

• Financial Statements

•
• **United Way of**
• **Central Ohio, Inc.**

• March 31, 2018 and 2017



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To the Board of Trustees
United Way of Central Ohio, Inc.
Columbus, Ohio

Independent Auditor's Report

We have audited the accompanying financial statements of United Way of Central Ohio, Inc. (United Way), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls 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. Those standards require that we plan and perform the audits 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 controls 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.

To the Board of Trustees
United Way of Central Ohio, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way as of March 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
June 28, 2018

UNITED WAY OF CENTRAL OHIO, INC.
Statements of Financial Position
March 31, 2018 and 2017

| | 2018 | 2017 |
|--|----------------------|----------------------|
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 10,003,153 | \$ 13,034,864 |
| Contributions receivable, net | 20,757,579 | 20,615,802 |
| Short-term investments | 3,357,735 | 2,238,979 |
| Other assets | 1,007,388 | 972,526 |
| Funds held by others | 1,112,141 | 1,092,253 |
| Property and equipment, net | 1,391,728 | 1,270,982 |
| TOTAL ASSETS | \$ 37,629,724 | \$ 39,225,406 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and other miscellaneous liabilities | \$ 235,870 | \$ 249,641 |
| Grants payable for initiative programs | 544,058 | 645,902 |
| Funded agency allocations payable | 2,632,609 | 2,369,167 |
| Donor designations payable to agencies | 8,087,592 | 7,917,550 |
| Accrued payroll and related liabilities | 295,233 | 1,204,787 |
| Capital lease obligations | 114,673 | 43,697 |
| Funds held for others | 330,524 | 288,318 |
| Total liabilities | 12,240,559 | 12,719,062 |
| Net Assets | | |
| Unrestricted | 21,999,800 | 20,727,079 |
| Temporarily restricted | 3,389,365 | 5,779,265 |
| Total net assets | 25,389,165 | 26,506,344 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 37,629,724 | \$ 39,225,406 |

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

UNITED WAY OF CENTRAL OHIO, INC.

Statements of Activities and Changes in Net Assets For the Year Ended March 31, 2018

| | Unrestricted | Temporarily Restricted | Total |
|---|----------------------|---------------------------|----------------------|
| Revenues | | | |
| Campaign revenues: | | | |
| Campaign contributions, current period | \$ - | \$ 42,922,303 | \$ 42,922,303 |
| Grants for initiatives received through the campaign | 348,698 | 4,265,250 | 4,613,948 |
| Other campaign contributions | 710,614 | - | 710,614 |
| Campaign resources raised in the current year - gross | 1,059,312 | 47,187,553 | 48,246,865 |
| Less: donor designations, funded agencies and initiatives | - | (4,630,329) | (4,630,329) |
| Less: donor designations, other agencies | - | (19,046,582) | (19,046,582) |
| Less: estimated uncollectible pledges | - | (1,611,503) | (1,611,503) |
| Campaign revenues - net | 1,059,312 | 21,899,139 | 22,958,451 |
| Other revenues: | | | |
| Special initiative program funding | - | 1,985,554 | 1,985,554 |
| Contributions from other United Ways | 56,213 | - | 56,213 |
| Interest and investment gain | 53,433 | - | 53,433 |
| Donor designation processing fee | 941,418 | - | 941,418 |
| Sponsorships and other | 726,793 | - | 726,793 |
| Total other revenues | 1,777,857 | 1,985,554 | 3,763,411 |
| Total revenues before releases from restriction | 2,837,169 | 23,884,693 | 26,721,862 |
| Net assets released from restriction | 26,274,593 | (26,274,593) | - |
| Total revenues | 29,111,762 | (2,389,900) | 26,721,862 |
| Expenses | | | |
| Grants and allocations | 33,312,874 | - | 33,312,874 |
| Less: allocations funded through designations | (22,367,760) | - | (22,367,760) |
| Net grants and allocations | 10,945,114 | - | 10,945,114 |
| Support services: | | | |
| Management and general | 3,104,807 | - | 3,104,807 |
| Resource development and fundraising | 3,732,548 | - | 3,732,548 |
| Program services: | | | |
| Community impact | 1,866,130 | - | 1,866,130 |
| Community services | 210,632 | - | 210,632 |
| Initiative program services | 7,979,810 | - | 7,979,810 |
| Total functional expenses | 16,893,927 | - | 16,893,927 |
| Total expenses | 27,839,041 | - | 27,839,041 |
| Change in Net Assets | 1,272,721 | (2,389,900) | (1,117,179) |
| Net Assets - Beginning of Year | 20,727,079 | 5,779,265 | 26,506,344 |
| Net Assets - End of Year | \$ 21,999,800 | \$ 3,389,365 | \$ 25,389,165 |

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

UNITED WAY OF CENTRAL OHIO, INC.
Statements of Activities and Changes in Net Assets (continued)
For the Year Ended March 31, 2017

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------|---------------------------|---------------|
| Revenues | | | |
| Campaign revenues: | | | |
| Campaign contributions, current period | \$ - | \$ 45,207,488 | \$ 45,207,488 |
| Grants for initiatives received through the campaign | 580,595 | 6,629,952 | 7,210,547 |
| Other campaign contributions | 517,688 | - | 517,688 |
| Campaign resources raised in the current year - gross | 1,098,283 | 51,837,440 | 52,935,723 |
| Less: donor designations, affiliated agencies and initiatives | - | (4,323,186) | (4,323,186) |
| Less: donor designations, other agencies | - | (18,983,276) | (18,983,276) |
| Less: estimated uncollectible pledges | - | (1,803,277) | (1,803,277) |
| Campaign revenues - net | 1,098,283 | 26,727,701 | 27,825,984 |
| Other revenues: | | | |
| Special initiative program funding | - | 1,562,754 | 1,562,754 |
| Contributions from other United Ways | 406,322 | - | 406,322 |
| Interest and investment loss | 65,283 | - | 65,283 |
| Donor designation processing fee | 1,233,987 | - | 1,233,987 |
| Sponsorships and other | 600,405 | - | 600,405 |
| Total other revenues | 2,305,997 | 1,562,754 | 3,868,751 |
| Total revenues before releases from restriction | 3,404,280 | 28,290,455 | 31,694,735 |
| Net assets released from restriction | 30,117,200 | (30,117,200) | - |
| Total revenues | 33,521,480 | (1,826,745) | 31,694,735 |
| Expenses | | | |
| Grants and allocations | 35,277,197 | - | 35,277,197 |
| Less: allocations funded through designations | (21,263,264) | - | (21,263,264) |
| Net grants and allocations | 14,013,933 | - | 14,013,933 |
| Support services: | | | |
| Management and general | 3,457,397 | - | 3,457,397 |
| Resource development and fundraising | 3,413,084 | - | 3,413,084 |
| Program services: | | | |
| Community impact | 1,803,934 | - | 1,803,934 |
| Community services | 200,440 | - | 200,440 |
| Initiative program services | 8,733,102 | - | 8,733,102 |
| Total functional expenses | 17,607,957 | - | 17,607,957 |
| Total expenses | 31,621,890 | - | 31,621,890 |
| Change in Net Assets | 1,899,590 | (1,826,745) | 72,845 |
| Net Assets - Beginning of Year | 18,827,489 | 7,606,010 | 26,433,499 |
| Net Assets - End of Year | \$ 20,727,079 | \$ 5,779,265 | \$ 26,506,344 |

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

UNITED WAY OF CENTRAL OHIO, INC.
Statements of Functional Expenses
For the Year Ended March 31, 2018

| | Support Services | | Program Services | | | Total |
|---|------------------------|--------------------------------------|---------------------|--------------------|---------------------------------|----------------------|
| | Management and General | Resource Development and Fundraising | Community Impact | Community Services | Initiative Program Services (a) | |
| Salaries and Related Expenses | | | | | | |
| Salaries | \$ 1,565,667 | \$ 1,971,215 | \$ 1,196,591 | \$ 136,959 | \$ 1,047,045 | \$ 5,917,477 |
| Employee benefits and related taxes | 611,607 | 589,768 | 361,123 | 30,598 | 236,652 | 1,829,748 |
| | <u>2,177,274</u> | <u>2,560,983</u> | <u>1,557,714</u> | <u>167,557</u> | <u>1,283,697</u> | <u>7,747,225</u> |
| Expenses | | | | | | |
| Professional fees | 364,316 | 248,840 | 97,315 | 6,578 | 358,293 | 1,075,342 |
| Program grants and contracted agencies | - | - | - | - | 5,806,485 | 5,806,485 |
| Advertising and marketing | 137,166 | 231,015 | - | - | 48,074 | 416,255 |
| Office supplies, printing and postage | 67,912 | 210,011 | 9,674 | 3,164 | 106,717 | 397,478 |
| Occupancy, insurance and telephone | 88,997 | 101,331 | 59,502 | 9,697 | 49,046 | 308,573 |
| Special events | 2,236 | 115,175 | - | - | 185,364 | 302,775 |
| Travel and conferences | 29,673 | 32,439 | 14,207 | 1,380 | 32,332 | 110,031 |
| Miscellaneous | 38,984 | 27,163 | 2,895 | 228 | 21,692 | 90,962 |
| | <u>729,284</u> | <u>965,974</u> | <u>183,593</u> | <u>21,047</u> | <u>6,608,003</u> | <u>8,507,901</u> |
| Total Expenses before Depreciation and Amortization and Dues to United Way Worldwide | 2,906,558 | 3,526,957 | 1,741,307 | 188,604 | 7,891,700 | 16,255,126 |
| Depreciation and Amortization | 61,640 | 63,923 | 38,810 | 6,849 | 27,395 | 198,617 |
| Dues to United Way Worldwide | 136,609 | 141,668 | 86,013 | 15,179 | 60,715 | 440,184 |
| Total Functional Expenses | 3,104,807 | 3,732,548 | 1,866,130 | 210,632 | 7,979,810 | 16,893,927 |
| Net Grants and Allocations Expenses | - | - | - | - | 10,945,114 | 10,945,114 |
| Total Expenses | <u>\$ 3,104,807</u> | <u>\$ 3,732,548</u> | <u>\$ 1,866,130</u> | <u>\$ 210,632</u> | <u>\$ 18,924,924</u> | <u>\$ 27,839,041</u> |

(a) Initiative Program Services includes Columbus Kids, Siemer Institute, Tax Time, Neighborhood Partnership Center, Project Diversity/Pride Leadership, Champion of Children, Columbus Volunteer Challenge and Care Coordination Network.

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

UNITED WAY OF CENTRAL OHIO, INC.

Statements of Functional Expenses (continued)

For the Year Ended March 31, 2017

| | Support Services | | Program Services | | | Total |
|---|------------------------|--------------------------------------|---------------------|--------------------|---------------------------------|----------------------|
| | Management and General | Resource Development and Fundraising | Community Impact | Community Services | Initiative Program Services (a) | |
| Salaries and Related Expenses | | | | | | |
| Salaries | \$ 1,848,374 | \$ 1,921,350 | \$ 1,058,238 | \$ 131,437 | \$ 1,109,215 | \$ 6,068,614 |
| Employee benefits and related taxes | 442,648 | 513,915 | 335,944 | 26,057 | 231,143 | 1,549,707 |
| | <u>2,291,022</u> | <u>2,435,265</u> | <u>1,394,182</u> | <u>157,494</u> | <u>1,340,358</u> | <u>7,618,321</u> |
| Expenses | | | | | | |
| Professional fees | 583,694 | 182,878 | 177,946 | 3,605 | 344,105 | 1,292,228 |
| Program grants and contracted agencies | - | - | - | - | 6,513,317 | 6,513,317 |
| Advertising and marketing | 153,439 | 182,400 | - | - | 12,267 | 348,106 |
| Office supplies, printing and postage | 70,328 | 197,638 | 11,408 | 5,147 | 74,003 | 358,524 |
| Occupancy, insurance and telephone | 81,990 | 97,141 | 63,036 | 8,524 | 49,534 | 300,225 |
| Special events | 3,377 | 69,190 | - | - | 238,348 | 310,915 |
| Travel and conferences | 38,014 | 47,068 | 14,631 | 4,095 | 38,072 | 141,880 |
| Miscellaneous | 36,874 | 19,099 | 5,475 | 1,709 | 14,738 | 77,895 |
| | <u>967,716</u> | <u>795,414</u> | <u>272,496</u> | <u>23,080</u> | <u>7,284,384</u> | <u>9,343,090</u> |
| Total Expenses before Depreciation and Amortization and Dues to United Way Worldwide | 3,258,738 | 3,230,679 | 1,666,678 | 180,574 | 8,624,742 | 16,961,411 |
| Depreciation and Amortization | 64,329 | 59,066 | 44,446 | 6,433 | 35,089 | 209,363 |
| Dues to United Way Worldwide | 134,330 | 123,339 | 92,810 | 13,433 | 73,271 | 437,183 |
| Total Functional Expenses | 3,457,397 | 3,413,084 | 1,803,934 | 200,440 | 8,733,102 | 17,607,957 |
| Net Grants and Allocations Expenses | - | - | - | - | 14,013,933 | 14,013,933 |
| Total Expenses | <u>\$ 3,457,397</u> | <u>\$ 3,413,084</u> | <u>\$ 1,803,934</u> | <u>\$ 200,440</u> | <u>\$ 22,747,035</u> | <u>\$ 31,621,890</u> |

(a) Initiative Program Services includes Columbus Kids, Siemer Institute, Tax Time, Neighborhood Partnership Center, Project Diversity/Pride Leadership, Champion of Children, Columbus Volunteer Challenge and Care Coordination Network.

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

UNITED WAY OF CENTRAL OHIO, INC.

Statements of Cash Flows

For the Years Ended March 31, 2018 and 2017

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$(1,117,179) | \$ 72,845 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities: | | |
| Uncollectible pledge expense | 1,611,503 | 1,803,277 |
| Depreciation and amortization | 198,617 | 209,363 |
| Net investment gain on funds held by others | (19,888) | (45,542) |
| (Increase) decrease in assets: | | |
| Contributions receivable | (1,753,280) | (795,277) |
| Other assets | (34,862) | 138,946 |
| (Decrease) increase in liabilities: | | |
| Accounts payable and other miscellaneous liabilities | (13,771) | (8,821) |
| Grants payable for initiative programs | (101,844) | 132,604 |
| Funded agency allocations payable | 263,442 | (1,584,692) |
| Donor designations payable to agencies | 170,042 | 27,123 |
| Accrued payroll and related liabilities | (909,554) | 159,315 |
| Funds held for others | 42,206 | 13,474 |
| Total adjustments | (547,389) | 49,770 |
| Net cash and cash equivalents (used in) provided by operating activities | (1,664,568) | 122,615 |
| Cash Flows from Investing Activities: | | |
| Purchases of short-term investments | (1,132,578) | (299,414) |
| Maturities of short-term investments | 13,822 | 528,267 |
| Payments for the purchase of property and equipment | (200,453) | (71,289) |
| Net cash and cash equivalents (used in) provided by investing activities | (1,319,209) | 157,564 |
| Cash Flows from Financing Activities: | | |
| Net payments on capital lease obligations | (47,934) | (52,878) |
| (Decrease) increase in cash and cash equivalents | (3,031,711) | 227,301 |
| Cash and Cash Equivalents – Beginning of Year | 13,034,864 | 12,807,563 |
| Cash and Cash Equivalents – End of Year | \$ 10,003,153 | \$ 13,034,864 |
| Supplemental Disclosures of Non-Cash Investing and Financing Transactions: | | |
| Equipment acquired through capital lease obligation | \$ 118,910 | \$ - |

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

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Nature and Scope of Business

United Way of Central Ohio, Inc. (United Way) is a not-for-profit, federated fund-raising organization, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

United Way's mission statement is to improve lives of others by mobilizing the caring power of our community. United Way is dedicated to providing opportunities for people to succeed by acting as a catalyst for lasting improvements and by mobilizing our community to give and volunteer. United Way raises funds and invests in a wide network of funded partners who are working with families every day to provide food, stable housing, high-quality education and safe neighborhoods. United Way brings together more than 60,000 donors and volunteers to improve the policies and systems that directly affect thousands of lives, and develops and implements innovative and integrated ways to reduce poverty. United Way works intensively in priority neighborhoods to create broad positive changes by empowering neighborhood leaders and residents to change the places they live. United Way is dedicated to making the principles of diversity and inclusion a foundation for this work because the best decisions are made when all voices are heard and respected.

United Way is a volunteer-driven organization, governed by a volunteer Board of Trustees. United Way's fundraising efforts are conducted in Franklin County, Ohio, however services are provided in the broader Central Ohio region.

Summary of Significant Accounting Policies

Use of Estimates

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

Financial Statement Presentation

United Way reports information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions and are available for use in United Way's ongoing operations, including funds designated by the Board of Trustees.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by action of United Way pursuant to those restrictions, and/or upon receipt of funding or passage of date upon which funds were due.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the principal be maintained permanently by United Way and generally allow the use of investment earnings. As of March 31, 2018 and 2017, United Way had no permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash on hand, cash maintained in interest bearing and non-interest bearing checking accounts, money market funds and certificates of deposit with original maturities of three months or less.

Contributions Receivable and Revenues

Contributions receivable are promises to give from various donors that are considered unconditional. Contributions receivable primarily consist of pledges made during annual giving campaign appeals, and are presented net of the allowance for doubtful accounts. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The interest rate used in computing the discount of the estimated future cash flows is 4.5% for pledges received in 2017. The discount will be recognized as contributions revenue in future years as the discount is amortized over the duration of the contributions.

Contributions receivable are considered past due when the pledge payment period has passed. An allowance is recorded for each campaign year based on management's evaluation of outstanding pledges. This estimation takes into consideration current economic factors applied to the gross campaign, historical trends and past history with specific funding sources. Actual results could vary from the estimate. Once the likelihood of collecting receivables is determined to be remote, management writes off the specific account balance and relieves any related allowance.

Revenues that are identified as exchange transactions or contributions with no restrictions are reported as increases in unrestricted net assets in the year that service is provided or the promise to contribute is received and/or receipt of funding occurred, respectively.

Unconditional contributions are recognized as revenue in the year the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met, the pledge or grant can be considered legally enforceable, or the likelihood of the condition not occurring is remote. Contributions of assets other than cash are recorded at estimated fair value at the date of receipt.

UNITED WAY OF CENTRAL OHIO, INC.
Notes to Financial Statements
March 31, 2018 and 2017



Summary of Significant Accounting Policies (continued)

Contributions Receivable and Revenues (continued)

Significant revenue funding is reported on the statements of activities as follows:

Campaign Contributions, Current Period

Campaign contributions include the annual campaign directed at corporations, individuals, employers/employees of for-profit, non-profit and governmental entities, as well as public and private foundations.

This funding is originally recorded as temporarily restricted contribution revenue in the month that the promise to give is received. The core campaign is conducted each fall, and a majority of the pledges are received prior to December 31. The contributions are restricted based on timing of promised payments. All payments are typically expected by December 31 of the following year. Designations to specific not-for-profit organizations other than United Way are deducted from campaign resources raised during the current year campaign. Similarly, the grant and allocation expense is reduced by donor designations. Processing fees to record and distribute designations are recorded in unrestricted other revenues. Several large company campaigns utilize a third-party payer to process employee contributions or pledges. In these campaigns, when employees designate their contributions or pledges to another agency, and the payment is made directly to that agency by the processing entity, United Way records the pledges as "pay direct designations." Because pay direct pledges will not be paid to United Way, they are released from temporarily restricted net assets and are not included in the contributions receivable balance at year-end.

For the remaining campaign pledges and other donor designations, there are various payment options but payment generally occurs on a monthly or quarterly basis during the calendar year. Accordingly, management adopted a policy to release 25% of the campaign contributions and other donor designations from temporarily restricted net assets to unrestricted net assets at the end of the first calendar quarter, on March 31, with the remaining amount being released in the subsequent fiscal year.

Grants for Initiatives Received Through the Campaign

Grants include specially promoted initiatives developed by United Way for which specific targeted donor solicitation occurs during the annual campaign period. Grants are funded by corporations, governmental agencies and foundations.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Summary of Significant Accounting Policies (continued)

Contributions Receivable and Revenues (continued)

Grants for Initiatives Received through the Campaign (continued)

Grant funding is originally recorded as temporarily restricted contribution revenue in the month that the promise to give is received, provided that the contribution is unconditional. Management then monitors the progress of the grant related project to ensure that the identified initiatives are completely performed pursuant to the terms of the grant, as well as to ensure that direct, and in certain cases, applicable indirect allocated costs are incurred. To the extent that the applicable performance and incurred costs are fulfilled, management releases the contribution revenue from temporarily restricted net assets to unrestricted net assets.

Other Campaign Contributions

Other campaign contributions include collections in excess of the original uncollectible allowance estimate from prior campaigns.

Special Initiative Program Funding

Funding includes other United Way initiatives and programs for which funding is solicited as part of the annual campaign process where donors have specifically designated their contribution for the initiative. United Way records the revenue initially through campaign contributions, records a contra-revenue to donor designations – affiliate agencies and initiatives, and then re-records the revenue to special initiative program funding.

This grant initiative funding is originally recorded as temporarily restricted contribution revenue in the month that the promise to give is received. Management then monitors the progress of the related initiative to ensure that applicable direct and allocated indirect costs are incurred. Management releases the contribution revenue from temporarily restricted net assets to unrestricted net assets in the month that sufficient costs are incurred. As of March 31 of each fiscal year end, typically 100% of the grant initiative funding is released from temporarily restricted net assets. This accounting occurs regardless of whether the donor is making payments over a period of time extending into the subsequent fiscal year, as management believes that the donor intended the funding to be applicable for the same fiscal year in which the promise to give is made.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Summary of Significant Accounting Policies (continued)

Contributions Receivable and Revenues (continued)

Donor Designation Processing Fee

Donor designation processing fee includes public sector campaign administrative fees associated with United Way's role as the campaign coordinating organization and cost recovery fees assessed on private sector campaign donor designated pledges for fundraising, management and general expenses, based on actual historical costs, in accordance with United Way Worldwide Membership Requirements.

Sponsorships and Other Revenue

Sponsorships and other revenue typically include general unrestricted contributions, gifts and bequests, sponsorship funding and attendance fees for special events, as well as funding from endowments established at The Columbus Foundation for which the United Way does not have variance power.

Fair Value Measurements

U.S. GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

- | | |
|---------|--|
| Level 1 | Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date. |
| Level 2 | Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable for the asset or liability. |
| Level 3 | Inputs are significant unobservable inputs for the asset or liability. |

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

UNITED WAY OF CENTRAL OHIO, INC.
Notes to Financial Statements
March 31, 2018 and 2017



Summary of Significant Accounting Policies (continued)

Short-Term Investments

Investments are stated at fair value, excluding certificates of deposit which are valued at cost plus accrued interest. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities and changes in net assets unless the donor has restricted earnings. If restricted earnings have restrictions met in the same year, those earnings are released from restrictions.

Investments are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in the fair value of investments may occur in the near term, which could be material.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation or amortization. Depreciation or amortization is computed using the straight-line method over the assets' estimated useful lives of 3 to 40 years. Major improvements and betterments are capitalized and depreciated or amortized. Maintenance and repairs that do not improve or extend the estimated useful lives of the respective assets are charged to expense as incurred. The carrying amounts of assets sold, retired or otherwise disposed and the related accumulated depreciation or amortization are eliminated from the accounts and any resulting gain or loss is included in the statements of activities.

Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment at least annually, or whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management determined that no impairment existed as of March 31, 2018 or 2017.

Donated Services

In-kind contributions of materials, property or equipment are recorded as contributions at the estimated fair value on the date of receipt. Contributions of services that enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, are recorded as contributions at the estimated fair value of the service received. United Way makes extensive use of volunteers in conducting its campaign and various program activities. Such services are not reflected in the financial statements, as those services do not meet this definition.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Summary of Significant Accounting Policies (continued)

Donated Services (continued)

United Way Worldwide (UWW) maintains relationships with the National Football League (NFL), the Ad Council, and other organizations on behalf of local United Ways. UWW underwrites the cost to produce Public Service Announcements (PSAs) that promote education, financial stability, and healthy living that features individuals who are involved in various local United Way community volunteer activities. The NFL, the Ad Council, and other organizations furnish the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year at no cost to United Way. Management has elected to disclose an allocation of airtime based upon a multiplication factor of annual dues. This factor is provided to local United Ways by UWW before March 31st of each year, for application to the prior year's accounting. The allocated value of the donated media was estimated to be \$320,000 and \$400,000 for the calendar years ended December 31, 2017 and 2016, respectively.

Agency Transactions

United Way receives resources in certain transactions where it is acting as an intermediary for the resource providers. The resources are then delivered to third-party recipients and service providers. Accordingly, these transactions are recognized as changes in assets and liabilities and do not affect the statement of activities. Agency liabilities are classified on the statement of financial position as "funds held for others." United Way had agency relationships with the following:

- George Meany Banquet
- L Brands Volunteer Fund
- GiveBackHack
- SEA Change
- Ohio Civil Rights Hall of Fame
- Columbus Young Professionals
- KIVA Columbus

Functional Expenses

United Way allocates its expenses on a functional basis among its various programs and support services. Expenses are charged to each category based on direct expenditures incurred or an estimated allocation of employee costs.

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately \$416,000 and \$348,000 for the years ended March 31, 2018 and 2017, respectively.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017



Summary of Significant Accounting Policies (continued)

Income Taxes

United Way is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal, state or local taxes are included in the financial statements. United Way is also exempt from real estate taxes.

United Way performs an annual assessment for any uncertainty in income tax positions which includes an analysis of whether there are any tax positions taken with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. No tax liability accrual was recorded as of the years ended March 31, 2018 or 2017 relating to material uncertain positions taken as management believes there are none.

Cost Deduction Standards

The United Way Worldwide Membership Requirement M – Cost Deduction Requirements (“Requirement M”) sets forth uniform standards for local United Ways to calculate the maximum amount of fundraising and management and general expenses to deduct from donor pledges. United Way complies with the guidelines as outlined in Requirement M.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) recently issued Accounting Standards Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities. It is effective for annual periods beginning after December 15, 2017 and addresses the following key qualitative and quantitative matters:

- Net assets classes
- Investment return
- Expenses
- Liquidity and availability of resources
- Presentation of operating cash flows

It is expected, in most cases, that ASU 2016-14 will affect disclosures in the financial statements, and should not have material effect on the accounting underlying the financial statements. Management has not yet determined the effect of the pronouncement on the financial statements.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Cash and Cash Equivalents

United Way maintains its cash and cash equivalents in financial institutions, which at times may exceed federally insured limits.

Cash held for agency contracts includes \$488,131 and \$690,411 for funds required to be maintained in separate bank accounts for the combined Federal Campaign and the State Campaign as of March 31, 2018 and 2017, respectively. The offsetting liabilities are reported within donor designations payable to other agencies on the statements of financial position.

Contributions Receivable

Contributions receivable consist of the following at March 31:

| | 2018 | 2017 |
|---|-----------------------------|-----------------------------|
| Gross contributions receivable - future campaigns | \$ 755,000 | \$ - |
| Discount | (52,900) | - |
| Net future campaigns contributions receivable | <u>702,100</u> | - |
| Gross contributions receivable - 2017 campaign | 21,723,977 | - |
| Allowance for estimated uncollectible accounts | (2,073,498) | - |
| Net 2017 campaign contributions receivable | <u>19,650,479</u> | - |
| Gross contributions receivable - 2016 campaign | 1,925,033 | 22,584,723 |
| Allowance for estimated uncollectible accounts | (1,520,033) | (2,283,921) |
| Net 2016 campaign contributions receivable | <u>405,000</u> | <u>20,300,802</u> |
| Gross contributions receivable - 2015 campaign | - | 1,688,165 |
| Allowance for estimated uncollectible accounts | - | (1,373,165) |
| Net 2015 campaign contributions receivable | <u>-</u> | <u>315,000</u> |
| Total net contributions receivable | <u>\$ 20,757,579</u> | <u>\$ 20,615,802</u> |

The contributions receivable are due primarily within one year.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Siemer Family Foundation Grant

Since the inception of the Siemer Institute (SI) in 2011, the Siemer Family Foundation (SFF) has granted annual funding to United Way in support of the SI each calendar year. As of December 31, 2017, the Siemer Institute became a stand-alone entity, and is no longer run through United Way. Grants for initiatives received through the campaign from the SFF totaled \$2,507,500 and \$4,938,500 for the years ended March 31, 2018 and 2017, respectively. There was no contributions receivable balance or balance included in temporarily restricted net assets related to SFF contributions as of March 31, 2018 and 2017.

Short-Term Investments

The following is a summary of the fair value of investments as of March 31:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Certificates of deposit | \$ 2,583,953 | \$ 1,462,127 |
| Bankers acceptances | 737,065 | 731,465 |
| Other | 36,717 | 45,387 |
| Total short-term investments | 3,357,735 | 2,238,979 |
| Brokerage funds held in cash and cash equivalents | - | 740,327 |
| Total brokerage funds | \$ 3,357,735 | \$ 2,979,306 |

The following table sets forth by level, within the fair value hierarchy, United Way's investments at fair value:

| | Inputs | Techniques |
|----------------------------|---------|--|
| Bankers acceptances/others | Level 2 | Amortized cost, based on the specified maturity amount of the original draft |

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Short-Term Investments (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although United Way believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

United Way has certificates of deposit with initial maturities greater than three months. These investments are readily convertible to cash, but may be subject to a penalty upon conversion. The certificates bear interest ranging from 1.00% to 2.05% with maturity dates through March 2019. Certificates of deposit are valued at amortized cost plus accrued interest.

Split-Dollar Life Insurance Agreement/Supplemental Executive Retirement Plan

As part of the benefits package for United Way's former President and Chief Executive Officer (former CEO), United Way provided a split-dollar life insurance policy and a supplemental executive retirement plan. The insured is the former President and CEO of United Way. The policy has a face value of \$1,462,500. United Way also entered into a life insurance endorsement agreement whereby United Way is entitled to its interest in the policy which is the greater of the total of all premiums paid or the accumulated cash surrender value upon date of death. United Way has paid all premiums to the insurer. Premium payments were no longer required as of 2012. The accumulated cash surrender value is approximately \$864,000 and \$830,000 as of March 31, 2018 and 2017, respectively, and is included in other assets on the statements of financial position.

United Way also established a supplemental executive retirement plan with the former CEO which provided a lump sum benefit to the former CEO of \$850,000 upon reaching the normal retirement age of 65 in November of 2017. The benefit had vested at gradually increasing percentages, beginning at age 54. The accrued retirement benefits were approximately \$638,000 as of March 31, 2017. Because the former CEO's benefits did not fully vest until she reached the age of 65, the remaining \$212,000 was recorded as retirement expense on the date of the payout.

Funds Held by Others

In 2002, United Way established an account at The Columbus Foundation for quasi-endowment purposes and designated itself the beneficiary. Accordingly, the fair value of the fund is recorded as the asset "funds held by others" on the statements of financial position. The fair value was \$1,112,141 and \$1,092,253 as of March 31, 2018 and 2017, respectively. Investment income is distributed to United Way semi-annually and was approximately \$56,000 and \$53,000 for the years ended March 31, 2018 and 2017, respectively. Investment income, including realized and unrealized gains and losses net of fees, was approximately \$76,000 and \$98,000 for the years ended March 31, 2018 and 2017, respectively.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Funds Held by Others (continued)

The fair value was confirmed by The Columbus Foundation based on units of the master investment pool applicable to United Way's pro-rata portion, and represented to be based on quoted active market prices; however, funds held by a community foundation under the arrangement described above are all considered to be within Level 2 of the fair value hierarchy.

In addition, several endowment funds are maintained at The Columbus Foundation for the benefit of United Way. These funds represent endowment funds of The Columbus Foundation established by third-party donors. They are subject to the variance power of the Columbus Foundation's governing body and are therefore excluded from United Way's financial statements. United Way's interest in the fair value of these funds was approximately \$4,174,000 and \$3,985,000 at March 31, 2018 and 2017, respectively. Investment income is distributed to the United Way semi-annually and was approximately \$175,000 and \$169,000 for the years ended March 31, 2018 and 2017, respectively.

Property and Equipment

The following is a summary of property and equipment, at cost, as of March 31:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Non-depreciable: | | |
| Land | \$ 266,846 | \$ 266,846 |
| Depreciable: | | |
| Building and building improvements | 2,444,161 | 2,383,998 |
| Furniture and equipment | 876,733 | 901,010 |
| Computer software | 29,006 | 16,181 |
| | <u>3,349,900</u> | <u>3,301,189</u> |
| Total cost | 3,616,746 | 3,568,035 |
| Less: accumulated depreciation and amortization | (2,225,018) | (2,297,053) |
| Property and equipment, net | <u>\$ 1,391,728</u> | <u>\$ 1,270,982</u> |

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017

Note Payable - Line of Credit

United Way has an unsecured revolving line of credit agreement with a bank in the amount of \$1,000,000. This line matures in September 2018. Interest is payable monthly at the bank's prime commercial rate (4.75% and 4.00% per annum as of March 31, 2018 and 2017, respectively), with all principal due at maturity. There was no outstanding balance on this obligation as of March 31, 2018 or 2017. No draws were made on the line since inception, and accordingly no interest has been incurred.

Funded Agency Allocations Payable

Funded agency allocations payable represents program funding amounts due to United Way funded agencies as approved and committed, but not yet paid, as of March 31. Funded agencies receiving program funding from United Way undergo intensive staff and volunteer pre-screening before being awarded funding. Available funds for funded agency and initiative program funding are determined by the amount of designated gifts and the allocation of undesignated contributions after allowing for anticipated uncollectible pledges and operating costs. United Way does not assess membership dues or fees to funded agencies for participating in the Combined Federal Campaign or other combined campaigns.

Donor Designations Payable to Agencies

Donor designations payable to agencies represents donor contributions directed to agencies and other United Ways accrued, but not yet paid, as of March 31. Donor designations payable to agencies are recorded net of associated cost deduction fees.

Capital Lease Obligations

United Way has various equipment leases accounted for as capital leases. Monthly payments total \$4,411 and then reduce to \$2,348 through July 2022. In addition, quarterly payments total \$1,476 through December 2018. Interest rates range from 7.13% to 12.14% for the leases.

Following is a summary of property held under capital lease and included in property and equipment as of March 31:

| | 2018 | 2017 |
|--------------------------------|-------------------|------------------|
| Equipment | \$ 350,515 | \$ 231,605 |
| Less: accumulated depreciation | (231,949) | (184,072) |
| | <u>\$ 118,566</u> | <u>\$ 47,533</u> |

Depreciation expense on equipment held under capital lease is included in depreciation and amortization expense on the statements of functional expenses.

UNITED WAY OF CENTRAL OHIO, INC.
Notes to Financial Statements
March 31, 2018 and 2017

Capital Lease Obligations (continued)

Future minimum lease payments under these capital leases as of March 31, 2018 through maturity are as follows:

| | |
|------------------------------------|-------------------|
| 2019 | \$ 38,193 |
| 2020 | 28,176 |
| 2021 | 28,176 |
| 2022 | 28,176 |
| 2023 | 9,393 |
| | 132,114 |
| Less: amount representing interest | (17,441) |
| Capital lease obligations | \$ 114,673 |

Unrestricted Net Assets

The Board of Trustees designated certain funds to be used for programs that are designed to promote the mission of United Way which are included in unrestricted net assets.

Unrestricted net assets designated by the Board of Trustees for special purposes are as follows as of March 31:

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Board designated funds: | | |
| Agency support, measurement and evaluation | \$ 77,210 | \$ 42,375 |
| Community impact investments and strategic initiatives | 1,608,842 | 1,523,307 |
| Operating reserve | 3,525,328 | 3,525,328 |
| Quasi endowment with Columbus Foundation | 1,112,141 | 1,092,253 |
| Subtotal of Board designated funds | 6,323,521 | 6,183,263 |
| Undesignated unrestricted net assets | 15,676,279 | 14,543,816 |
| Total unrestricted net assets | \$ 21,999,800 | \$ 20,727,079 |

The undesignated unrestricted net assets that relate to surplus cash are anticipated to be used for future programs and initiatives funding and community impact investments.

UNITED WAY OF CENTRAL OHIO, INC.

Notes to Financial Statements

March 31, 2018 and 2017



Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of annual campaigns, initiatives and programs, which are time restricted.

Temporarily restricted net assets are held in cash and cash equivalents and contributions receivable net of designations and funded agency allocations payable as of March 31, 2018 and 2017.

Concentrations

Two and three donor organizations accounted for approximately 34% and 44% of total annual campaign results for the years ended March 31, 2018 and 2017, respectively. Two donor organizations accounted for approximately 37% and 35% of current campaign year net contributions receivable as of March 31, 2018 and 2017, respectively.

Retirement Plans

United Way established a defined contribution 401(k) plan, which covers substantially all employees who have completed one month of service and are at least 21 years old. Participants may contribute a percentage of their compensation on a pre-tax basis, up to the maximum allowed under federal guidelines. United Way provides a matching contribution of up to 3% of the participants' eligible compensation for individuals participating in the 401(k) plan who have completed at least one year of service. The matching contribution to this Plan for the years ended March 31, 2018 and 2017 was approximately \$114,000 and \$121,000, respectively.

The 401(k) plan also allows for an additional 3% safe harbor contribution for each eligible employee with at least one year of service, regardless of whether the employee is contributing to the 401(k) plan. The total safe harbor contribution to the 401(k) plan during the years ended March 31, 2018 and 2017 was approximately \$143,000 and \$151,000, respectively.

Subsequent Events – Date of Management Evaluation

Management evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.