



CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2018

with

Independent Auditors' Report

UNITED WAY OF THE COLUMBIA-WILLAMETTE

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Independent Auditors' Report

The Board of Directors
United Way of the Columbia-Willamette

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Way of the Columbia-Willamette and affiliate, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of the Columbia-Willamette and affiliate as of June 30, 2018, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of the Columbia-Willamette's 2017 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated January 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
March 20, 2019

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Financial Position

June 30, 2018 (With Comparative Amounts for 2017)

ASSETS					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Cash and cash equivalents	\$ 190,922	\$ 251,294	\$ -	\$ 442,216	\$ 1,246,532
Pledges receivable - net	2,036,638	1,690	-	2,038,328	2,733,596
Government grants and contracts receivable	2,468,833	-	-	2,468,833	3,347,192
Private grants receivable (Note 3)	-	450,000	-	450,000	592,500
Accounts and other receivables	2,110	-	-	2,110	61,023
Prepaid expenses and other assets	244,401	-	-	244,401	292,526
Investments (Notes 4 and 15)	9,452,187	506,376	2,207,868	12,166,431	12,182,078
Interest in perpetual trusts (Notes 5 and 15)	-	-	921,107	921,107	910,862
Property and equipment - net (Note 6)	3,212,528	-	-	3,212,528	3,034,500
Total assets	\$ 17,607,619	\$ 1,209,360	\$ 3,128,975	\$ 21,945,954	\$ 24,400,809
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities (Note 16)	\$ 3,686,192	\$ -	\$ -	\$ 3,686,192	\$ 4,758,547
Deferred revenue	388,595	-	-	388,595	320,331
Accrued grants to programs	820,000	-	-	820,000	1,350,000
Donor-designated contributions payable	1,011,440	-	-	1,011,440	2,012,682
Total liabilities	5,906,227	-	-	5,906,227	8,441,560
Commitments and contingency (Notes 2 and 17)					
Net assets:					
Unrestricted:					
Board-designated (Note 7)	9,082,645	-	-	9,082,645	8,722,293
Undesignated (Note 8)	2,618,747	-	-	2,618,747	2,443,650
Temporarily restricted (Notes 9 and 11)	-	1,209,360	-	1,209,360	1,674,576
Permanently restricted (Notes 10 and 11)	-	-	3,128,975	3,128,975	3,118,730
Total net assets	11,701,392	1,209,360	3,128,975	16,039,727	15,959,249
Total liabilities and net assets	\$ 17,607,619	\$ 1,209,360	\$ 3,128,975	\$ 21,945,954	\$ 24,400,809

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Activities

Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Public support and revenue:					
Gross campaign revenue, including amounts raised for others (Note 1)	\$ 11,707,769	\$ 4,190	\$ -	\$ 11,711,959	\$ 14,979,728
Less amounts designated to others	(6,856,964)	-	-	(6,856,964)	(9,810,667)
Campaign revenue	4,850,805	4,190	-	4,854,995	5,169,061
Less provision for uncollectible pledges	(151,000)	-	-	(151,000)	(351,000)
Net campaign revenue	4,699,805	4,190	-	4,703,995	4,818,061
Government grants and contracts (Note 17)	10,818,498	-	-	10,818,498	12,467,039
Private grants and contributions	355,427	125,000	-	480,427	1,714,958
In-kind contributions	133,567	-	-	133,567	136,376
Service fees	19,882	-	-	19,882	174,320
Other	53,123	-	-	53,123	13,291
Net assets released from restrictions (Note 12)	806,310	(806,310)	-	-	-
Total public support and revenue	16,886,612	(677,120)	-	16,209,492	19,324,045
Expenses:					
Program services:					
Program grants, including amounts raised for others (Note 1)	9,958,439	-	-	9,958,439	13,375,831
Less amounts designated to others	(6,856,964)	-	-	(6,856,964)	(9,810,667)
Net program grants	3,101,475	-	-	3,101,475	3,565,164
Community investment	1,220,498	-	-	1,220,498	2,131,188
Hands on Greater Portland	498,637	-	-	498,637	627,864
Early Learning Hubs	8,887,667	-	-	8,887,667	10,012,304
Total program services	13,708,277	-	-	13,708,277	16,336,520
Supporting services:					
Fundraising campaign	1,750,652	-	-	1,750,652	2,068,042
Management and general	1,573,318	-	-	1,573,318	1,593,888
Total supporting services	3,323,970	-	-	3,323,970	3,661,930
Total expenses	17,032,247	-	-	17,032,247	19,998,450
Decrease in net assets from operating activities (carried forward)	(145,635)	(677,120)	-	(822,755)	(674,405)

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Activities - Continued

Year Ended June 30, 2018 *(With Comparative Totals for 2017)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Decrease in net assets from operating activities (brought forward)	\$ (145,635)	\$ (677,120)	\$ -	\$ (822,755)	\$ (674,405)
Non-operating activities:					
Interest and dividends	162,932	47,398	-	210,330	163,788
Gain on investments	488,251	164,506	-	652,757	687,384
Distributions from perpetual trusts	29,901	-	-	29,901	40,912
Gain on sale of property	-	-	-	-	4,036,714
Change in value of perpetual trusts <i>(Note 5)</i>	-	-	10,245	10,245	45,748
Total non-operating activities	681,084	211,904	10,245	903,233	4,974,546
Increase (decrease) in net assets	535,449	(465,216)	10,245	80,478	4,300,141
Net assets, beginning of year	11,165,943	1,674,576	3,118,730	15,959,249	11,659,108
Net assets, end of year	\$ 11,701,392	\$ 1,209,360	\$ 3,128,975	\$ 16,039,727	\$ 15,959,249

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Program Services				Total	Supporting Services			Total	
	Program Grants	Community Investment	Hands on Greater Portland	Early Learning Hubs		Fundraising Campaign	Management and General	Total	2018	2017
Program grants, including amounts raised for others	\$ 9,958,439	\$ -	\$ -	\$ -	\$ 9,958,439	\$ -	\$ -	\$ -	\$ 9,958,439	\$ 13,375,831
Less amounts designated to others	(6,856,964)	-	-	-	(6,856,964)	-	-	-	(6,856,964)	(9,810,667)
Net program grants	3,101,475	-	-	-	3,101,475	-	-	-	3,101,475	3,565,164
Salaries and wages	-	415,904	290,149	651,133	1,357,186	1,059,373	883,182	1,942,555	3,299,741	4,093,538
Employee benefits and payroll taxes	-	112,443	85,916	180,275	378,634	240,880	196,956	437,836	816,470	1,021,057
Early Learning Hubs support	-	-	-	7,659,206	7,659,206	-	-	-	7,659,206	8,834,302
Professional services	-	240,403	8,476	110,561	359,440	80,217	119,999	200,216	559,656	737,181
Telephone and postage	-	6,574	5,294	11,788	23,656	17,667	11,359	29,026	52,682	80,873
Occupancy	-	22,769	16,446	33,590	72,805	44,751	37,012	81,763	154,568	175,319
Equipment rental and maintenance	-	14,162	18,238	21,702	54,102	29,799	23,348	53,147	107,249	101,762
Supplies and subscriptions	-	2,441	1,602	14,461	18,504	3,833	3,391	7,224	25,728	21,141
Advertising	-	135,695	12,130	3,304	151,129	37,349	-	37,349	188,478	213,071
Printing and supplies	-	2,047	8,977	36,315	47,339	33,957	3,571	37,528	84,867	213,964
Travel, conferences, and meetings	-	33,252	15,523	74,075	122,850	70,403	41,664	112,067	234,917	288,334
Miscellaneous	-	43,625	2,132	24,513	70,270	13,399	162,394	175,793	246,063	256,037
United Way Worldwide dues	-	148,176	1,500	-	149,676	30,878	21,955	52,833	202,509	155,735
Total before depreciation and amortization	3,101,475	1,177,491	466,383	8,820,923	13,566,272	1,662,506	1,504,831	3,167,337	16,733,609	19,757,478
Depreciation and amortization	-	43,007	32,254	66,744	142,005	88,146	68,487	156,633	298,638	240,972
	\$ 3,101,475	\$ 1,220,498	\$ 498,637	\$ 8,887,667	\$ 13,708,277	\$ 1,750,652	\$ 1,573,318	\$ 3,323,970	\$ 17,032,247	\$ 19,998,450

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Cash Flows

Year Ended June 30, 2018 <i>(With Comparative Totals for 2017)</i>	2018	2017
Cash flows from operating activities:		
Cash receipts:		
Campaign revenue	\$ 12,256,227	\$ 15,682,426
Government grants and contracts	11,765,121	9,959,804
Private grants and contributions	622,927	1,622,458
Interest and dividends	210,330	163,788
Other	161,819	242,767
Cash paid:		
Allocations to agencies	(3,631,475)	(4,684,748)
Donor designated contributions to agencies	(7,858,206)	(10,084,457)
Employees and suppliers	(14,089,101)	(13,181,865)
Payments to affiliated organizations	(183,871)	(190,218)
Net cash used by operating activities	(746,229)	(470,045)
Cash flows from investing activities:		
Purchases of property and equipment	(726,491)	(1,990,114)
Proceeds from sale of property and equipment	-	5,263,549
Purchase of investments	(210,330)	(5,426,076)
Proceeds from sale of investments	878,734	2,686,630
Net cash provided (used) by investing activities	(58,087)	533,989
Net increase (decrease) in cash and cash equivalents	(804,316)	63,944
Cash and cash equivalents, beginning of year	1,246,532	1,182,588
Cash and cash equivalents, end of year	\$ 442,216	\$ 1,246,532

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Cash Flows - Continued

Year Ended June 30, 2018 (With Comparative Totals for 2017)	2018	2017
Reconciliation of increase in net assets to net cash used by operating activities:		
Increase in net assets	\$ 80,478	\$ 4,300,141
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation and amortization	298,638	240,972
Gain on investments	(652,757)	(687,384)
Gain on sale of property	-	(4,036,714)
Change in value of perpetual trusts	(10,245)	(45,748)
(Increase) decrease in:		
Pledges receivable - net	695,268	1,053,698
Government grants and contracts receivable	878,359	(2,483,067)
Private grants receivable	142,500	(92,500)
Accounts and other receivables	58,913	14,244
Prepaid expenses and other assets	48,125	(87,854)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(822,530)	2,771,709
Deferred revenue	68,264	(24,168)
Accrued grants to programs	(530,000)	(1,119,584)
Donor-designated contributions payable	<u>(1,001,242)</u>	<u>(273,790)</u>
Net cash used by operating activities	<u>\$ (746,229)</u>	<u>\$ (470,045)</u>
Supplemental disclosure of non cash investing activities:		
Property and equipment purchases included in accounts payable	\$ -	\$ 249,825

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

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies

Organization - At United Way of the Columbia-Willamette (UWCW), we have a simple, ambitious vision: invest in our region's kids so they are free from poverty and free to reach their potential.

We have been bringing our community to do good for nearly 100 years. We are uniquely positioned to connect and support the people, nonprofits, businesses, and government agencies working hard to address poverty in our region. Leveraging our capacity as a convener and our trusted brand as an influencer, we focus on where the need is the greatest and identify and scale what works.

Together we are making schools, families, and communities stronger for the kids of our region:

Schools for kids - We are working to ensure that kids, from pre-school through graduation, get the support they need to stay in school and succeed so they can enter college or the workforce ready to thrive and contribute.

Families for kids - We are helping families meet basic needs and have a stable foundation so kids can focus in school.

Communities for kids - We are activating the village. We mobilize over 20,000 volunteers a year by connecting them to projects that directly support kids in our region.

Learn more about our mission and what we do at: <https://www.unitedway-pdx.org>.

UWCW conducts annual workplace and community fundraising campaigns dedicated to support the area's health and human services; brings together community leaders and experts to identify the needs of the community; and uses a volunteer driven grant funding model to invest in programs and partners who are committed to achieving measurable results. UWCW also funds strategic partnerships and initiatives that include Earned Income Tax Credit Assistance, Project Access NOW (health access and services for those in need), 211 Info (resource hotline), and Safety Net programs (food, rent, and utility assistance).

Program Services - UWCW is proud to work with and fund nonprofit organizations across our four-county region who share in our commitment to address childhood poverty and advance racial equity. By investing in and connecting these organizations together, we believe we can dig deeper into the root causes of poverty, and create or share existing practices that will allow us to move kids and families in our region out of poverty more efficiently and in a sustainable manner.

Net Program Grants - UWCW is activating our strategic plan by making investments through four specific funding strategies: Community Transformation, Community Strengthening, Community Safety Net, and Catalyst.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Program Services - Continued Net Program Grants - Continued

Community Transformation: The Community Transformation funding strategy is a long-term investment in one group, or collaborative, whose mission is to transform our region's most impoverished communities using the Collective Impact Model. The group selected for this grant, Successful Families 2020, is comprised of six of our region's leading nonprofit organizations serving low-income and culturally specific communities. Working in collaboration with UWCW through the creation and implementation of a business and work plan, this collaborative will create a blueprint for success in communities of color in Multnomah County.

Community Strengthening: The Community Strengthening funding strategy is designed to support a stronger network of nonprofits who are leading the way in reducing poverty for children and families in our region. A total of 30 emerging and established nonprofits serving low-income and culturally-specific communities across the metro area were selected. Together, they will create and participate in learning communities designed to share experiences, exchange data and information, and build collective knowledge to strengthen organizational capacity and improve outcomes for low-income families and their children.

Community Safety Net: The Community Safety Net funding strategy is designed to provide critical aid for our most vulnerable families through short-term, non-competitive investments in supportive programs that provide housing, food, heat, utilities, and other essential needs for individuals that, due to an unforeseen personal crisis, disaster, or emergency in their lives, would benefit from additional assistance.

Catalyst: The Catalyst funding strategy enables nonprofits in our region to try new ideas, research community needs, and improve their systems so they can work better for the people they serve. These small, one-time investments increase the effectiveness of the service networks that support the most underserved populations in our region.

Designations - Dollars are directed towards specific 501(c)(3) agencies as specified by the donor.

Community Investment - Community investment activities include regional and community needs assessment, data collection and analysis, community education presentations, production of documents designed to highlight regional needs, funding trends, and emerging issues. Additional activities include advocacy, public policy involvement, development and support of strategic initiatives, and community leadership.

Hands on Greater Portland - Hands on Greater Portland activities focus on results-based, meaningful volunteer service and the belief that volunteers enrich their lives and the lives of others when they address community needs. The program strives to connect volunteers with opportunities to meet important community needs, including senior services, education, services for the homeless, and restoration of the environment.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Program Services - Continued

Early Learning Hubs - Every kid should arrive at kindergarten ready for school success. That's why UWCW is proud to co-manage two new regional hubs focused on early learning: Early Learning Multnomah (ELM) and Early Learning Washington County (ELWC). In Oregon, there are 16 hubs, or regional-based groups, appointed by the State of Oregon's Early Learning Council that are designed with the intent to improve educational outcomes for Oregon's youngest children, age 0-6. Under the early learning hub model, all sectors that touch early childhood education (early childhood educators; K-12 school districts; health, social, and human service organizations; nonprofits; municipalities; and the private sector) are tasked with working together to align their services in order ensure that children arrive at school prepared to learn, with an equal opportunity to succeed.

Supporting Services - Local volunteers and staff lead efforts in these key support areas of UWCW:

Fundraising:

Resource Development - Responsible for the annual fundraising campaign, resource development also develops long-term relationships with key customers and facilitates the involvement of local organizations, corporations, and businesses in community service.

Branding, Marketing and Communications - Responsible for building effective and multichannel messaging for UWCW's supporters, advertising, media relations, and communicating the impact of UWCW's work. This area of UWCW is also key in increasing community awareness, visibility, and education about UWCW's mission.

Management and General - Responsible for providing support for all areas of UWCW, including campaign pledge processing, accounting, finance, facilities management, information systems, and human resources management. Responsible for ensuring the financial integrity of UWCW, this area manages the financial controls and reporting of financial data to the volunteers, the donors, and the community.

Significant Accounting Policies - The significant accounting policies followed by UWCW are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The consolidated financial statements include the assets, liabilities, and activities of UWCW and its wholly owned affiliate, Hands on Greater Portland, LLC (together herein referred to as the Organizations). Hands on Greater Portland, LLC is a single-member limited liability company that was formed in September 2012, to acquire the assets of Hands on Greater Portland.

All intercompany balances and transactions have been eliminated in consolidation.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates for which it is at least reasonably possible a change in estimate will occur in the near term include the allowance for uncollectible pledges receivable and depreciation and amortization, and the allocation of certain expenses by functional classification.

Cash and Cash Equivalents - The Organizations consider all highly liquid debt instruments with a maturity of three months or less to be cash equivalents and short-term investments expected to be converted to cash in the near term.

Pledges Receivable - Pledges receivable are shown net of an allowance for uncollectible pledges. At June 30, 2018 and 2017, the allowance for uncollectible pledges totaled \$151,000 and \$351,000, respectively. The provision for pledges estimated to be uncollectible is based on, among other things, past collection experience and an estimate of the impact of current economic conditions. It is reasonably possible the amount of uncollectible pledges could be materially different upon final settlement of each campaign. Pledges receivable for the current annual campaign are available for unrestricted use unless specifically restricted by the donor. Pledges receivable for future annual campaigns are considered restricted for use in the campaign year specified by the donor. Pledges receivable are all due within one year.

Accounts Receivable - Accounts receivable are recognized as services are provided. The Organizations do not assess finance charges on delinquent accounts. The Organizations use the allowance method to account for uncollectible accounts receivable. The allowance is estimated by management based on various factors, including past history and current economic conditions. The Organizations will write off any balance that remains after it has exhausted all reasonable collection efforts. Management believes all accounts receivable at June 30, 2018, are fully collectible, and an allowance for uncollectible accounts is not necessary.

Investments - UWCW carries investments in marketable securities with readily determinable fair values and all debt securities at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Certificates of deposit and money market accounts are stated at amortized cost plus accrued interest, which approximates fair value.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Fair Value Measurements - GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. UWCW uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, UWCW measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets UWCW has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

Endowment Funds - UWCW's endowment consists of four individual funds comprised solely of donor-restricted net assets (*Note 11*). No unrestricted or temporarily restricted net assets were functioning as an endowment for the years ended June 30, 2018 or 2017 (other than unexpended endowment earnings in the temporarily restricted net asset class). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UWCW manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of UWCW has interpreted UPMIFA as allowing UWCW to appropriate for expenditure or accumulate so much of an endowment fund as UWCW determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

UWCW 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 UWCW in a manner consistent with the standard of prudence prescribed by UPMIFA.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies – Continued

Endowment Funds - Continued - In accordance with UPMIFA, UWCW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes 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 the appreciation of investments, (6) other resources of UWCW, and (7) UWCW's investment policies.

UWCW has an investment policy that provides for investment objectives of (a) providing stable cash payout, preferably growing in real terms after inflation, and (b) growing the principal in real terms after inflation. The spending of endowment assets is approved by the Board of Directors of UWCW. Currently, UWCW's spending rate is 5 percent of a three year rolling average of the fair market value of endowment assets.

Funds held at Oregon Community Foundation (OCF) follow investment and spending policies determined by the Board of Directors of OCF. OCF's investment policy is intended to provide for long-term growth. Currently, the spending rate ranges from 4.5 to 5 percent (per annum) of the average fair market value of UWCW's funds based on a 13-quarter trailing average. Funds held with OCF are invested in a mixture of equities, fixed-income instruments, and alternative investment classes such as hedge funds, private investments, and cash.

UWCW believes the investment and spending policy is consistent with UWCW's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. UWCW's interest in perpetual trusts, described in *Note 5*, is included in UWCW's endowment funds. The investment of these funds is determined by the trustees of the trusts rather than UWCW.

Interest in Perpetual Trusts - UWCW has a beneficial interest in certain perpetual trusts. The assets in the trusts are held and managed by third-party administrators. Under the terms of the trusts, UWCW has the irrevocable right to receive a percentage of the income earned on the trusts' assets in perpetuity, but never receives the assets held in the trusts.

UWCW's interest in the trusts has been recorded as a permanently restricted net asset measured at the present value of future cash receipts from the trusts' assets, which is estimated to be UWCW's percentage of the fair value of the trusts' assets.

Distributions from the trusts are recorded as unrestricted revenue when received. Changes in the amount reported as an asset are recorded as an increase or decrease to permanently restricted net assets.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Property and Equipment - The Organizations follow the policy of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Property and equipment received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives:

Building	20 - 30 years
Furniture, equipment, and improvements	3 - 15 years

Accrued Grants to Programs - Accrued grants to programs and other unconditional promises to give are recorded as a liability and expense on approval by the Board of Directors. Generally, accrued grants to programs are paid over the fiscal year following approval.

Net Assets - The accompanying consolidated financial statements have been prepared to focus on the Organizations as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of the Organizations' net assets in three classes: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted net assets represent net assets not subject to donor-imposed stipulations. The Board has designated certain major bequests for Board-designated financial reserve. It is the intention of the Board that such monies be maintained to provide a financial reserve that is available for expenditure at the discretion of the Board.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organizations and/or the passage of time.

Permanently restricted net assets represent net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but generally permit the Organizations to use the income.

Revenue Recognition - The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Revenue Recognition - Continued - The Organizations report gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received.

Government grants and contracts and service fee revenue is recognized at the time services are provided and the revenues are earned. Government grants and contracts are deemed to be earned and reported as revenues when UWCW has incurred expenditures in compliance with the specific grant or contract requirements. Amounts received in advance of being earned are treated as deferred revenue.

Gross Campaign Revenue - During the Fall of 2016 annual campaign, UWCW raised \$1,111,722 for the Combined Federal Campaign administered by UWCW. UWCW included these amounts in both gross campaign revenue and amounts designated to others in the accompanying consolidated statement of activities for the year ended June 30, 2017. Effective with the Fall of 2017 annual campaign, UWCW no longer administers the Combined Federal Campaign; and accordingly did not recognize any activity related to the Combined Federal Campaign in the accompanying 2018 financial statements.

In-Kind Contributions - UWCW receives advertising services free of charge. Donated advertising services recorded at estimated fair value were recognized in the amount of \$133,567 for the year ended June 30, 2018. These services have been recorded as in-kind contributions in the accompanying consolidated statement of activities at their estimated fair value and as a component of advertising in the accompanying consolidated statement of functional expenses.

Donor-Designated Contributions - UWCW receives certain contributions designated by the donors for distribution to organizations both affiliated and unaffiliated with UWCW. Such designations are accepted if the ultimate recipient is another United Way chapter or meets certain criteria established by UWCW. These criteria include being a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. These contributions are distributed to the designated agencies based on collections and are recorded in the consolidated statement of activities as amounts designated to others. Amounts remaining to be paid at the fiscal year end are reflected in the consolidated statement of financial position as donor-designated contributions payable.

Advertising - The Organizations expense all indirect advertising costs incurred.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Income Taxes - Income taxes are not provided for in the consolidated financial statements since UWCW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. UWCW is not classified as a private foundation. Hands on Greater Portland, LLC is a disregarded entity for Federal and state income tax purposes.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes UWCW does not have any uncertain tax positions. UWCW files informational returns. Generally, the returns filed by UWCW are subject to examination by Federal or state taxing authorities for a period of three years from the filing of the return. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events - Management has evaluated subsequent events through March 20, 2019, the date the consolidated financial statements were available to be issued.

Summarized Financial Information for 2017 - The consolidated financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with UWCW's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

2. Defined Contribution Plan and Severance Pay Plan

Defined Contribution Plan - UWCW has a defined contribution plan covering substantially all employees who have completed one year of service with UWCW. The plan was established under Section 401(k) of the Internal Revenue Code. Employee contributions to the plan are in the form of salary deferrals and are immediately 100 percent vested.

The plan was amended so that effective January 2017, employer contributions to the plan vary between 3 and 12 percent of eligible employee salaries, depending on employees' date of hire and other factors. Employer contributions become vested in 20 percent increments and are 100 percent vested once an employee completes six years of service.

Total employer contributions to the plan for the year ended June 30, 2018, were \$33,837.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

2. Defined Contribution Plan and Severance Pay Plan - Continued

Severance Pay Plan - In conjunction with the termination of a formerly maintained defined benefit pension plan, the Board of Directors created a severance pay plan to provide a lump-sum benefit to certain employees whose employment terminates at a time when their retirement benefit is less than the benefit that would have been payable under the former plan. In order to be eligible for this plan, employees must be at least 40 years old and have completed ten years of service with UWCW. In addition, the individual must have been actively employed by UWCW on April 1, 2000.

3. Private Grants Receivable

Private grants receivable are expected to be received as follows at June 30:

	2018	2017
Within one year	\$ 450,000	\$ 367,500
Between one and five years	-	225,000
	<u>\$ 450,000</u>	<u>\$ 592,500</u>

Management has elected not to record a discount to present value on private grants receivable due between one and five years as they believe any discount would have an immaterial effect on the consolidated financial statements taken as a whole.

4. Investments

The composition of investments at June 30, is as follows:

	2018	2017
Investments carried at fair value:		
Domestic bond funds	\$ 3,975,362	\$ 3,475,273
Equity mutual funds	6,661,091	6,584,396
Cash surrender value of life insurance policies	565,036	531,890
Investments held at OCF	104,165	99,551
	<u>11,305,654</u>	<u>10,691,110</u>
Total investments carried at fair value		
Investments carried at cost plus accrued interest:		
Money market accounts	314,164	692,231
Certificates of deposit	546,613	798,737
	<u>860,777</u>	<u>1,490,968</u>
Total investments carried at cost plus accrued interest		
	<u>\$ 12,166,431</u>	<u>\$ 12,182,078</u>
Total investments		

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

4. Investments - Continued

During the year ended June 30, 1997, UWCW entered into an agreement with the OCF to transfer \$50,000 to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The investments are to be held by OCF in perpetuity. Under the terms of the agreement, OCF will distribute annually a percentage of the fair market value of the fund to UWCW based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both UWCW and OCF's Boards of Directors. A distribution of \$4,405 was received from OCF during the year ended June 30, 2018. The change in the value of the investments held at OCF has been reflected in the gain on investments in the accompanying consolidated statement of activities.

UWCW previously carried an investment in stock of a privately held company. In 2010, management determined the likelihood of receiving any future benefit in this stock was less than probable and recorded an impairment loss of \$220,000 related to this investment. UWCW continues to own this investment.

During the year ended June 30, 2012, under a gift agreement from a donor, life insurance policies with a combined death benefit of approximately \$4.4 million were transferred to UWCW. The death benefit values have not been recognized in the consolidated financial statements but will be recognized when proceeds are actually received. Once the proceeds are received, the gift agreement stipulates approximately \$3.4 million is to be designated for other nonprofit organizations. At June 30, 2018, the cash surrender values of these policies totaled \$558,481.

5. Interest in Perpetual Trusts

UWCW has a beneficial interest in certain perpetual trusts. The present value of future distributions from trust assets is as follows at June 30:

	2018	2017
Balance, beginning of year	\$ 910,862	\$ 865,114
Change in value	<u>10,245</u>	<u>45,748</u>
Balance, end of year	<u>\$ 921,107</u>	<u>\$ 910,862</u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

6. Property and Equipment - Net

	2018	2017
Land	\$ 295,333	\$ 295,333
Building	4,407,481	4,133,816
Furniture, equipment, and improvements	<u>2,118,755</u>	<u>1,916,709</u>
	6,821,569	6,345,858
Less accumulated depreciation and amortization	<u>(3,609,041)</u>	<u>(3,311,358)</u>
	<u><u>\$ 3,212,528</u></u>	<u><u>\$ 3,034,500</u></u>

7. Unrestricted Net Assets Designated by the Board of Directors

Certain unrestricted net assets have been designated by the Board of Directors for special purposes. Designated unrestricted net assets consist of the following at June 30:

	2018	2017
Financial reserve	\$ 2,064,572	\$ 1,703,500
Board designated fund	6,836,063	6,836,063
Future retirement plan expenses	92,010	92,730
Building reserve	<u>90,000</u>	<u>90,000</u>
	<u><u>\$ 9,082,645</u></u>	<u><u>\$ 8,722,293</u></u>

8. Unrestricted Undesignated Net Assets

Unrestricted undesignated net assets (deficit) consist of the following at June 30:

	2018	2017
Net investment in property and equipment	\$ 3,212,528	\$ 3,034,500
Unrestricted deficit for operations	<u>(593,781)</u>	<u>(590,850)</u>
	<u><u>\$ 2,618,747</u></u>	<u><u>\$ 2,443,650</u></u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Time restriction - future campaigns	\$ 4,190	\$ 259,048
Purpose restricted grants	575,000	873,833
Gas assistance program	123,794	128,054
Unexpended endowment income (<i>Note 11</i>)	<u>506,376</u>	<u>413,641</u>
	<u><u>\$ 1,209,360</u></u>	<u><u>\$ 1,674,576</u></u>

10. Permanently Restricted Net Assets

Permanently restricted net assets are composed of the following at June 30:

	2018	2017
Pricket Endowment Fund	\$ 84,331	\$ 84,331
Amanda Reed Endowment Fund	3,338	3,338
General Endowment Fund	120,199	120,199
JD Gray Endowment Fund	2,000,000	2,000,000
Interest in perpetual trusts (<i>Note 5</i>)	<u>921,107</u>	<u>910,862</u>
	<u><u>\$ 3,128,975</u></u>	<u><u>\$ 3,118,730</u></u>

11. Endowment Funds

Composition of and changes in endowment net assets for the year ended June 30, 2018, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 413,641	\$ 3,118,730	\$ 3,532,371
Interest and dividends	47,398	-	47,398
Gain on investments	164,506	-	164,506
Change in value of perpetual trusts	-	10,245	10,245
Investment management fees	(18,872)	-	(18,872)
Distributions	<u>(100,297)</u>	<u>-</u>	<u>(100,297)</u>
Endowment assets, end of year	<u><u>\$ 506,376</u></u>	<u><u>\$ 3,128,975</u></u>	<u><u>\$ 3,635,351</u></u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

12. Net Assets Released from Restrictions

During the year ended June 30, 2018, net assets were released from restrictions as follows:

Early campaign contributions for use in current period - net of recoveries	\$ 259,048
Purpose restricted grants	423,833
Gas assistance program	4,260
Distributions and management fees from endowments	<u>119,169</u>
	<u>\$ 806,310</u>

13. Joint Costs

UWCW conducts certain activities that could be considered joint cost activities, including the publication of a quarterly newsletter and development of a web page. Management feels the costs of conducting these activities is immaterial to the consolidated financial statements and has used the same cost allocation methods that are used for non-joint cost activities in the accompanying consolidated statement of functional expenses.

14. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable described in *Note 1*, and investments described in *Note 4*. At times, cash and cash equivalents exceed federally insured limits. UWCW's investments, including those held related to perpetual trusts (*Note 5*), are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Substantially all money market accounts exceed federally insured limits.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

15. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, UWCW's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Domestic bond funds	\$ 3,975,362	\$ -	\$ -	\$ 3,975,362
Equity mutual funds:				
Domestic	4,866,649	-	-	4,866,649
Foreign	1,794,442	-	-	1,794,442
Cash surrender value of life insurance policies	-	565,036	-	565,036
Investments held at OCF	-	-	104,165	104,165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investments, at fair value	<u>\$ 10,636,453</u>	<u>\$ 565,036</u>	<u>\$ 104,165</u>	<u>\$ 11,305,654</u>
Interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 921,107</u>	<u>\$ 921,107</u>

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

Level 2 Measurements: Fair value for cash surrender value of life insurance policies is based on pricing models or other relevant economic measures provided by the insurance companies.

Level 3 Measurements: Investments held at OCF represent UWCW's share of a pooled investment portfolio managed by OCF. UWCW's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

Market data is unavailable for perpetual trusts; however, UWCW carries its interest in perpetual trusts at fair value based on UWCW's proportionate share of the underlying investments.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

15. Fair Value Measurements - Continued

The following table provides a summary of changes in UWCW's Level 3 assets for the year ended June 30, 2018:

	Investments Held at OCF	Interest in Perpetual Trusts	Total
Balance, beginning of year	\$ 99,551	\$ 910,862	\$ 1,010,413
Interest and dividends	832	-	832
Gain on investment	9,113	-	9,113
Change in value	-	10,245	10,245
Management fees and distributions	(5,331)	-	(5,331)
Balance, end of year	<u>\$ 104,165</u>	<u>\$ 921,107</u>	<u>\$ 1,025,272</u>

16. Related-Party Transactions

UWCW receives staff and volunteer training, national advertising services, and national campaign coordination and supplies from United Way Worldwide. As a result, UWCW elected to remit to United Way Worldwide \$202,509 for the Fall 2017 campaign, which is recorded for the year ended June 30, 2018. At June 30, 2018, amounts payable to United Way Worldwide for these services and supplies totaled \$92,755 and are included as a component of accounts payable and accrued liabilities in the accompanying consolidated statement of financial position.

Certain members of the Board of Directors hold executive positions in agencies that receive funding from UWCW. The Board of Directors has adopted a conflict of interest policy and these Board members abstain from voting on any and all matters related to funding provided by UWCW.

UWCW maintains banking relationships with certain banks where members of the Board of Directors of UWCW hold key positions.

17. Concentration and Contingency

Approximately 80 percent of UWCW's government grants and contracts were received from the State of Oregon for the year ended June 30, 2018.

Amounts received from government agencies are subject to audit and potential adjustment by these agencies. It is management's belief that no material amounts will be required to be returned in the future.