



**United Way
of Deschutes County
Financial Statements**

June 30, 2018

United Way of Deschutes County

Deschutes County, Oregon

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June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Deschutes County

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Deschutes County as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnett & Company CPAs

John M. Barnett, CPA

Barnett & Company CPAs
Bend, Oregon
January 31, 2019

By: John M. Barnett, CPA

Financial Statements

United Way of Deschutes County

Deschutes County, Oregon

Statement of Financial Position

June 30, 2018

(With Comparative Totals for June 30, 2017)

Assets	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 453,097	\$ 204,752
Pledges receivable, net	161,082	209,826
Investments	130,646	124,635
Beneficial interest in assets held by others	210,190	200,833
Property and equipment, net	3,413	5,480
Other Assets	<u>4,800</u>	<u>2,641</u>
Total Assets	<u>\$ 963,228</u>	<u>\$ 748,167</u>
Liabilities		
Donor designations payable	\$ 71,241	\$ 148,649
Accounts payable	6,727	10,557
Grants payable	8,800	-
Accrued expenses	<u>9,834</u>	<u>10,940</u>
Total Liabilities	<u>96,602</u>	<u>170,146</u>
Net Assets		
Without donor restrictions	460,822	379,129
With donor restrictions	<u>405,805</u>	<u>198,892</u>
Total Net Assets	<u>866,626</u>	<u>578,021</u>
Total Liabilities and Net Assets	<u>\$ 963,228</u>	<u>\$ 748,167</u>

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

United Way of Deschutes County

Deschutes County, Oregon

Statement of Activities

Year Ended June 30, 2018

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

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
Support and Revenue				
Campaign results, net of donor designation and provision for uncollectible pledges	609,763	126,200	\$ 735,963	\$ 687,461
Investment income (loss)	18,665	5,835	24,500	34,531
In-kind revenue & Contributed services	72,938	-	72,938	153,200
Administration fees	4,700	-	4,700	1,700
Grants and initiatives	-	519,046	519,046	189,653
Other income	115	-	115	-
	706,182	651,082	1,357,263	1,066,545
Net assets released from restrictions	444,169	(444,169)	-	-
Total Public Support and Revenue	1,150,351	206,913	1,357,263	1,066,545
Expenses				
Program Services				
Community Impact Grants	281,244	-	281,244	287,840
Central Oregon 211	18,000	-	18,000	20,000
Emergency Food & Shelter Grants	151,900	-	151,900	63,700
Tax Aide	9,979	-	9,979	8,210
THRIVE	65,591	-	65,591	51,384
TRACES	165,299	-	165,299	85,237
	692,013	-	692,013	516,371
Total Program Services	692,013	-	692,013	516,371
Support Services				
Organizational administration	204,095	-	204,095	213,884
Fundraising	172,549	-	172,549	240,405
	376,645	-	376,645	454,289
Total Support Services	376,645	-	376,645	454,289
Total Expenses	1,068,658	-	1,068,658	970,660
Change in Net Assets	81,693	206,913	288,605	95,885
Net Assets - Beginning of Year	379,129	198,892	578,021	482,136
Net Assets - End of Year	\$ 460,822	\$ 405,805	\$ 866,626	\$ 578,021

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

United Way of Deschutes County

Deschutes County, Oregon

Statement of Cash Flows

For The Year Ended June 30, 2018

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

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 288,605	\$ 95,885
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,067	2,855
Unrealized/realized (gains) losses	(16,573)	30,387
Stock contributions	(58,430)	(94,050)
Change in current assets and liabilities:		
Grant receivables	-	841
Pledges receivable	48,744	(10,726)
Other assets	(2,159)	(1,107)
Designations payable	(77,408)	(15,815)
Accounts payable	(3,829)	2,231
Grants Payable	8,800	-
Accrued expenses	(1,106)	(1,216)
Net Cash Flows from Operating Activities	<u>188,712</u>	<u>9,285</u>
Cash Flows from Investing Activities		
Purchase of investments	(23,653)	(20,794)
Proceeds from sale of investments	73,930	79,665
Net change in value of endowment funds	<u>9,357</u>	<u>14,388</u>
Net Cash Flows from Investing Activities	<u>59,633</u>	<u>73,259</u>
Net Increase (Decrease) in Cash	248,345	82,544
Cash - Beginning of Year	<u>204,752</u>	<u>122,208</u>
Cash - End of Year	<u>\$ 453,097</u>	<u>\$ 204,752</u>

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

Deschutes County, Oregon
Schedule of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

Expenses	Program Expenses						Support Services			2018 Total	2017 Total	
	Emergency Food & Shelter Grants	Central Oregon 211	TaxAide	Traces	Thrive	Community Impact Grants	Total Program	Organizational Administration	Fundraising			Total Support
Allocation/Awards	\$ -	\$ -	\$ -	\$ -	\$ -	698,222	\$ 698,222	\$ -	\$ -	\$ -	\$ 698,222	\$ 723,281
(Less Donor Designations)	-	-	-	-	-	(456,483)	(456,483)	-	-	-	(456,483)	(456,981)
Sub-Total	-	-	-	-	-	241,739	241,739	-	-	-	241,739	266,300
Salaries	-	-	-	28,888	-	19,631	48,519	111,083	58,835	169,917	218,436	200,594
Employee benefits and taxes	-	-	-	12,459	-	8,467	20,926	29,321	18,585	47,906	68,832	66,016
Sub-Total	-	-	-	41,347	-	28,098	69,445	140,403	77,420	217,823	287,268	266,610
Contract services	-	18,000	9,979	110,305	65,591	2,414	206,289	-	-	-	206,289	131,113
Contributed professional services	-	-	-	434	-	295	729	1,671	-	1,671	2,400	3,400
Awards and plaques	-	-	-	-	-	-	-	-	310	310	310	50
EFS grants	151,900	-	-	-	-	-	151,900	-	-	-	151,900	63,700
Professional fees	-	-	-	1,914	-	1,301	3,215	9,042	-	9,042	12,257	9,390
Supplies	-	-	-	732	-	497	1,229	2,815	623	3,438	4,667	5,295
Telephone and communications	-	-	-	564	-	383	947	2,168	-	2,168	3,115	3,242
Postage	-	-	-	422	-	287	709	1,622	-	1,622	2,331	3,291
Occupancy	-	-	-	1,234	-	838	2,072	4,744	-	4,744	6,816	6,648
Equipment rent and maintenance	-	-	-	2,107	-	1,432	3,539	8,103	-	8,103	11,642	4,338
Contributed printing and advertising	-	-	-	-	-	-	-	-	69,378	69,378	69,378	147,974
Printing and advertising	-	-	-	-	-	-	-	-	4,194	4,194	4,194	6,325
Staff training	-	-	-	288	-	196	484	1,109	-	1,109	1,593	-
Travel	-	-	-	740	-	503	1,243	2,846	-	2,846	4,089	4,340
Meetings and events	-	-	-	933	-	634	1,567	3,587	13,641	17,228	18,795	11,858
Insurance	-	-	-	593	-	403	996	2,278	-	2,278	3,274	3,385
Fees and dues	-	-	-	495	-	337	832	903	6,984	7,886	8,718	11,916
Other administrative expenses	-	-	-	123	-	84	207	10,723	-	10,723	10,930	145
Depreciation	-	-	-	374	-	254	628	1,439	-	1,439	2,067	2,855
Sub-Total	151,900	18,000	9,979	121,258	65,591	9,858	376,586	53,051	95,130	148,181	524,767	419,265
UWW & UWPBW Dues	-	-	-	2,694	-	1,549	4,243	10,641	-	10,641	14,884	18,485
Total Functional Expenses	\$ 151,900	\$ 18,000	\$ 9,979	\$ 165,299	\$ 65,591	\$ 281,244	\$ 692,013	\$ 204,095	\$ 172,549	\$ 376,645	\$ 1,068,658	\$ 970,660
Percentage of total expenses	14.2%	1.7%	0.9%	15.5%	6.1%	26.3%	64.8%	20.5%	16.1%	35.2%		

United Way of Deschutes County

Notes to Financial Statements

Year Ended June 30, 2018

Note A – Summary of Significant Accounting Policies

Nature of Activities

The Deschutes United Way, doing business as United Way of Deschutes County (the Organization), was founded in 1952 and is organized to raise funds for partner not-for-profit agencies. The mission statement of the Organization is “Connecting caring people to improve lives and shape a better community.” The Organization is governed by a volunteer board of directors. A general campaign to raise pledges commences in the fall of each year. The Organization also accepts pledges for designated non-partner, not-for-profit agencies. The donor designated amounts to both partner and non-partner agencies are recorded as designations payable on the financial statements.

Major Programs and Services

- **TRACEs** (2017 – Present) Is an Organization-led community initiative with a goal to improve health and wellbeing in Central Oregon by building resilience and helping people thrive, TRACES is a long-term effort focused on systemic change, building resilience, and shifting our culture to become more trauma-aware and informed. National research highlights the impact of early experiences on long-term wellbeing and provides strong and conclusive evidence that childhood trauma and toxic stress have a measurable negative influence on educational achievement, productivity and engagement, and long-term health.
- **THRIVE Central Oregon** (2016 – March 2018) Social workers help clients receive community services they need and qualify for but have trouble accessing due to barriers such as disability and lack of transportation by guiding them through the complex maze of government and nonprofit programs, helping them to access basic needs, housing, health, employment, and social security benefits. In March of 2018 THRIVE Central Oregon established itself as a separate independent nonprofit organization.
- **Community Impact Grants** (1953 – Present) Grants are awarded to local agencies that address health, education, and financial stability needs in Central Oregon through a rigorous volunteer-driven process that aligns funding with board-determined priorities and monitors agencies for efficiency and effectiveness.
- **Emergency Food & Shelter Grants** (2013 – Present) Deschutes County contracts with the Organization to convene and staff a local volunteer board to assess the emergency food and shelter needs and programs in Deschutes County and determine awards, which the Organization then distributes to local emergency service programs.
- **Central Oregon 2-1-1** (2008 – Present) A Community-wide information and referral service easily accessible online or by dialing 2-1-1 from anywhere that directs callers to needed social services available in the caller’s community from public, nonprofit, and faith-based service providers.
- **TaxAide** (2015 – Present) A partnership with CASH Oregon that trains volunteers to help low-to-moderate income individuals and families file their income taxes for free and receive tax credits for which they are eligible.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America, and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment

Acquisitions of equipment in excess of \$1,000 are capitalized. Equipment is carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Net Assets, Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets, With Donor Restrictions

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

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports donations as unrestricted public support unless they are received with donor restrictions. If the donation is made in the same reporting period that the donor imposed restriction is met, the donation is reported in both with donor restrictions revenue and net assets without donor restriction.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Contributed Services

The Organization receives a substantial amount of services donated by its supporters in carrying out the Organization's activities. These amounts have been reflected in the financial statements in accordance with FASB ASC 958, "Not for Profit Entities". The majority of contributed services is comprised of free advertising and discounted professional fees. Contributed services of \$69,378 are recorded in fundraising expense, \$2,400 in Professional expense and \$1,160 internet expense.

Contributions

Contributions received are recorded as with/without donor restrictions dependent on the existence and/or nature of any donor restrictions. All contributions, grants and other revenue sources are considered to be available and without donor restrictions unless specifically restricted by the donor or grantor.

Income Taxes

The financial statements do not reflect the effects of income taxes. United Way of Deschutes County has been classified as an organization other than a private foundation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provisions for income taxes have been made in the financial statements.

Cash & Cash Equivalents

The Organization considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair market value as of June 30, 2018. Unrealized appreciation or depreciation of the investments is recognized currently in income.

Advertising

The Organization uses advertising to promote its fundraising efforts and programs among the audiences it serves. Advertising costs are expensed when incurred. Advertising costs for the year ended June 30, 2018 were \$73,572. Of this amount \$69,378 was for contributed services.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Cost Deduction Standards

The Organization is in compliance with United Way Worldwide cost deduction standards, which state that United Way organizations may charge fees that are based on actual expenses and will not deduct fund raising or processing fees from designated gifts originating by or from any other United Way organization. United Way of Deschutes County does not charge any fees for designated gifts.

Functional Allocation of Expenses

The cost of providing the various program and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend on are substantially met or promises become unconditional. Unconditional promises to give are shown as pledges receivable, net of allowance on the statement of financial position.

Allowance for Uncollectible Pledges

The allowance for uncollectible pledges is management's estimate of current campaign pledges that will not be collected in subsequent years. Consideration is given to prior collection experiences, collection averages, and current economic conditions in determining the allowance.

Compensated Absences

Accrued liabilities include amounts for vacation days, which are earned over time by employees during the year and vary depending on the employee's length of service to the organization. Accrued vacation at June 30, 2018 and 2017, was \$9,834 and \$10,940, respectively, and is included in accrued expenses on the statement of financial positions.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Reclassifications

Certain amounts at June 30, 2017 have been reclassified to conform to the current year presentation. These reclassifications did not have any effect on net assets for the year ended June 30, 2017.

Comparative Data

The amounts shown for the year ended June 30, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Presentation of Financial Statements of Not-for Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization has adopted this ASU as of and for the year ended June 30, 2018.

Note B – Cash

The carrying amount of the Organization's cash balances was \$453,097 at June 30, 2018. The bank balances were \$453,097 at June 30, 2018. Balances in bank accounts did not exceed the coverage of federal depository insurance at June 30, 2018. The Organization uses a rating system to rate the banks used for deposits, and feels the risk of loss due to any excess deposits is low. There was no restricted cash at June 30, 2018.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note C – Fair Value Measurement

FASB ASC 820, “Fair Value Measurements and Disclosures”, establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable.

Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

The Oregon Community Foundation’s (the Foundation) management represents that investments held at the Foundation consist of Level 1, Level 2, and Level 3 investments. The Foundation does not provide the Organization with information regarding what investments make up the Organization’s assets held at the Foundation. As such, the Organization considers all investments held at the Foundation to be Level 3 investments. Gains and losses in such investments are disclosed in Note E. All other investments are derived from Level 1 pricing inputs.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note C – Fair Value Measurement, Continued

The following table presents the Organization’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2018:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Index Funds	\$ 130,646	\$ -	\$ -	\$ 130,646
Beneficial interest in OCF	-	-	210,190	210,190
Total Investments at Fair Value	\$ 130,646	\$ -	\$ 210,190	\$ 340,836

Note D – Investments

Investments are held at Morgan Stanley. Unrealized and realized gains and losses on investments are recorded as investment income in the financial statements. Purchases and sales of investments during the year ended June 30, 2018 are displayed in the Statement of Cash Flows.

Investment activity at Morgan Stanley consisted of the following for the year ended June 30, 2018:

Beginning Balance	\$ 124,635
Net realized and unrealized gains (Losses)	7,753
Fund Contributions	58,430
Management Fees	(1,341)
Distributions to net assets without restrictions	(58,831)
Total Investments	\$ 130,646

Note E – Contributions to the Oregon Community Foundation Endowment Fund

The Organization follows FASB ASC 958, “Not for Profit Entities”, for amounts contributed to the Foundation by either the Organization or other donors on behalf of the Organization. FASB ASC 958 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and as such continues to report the funds as assets of the Foundation. The Organization maintains two funds with the Foundation.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note E – Contributions to the Oregon Community Foundation Endowment Fund, Continued

The first fund, The United Way of Deschutes County Community Endowment, is a combination of amounts that the Organization has transferred to the Foundation for its own benefit and of donors' contributions to the Foundation on behalf of the Organization. The fair market value of the fund at June 30, 2018 was \$67,429. Of this amount, the portion that is recorded as a beneficial interest in assets held by others at June 30, 2018 was \$67,429, all of which is considered to be restricted by the donor.

The second fund is the United Way of Deschutes County Endowment Fund. This fund contains amounts transferred by the Organization for its own benefit. The fair market value of the Fund at June 30, 2018 was \$142,761, and in accordance with ASC 958, the entire amount has been recorded as a beneficial interest in assets held by others.

The Organization's two funds at the Foundation were established to account for donor restricted contributions and to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign. The endowment, which is comprised of these two accounts, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment assets for the fiscal year ended June 30, 2018:

	Non-Donor Restricted	Donor Restricted	Total
Endowment net assets, beginning of year	\$ 136,425	\$ 64,407	\$ 200,832
Investment Return			
Investment income	1,140	538	1,678
Realized gains	2,616	1,235	3,851
Unrealized gains	9,873	4,661	14,534
Total Investment Return	13,629	6,434	20,063
Appropriation of Endowment			
Disbursements to net assets without restriction	(6,025)	(2,813)	(8,838)
Investment Fees	(1,269)	(599)	(1,868)
Endowment net assets, end of year	\$ 142,760	\$ 67,429	\$ 210,189

The Foundation does not provide the Organization information on the purchases and sales of investments held at the Foundation. As such, the Organization reports as the change in value of the

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note E – Contributions to the Oregon Community Foundation Endowment Fund, Continued

endowment funds the net amount for investment income, disbursements and investment fees realized in the endowment funds.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-specified funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Organization's endowment funds are held with the Foundation. It is the Organization's belief that the Foundation invests conservatively and therefore, the endowment funds may earn a rate slightly below average.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the Fund to the Organization. The Foundation may make distributions from the Fund to the Organization in addition to the annual distribution upon a majority vote of the Organization's board of directors if in the sole judgment of the board of directors of the Foundation the requested distribution is consistent with the objectives and purposes of the Organization and with the charitable, educational, and scientific needs of the State of Oregon.

It is the Organization's policy that endowment generated income can be used to respond to crises, fund new or high priority projects, underwrite research, provide for expansion and for other uses consistent with the mission of the Organization. This policy provides the Organization income to respond to current priorities and to ensure funds will be available for future needs.

Note F – Pledges Receivable

As of June 30, 2018, \$214,582 remained uncollected from the annual campaign. The Organization has estimated an allowance considered doubtful of \$56,000. The provision for uncollectible pledges is computed based upon a three-year historical average and analysis of current conditions, applied to gross campaign, including donor designations. All pledges, net of the allowance, are expected to be received for the year ended June 30, 2018 by June 30, 2019.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note G – Equipment

Equipment is reported at cost or fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Gross equipment at June 30, 2018 totaled \$26,256 and accumulated depreciation totaled \$22,842. Equipment, net of depreciation, totaled \$3,413.

Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2018 was \$2,067.

Note H – Designations Payable

Designations payable represents donor-designated contributions received that are due to partner and non-partner agencies.

Note I – Board Designated Net Assets

The Board of Directors of the Organization has made certain designations of net assets without donor restrictions. These designations are as follows:

- The Operating Reserve is for cash flow deficiencies or community emergencies. The target for this reserve is one-half of the previous year's overhead expenses.
- The purpose of the Endowment reserves is to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

Note M – Retirement Plan

The Organization maintains a simplified employee retirement plan, which is a defined contribution plan, for its employees. All employees who have attained the age of 21 and have earned at least \$450 of compensation during the year are eligible for the plan beginning January of the following year. The Organization contributes 6.0% of the employees' compensation to the plan. The contribution for the year ended June 30, 2018 was \$12,205.

Note N – Donor Designation

Under Financial Accounting Standards Board accounting principles adopted by the Organization, gifts designated by the donor are not reported as public support. The donor designations are recorded as a liability of the Organization. The Organization distributes all donor designations, including those received through the Combined Federal Campaign, with no amount deducted for pledge loss or fees. Donor designations for the year ended June 30, 2018 were \$456,483.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note O – Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the previous years and settlements have not exceeded coverage in the past three years.

Note P – Concentrations

The Organization's revenue is comprised substantially of donations in Deschutes County, Oregon. The top two donors made donations in the year ended June 30, 2018 comprising 14% of total donations.

Note Q – Credit Risk

The Organization has credit risk arising from pledge receivables. The maximum potential loss at June 30, 2018 was net pledges receivable of \$161,082. The maximum risk of loss related to investments and the beneficial interest in assets held by others equals the carrying amounts presented in the financial statements.

Note R – Revocable Split-Interest Agreements and Wills

The Organization has been named as a beneficiary in split-interest agreements and wills; however, no assets or revenue have been recognized related to these agreements or wills as the Organization had not received an irrevocable right to these benefits as of June 30, 2018.

Note S – Operating Lease

The Organization's office space is leased from Deschutes County under a two-year lease with a term of July 1, 2016 through June 30, 2018. Payments are scheduled to escalate throughout the term of the lease. The lease has an early termination clause allowing the Organization to terminate their lease without penalty upon thirty days' notice. Rental payments were \$568 per month as of June 30, 2018. Rental expense for the year ended June 30, 2017 was \$6,816. The lease has been extended through 2020 with Deschutes County with terms similar to those in the previous agreements.

Note T – Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

The Organization is required to evaluate tax positions taken and to recognize a tax liability if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by taxing authorities. Areas that taxing authorities consider when examining tax returns for tax exempt entities include, but are not limited to, tax-exempt status and the existence of unrelated business income. The

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2018

Note T– Income Taxes, Continued

Organization does not believe that it has any uncertain tax positions with respect to these or other matters and had not recorded any unrecognized tax benefits or liabilities for the year ended June 30, 2018.

The Organization’s federal and state income tax returns are generally open for examination for three years following the date filed.

Note V– Program Grant Revenues

Program grant revenues consist of the following:

Central Oregon 2-1-1	\$ 10,500
THRIVE Central Oregon	42,266
TRACES	313,000
Emergency Food & Shelter	151,900
Other Small Grants	1,380
Total Program Grant Revenues	<u>\$ 519,046</u>

Note W – Subsequent Events

Management evaluated all activity of the Organization through the report date, which is the date on which the financial statements were available to be issued and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.