



**United Way
of Deschutes County
Financial Statements**

June 30, 2017

United Way of Deschutes County

Deschutes County, Oregon

Table of Contents

June 30, 2017

Independent Auditor's Report	1
 Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-17

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, 2017, 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, 2017, 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 6, 2018

By: John M. Barnett, CPA

Financial Statements

United Way of Deschutes County

Deschutes County, Oregon

Statement of Financial Position

June 30, 2017

(With Comparative Totals for June 30, 2016)

Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 204,752	\$ 122,208
Grant receivables	-	841
Investments	124,635	146,617
Beneficial interest in assets held by others	200,833	186,445
Pledges receivable	279,826	269,100
(Less allowance for uncollectible)	(70,000)	(68,000)
Other Assets	2,641	1,534
Equipment, net of depreciation	<u>5,480</u>	<u>8,336</u>
Total Assets	<u>\$ 748,167</u>	<u>\$ 667,081</u>
Liabilities		
Designations payable	\$ 148,649	\$ 164,464
Accounts payable	10,556	8,325
Accrued expenses	<u>10,940</u>	<u>12,156</u>
Total Liabilities	<u>170,145</u>	<u>184,945</u>
Net Assets		
Unrestricted		
Undesignated	88,868	14,428
Board designated	<u>290,261</u>	<u>273,422</u>
Total Unrestricted	<u>379,129</u>	<u>287,850</u>
Temporarily Restricted	<u>168,528</u>	<u>164,463</u>
Permanently Restricted	<u>30,364</u>	<u>29,823</u>
Total Net Assets	<u>578,021</u>	<u>482,136</u>
Total Liabilities and Net Assets	<u>\$ 748,167</u>	<u>\$ 667,081</u>

United Way of Deschutes County
Deschutes County, Oregon
Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

				Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
Support and Revenue					
Gross campaign results	\$ 964,003	\$ 250,439	-	\$ 1,214,442	\$ 1,254,148
(Less donor designations)	(456,981)	-	-	(456,981)	(465,686)
Campaign revenue	507,022	250,439	-	757,461	788,462
(Less provision for uncollectible)	(70,000)	-	-	(70,000)	(68,000)
Net campaign revenue	437,022	250,439	-	687,461	720,462
Contributed services and facilities	153,200	-	-	153,200	130,639
Service fees	1,700	-	-	1,700	-
Program grant revenue	189,653	-	-	189,653	26,500
Bequest	-	-	-	-	13,958
Investment income (loss)	33,990	-	541	34,531	(7,624)
Total Support and Revenue	815,566	250,439	541	1,066,546	883,935
Expenses					
Program Services					
Gross funds awarded/distributed	723,281	-	-	723,281	927,711
(Less donor designations)	(456,981)	-	-	(456,981)	(465,686)
Net funds awarded/distributed	266,300	-	-	266,300	462,025
Program Expenses	250,071	-	-	250,071	133,193
Total Program Services	516,371	-	-	516,371	595,218
Support Services					
Organizational administration	196,318	-	-	196,318	256,282
Fundraising	92,431	-	-	92,431	85,235
Contributed services	150,703	-	-	150,703	129,040
United Way of America dues	14,837	-	-	14,837	14,300
Total Support Services	454,289	-	-	454,289	484,857
Total Expenses	970,660	-	-	970,660	1,080,075
Net assets released from restrictions	246,374	(246,374)	-	-	-
Change in Net Assets	91,279	4,065	541	95,885	(196,141)
Net Assets - Beginning of Year	287,850	164,463	29,823	482,136	678,277
Net Assets - End of Year	<u>\$ 379,129</u>	<u>\$ 168,528</u>	<u>\$ 30,364</u>	<u>\$ 578,021</u>	<u>\$ 482,136</u>

See accompanying notes and independent accountants' review report

United Way of Deschutes County

Deschutes County, Oregon

Statement of Cash Flows

For The Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

Cash Flows from Operating Activities	2017	2016
Change in net assets	\$ 95,885	\$ (196,141)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,855	3,685
Unrealized/realized gains	30,387	7,624
Stock contributions	(94,050)	(96,689)
Change in current assets and liabilities:		
Grant receivables	841	(841)
Pledges receivable	(10,726)	55,863
Other assets	(1,107)	1,051
Designations payable	(15,815)	13,177
Accounts payable	2,231	746
Accrued expenses	(1,216)	1,664
Net Cash Flows from Operating Activities	9,286	(209,861)
Cash Flows from Investing Activities		
Purchase of investments	(20,794)	(13,694)
Proceeds from sale of investments	79,665	118,888
Net change in value of endowment funds	14,388	(152)
Acquisition of capital assets	-	(6,580)
Net Cash Flows from Investing Activities	73,259	98,462
Net Increase (Decrease) in Cash	82,544	(111,399)
Cash - Beginning of Year	122,208	233,607
Cash - End of Year	\$ 204,752	\$ 122,208

See accompanying notes and independent accountants' review report

United Way of Deschutes County
Deschutes County, Oregon
Schedule of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program Expenses							Support Services				2017 Total	2016 Total
	Funds Distributed	Emergency Services	Central Oregon 211	TaxAide	Community Building	Allocation Services	Total Program	Organizational Administration	Fundraising	United Way Dues	Total Support		
Expenses													
Allocation/Awards	\$ 723,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 723,281	\$ -	\$ -	\$ -	\$ -	\$ 723,281	\$ 927,711
(Less Donor Designations)	(456,981)	-	-	-	-	-	(456,981)	-	-	-	-	(456,981)	(465,686)
Sub-Total	266,300	-	-	-	-	-	266,300	-	-	-	-	266,300	462,025
Salaries	-	-	-	-	19,219	9,875	29,094	118,290	53,210	-	171,500	200,594	236,737
Employee benefits and taxes	-	-	-	-	8,528	3,287	11,815	37,239	16,962	-	54,201	66,016	80,466
Sub-Total	-	-	-	-	27,747	13,162	40,909	155,529	70,172	-	225,701	266,610	317,203
Contract services	-	-	20,000	8,210	102,903	-	131,113	-	-	-	-	131,113	77,721
Contributed professional services	-	-	-	-	443	228	671	2,729	-	-	2,729	3,400	3,562
Annual report	-	-	-	-	-	-	-	-	-	-	-	-	162
Awards and plaques	-	-	-	-	7	3	10	40	-	-	40	50	403
EFS grants	-	63,700	-	-	-	-	63,700	-	-	-	-	63,700	-
Professional fees	-	-	-	-	1,225	628	1,853	7,537	-	-	7,537	9,390	9,732
Supplies	-	-	-	-	690	355	1,045	4,250	-	-	4,250	5,295	5,756
Telephone and communications	-	-	-	-	422	217	639	2,603	-	-	2,603	3,242	5,702
Postage	-	-	-	-	429	221	650	2,641	-	-	2,641	3,291	3,824
Occupancy	-	-	-	-	867	445	1,312	5,336	-	-	5,336	6,648	6,492
Equipment rent and maintenance	-	-	-	-	566	291	857	3,481	-	-	3,481	4,338	645
Contributed printing and advertising	-	-	-	-	-	-	-	-	147,974	-	147,974	147,974	126,111
Printing and advertising	-	-	-	-	-	-	-	-	6,325	-	6,325	6,325	5,858
Staff training	-	-	-	-	-	-	-	-	-	-	-	-	2,072
Travel	-	-	-	-	566	291	857	3,483	-	-	3,483	4,340	4,706
Meetings and events	-	-	-	-	377	194	571	2,319	8,968	-	11,287	11,858	17,530
Insurance	-	-	-	-	441	227	668	2,717	-	-	2,717	3,385	2,458
Fees and dues	-	-	-	-	645	332	977	3,973	6,966	-	10,939	11,916	8,925
Other administrative expenses	-	-	-	-	19	9	28	117	-	-	117	145	1,203
Depreciation	-	-	-	-	372	191	563	2,292	-	-	2,292	2,855	3,685
Sub-Total	-	63,700	20,000	8,210	109,972	3,632	205,514	43,518	170,233	-	213,751	419,265	286,547
United Way of America dues	-	-	-	-	2,410	1,238	3,648	-	-	14,837	14,837	18,485	14,300
Total Functional Expenses	\$ 266,300	\$ 63,700	\$ 20,000	\$ 8,210	\$ 140,129	\$ 18,032	\$ 516,371	\$ 199,047	\$ 240,405	\$ 14,837	\$ 454,289	\$ 970,660	\$ 1,080,075
Percentage of total expenses	49.5%	6.6%	2.1%	0.8%	14.4%	1.9%	53.2%	20.5%	24.8%	1.5%	46.8%		

United Way of Deschutes County

Notes to Financial Statements

Year Ended June 30, 2017

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 member 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-member, not-for-profit agencies. The donor designated amounts to both member and non-member agencies are recorded as designations payable on the financial statements.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, “Not for Profit Entities”. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets – represent expendable funds that are available in support of the Organization’s operations. Certain of these amounts have been designated by the Board of Directors for various purposes, as explained in Note I.
- Temporarily restricted net assets – consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time.
- Permanently restricted net assets – consist of contributions with donor restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

The Organization had temporarily restricted net assets of \$266,253 and permanently restricted net assets of \$30,364 at June 30, 2017.

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 the affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2017

Note A – Summary of Significant Accounting Policies, continued

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.

Revenue Recognition

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 temporarily restricted revenue and net assets released from restrictions.

When the restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in a different reporting period from which the donation is recorded, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 \$147,974 are recorded in fundraising expense, \$3,400 in Professional expense and \$1,161 internet expense.

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).

Cash

For the purpose of the statement of cash flows, the Organization considers all cash investments with maturity at the time of purchase of three months or less to be cash.

Investments

Investments are reported at fair market value as of June 30, 2017. Unrealized appreciation or depreciation of the investments is recognized currently in income.

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

Note A – Summary of Significant Accounting Policies, continued

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, 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.

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, 2017 were \$148,797. Of this amount \$147,974 was for contributed services.

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.

Fair Value of Financial Instruments

The fair value of the Organization's financial instruments, which includes items such as certificates of deposit; investments; beneficial interest in assets held by others; pledges receivable, net of the allowance for uncollectible pledges; designations payable; response grants payable and accounts payable, approximate their carrying amounts at June 30, 2017.

Note B – Cash

The carrying amount of the Organization's cash balances was \$204,752 at June 30, 2017. The bank balances were \$204,752 at June 30, 2017. Balances in bank accounts did not exceed the coverage of federal depository insurance at June 30, 2017. 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, 2017.

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.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2017

Note C – Fair Value Measurement, continued

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.

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, 2017:

Assets at Fair Value as of June 30, 2017			
	Level 1	Level 3	Total
Index Funds	\$ 124,635	\$ -	\$ 124,635
Beneficial interest in OCF	-	200,833	200,833
Total investments at fair value	<u>\$ 124,635</u>	<u>\$ 200,833</u>	<u>\$ 325,468</u>

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

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, 2017 are displayed in the Statement of Cash Flows.

Investment earnings consist of the following for the year ended June 30, 2017:

Interest and dividends	\$ 7,035
Unrealized gain on investments	32,019
Realized gain on investments	<u>(1,632)</u>
Total investment earnings	37,422
Investment fees	<u>(1,226)</u>
Total change in investments	<u>\$ 36,196</u>

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.

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, 2017 was \$64,408. Of this amount, the portion that is recorded as a beneficial interest in assets held by others at June 30, 2017 was \$64,408, of which \$30,364 has been permanently restricted by the donor and \$34,044 consists of amounts transferred by the Organization for its own benefit.

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

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

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, 2017 was \$136,425, 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 permanently restricted donor 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.

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 30,364	\$ 30,364
Board-designated endowment funds	170,469	-	170,469
Total funds	<u>\$ 170,469</u>	<u>\$ 30,364</u>	<u>\$ 200,833</u>

Changes in endowment assets for the fiscal year ended June 30, 2017:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 154,808	\$ 29,823	\$ 184,631
Investment Return			
Investment income	1,182	541	1,723
Realized gains	1,304	-	1,304
Unrealized gains	14,307	-	14,307
Total Investment Return	<u>16,793</u>	<u>541</u>	<u>17,334</u>
Appropriation of Endowment			
Disbursements	-	-	-
Investment Fees	<u>(1,132)</u>	<u>-</u>	<u>(1,132)</u>
Endowment net assets, end of year	<u>\$ 170,469</u>	<u>\$ 30,364</u>	<u>\$ 200,833</u>

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

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

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 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.

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

Note F – Pledges Receivable

As of June 30, 2017, \$250,439 remained uncollected from the annual campaign. The Organization has estimated an allowance considered doubtful of \$70,000. The provision for uncollectible pledges was 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, 2017 by 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, 2017 totaled \$26,256 and accumulated depreciation totaled \$20,776. Equipment, net of depreciation, totaled \$5,480.

Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2017 was \$2,856.

Note H – Designations Payable

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

Note I – Board Designated Net Assets

The Board of Directors of the Organization has made certain designations of unrestricted net assets. 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 are to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

The Response Grant reserve is for the purpose of providing funding, other than annual allocations, to agencies and programs.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2017

Note J – Program Activities

The Organization has five program activities as follows:

- 1) Central Oregon 211 is a program to refer people needing help to the appropriate agencies.
- 2) Days of Caring is a program to gather community volunteers to do specific tasks at local non-profit sites.
- 3) TaxAide is a program to assist moderate- to low-income taxpayers in completing their annual tax returns at no cost.
- 4) Community Building is a program to assess and address community needs by working in collaboration, or partnership with other organizations.
- 5) Fund Distribution is a program to determine allocations and grants to agencies and programs.

The Organization allocates costs to different programs and supporting services based on both specific identification and staff hours devoted to the various programs and supporting services.

Note K – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of assets restricted by donations for designations payable. The amount restricted from donors for designation payable as of June 30, 2017 was \$168,528.

Note L – Permanently Restricted Net Assets

Permanently restricted net assets are comprised of contributions whose corpus is restricted as permanent endowments. There are no restrictions on the use of income from these permanent endowments.

United Way of Deschutes County

Notes to Financial Statements, continued

Year Ended June 30, 2017

Note M – Pension Plan

The Organization maintains a simplified employee pension 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, 2017 was \$12,500.

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, 2017 were \$456,981.

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, 2017 comprising 16% of total donations.

Note Q – Credit Risk

The Organization has credit risk arising from pledge receivables. The maximum potential loss at June 30, 2017 was net pledges receivable of \$209,826. 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.

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2017

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, 2017.

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 \$541 per month as of June 30, 2017. Rental expense for the year ended June 30, 2017 was \$6,492.

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 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, 2017.

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

United Way of Deschutes County
Notes to Financial Statements, continued

Year Ended June 30, 2017

Note V– Program Grant Revenues

Program grant revenues consist of the following:

Central Oregon 2-1-1	\$ 11,500
THRIVE Central Oregon	68,476
TRACES	15,000
Learning and Literacy	29,677
Deschutes Community Services	65,000
Total Program Grant Revenues	<u>\$ 189,653</u>

Note W– Program Expenses

Program expense totals consist of the following:

Central Oregon 2-1-1	\$ 20,000
THRIVE Central Oregon	51,384
TRACES	29,115
Learning and Literacy	21,319
Emergency Services	63,700
TaxAide	8,210
Collective Impact	38,310
Fund Distribution	18,033
Total Program Expenses	<u>\$ 250,071</u>

Note X – Subsequent Events

Subsequent events have been evaluated through January 6, 2017, the date the financial statements were available for issue.