

# **United Way of Central Oklahoma, Inc.**

Independent Auditor's Report and Combined Financial Statements

December 31, 2018





**United Way of Central Oklahoma, Inc.**  
**December 31, 2018**

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## Independent Auditor's Report

Board of Directors  
United Way of Central Oklahoma, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying combined financial statements of United Way of Central Oklahoma, Inc. (United Way), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of United Way as of December 31, 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.

***Emphasis of Matter***

As discussed in *Note 2* to the financial statements, in 2018, United Way adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Report on Summarized Combined Comparative Information**

We have previously audited United Way's 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated July 30, 2018. In our opinion, the accompanying summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*BKD, LLP*

Oklahoma City, Oklahoma  
July 24, 2019

**United Way of Central Oklahoma, Inc.**  
**Combined Statement of Financial Position**  
**December 31, 2018**  
**(With Summarized Financial Information for December 31, 2017)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2018</b>	<b>2017</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 11,584,133	\$ 762,063	\$ 12,346,196	\$ 16,488,514
Pledges receivable, net	9,994,849	-	9,994,849	9,978,766
Certificates of deposit	4,222,546	-	4,222,546	3,923,033
Beneficial interest in assets held by others	87,783	-	87,783	97,215
Property and equipment, net	3,291,550	-	3,291,550	3,142,366
Other assets	155,735	-	155,735	170,562
	<u>29,336,596</u>	<u>762,063</u>	<u>30,098,659</u>	<u>33,800,456</u>
Total assets	<u>\$ 29,336,596</u>	<u>\$ 762,063</u>	<u>\$ 30,098,659</u>	<u>\$ 33,800,456</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 596,377	\$ -	\$ 596,377	\$ 580,159
Allocations and designations payable	6,261,678	-	6,261,678	6,604,355
Accrued postretirement benefits	-	-	-	69,749
	<u>6,858,055</u>	<u>-</u>	<u>6,858,055</u>	<u>7,254,263</u>
Total liabilities	6,858,055	-	6,858,055	7,254,263
<b>Net Assets</b>	<u>22,478,541</u>	<u>762,063</u>	<u>23,240,604</u>	<u>26,546,193</u>
Total liabilities and net assets	<u>\$ 29,336,596</u>	<u>\$ 762,063</u>	<u>\$ 30,098,659</u>	<u>\$ 33,800,456</u>

# United Way of Central Oklahoma, Inc.

## Combined Statement of Activities

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
<b>Support and Other Revenue</b>				
Public support	\$ 17,552,099	\$ -	\$ 17,552,099	\$ 17,826,465
Less designations	3,666,447	-	3,666,447	3,625,569
Net public support	13,885,652	-	13,885,652	14,200,896
Administrative fees	303,799	-	303,799	337,405
Less uncollectible pledges	479,000	-	479,000	634,385
Net support revenue	13,710,451	-	13,710,451	13,903,916
Bequest	20,586	-	20,586	190,000
Interest income	67,477	-	67,477	62,223
Miscellaneous	75,135	-	75,135	78,870
Grants	22,800	-	22,800	-
Total other revenue	185,998	-	185,998	331,093
Net assets released from restrictions	998,374	(998,374)	-	-
Total support and other revenue	14,894,823	(998,374)	13,896,449	14,235,009
<b>Allocations and Expenses</b>				
Allocations to agencies	11,065,799	-	11,065,799	11,325,365
Community investments and services	1,000,422	-	1,000,422	1,094,113
Disaster relief	1,013,574	-	1,013,574	1,745,287
Leadership	257,005	-	257,005	265,320
Volunteer services	181,288	-	181,288	267,660
Resource development	1,166,848	-	1,166,848	1,297,443
Organization administration	982,143	-	982,143	888,648
Allocations and expenses before pension termination costs	15,667,079	-	15,667,079	16,883,836

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>	
			<b>2018</b>	<b>2017</b>
<b>Changes in Net Assets Prior to Pension Termination Costs and Postretirement- Related Changes</b>	<u>\$ (772,256)</u>	<u>\$ (998,374)</u>	<u>\$ (1,770,630)</u>	<u>\$ (2,648,827)</u>
<b>Pension Termination Costs</b>	2,490,796	-	2,490,796	-
<b>Postretirement-Related Changes Other than Net Periodic Pension Cost</b>	<u>(955,837)</u>	<u>-</u>	<u>(955,837)</u>	<u>103,088</u>
<b>Net Effect of Pension Termination</b>	<u>1,534,959</u>	<u>-</u>	<u>1,534,959</u>	<u>103,088</u>
<b>Change in Net Assets</b>	(2,307,215)	(998,374)	(3,305,589)	(2,751,915)
<b>Net Assets, Beginning of Year</b>	<u>24,785,756</u>	<u>1,760,437</u>	<u>26,546,193</u>	<u>29,298,108</u>
<b>Net Assets, End of Year</b>	<u>\$ 22,478,541</u>	<u>\$ 762,063</u>	<u>\$ 23,240,604</u>	<u>\$ 26,546,193</u>

# United Way of Central Oklahoma, Inc.

## Combined Statement of Cash Flows

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
<b>Operating Activities</b>		
Change in net assets	\$ (3,305,589)	\$ (2,751,915)
Items not requiring (providing) operating cash flows		
Depreciation	171,279	231,842
Provision for uncollectible accounts	479,000	634,385
Gain on disposal of property	-	(3,410)
Contributed property and equipment	(133,553)	(9,429)
Changes in operating assets and liabilities		
Pledges receivable	(495,083)	(592,846)
Other assets	14,827	(81,709)
Accounts payable and accrued expenses	16,218	138,356
Allocations and designations payable	(342,677)	(178,031)
Accrued postretirement benefits	(69,749)	14,989
Beneficial interest in assets held by others	9,432	(97,215)
Net cash used in operating activities	(3,655,895)	(2,694,983)
<b>Investing Activities</b>		
Proceeds from maturities of certificates of deposit	4,674,573	2,268,736
Purchase of certificates of deposit	(4,924,450)	(4,769,194)
Reinvestment of certificates of deposit interest	(49,636)	(34,953)
Purchase of property and equipment	(186,910)	(25,217)
Net cash used in investing activities	(486,423)	(2,560,628)
<b>Change in Cash and Cash Equivalents</b>	(4,142,318)	(5,255,611)
<b>Cash and Cash Equivalents, Beginning of Year</b>	16,488,514	21,744,125
<b>Cash and Cash Equivalents, End of Year</b>	\$ 12,346,196	\$ 16,488,514

**United Way of Central Oklahoma, Inc.**  
**Combined Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	Allocations to Agencies	Community Investments and Services	Disaster Relief	Leadership	Volunteer Services	Total Program Services	Resource Development	Organization Administration	Total Supporting Services	Total
Salaries – employees	\$ -	\$ 548,211	\$ 9,215	\$ 102,631	\$ 87,634	\$ 747,691	\$ 561,220	\$ 497,979	\$ 1,059,199	\$ 1,806,890
Payroll taxes	-	40,033	673	7,495	6,399	54,600	40,983	36,365	77,348	131,948
Employee benefits	-	110,055	1,850	20,604	17,593	150,102	112,667	99,971	212,638	362,740
Total salaries and related expenses	-	698,299	11,738	130,730	111,626	952,393	714,870	634,315	1,349,185	2,301,578
Professional fees	-	19,482	279	3,109	3,018	25,888	28,573	74,867	103,440	129,328
Supplies	-	7,689	70	2,411	1,286	11,456	8,336	11,464	19,800	31,256
Telephone	-	5,317	89	995	850	7,251	5,481	5,333	10,814	18,065
Postage and shipping	-	3,083	22	8,395	990	12,490	9,691	7,026	16,717	29,207
Occupancy	-	39,026	656	7,306	6,238	53,226	42,569	42,698	85,267	138,493
Campaign expense, printing and awards	-	21,649	61	17,461	1,130	40,301	71,674	3,574	75,248	115,549
Local travel	-	3,771	47	532	490	4,840	8,343	5,290	13,633	18,473
Training and development	-	3,822	47	527	1,066	5,462	4,258	3,504	7,762	13,224
Membership dues	-	71,040	709	8,376	10,612	90,737	49,373	65,302	114,675	205,412
Equipment maintenance	-	19,507	274	5,829	9,572	35,182	18,263	14,802	33,065	68,247
Miscellaneous	-	55,771	138	61,605	26,103	143,617	97,399	18,123	115,522	259,139
State Campaign expense	-	-	-	-	-	-	22,357	19,837	42,194	42,194
City Campaign expense	-	-	-	-	-	-	32,462	28,804	61,266	61,266
Support provided to partner agencies	11,065,799	-	-	-	-	11,065,799	-	-	-	11,065,799
Support provided to other beneficiaries	-	-	998,570	-	-	998,570	-	-	-	998,570
Depreciation	-	51,966	874	9,729	8,307	70,876	53,199	47,204	100,403	171,279
Total before pension termination costs	11,065,799	1,000,422	1,013,574	257,005	181,288	13,518,088	1,166,848	982,143	2,148,991	15,667,079
Pension termination costs	-	755,707	12,703	141,477	120,804	1,030,691	773,642	686,463	1,460,105	2,490,796
Total expenses	<u>\$ 11,065,799</u>	<u>\$ 1,756,129</u>	<u>\$ 1,026,277</u>	<u>\$ 398,482</u>	<u>\$ 302,092</u>	<u>\$ 14,548,779</u>	<u>\$ 1,940,490</u>	<u>\$ 1,668,606</u>	<u>3,609,096</u>	<u>\$ 18,157,875</u>

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

United Way of Central Oklahoma, Inc. (United Way of Central Oklahoma) is a charitable organization that provides funding to more than 60 nonprofit organizations located in multiple counties in central Oklahoma. These organizations, called partner agencies, provide programs and services in United Way of Central Oklahoma's five focus areas: strong families, successful kids, healthy citizens, independent living and community preparedness. United Way of Central Oklahoma also serves as a community convener, bringing together business and community leaders, nonprofit organizations, representatives of government and stakeholders to address health and social service issues.

In addition to its annual fundraising campaign, United Way of Central Oklahoma manages the annual campaigns for United Way of Canadian County, Incorporated (a separate and independent charitable organization) and United Way of Logan County, LLC (a single-member LLC, of which United Way of Central Oklahoma is the sole member), as well as the Oklahoma State Employee Charitable Contribution Campaign (State Campaign) and the Oklahoma City Municipal Employee Charitable Contribution Campaign (City Campaign). United Way of Central Oklahoma also participates in the Combined Federal Campaign (CFC). On January 1, 2019, United Way of Canadian County, Incorporated converted to a single-member LLC, of which United Way of Central Oklahoma is the sole member.

A summary of significant accounting policies applied in the preparation of the accompanying combined financial statements follows:

***Basis of Presentation***

The accompanying combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities. The accompanying combined financial statements consist of the consolidated financial statements of United Way of Central Oklahoma, which includes the accounts of United Property Acquisition LLC and United Way of Logan County, LLC, since United Way of Central Oklahoma is the sole member of these LLCs, and the accounts of United Way of Canadian County, Incorporated (collectively, United Way).

All significant intercompany accounts and transactions have been eliminated in the accompanying combined financial statements. Under the accrual method of accounting, support and revenue are recognized when a promise is made, and expenses are recorded as liabilities when incurred, without regard to the time of receipt or payment of cash.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. These net assets represent funds that are fully available, at the

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

discretion of management and the Board of Directors, for United Way to utilize in any of its programs or supporting services.

- Net assets with donor restrictions are comprised of funds subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and will be met by actions of United Way or by the passage of time. Other donor restrictions may be perpetual in nature, *i.e.*, the donor having stipulated the funds be maintained in perpetuity. The related income generated by those perpetual funds may be expended for purposes as determined by United Way.
- Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying combined statement of activities.

***Use of Estimates***

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

***Prior Year Comparative Totals***

The accompanying combined financial statements include certain prior year summarized comparative information. Such information does not include complete information required by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, such as activity by net asset classification. Accordingly, such information should be read in conjunction with United Way's combined financial statements for the year ended December 31, 2017, from which the summarized information was derived.

***Cash and Cash Equivalents and Certificates of Deposit***

United Way considers all certificates of deposit with a maturity of three months or less and money market funds to be cash equivalents.

At December 31, 2018, United Way's cash and certificates of deposit accounts held at their banks cumulatively exceeded federally insured limits by approximately \$14,525,000. United Way reviewed independent assessments of the financial strength of these financial institutions and believes it is not exposed to any significant credit risk on cash and cash equivalents. Additionally, one institution has collateralized certain cash accounts with securities with fair market values approximating \$7,624,000 at December 31, 2018.

***Investments and Investment Return***

United Way holds certificates of deposit issued by various financial institutions. Certificates of deposit are recorded at cost, which approximates fair value. The certificates of deposit bear interest at rates ranging from 0.65% to 2.75% and have remaining maturity dates ranging from 1 to 15

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

months as of December 31, 2018. Investment return is reflected in the accompanying combined statement of activities as with donor restrictions and without donor restrictions based upon the existence and nature of any donor- or legally imposed restrictions.

***Pledges Receivable***

Pledges receivable are derived from an annual campaign, a State Campaign and a City Campaign and represent amounts from donor pledges received by United Way through the end of a calendar year. As a result, annual public support revenue reflected in the accompanying combined financial statements may not align with total amounts ultimately raised during each annual campaign since annual campaigns are not based on the calendar year. Pledges received in 2018 related to the 2017 campaign were approximately \$1,080,000, and pledges received in 2017 related to the 2016 campaign were approximately \$1,615,000. Pledges receivable include one-time as well as recurring pledges. Pledges may be remitted through cash, check, credit card, publicly traded stock or payroll deduction.

United Way estimates that a significant portion of the pledges receivable will be collected within a 15-month period. Therefore, United Way has not discounted its pledges receivable because the carrying value approximates fair value. United Way's pledges receivable, which are not restricted as to purpose by the donor, are reported in net assets without donor restrictions.

***Allowance for Uncollectible Pledges***

United Way's allowance for uncollectible pledges is based on historical losses incurred from uncollectible pledges adjusted, if necessary, for unusual circumstances that may affect the ultimate collection of pledges and specific accounts identified as collectible or uncollectible by management. When United Way becomes aware a pledge is uncollectible, it immediately charges off the pledge.

***Property and Equipment***

Purchased property and equipment are recorded at cost while donated equipment and art are recorded at fair value at the date of receipt. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Donated art is not depreciated.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	30 years
Furniture and equipment	3–7 years
Computer software	1–3 years

***Contributions***

Revenues include contributions (pledges and amounts received) from the annual fundraising campaigns. Contributions are considered available for unrestricted use unless they are specifically restricted by the donor. Contributions received are recorded in the year the related pledges or funds

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

are received as either with donor restrictions revenue or without donor restrictions revenue. Contributions are recorded as received at their net realizable value. As restrictions on net assets with donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the accompanying combined statement of activities. Contributions originally restricted by the donor and for which the restriction is met in the same year are recorded initially as net assets with donor restrictions and then subsequently released from restriction. Allocations to agencies are recognized in the year the related commitments are made by United Way.

Certain contributions received in fundraising campaigns are designated by individuals for specific agencies. Accounting standards require that organizations who received contributions that are designated by donors for other organizations exclude such designated contributions from the amount recognized as contributions received and made. United Way classifies and reports such designations in its accompanying combined statement of activities as a reduction of public support (see *Note 8* for more information on contributions received as part of a governmental campaign).

***Relationship with United Way Worldwide***

United Way is a member of United Way Worldwide. As a member of United Way Worldwide, United Way may utilize the United Way Worldwide brand, including logo, merchandise, name recognition and credibility as a reputable nonprofit organization. With membership, United Way must adhere to required standards of reporting to United Way Worldwide. Dues paid represent approximately 1% of the amount raised in the prior year annual campaign. Approximately \$170,000 was expensed in 2018, which will be paid to United Way Worldwide in 2019 and is included in accounts payable and accrued expenses.

***Contributed Services***

During the 2018 annual campaign, contributed services in the amount of approximately \$74,000 (determined by the number of weeks of service multiplied by the person's estimated weekly salary) were received in connection with the loaned executive program, a program whereby various businesses in the community loan their executives to United Way to perform various administrative and fundraising duties in connection with the annual campaign. In addition to contributed services related to the loaned executive program, United Way received approximately \$2,615,000 of contributed advertising services related to various campaign efforts during 2018. The services contributed to United Way, which demonstrate a broad level of community support, have not been recognized in the accompanying combined financial statements as they represent services of a nonprofessional nature or because United Way would not have purchased such services if they were not contributed. In addition, a substantial number of volunteers annually contribute significant amounts of their time to United Way's fundraising campaigns, community investment process and various community projects. However, there is no objective basis available to measure the value of these services; therefore, these services have also not been recognized in the accompanying combined financial statements.

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
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***In-Kind Contributions***

In addition to receiving cash contributions, United Way receives in-kind contributions of goods from various donors. It is the policy of United Way to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For donated capital assets, United Way records an in-kind donation and capital asset. For the year ended December 31, 2018, \$269,205 was received in in-kind contributions.

***Income Taxes***

The Internal Revenue Service has determined United Way is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Taxes may be assessed at the normal corporate rates on income derived from unrelated business activities not substantially related to United Way's exempt function. There was no unrelated business taxable income in 2018.

Management has reviewed United Way's tax positions and concluded there are no uncertain tax positions that require adjustments in order for the combined financial statements to be in compliance with authoritative guidance. Any penalties or interest expense, if incurred, would be charged to miscellaneous expense in the accompanying combined statement of functional expenses.

***Designated Pledges Held for Other Agencies***

United Way provides campaign donors with the option to designate pledges to United Way partner agencies in the annual campaign. The State Campaign and the City Campaign (each managed by United Way) and the CFC require donors to designate their pledges. United Way does not have title or ownership of these designated assets, nor does it have the right of variance and, as such, these gifts constitute agency transactions. United Way honors all designations, including those of federal employees who participate in the CFC, by distributing a proportionate share of receipts based on donor designations to each participating United Way partner agency. Designated pledges are paid out in accordance with United Way policy or the applicable governmental campaign guidelines (see *Note 8*).

In accordance with United Way Worldwide membership standards, these designations are included in gross public support on the accompanying combined statement of activities but are then deducted to arrive at United Way's net support revenue.

***Allocations and Commitments to Agency Programs***

In June 2018, United Way made awards to partner agency programs to allocate funds raised in the 2017 campaign to be paid for the period beginning July 1, 2018 through June 30, 2019. Accordingly, as of December 31, 2018, a liability was recorded for the unpaid balance of the awards payable as of that date.

In addition, allocation amounts to be paid to agency programs from pledges made for the 2018 campaign are conditional until approved by the Board of Directors. Accordingly, no allocations

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
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payable related to the 2018 campaign have been recorded in the accompanying combined financial statements because a binding commitment had not been made at December 31, 2018.

In June 2019, the Board of Directors approved allocations and designations of approximately \$12,716,000 for the 2018 campaign funds for which payouts were set to begin on July 1, 2019.

***Functional Allocation of Expenses***

Except for certain expenses that are directly allocable, all expenses have been allocated to program and supporting functions based upon the estimated time spent by each employee for each function.

***Joint Costs***

The costs of joint activities (involving fundraising) that are identifiable with a particular function are charged to that function, and joint costs are allocated between fundraising and the appropriate program or supporting function if the purpose, audience and content criteria are met. If the purpose, audience and content criteria are not met, all costs of the activity are charged to fundraising, as set forth in ASC 958-720.

***Resource Development Expenses***

United Way engages in certain fundraising activities for the purpose of generating funds to support partner agency programs and overall operations of United Way. Expenses associated with these activities totaled \$1,166,848 before pension termination costs for the year ended December 31, 2018.

***Transfer of Assets Between Fair Value Hierarchy Levels***

Transfer of assets in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

***Reclassifications***

Certain reclassifications have been made to the 2017 statement of cash flows to conform to the 2018 cash flow presentation. These reclassifications had no effect on change in net assets.

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

**Note 2: Change in Accounting Principle**

In 2018, United Way adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

***Statement of Financial Position***

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

***Statement of Activities***

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

***Notes to Financial Statements***

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of board designations and appropriations as of the end of the period are disclosed.

The application of this change in accounting principle had no impact on previously reported total change in net assets.

**Note 3: Pledges Receivable**

Amounts included in pledges receivable are as follows:

2018 campaign	\$ 10,145,970
2017 campaign	<u>1,019,991</u>
Total pledges receivable	11,165,961
Less allowance for uncollectible pledges	<u>1,171,112</u>
Net pledges receivable	<u><u>\$ 9,994,849</u></u>

**United Way of Central Oklahoma, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2018**

**Note 4: Property and Equipment**

Property and equipment are summarized as follows at December 31, 2018:

Buildings and improvements	\$ 4,419,510
Land and improvements	85,000
Furniture and equipment	830,667
Computer software	362,862
Art	<u>26,400</u>
	5,724,439
Less accumulated depreciation	<u>2,432,889</u>
Net property and equipment	<u><u>\$ 3,291,550</u></u>

**Note 5: Beneficial Interest in Assets and Funds Held in Trust By Others**

United Way of Central Oklahoma is the beneficiary of donations of funds in a trust account with the Oklahoma City Community Foundation, Inc. (the Foundation). The funds are invested by the Foundation. The investment income received by United Way of Central Oklahoma from the account is recorded as interest income. Donors to the Foundation may designate their contributions to United Way of Central Oklahoma's trust account. The trust had a balance of \$210,048 as of December 31, 2018.

The assets of this trust are not included in the accompanying combined financial statements as the trustees of the Foundation state they retain the right of variance.

United Way of Central Oklahoma has also transferred assets from designated donor contributions to the Foundation and retained a beneficial interest in those assets. United Way of Central Oklahoma receives annual distributions from these assets according to the Foundation's spending policy. The fair value of the retained beneficial interest in the Foundation included in the accompanying combined financial statements was \$87,783 as of December 31, 2018.

**Note 6: Net Assets**

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions represent funds over which United Way retains full control of use in achieving the organization's objectives. Funds that have been designated by the Board of Directors for certain purposes have been included in net assets without donor restrictions in the accompanying combined financial statements.

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Net assets without donor restrictions are as follows as of December 31, 2018:

Undesignated	\$ 19,879,611
Board-designated	
Building maintenance/renovation fund	504,167
Community impact funding	571,651
Emergency relief	506,810
Future endowment fund	443,510
Future land acquisition	<u>572,792</u>
 Total net assets without donor restrictions	 <u><u>\$ 22,478,541</u></u>

***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2018, are available for the following purposes:

Tornado relief	<u>\$ 762,063</u>
 Total net assets with donor restrictions	 <u><u>\$ 762,063</u></u>

***Net Assets Released from Restrictions***

Purpose restrictions on net assets with donor restrictions are generally satisfied when expenses are incurred on the donor-restricted program or function. Net assets with donor restrictions released from restrictions during the year ended December 31, 2018, were related to the following:

Tornado relief	<u>\$ 998,374</u>
 Total net assets released from restrictions	 <u><u>\$ 998,374</u></u>

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**Note 7: Liquidity and Reserves**

Total financial assets	
Cash and cash equivalents	\$ 12,346,196
Pledges receivable, net	9,994,849
Certificates of deposit	<u>4,222,546</u>
Total financial assets available within one year	<u>26,563,591</u>
Less amounts unavailable for general expenditures within one year	
Restricted by donors with purpose restriction	(762,063)
Donor designations payable related to governmental campaigns	(251,102)
Donor designations payable	<u>(430,899)</u>
Total amounts restricted or designated by donors	<u>(1,444,064)</u>
Less amounts unavailable to management without board approval	
Agency allocations payable	(5,579,677)
Board-designated for Building Maintenance/Renovation Fund	(504,167)
Board-designated for Community Impact Fund	(571,651)
Board-designated for Emergency Relief	(506,810)
Board-designated for Future Endowment Fund	(443,510)
Board-designated for Future Land Acquisition	<u>(572,792)</u>
Total amounts unavailable to management without board approval	<u>(8,178,607)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 16,940,920</u></u>

United Way manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. United Way has a policy to maintain current financial assets less current liabilities at a minimum of six months of operating expenses. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

**Note 8: Combined Federal Campaign, State Campaign and City Campaign**

In addition to conducting the annual United Way campaign, United Way of Central Oklahoma serves, under contractual arrangement, as the Principal Combined Fundraising Organization (PCFO) for the State and City Campaigns. Prior to the 2017 campaign, United Way of Central Oklahoma served in this same role for the CFC. These campaign donors are required to designate their gifts to eligible charitable organizations (including United Way) throughout the country. A

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list of the eligible charitable organizations is provided to the donors by their employer. Many of these organizations are not partner agencies directly supported by United Way. In accordance with its contractual obligation, United Way of Central Oklahoma distributes these donations in accordance with the donor's designation. Because United Way of Central Oklahoma acts as an agent for these campaigns, contribution revenue and allocation expense on the accompanying combined statement of activities are reduced by these amounts (see designated pledges held for other agencies in *Note 1*).

United Way of Central Oklahoma retains an administrative fee (credit) for the cost of the PCFO campaigns, which totaled \$42,194 for the State Campaign and \$61,266 for the City Campaign in 2018. United Way and its partner agencies are also eligible participants in the CFC, State and City Campaigns and receive donor-designated pledges from the CFC, State and City Campaigns. These pledges totaled approximately \$68,500 for the CFC, \$164,000 for the State Campaign and \$210,000 for the City Campaign.

As of December 31, 2018, cash balances held on behalf of governmental campaigns are maintained in separate bank accounts totaling approximately \$351,000. Donor designations payable related to governmental campaigns are approximately \$251,000 as of December 31, 2018.

**Note 9: Pension and Other Postretirement Benefit Plans**

***Defined Benefit Plan***

Prior to its termination in June 2018, United Way of Central Oklahoma maintained a defined benefit retirement plan, the Employee Benefits Plan of United Way of Central Oklahoma, Inc. (the Plan), administered by Mutual of America. The Plan covered all full-time employees employed on or before January 31, 2008, with one year of service who were at least 21 years of age and part-time employees working at least 1,000 hours per year who were at least 21 years of age. Benefits were based on years of service and application of a benefit ratio to an employee's average compensation during the three consecutive calendar years of service that yielded the highest average compensation.

On January 31, 2008, United Way of Central Oklahoma froze benefit accruals under the Plan, a "curtailment" as defined in ASC Topic 715. As a result of the curtailment, participants did not receive benefits based on salaries projected to retirement. Instead, benefits were based on participants' final average salaries as of January 31, 2008.

On June 13, 2017, the Board of Directors adopted a resolution to amend the Plan to allow for termination of the Plan. The Plan terminated effective June 1, 2018, and was settled in June and July 2018. All non-retirees received a lump-sum distribution as of that date (totaling \$2,937,320), and an annuity was purchased for the retirees of the Plan (totaling \$793,490). During 2018, contributions to the Plan, including the payments made to the Plan to fund the termination, totaled \$1,602,375. Prior to plan termination, the Board of Directors had designated funds sufficient to effect this termination. An actuarial loss of \$955,837 was recognized during the year ended December 31, 2018.

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***Defined Contribution Plan***

United Way of Central Oklahoma allows any employee who is 21 years and older with a minimum one year of service to participate in its 403(b) Thrift Plan. United Way of Central Oklahoma will contribute a 3% base contribution of an employee's salary per plan year whether or not that employee has elected to make voluntary salary reduction contributions to the plan. If an employee chooses to make salary reduction contributions, United Way of Central Oklahoma will match those contributions equal to the lesser of 50% of the salary reduction contributions or 1.5% of that employee's salary during the plan year. Total United Way of Central Oklahoma contributions to the 403(b) plan were \$64,477 in 2018.

**Note 10: Disclosures About Fair Value of Assets and Liabilities**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level hierarchy for measuring fair value. The statement requires fair value measurements be classified and disclosed in one of three categories.

FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1** Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2** Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying combined statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation methodologies used during the year ended December 31, 2018.

***Beneficial Interest in Assets Held by Others***

United Way does not have the ability to redeem the funds held by others. Based on the methodology of determining the fair value of beneficial interest in assets held by others and the nonredeemable nature of the assets, these assets are categorized as Level 3 in the hierarchy.

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**Level 3 Valuation Process**

Fair value determinations for Level 3 measurements of beneficial interest in assets held by others are determined from reports received from the Foundation twice a year, which include the activity within the funds.

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying combined statement of financial position using significant unobservable (Level 3) inputs:

	<b>Beneficial Interest in Assets Held by Others</b>
Balance, January 1, 2018	\$ 97,215
Change in beneficial interest	(9,432)
Balance, December 31, 2018	\$ 87,783
Total losses for the year included in change in net assets attributable to the change in unrealized losses related to assets still held at the reporting date	\$ (9,432)

**Unobservable (Level 3) Inputs**

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2018:

	<b>Fair Value at December 31, 2018</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>
Beneficial interest in assets held by others	\$ 87,783	Fair value of underlying assets	Perpetual nature	N/A

**Note 11: Tornado Relief**

During 2013, United Way sponsored a tornado relief effort to raise funds to support individuals and communities affected by the May 2013 tornadoes and flooding in central Oklahoma. United Way was also the beneficiary of a number of independent tornado relief events that raised additional funds to support the tornado victims. Tornado relief efforts raised \$18,311,000 in 2013. Substantially all tornado relief donations were cash payments and are reported as net assets with

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donor restrictions in the accompanying combined financial statements. There were no tornado relief donations received in 2018. United Way made payments of approximately \$998,000 of these funds to relief agencies supporting tornado victims during 2018 and anticipates additional payments from the balance of \$762,063 at December 31, 2018, to be made in 2019 and subsequent years to help meet the intermediate and long-term needs of those impacted by the 2013 storms.

**Note 12: Subsequent Events**

Subsequent events have been evaluated for potential recognition or disclosure in the combined financial statements through July 24, 2019, which is the date the combined financial statements were available to be issued and, it has been determined, there are no other material or significant events to be reported other than as reported in *Note 1*.