | 296,364 |
| Total functional expenses | \$ 121,162 | \$ 573,907 | \$ 190,974 | \$ 2,148,462 | \$ 3,034,505 | \$ 1,366,181 | \$ 2,301,924 | \$ 3,668,105 | \$ 6,702,610 |

See Notes to Financial Statements.

UNITED WAY OF CENTRAL IOWA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 302,102 | \$ 1,027,511 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 307,985 | 283,951 |
| Amortization of investment premiums | 16,927 | 62,680 |
| Net unrealized (gain) loss on investments | 27,799 | (9,826) |
| Change in value of beneficial interest in community foundation fund | (1,130,961) | 171,279 |
| Distributions from community foundation fund | 149,849 | 177,880 |
| Contributions made directly to community foundation fund | (5,345) | - |
| Contributions restricted for endowment | (352,490) | (113,780) |
| Changes in operating assets and liabilities: | | |
| Annual campaign receivables | 771,869 | (623,195) |
| Grants and other receivables | 409,162 | (183,192) |
| Other assets | (75,219) | (69,157) |
| Accounts payable | 217,213 | 469,679 |
| Refundable advances and deferred revenue | (325,837) | (118,546) |
| Community investments and donor choice payable | 24,598 | 11,840 |
| Accrued expenses | 7,049 | (19,677) |
| Net cash provided by operating activities | <u>\$ 344,701</u> | <u>\$ 1,067,447</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | \$ 4,771,675 | \$ 4,685,000 |
| Purchases of investments | (5,193,203) | (5,914,700) |
| Purchases of land, building and equipment | <u>(133,603)</u> | <u>(358,975)</u> |
| Net cash (used in) investing activities | <u>\$ (555,131)</u> | <u>\$ (1,588,675)</u> |
| Net (decrease) in cash and cash equivalents | \$ (210,430) | \$ (521,228) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>3,942,246</u> | <u>4,463,474</u> |
| End of year | <u><u>\$ 3,731,816</u></u> | <u><u>\$ 3,942,246</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 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 – Effective July 1, 2016, United Way commenced direct operation of the 2-1-1 program. 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 investments.

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 \$274,729 in 2017 and \$287,636 in 2016 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. 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 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 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 2 inputs and investment gains and losses are reflected in the statement of activities. The fair value is 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>2017</u> | <u>2016</u> |
|-----------------------------------|---------------------|---------------------|
| Certificates of deposit (level 2) | \$ 4,388,661 | \$ 4,234,745 |
| U.S. agency securities (level 2) | 2,349,244 | 3,569,779 |
| U.S. treasury notes (level 2) | <u>1,996,775</u> | <u>553,354</u> |
| | <u>\$ 8,734,680</u> | <u>\$ 8,357,878</u> |

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:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Land | \$ 98,275 | \$ 98,275 |
| Human Service Campus building | 7,425,486 | 7,390,755 |
| Furniture and equipment | <u>1,720,724</u> | <u>1,621,852</u> |
| Total | \$ 9,244,485 | \$ 9,110,882 |
| Less accumulated depreciation, including | | |
| Human Service Campus building | | |
| 2017 \$5,222,715; 2016 \$5,022,630 | <u>6,692,211</u> | <u>6,384,226</u> |
| | <u>\$ 2,552,274</u> | <u>\$ 2,726,656</u> |

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 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.

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, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------------|----------------------------|
| Balance, beginning of year | \$ 9,701,990 | \$ 9,937,369 |
| Contributions | 357,835 | 113,780 |
| Interest and dividends | 200,545 | 214,054 |
| Realized and unrealized gains (losses) | 986,149 | (322,216) |
| Distributions | (149,849) | (177,880) |
| Expenses | <u>(55,733)</u> | <u>(63,117)</u> |
| Balance, end of year | <u><u>\$ 11,040,937</u></u> | <u><u>\$ 9,701,990</u></u> |

NOTES TO FINANCIAL STATEMENTS

Note 5. Lease Commitments

Operating leases:

As of June 30, 2017, the organization leases office equipment (through June 30, 2018) under operating lease agreements. Future minimum lease payments required under the leases are as follows:

| Year Ending June 30, | |
|---------------------------------|------------------|
| | |
| 2018 | \$ 49,285 |

Total rent expense was \$51,565 and \$41,135 for the years ended June 30, 2017 and 2016, 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, 2017 are as follows:

| Year Ending June 30, | |
|---------------------------------|-------------------|
| | |
| 2018 | \$ 449,353 |
| 2019 | 318,391 |
| 2020 | 202,958 |
| | \$ 970,702 |

NOTES TO FINANCIAL STATEMENTS

Note 7. Human Service Campus Operations

Summarized operating results for the years ended June 30, 2017 and 2016 of the Human Service Campus are:

| | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|
| Revenue: | | |
| Occupancy cost reimbursements – third parties | \$ 543,491 | \$ 550,563 |
| Occupancy cost reimbursements – United Way | 165,961 | 157,911 |
| Interest and miscellaneous income | 2,400 | 4,775 |
| | <u>\$ 711,852</u> | <u>\$ 713,249</u> |
| Expenses: | | |
| Salaries and employee benefits | \$ 78,729 | \$ 65,746 |
| Security and insurance | 34,590 | 37,659 |
| Janitorial | 115,974 | 131,550 |
| Utilities | 129,296 | 122,840 |
| Supplies | 7,356 | 6,217 |
| Repairs and maintenance | 132,966 | 162,538 |
| Communications and other expenses | 53,545 | 60,399 |
| Depreciation | 200,086 | 188,102 |
| In-Kind donation | - | 72 |
| | <u>\$ 752,542</u> | <u>\$ 775,123</u> |
| Net expenses over revenue | <u>\$ (40,690)</u> | <u>\$ (61,874)</u> |

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, 2017 and 2016 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 2016 and 2015 is for the plan's year-end at December 31, 2016 and 2015, 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 |
|--|-----------------------------|--|-------|--|---|-------------------|-------------------|----------------------|
| | | 2016 | 2015 | | 2017 | 2016 | 2015 | |
| United Way of Central Iowa Retirement Plan | 42-0680425 4-35825 | Green | Green | N/A | <u>\$ 172,005</u> | <u>\$ 186,042</u> | <u>\$ 193,824</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, 2017 and 2016.

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 \$97,654 and \$96,250 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, funding received was \$3,831,419 and \$3,818,354, respectively.

In accordance with ASC Topic 958-605, United Way reports this activity as agency transactions. Accordingly, such agency transactions, totaling \$3,956,061 and \$3,913,386 (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, 2017 and 2016, 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, 2017 and 2016, such amounts totaled \$193,815 and \$299,805, respectively.

Note 10. Commitments

In June 2017, the Board of Directors approved agency partner program investments in the amount of \$15,810,290 for the fiscal year July 1, 2017 through June 30, 2018, as part of its approval of the 2017/2018 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, 2017 and 2016 are as follows:

| 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 | <u>\$ 3,345,822</u> | <u>\$ 176,171</u> | <u>\$ 7,518,944</u> | <u>\$ 11,040,937</u> |

| 2016 | | | | |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|---|
| | Permanently Restricted | Temporarily Restricted | Unrestricted | Total Net Endowment Assets |
| Donor-restricted endowment funds | \$ 2,993,332 | \$ 1,007 | \$ (46,431) | \$ 2,947,908 |
| Board Designated endowment funds | - | - | 6,754,082 | 6,754,082 |
| Total funds | <u>\$ 2,993,332</u> | <u>\$ 1,007</u> | <u>\$ 6,707,651</u> | <u>\$ 9,701,990</u> |

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires United Way to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, the deficiency of \$46,431 was reported in unrestricted net assets as of June 30, 2016. This deficiency resulted from unfavorable market fluctuations that occurred during the year.

NOTES TO FINANCIAL STATEMENTS

Note 11. Endowment Funds (Continued)

Changes in endowment net assets as of June 30, 2017 and 2016 are as follows:

| | 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) |
| Reclass for underwater endowment | - | (46,431) | 46,431 | - |
| Balance, end of year | <u>\$ 3,345,822</u> | <u>\$ 176,171</u> | <u>\$ 7,518,944</u> | <u>\$ 11,040,937</u> |

| | 2016 | | | |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|---|
| | Permanently Restricted | Temporarily Restricted | Unrestricted | Total Net Endowment Assets |
| Balance, beginning of year | \$ 2,879,552 | \$ 150,919 | \$ 6,906,898 | \$ 9,937,369 |
| Contributions | 113,780 | - | - | 113,780 |
| Interest and dividends | - | 65,488 | 148,566 | 214,054 |
| Realized and unrealized (losses) | - | (99,557) | (222,659) | (322,216) |
| Distributions | - | (142,880) | (35,000) | (177,880) |
| Expenses | - | (19,394) | (43,723) | (63,117) |
| Reclass for underwater endowment | - | 46,431 | (46,431) | - |
| Balance, end of year | <u>\$ 2,993,332</u> | <u>\$ 1,007</u> | <u>\$ 6,707,651</u> | <u>\$ 9,701,990</u> |

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|----------------------|
| Time restricted: | | |
| Annual campaign receivable - undesignated | \$ 8,734,819 | \$ 9,191,115 |
| Charitable remainder unitrust | <u>1,067</u> | <u>1,011</u> |
| | <u>\$ 8,735,886</u> | <u>\$ 9,192,126</u> |
| Purpose restricted: | | |
| Unappropriated endowment earnings | \$ 176,171 | \$ 1,007 |
| Bridges to Success | 55,000 | 395,600 |
| OpportUNITY | 98,478 | 100,000 |
| 100th Year Anniversary | 25,000 | 125,000 |
| Others restricted for specific program/project | <u>133,958</u> | <u>200,070</u> |
| | <u>\$ 488,607</u> | <u>\$ 821,677</u> |
| Total temporarily restricted net assets | <u>\$ 9,224,493</u> | <u>\$ 10,013,803</u> |

Permanently restricted net assets consist of the following at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|---------------------|---------------------|
| United Way of Central Iowa endowment | \$ 3,136,774 | \$ 2,832,719 |
| Maureen Tiffany Education endowment | <u>209,048</u> | <u>160,613</u> |
| | <u>\$ 3,345,822</u> | <u>\$ 2,993,332</u> |

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 \$5,789,000 to \$11,578,000 at June 30, 2017, with the funds guideline balance being \$10,945,316. The undesignated net asset balance at June 30, 2017 was \$10,983,461.

NOTES TO FINANCIAL STATEMENTS

Note 13. Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Note 14. Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through December 1, 2017, the date the financial statements were available to be issued.