

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

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019



**United Way of Central Oklahoma, Inc.**  
**December 31, 2019**

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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 consolidated financial statements of United Way of Central Oklahoma, Inc. (United Way), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

Board of Directors  
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***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way as of December 31, 2019, 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.

**Report on Summarized Combined Comparative Information**

We have previously audited United Way's 2018 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated July 24, 2019. In our opinion, the accompanying summarized combined comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*BKD, LLP*

Oklahoma City, Oklahoma  
June 25, 2020

# United Way of Central Oklahoma, Inc.

## Consolidated Statement of Financial Position

December 31, 2019

(With Summarized Combined Financial Information for December 31, 2018)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,870,046	\$ 200,982	\$ 11,071,028	\$ 12,346,196
Pledges receivable, net	9,309,882	-	9,309,882	9,994,849
Certificates of deposit	4,701,585	-	4,701,585	4,222,546
Beneficial interest in assets held by others	473,696	100,596	574,292	87,783
Property and equipment, net	3,297,063	-	3,297,063	3,291,550
Other assets	164,806	-	164,806	155,735
	<u>\$ 28,817,078</u>	<u>\$ 301,578</u>	<u>\$ 29,118,656</u>	<u>\$ 30,098,659</u>
Total assets	<u>\$ 28,817,078</u>	<u>\$ 301,578</u>	<u>\$ 29,118,656</u>	<u>\$ 30,098,659</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 561,473	\$ -	\$ 561,473	\$ 596,377
Allocations and designations payable	6,362,995	-	6,362,995	6,261,678
	<u>6,924,468</u>	<u>-</u>	<u>6,924,468</u>	<u>6,858,055</u>
Total liabilities	<u>6,924,468</u>	<u>-</u>	<u>6,924,468</u>	<u>6,858,055</u>
<b>Net Assets</b>	<u>21,892,610</u>	<u>301,578</u>	<u>22,194,188</u>	<u>23,240,604</u>
Total liabilities and net assets	<u>\$ 28,817,078</u>	<u>\$ 301,578</u>	<u>\$ 29,118,656</u>	<u>\$ 30,098,659</u>

**United Way of Central Oklahoma, Inc.**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2019**  
**(With Summarized Combined Financial Information for the Year Ended**  
**December 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Support and Other Revenue</b>				
Public support	\$ 18,018,929	\$ 160,350	\$ 18,179,279	\$ 17,552,099
Less designations	3,540,774	-	3,540,774	3,666,447
Net public support	14,478,155	160,350	14,638,505	13,885,652
Administrative fees	302,259	-	302,259	303,799
Less uncollectible pledges	1,114,097	-	1,114,097	479,000
Net support revenue	13,666,317	160,350	13,826,667	13,710,451
Bequest	405,939	-	405,939	20,586
Interest income	283,295	-	283,295	67,477
Endowment investment income	7,096	12,813	19,909	-
Miscellaneous	64,956	-	64,956	75,135
Grants	32,448	-	32,448	22,800
Total other revenue	793,734	12,813	806,547	185,998
Reclassification of donor restrictions	(87,783)	87,783	-	-
Net assets released from restrictions	721,431	(721,431)	-	-
Total support and other revenue	15,093,699	(460,485)	14,633,214	13,896,449
<b>Allocations and Expenses</b>				
Allocations to agencies	11,235,101	-	11,235,101	11,065,799
Community investments and services	1,061,455	-	1,061,455	1,000,422
Disaster relief	731,409	-	731,409	1,013,574
Leadership	261,189	-	261,189	257,005
Volunteer services	191,421	-	191,421	181,288
Resource development	1,217,662	-	1,217,662	1,166,848
Organization administration	981,393	-	981,393	982,143
Allocations and expenses before pension termination costs	15,679,630	-	15,679,630	15,667,079

See Notes to Consolidated Financial Statements

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Changes in Net Assets Prior to Pension Termination Costs and Postretirement- Related Changes</b>	<u>\$ (585,931)</u>	<u>\$ (460,485)</u>	<u>\$ (1,046,416)</u>	<u>\$ (1,770,630)</u>
<b>Pension Termination Costs</b>	-	-	-	2,490,796
<b>Postretirement-Related Changes Other than Net Periodic Pension Cost</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(955,837)</u>
<b>Net Effect of Pension Termination</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,534,959</u>
<b>Decrease in Net Assets</b>	(585,931)	(460,485)	(1,046,416)	(3,305,589)
<b>Net Assets, Beginning of Year</b>	<u>22,478,541</u>	<u>762,063</u>	<u>23,240,604</u>	<u>26,546,193</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 21,892,610</u></u>	<u><u>\$ 301,578</u></u>	<u><u>\$ 22,194,188</u></u>	<u><u>\$ 23,240,604</u></u>

**United Way of Central Oklahoma, Inc.**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019**  
**(With Summarized Combined Financial Information for the Year Ended**  
**December 31, 2018)**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Decrease in net assets	\$ (1,046,416)	\$ (3,305,589)
Items not requiring (providing) cash		
Depreciation	173,119	171,279
Provision for uncollectible accounts	1,114,097	479,000
Gain on disposal of property	(1,236)	-
Change in value of beneficial interest	(19,909)	9,432
Contributed property and equipment	(120,528)	(133,553)
Changes in operating assets and liabilities		
Pledges receivable	(429,130)	(495,083)
Other assets	(9,071)	14,827
Accounts payable and accrued expenses	(34,904)	16,218
Allocations and designations payable	101,317	(342,677)
Accrued postretirement benefits	-	(69,749)
	<u>(272,661)</u>	<u>(3,655,895)</u>
Net cash used in operating activities		
<b>Investing Activities</b>		
Proceeds from maturities of certificates of deposit	4,436,121	4,674,573
Purchase of certificates of deposit	(4,836,121)	(4,924,450)
Reinvestment of certificates of deposit interest	(79,039)	(49,636)
Funds transferred to beneficial interest in assets held by others	(471,232)	-
Proceeds from distributions of beneficial interest	4,632	-
Purchase of property and equipment	(56,868)	(186,910)
	<u>(1,002,507)</u>	<u>(486,423)</u>
Net cash used in investing activities		
<b>Decrease in Cash and Cash Equivalents</b>	(1,275,168)	(4,142,318)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>12,346,196</u>	<u>16,488,514</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 11,071,028</u>	<u>\$ 12,346,196</u>



**United Way of Central Oklahoma, Inc.**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	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	\$ -	\$ 552,990	\$ 6,155	\$ 103,138	\$ 86,352	\$ 748,635	\$ 613,977	\$ 502,447	\$ 1,116,424	\$ 1,865,059
Payroll taxes	-	42,558	474	7,937	6,646	57,615	47,251	38,668	85,919	143,534
Employee benefits	-	105,305	1,172	19,640	16,444	142,561	116,919	95,680	212,599	355,160
Total salaries and related expenses	-	700,853	7,801	130,715	109,442	948,811	778,147	636,795	1,414,942	2,363,753
Professional fees	-	4,142	37	12,006	557	16,742	8,058	59,009	67,067	83,809
Supplies	-	6,614	49	2,693	1,228	10,584	10,421	9,267	19,688	30,272
Telephone	-	5,980	67	1,115	934	8,096	6,640	6,058	12,698	20,794
Postage and shipping	-	1,663	12	7,753	547	9,975	12,113	5,892	18,005	27,980
Occupancy	-	32,483	362	6,058	5,072	43,975	36,639	31,380	68,019	111,994
Campaign expense, printing and awards	-	29,068	35	22,735	1,180	53,018	82,838	6,066	88,904	141,922
Local travel	-	4,038	36	645	517	5,236	7,258	4,064	11,322	16,558
Training and development	-	4,100	24	603	338	5,065	2,403	2,886	5,289	10,354
Membership dues	-	86,996	577	9,977	13,238	110,788	64,572	77,553	142,125	252,913
Equipment maintenance	-	16,384	146	6,296	8,130	30,956	15,146	22,051	37,197	68,153
Miscellaneous	-	117,804	261	51,019	42,223	211,307	81,764	28,992	110,756	322,063
State Campaign expense	-	-	-	-	-	-	23,230	19,011	42,241	42,241
City Campaign expense	-	-	-	-	-	-	31,442	25,731	57,173	57,173
Support provided to partner agencies	11,235,101	-	-	-	-	11,235,101	-	-	-	11,235,101
Support provided to other beneficiaries	-	-	721,431	-	-	721,431	-	-	-	721,431
Depreciation	-	51,330	571	9,574	8,015	69,490	56,991	46,638	103,629	173,119
Total expenses	<u>\$ 11,235,101</u>	<u>\$ 1,061,455</u>	<u>\$ 731,409</u>	<u>\$ 261,189</u>	<u>\$ 191,421</u>	<u>\$ 13,480,575</u>	<u>\$ 1,217,662</u>	<u>\$ 981,393</u>	<u>2,199,055</u>	<u>\$ 15,679,630</u>

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

**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 or United Way) is a charitable organization that provides funding to more than 70 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 (*i.e.*, receives and processes donor pledges and payments, providing the appropriate tax receipting to the donor) the annual campaigns for United Way of Canadian County, LLC and United Way of Logan County, LLC (both single-member LLCs, 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 (*i.e.*, receives funds as a federation from a third party rather than from the donor) in the Combined Federal Campaign (CFC).

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

***Basis of Presentation***

The accompanying consolidated 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 consolidated financial statements consist of the consolidated financial statements of United Way of Central Oklahoma, which includes the accounts of United Property Acquisition LLC, United Way of Canadian County, LLC and United Way of Logan County, LLC, since United Way of Central Oklahoma is the sole member of these LLCs. 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. Prior to 2019, the financial statements were combined to present the same organizations.

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated 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 timing of receipt or payment of cash.

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

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 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 consolidated statement of activities.

***Use of Estimates***

The preparation of consolidated 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 consolidated financial statements include certain prior year summarized combined comparative information. Such information does not include complete information required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 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, 2018, 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, 2019, United Way's cash and certificates of deposit accounts held at its banks cumulatively exceeded federally insured limits by approximately \$13,552,000. 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 \$6,849,000 at December 31, 2019.

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

***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 1.34% to 2.75% and have remaining maturity dates ranging from 1 to 12 months as of December 31, 2019. Investment return is reflected in the accompanying consolidated 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 the annual campaign, State Campaign and 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 consolidated 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 2019 related to the 2018 campaign were approximately \$1,307,000, and pledges received in 2018 related to the 2017 campaign were approximately \$1,080,000. 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 of \$1,000 or more and a useful life greater than one year 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

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

***Long-Lived Asset Impairment***

United Way evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2019.

***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 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 consolidated 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 consolidated statement of activities as a reduction of public support (see *Note 9* 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 1.25% of the amount raised in the prior year annual campaign. Approximately \$214,000 was expensed in 2019, which will be paid to United Way Worldwide in 2020 and is included in accounts payable and accrued expenses.

***Contributed Services***

During the 2019 annual campaign, contributed services in the amount of approximately \$79,000 (determined by the number of weeks of service multiplied by the person's estimated weekly salary)

**United Way of Central Oklahoma, Inc.**  
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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 \$2,327,000 of contributed advertising services related to various campaign efforts during 2019. The services contributed to United Way, which demonstrate a broad level of community support, have not been recognized in the accompanying consolidated 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 consolidated financial statements.

***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 consolidated 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, 2019, \$295,713 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 2019.

Management has reviewed United Way's tax positions and concluded there are no uncertain tax positions that require adjustments in order for the accompanying consolidated 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 consolidated 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

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

are paid out in accordance with United Way policy or the applicable governmental campaign guidelines (see *Note 9*).

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

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

In June 2019, United Way made awards to partner agency programs to allocate funds raised in the 2018 campaign to be paid for the period beginning July 1, 2019 through June 30, 2020. Accordingly, as of December 31, 2019, 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 2019 campaign are conditional until approved by the Board of Directors. Accordingly, no allocations payable related to the 2019 campaign have been recorded in the accompanying consolidated financial statements because a binding commitment had not been made at December 31, 2019.

In June 2020, the Board of Directors approved allocations and designations of approximately \$12,193,000 for the 2019 campaign funds for which payouts were set to begin on July 1, 2020.

***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 \$1,217,662 for the year ended December 31, 2019.

***Administrative Fees***

Administrative fees are earned and recognized over the term of the City Campaign, State Campaign and annual campaign as United Way provides administrative services to the City Campaign and State Campaign and as designations are received during the annual campaign. Revenue is reported at the amount of consideration to which United Way expects to be entitled in

**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
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exchange for providing administrative services. The transaction price for the City Campaign and the State Campaign is 10% of contributions based on regulations established by these entities indicating that administrative costs are the lesser of actual administrative costs or 10%. The transaction price for administrative fees on designations within the United Way campaign is based on the overhead rate incurred by United Way to manage the campaign.

**Note 2: Change in Accounting Principle**

On January 1, 2019, United Way adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method of adoption to all contracts with customers not completed at January 1, 2019. The new standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

United Way's adoption of Topic 606 did not result in a change to the timing of revenue recognition but did result in related disclosures in the notes to financial statements.

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:

2019 campaign	\$ 9,848,063
2018 campaign	<u>977,797</u>
Total pledges receivable	10,825,860
Less allowance for uncollectible pledges	<u>1,515,978</u>
Net pledges receivable	<u><u>\$ 9,309,882</u></u>



**United Way of Central Oklahoma, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019**

**Note 4: Property and Equipment**

Property and equipment are summarized as follows at December 31, 2019:

Buildings and improvements	\$ 4,419,510
Land and improvements	85,000
Furniture and equipment	843,794
Computer software	518,415
Art	<u>26,400</u>
	5,893,119
Less accumulated depreciation	<u>2,596,056</u>
Net property and equipment	<u><u>\$ 3,297,063</u></u>

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

United Way of Central Oklahoma is the beneficiary of donated funds in an account with the Oklahoma City Community Foundation, Inc. (OCCF). The funds are invested by OCCF. The investment income received by United Way of Central Oklahoma from the account is recorded as interest income. Donors to OCCF may designate their contributions to United Way of Central Oklahoma's account. The fund had a balance of \$240,863 as of December 31, 2019.

United Way of Central Oklahoma is the beneficiary of donated funds in an account with the Communities Foundation of Oklahoma (CFO). The funds are invested by CFO. The investment income received by United Way of Central Oklahoma from the account is recorded as interest income. Donors to CFO may designate their contributions to United Way of Central Oklahoma's account. The fund had a balance of \$23,564 as of December 31, 2019.

The assets of these funds are not included in the accompanying consolidated financial statements as the trustees of the foundations state they retain the right of variance.

United Way of Central Oklahoma has transferred assets from designated donor contributions to OCCF as well as to CFO (collectively, the Foundations) and retained a beneficial interest in those assets. United Way of Central Oklahoma receives annual distributions from these assets according to both Foundations' spending policies. Investment gains and losses are recorded in endowment investment income. The fair value of the retained beneficial interest in the Foundations included in the accompanying consolidated financial statements was \$574,292 as of December 31, 2019. The funds transferred to OCCF are considered to be donor-restricted, to be held in perpetuity, and the funds transferred to CFO are board-designated for endowment purposes. The funds at OCCF may not be returned to United Way of Central Oklahoma. The funds at CFO may be returned to United Way of Central Oklahoma in the form of a grant at the sole discretion of CFO and subject to the variance power of CFO and must be approved by two-thirds of the governing body of United Way of Central Oklahoma.

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**Note 6: Endowment**

United Way of Central Oklahoma’s governing body is subject to the *State of Oklahoma Prudent Management of Institutional Funds Act* (SPMIFA). As a result, United Way classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with SPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

United Way’s endowment consists of two funds held at two different community foundations as well as funds set aside at United Way to act as an endowment. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2019, was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,379,635	\$ -	\$ 1,379,635
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	56,000	56,000
Accumulated investment gains	-	44,596	44,596
	<u>          </u>	<u>          </u>	<u>          </u>
Total endowment funds	<u>\$ 1,379,635</u>	<u>\$ 100,596</u>	<u>\$ 1,480,231</u>

**United Way of Central Oklahoma, Inc.**  
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Changes in endowment net assets for the years ended December 31, 2019, were:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 443,510	\$ 87,783	\$ 531,293
Investment return, net	2,464	17,445	19,909
Appropriation of endowment assets for expenditures	-	(4,632)	(4,632)
Other changes			
Transfer to create board-designated endowment	933,661	-	933,661
Endowment net assets, end of year	<u>\$ 1,379,635</u>	<u>\$ 100,596</u>	<u>\$ 1,480,231</u>

***Investment and Spending Policies***

United Way is subject to the investment and spending policies established by the Foundations holding the funds.

**Note 7: 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 United Way'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 consolidated financial statements.

Net assets without donor restrictions are as follows as of December 31, 2019:

Undesignated	\$ 18,522,653
Board-designated	
Building Maintenance/Renovation Fund	514,249
Community Impact Fund	388,842
Emergency relief	514,439
Endowment Fund	1,379,635
Future land acquisition	<u>572,792</u>
Total net assets without donor restrictions	<u>\$ 21,892,610</u>

**United Way of Central Oklahoma, Inc.**  
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***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2019, are available for the following purposes:

Embrace OKC	\$ 160,350
Tornado relief	40,632
Beneficial interest in funds held by others to be held in perpetuity	<u>100,596</u>
Total net assets with donor restrictions	<u><u>\$ 301,578</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, 2019, were related to the following:

Tornado relief	<u>\$ 721,431</u>
Total net assets released from restrictions	<u><u>\$ 721,431</u></u>

***Reclassification of Donor Restrictions***

During 2019, it was determined that the funds held at OCCF should be classified as with donor restrictions to be held in perpetuity. The beginning of the year balance of \$87,783 is shown as a reclassification of donor restrictions on the accompanying consolidated statement of activities.

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**Note 8: Liquidity and Reserves**

Total financial assets	
Cash and cash equivalents	\$ 11,071,028
Pledges receivable, net	9,309,882
Certificates of deposit	<u>4,701,585</u>
Total financial assets available within one year	<u>25,082,495</u>
Less amounts unavailable for general expenditure within one year	
Restricted by donors with purpose restriction	(200,982)
Donor designations payable related to governmental campaigns	(268,569)
Donor designations payable	<u>(367,456)</u>
Total amounts restricted or designated by donors	<u>(837,007)</u>
Less amounts unavailable to management without board approval	
Agency allocations payable	(5,726,970)
Board-designated for Building Maintenance/Renovation Fund	(514,249)
Board-designated for Community Impact Fund	(388,842)
Board-designated for emergency relief	(514,439)
Board-designated for Endowment Fund	(1,379,635)
Board-designated for future land acquisition	<u>(572,792)</u>
Total amounts unavailable to management without board approval	<u>(9,096,927)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 15,148,561</u></u>

United Way manages its liquidity and reserves following three guiding principles: focusing on prudent financial management ensuring long-term financial strength 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, 2019, the level of liquidity and reserves was managed within the policy requirements.

**Note 9: 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 list of the eligible charitable organizations is provided to the donors by their employer. Many of

# United Way of Central Oklahoma, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2019

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 consolidated 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 for the cost of the PCFO campaigns, which totaled \$42,241 for the State Campaign and \$57,173 for the City Campaign in 2019. 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 \$60,000 for the CFC, \$153,000 for the State Campaign and \$196,000 for the City Campaign.

As of December 31, 2019, cash balances held on behalf of governmental campaigns are maintained in separate bank accounts totaling approximately \$362,000. Donor designations payable related to governmental campaigns are approximately \$269,000 as of December 31, 2019.

#### **Note 10: 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) Thrift Plan were \$64,016 in 2019.

#### **Note 11: Disclosures About Fair Value of Assets and Liabilities**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. FASB ASC 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 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 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.

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**Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

The valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy, are below. There have been no significant changes in the valuation methodologies used during the year ended December 31, 2019.

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

United Way does not have the ability to redeem the funds held by others at OCCF but may redeem the funds held at CFO with approval by CFO and a two-thirds vote of the board of United Way. Based on the methodology of determining the fair value of beneficial interest in assets held by others and the nonredeemable nature of the assets at OCCF, the assets at CFO of \$473,696 are categorized as Level 2 and the assets at OCCF of \$100,596 are categorized as Level 3 in the hierarchy.

***Uncertainty of Fair Value Measurements***

The uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, the interrelationships among the unobservable inputs used in the recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement are described below.

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

The significant unobservable inputs used in the fair value measurement of United Way's beneficial interest is the perpetual nature of the underlying assets. Significant increases (decreases) in those underlying assets would result in a significantly higher (lower) fair value measurement.

**Note 12: 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 approximately \$18,311,000 in 2013. Substantially all tornado relief donations were cash payments and are reported as net assets with donor restrictions in the accompanying consolidated financial statements. There were no tornado relief donations received in 2019. United Way made payments of \$721,431 of these funds to relief agencies supporting tornado victims during 2019 and anticipates additional payments from the balance of \$40,632 at December 31, 2019, to be made in 2020 to help meet the intermediate and long-term needs of those impacted by the 2013 storms.

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**Note 13: Subsequent Events**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the consolidated financial position, results of operations and cash flows of United Way. The duration of those uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Due to the desire to maintain staffing levels during this crisis, United Way applied for and received \$417,200 as part of the Paycheck Protection Program under the *Coronavirus Aid, Relief, and Economic Security Act*. United Way intends to apply for forgiveness of this loan, which is allowed under certain conditions.

Additionally, United Way established a COVID-19 Response Fund in March 2020 to meet the needs of the community as a result of the aforementioned crisis. To date, \$1,374,369 has been raised and \$1,079,373 has been disbursed to partner agencies that have been economically impacted by COVID-19.

Subsequent events have been evaluated for potential recognition or disclosure in the consolidated financial statements through June 25, 2020, which is the date the consolidated 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 above and in *Note 1*.