

**United
Way**



**United Way
of Central New Mexico**

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Central New Mexico

We have audited the accompanying financial statements of United Way of Central New Mexico (UWCNM) (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 UWCNM'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 UWCNM'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 UWCNM as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 24, 2018


Pulakos CPAs, PC

United Way of Central New Mexico
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,287,473	\$ 1,705,606
Certificates-of-deposit	412,009	993,568
Investment held with Albuquerque Community Foundation	2,263,236	2,221,513
Pledges receivable, net of allowance for uncollectible pledges of \$297,177 and \$320,069 as of June 30, 2018 and 2017, respectively.	2,877,103	2,317,037
Donor option pledges receivable, net of allowance for uncollectible pledges of zero and \$204,860 as of June 30, 2018 and 2017, respectively.	2,901,960	2,950,308
Non-campaign receivable, amounts processed on behalf of others, net of allowance for uncollectible pledges of \$29,127 and zero as of June 30, 2018 and 2017	163,999	167,291
Pledge - current operating facility (land and building)	1,800,000	1,800,000
Other receivables	414,376	126,539
Property and equipment, net	178,249	204,602
Planned giving assets	1,417,667	1,139,233
Other assets	488,812	502,981
Total assets	\$ 14,204,884	\$ 14,128,678
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 487,841	\$ 538,757
Donor options payable	3,525,158	4,203,620
Non-campaign payable, amounts processed on behalf of others	158,534	377,380
Planned giving liability	370,014	361,243
Total liabilities	4,541,547	5,481,000
Net assets		
Unrestricted	3,015,859	2,976,415
Temporarily restricted	6,647,478	5,671,263
Total net assets	9,663,337	8,647,678
Total liabilities and net assets	\$ 14,204,884	\$ 14,128,678

United Way of Central New Mexico

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Campaign results			
2016 campaign	\$ -	\$ 147,288	\$ 147,288
2017 campaign	-	16,055,788	16,055,788
2018 campaign	-	1,323,263	1,323,263
2019 campaign	-	195,344	195,344
2020 campaign	-	85,895	85,895
2021 campaign	-	35,453	35,453
Total campaign	-	17,843,031	17,843,031
Estimated uncollectible pledges	-	(666,224)	(666,224)
Net campaign	-	17,176,807	17,176,807
Donor option amounts (designations)	-	(8,921,217)	(8,921,217)
Campaign contributions released from restriction	7,627,838	(7,627,838)	-
Total campaign revenue after release	7,627,838	627,752	8,255,590
Other revenues and support			
In-kind contributions	937,865	-	937,865
Programmatic and grant revenue	426,079	722,810	1,148,889
Interest	3,829	-	3,829
Contribution/gain on planned gifts	193,841	251,172	445,013
Other revenue released from restriction	625,519	(625,519)	-
Total revenues	9,814,971	976,215	10,791,186
Support service expenses			
Fundraising	1,806,724	-	1,806,724
Management	916,440	-	916,440
Total support service expenses	2,723,164	-	2,723,164
Program			
Education	1,101,585	-	1,101,585
Financial stability/ basic needs	1,189,127	-	1,189,127
Health	692,952	-	692,952
Community building initiatives	712,860	-	712,860
Mission: Graduate	786,230	-	786,230
Center for Non-Profit Excellence	364,304	-	364,304
Encore Fellowship program	2,963	-	2,963
Other initiatives	330,153	-	330,153
Program services	853,963	-	853,963
Total program expenses	6,034,137	-	6,034,137
Other expenses			
In-kind expenses	937,865	-	937,865
Co-branding and event sponsorships	80,361	-	80,361
Total other expenses	1,018,226	-	1,018,226
Total distributions and expenses	9,775,527	-	9,775,527
Change in net assets	39,444	976,215	1,015,659
Net assets, beginning of year	2,976,415	5,671,263	8,647,678
Net assets, end of year	<u>\$ 3,015,859</u>	<u>\$ 6,647,478</u>	<u>\$ 9,663,337</u>

United Way of Central New Mexico

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Campaign results			
2015 campaign	\$ -	\$ 114,456	\$ 114,456
2016 campaign	-	16,756,537	16,756,537
2017 campaign	-	1,163,183	1,163,183
2018 campaign	-	143,827	143,827
2019 campaign	-	11,211	11,211
Total campaign	-	18,189,214	18,189,214
Estimated uncollectible pledges	-	(416,633)	(416,633)
Net campaign	-	17,772,581	17,772,581
Donor option amounts (designations)	-	(11,126,067)	(11,126,067)
Campaign contributions released from restriction	6,195,678	(6,195,678)	-
Total campaign revenue after release	6,195,678	450,836	6,646,514
Other revenues and support			
In-kind contributions	683,322	-	683,322
Programmatic and grant revenue	3,547,964	162,500	3,710,464
Interest	20,078	-	20,078
Contribution/gain on planned gifts	813,624	-	813,624
Other revenue released from restriction	187,500	(187,500)	-
Total revenues	11,448,166	425,836	11,874,002
Support service expenses			
Fundraising	1,850,247	-	1,850,247
Management	829,523	-	829,523
Total support service expenses	2,679,770	-	2,679,770
Program			
Education	924,949	-	924,949
Financial stability/ basic needs	1,067,272	-	1,067,272
Health	747,267	-	747,267
Community building initiatives	622,470	-	622,470
Mission: Graduate	688,468	-	688,468
Center for Non-Profit Excellence	158,679	-	158,679
Encore Fellowship program	2,831,698	-	2,831,698
Other initiatives	355,392	-	355,392
Program services	1,073,678	-	1,073,678
Total program expenses	8,469,873	-	8,469,873
Other expenses			
In-kind expenses	683,322	-	683,322
Co-branding and event sponsorships	81,716	-	81,716
Total other expenses	765,038	-	765,038
Total distributions and expenses	11,914,681	-	11,914,681
Change in net assets	(466,515)	425,836	(40,679)
Net assets, beginning of year	3,442,930	5,245,427	8,688,357
Net assets, end of year	\$ 2,976,415	\$ 5,671,263	\$ 8,647,678

United Way of Central New Mexico

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
Operating activities		
Change in net assets	\$ 1,015,659	\$ (40,679)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net realized and unrealized gain on investments	(63,850)	(170,152)
Depreciation	63,839	50,393
Provision for uncollectible pledges	(326,304)	(203,254)
Donation of investments	-	(179,011)
Net change in planned gift activity	(230,546)	(253,162)
Changes in operating assets and liabilities		
Receivables	(469,959)	2,808,242
Accounts payable and accrued expenses	(50,916)	338,519
Donor option payables	(897,308)	(2,496,610)
Net cash used by operating activities	(959,385)	(145,714)
Investing activities		
Purchase of property and equipment	(37,486)	(48,581)
Redemption of certificates-of-deposit	580,912	638,504
Purchase of investments	(2,174)	(6,238)
Net cash provided by investing activities	541,252	583,685
Change in cash	(418,133)	437,971
Cash, beginning of year	1,705,606	1,267,635
Cash, end of year	\$ 1,287,473	\$ 1,705,606

United Way of Central New Mexico

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Support Services			Program Services	Total
	Fundraising	Management	Total		
Grants and program distributions					
Education	\$ -	\$ -	\$ -	\$ 1,101,585	\$ 1,101,585
Financial stability/ basic needs	-	-	-	1,189,127	1,189,127
Health	-	-	-	692,952	692,952
Community building initiatives	-	-	-	712,860	712,860
Mission: Graduate	-	-	-	786,230	786,230
Encore Fellowship Program	-	-	-	2,963	2,963
Center for Non-Profit Excellence	-	-	-	364,304	364,304
Other initiatives	-	-	-	330,153	330,153
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Total grant and program distributions	-	-	-	5,180,174	5,180,174
Operating expenses					
Bank service charges	14,033	1,559	15,592	15,592	31,184
Credit card charges	16,736	1,860	18,596	18,595	37,191
D&O and dishonesty insurance	14,246	1,583	15,829	15,829	31,658
Depreciation	38,041	8,286	46,327	17,512	63,839
Dues and subscriptions	5,762	640	6,402	6,403	12,805
Equipment rental	7,231	803	8,034	8,034	16,068
Occupancy	68,290	7,588	75,878	75,877	151,755
Office supplies	3,328	5,892	9,220	3,698	12,918
Payroll taxes and fringe benefits	274,552	176,649	451,201	99,203	550,404
Postage	7,044	2,195	9,239	4,192	13,431
Printing and marketing	16,682	1,854	18,536	18,536	37,072
Professional fees	164,255	11,095	175,350	110,952	286,302
Salaries and temporary labor	1,041,922	681,481	1,723,403	313,305	2,036,708
Telephone	12,270	1,363	13,633	13,633	27,266
Transportation/meals	21,206	2,356	23,562	20,240	43,802
United Way Worldwide dues	93,988	10,443	104,431	104,432	208,863
Volunteer/staff recognition	7,138	793	7,931	7,930	15,861
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Total operating expenses	1,806,724	916,440	2,723,164	853,963	3,577,127
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Total functional expenses	<u>\$ 1,806,724</u>	<u>\$ 916,440</u>	<u>\$ 2,723,164</u>	<u>\$ 6,034,137</u>	<u>\$ 8,757,301</u>

United Way of Central New Mexico

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Support Services			Program Services	Total
	Fundraising	Management	Total		
Grants and program distributions					
Education	\$ -	\$ -	\$ -	\$ 924,949	\$ 924,949
Financial stability/ basic needs	-	-	-	1,067,272	1,067,272
Health	-	-	-	747,267	747,267
Community building initiatives	-	-	-	622,470	622,470
Mission: Graduate	-	-	-	688,468	688,468
Encore Fellowship Program	-	-	-	2,831,698	2,831,698
Center for Non-Profit Excellence	-	-	-	158,679	158,679
Other initiatives	-	-	-	439,814	439,814
	-	-	-	7,480,617	7,480,617
Total grant and program distributions	-	-	-	7,480,617	7,480,617
Operating expenses					
Bank service charges	21,671	5,418	27,089	9,030	36,119
Credit card charges	33,676	8,419	42,095	14,032	56,127
D&O and dishonesty insurance	20,141	5,035	25,176	8,392	33,568
Depreciation	30,236	7,559	37,795	12,598	50,393
Dues and subscriptions	9,023	2,256	11,279	5,177	16,456
Equipment rental	5,428	1,357	6,785	2,262	9,047
Expenses for assets held-for-sale	1,439	360	1,799	600	2,399
Occupancy	89,174	22,294	111,468	37,156	148,624
Office supplies	11,683	1,337	13,020	2,229	15,249
Payroll taxes and fringe benefits	239,673	140,963	380,636	154,945	535,581
Postage	8,837	3,514	12,351	410	12,761
Printing and marketing	23,274	4,220	27,494	7,160	34,654
Professional fees	96,302	24,076	120,378	46,166	166,544
Salaries and temporary labor	1,052,434	555,939	1,608,373	607,546	2,215,919
Telephone	12,166	3,041	15,207	5,069	20,276
Transportation/meals	28,697	2,748	31,445	8,172	39,617
United Way Worldwide dues	153,575	38,394	191,969	63,990	255,959
Volunteer/staff recognition	12,818	2,593	15,411	4,322	19,733
	1,850,247	829,523	2,679,770	989,256	3,669,026
Total operating expenses	1,850,247	829,523	2,679,770	989,256	3,669,026
Total functional expenses	<u>\$ 1,850,247</u>	<u>\$ 829,523</u>	<u>\$ 2,679,770</u>	<u>\$ 8,469,873</u>	<u>\$ 11,149,643</u>

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of Central New Mexico (UWCNM) serves the people of four New Mexico counties: Bernalillo, Sandoval, Torrance and Valencia. Its mission is to bring people and resources together to measurably improve lives and strengthen our communities. UWCNM brings together donors, businesses, nonprofits, government and others to create better solutions to our community's challenges. Our programs and donor dollars ensure that individuals and families in Central New Mexico have the opportunity to achieve potential through education, that they are healthy and safe, are financially stable and live life with dignity.

Campaign Year

UWCNM's campaign year traverses two fiscal years and three calendar years. The 2017 campaign, which is the bulk of activity for the 2018 fiscal year, began in October 2017 and will not be completely processed through the financial statements until June 2019. The results are multiple campaign years are presented in the financial statements during any given year.

Administered Programs

UWCNM administers the following programs:

Community Fund

The Community Fund improves our community by providing program grants to qualifying health and human services agencies in Central New Mexico. The Community Fund advances the common good and works to create a stronger community. We address Education, Health, and Financial Stability/Basic Needs so that families can grow and thrive.

UWCNM invests in EDUCATIONAL programs to create Central New Mexico communities where all children:

- Are born healthy and develop on track.
- Are fully prepared to enter the educational system.

And where all students:

- Progress successfully through elementary school.
- Progress successfully through middle school.
- Graduate high school within 5 years, ready for school, life or work.

And where all individuals:

- Have an opportunity to utilize some form of post-secondary education, from trade schools to 4-year universities.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Administered Programs – Continued

UWCNM invests in HEALTH programs to create Central New Mexican communities where all individuals and families:

- Receive affordable and equitable health services.
- Live in a safe environment.
- Exhibit healthy behaviors.
- Live in a health promoting environment.

UWCNM invests in FINANCIAL STABILITY/BASIC NEEDS programs to create Central New Mexican communities where all individuals and families:

- Have adequate and sustainable resources to support their needs.
- Have the skills, knowledge, and relationships they need to effectively increase and manage their income.

And where vulnerable populations:

- Are safe, socially engaged, and live with dignity.

Community Fund expenses are presented under the Education, Financial Stability/Basic Needs, Health and Community Building Initiatives headings in the statements of activities.

Mission: Graduate

Mission: Graduate is a cradle-to-career community initiative that has the goal of adding 60,000 certificates and degrees to our region by the year 2020. This multi-sector partnership is committed to a vision for a world-class, seamless, and coordinated education system that provides equitable opportunities for all citizens to excel and succeed from early childhood through high school; graduate with a postsecondary degree or certificate; and enter a career of their choosing in Central New Mexico.

Mission: Families

Mission: Families is UWCNM's new initiative with a vision for resilient children and families so that more families have opportunities that allow them to thrive. Mission: Families has a goal of reducing the number of adverse childhood experiences by 50% by the year 2030 in Central New Mexico.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Administered Programs – Continued

Center for Nonprofit Excellence and Encore Fellowship Program

The Center for Nonprofit Excellence (CNPE) strengthens the capabilities and capacity of New Mexico nonprofits so they can more effectively achieve their missions. CNPE does this by providing organizational and professional development resources to nonprofit professionals and volunteers through the CNPE Education Program and website (www.cnpenm.org). In FY17-18, the CNPE website was visited 334,214 times by 193,704 individuals; and they provided 30 nonprofit professional development trainings and one conference to 626 individuals, reaching 234 organizations in 24 communities around New Mexico. The Encore Fellowship Program (Encore) is an initiative of CNPE which connects private sector retirees with nonprofits for time-limited projects that aim to build the long-term capacity and sustainability of the organization. In FY 16-17, Encore placed 104 Fellows into 58 nonprofits in Central New Mexico. This program did not continue in 2018.

Tax Help New Mexico

Tax Help New Mexico provides free assistance in preparing and filing income tax returns for New Mexico residents with an annual household income of less than \$54,000 or who are over the age of 65 regardless of income. Volunteers prepared 31,226 returns last filing season, saving New Mexico filers more than \$5.1 million in tax preparation fees; 17,280 people obtained over \$22.5 million in tax refunds through the program. Tax Help New Mexico expenses are presented under the Other Initiatives heading in the statements of activities.

2-1-1

2-1-1 is the national abbreviated dialing code for free access to health and human services information and referral. United Way 2-1-1 is a comprehensive source for information about health and human services, government agencies, and community-based organizations. UWCNM's 2-1-1 service experienced more than 23,000 contacts in 2018. (This includes those through the online database.) United Way 2-1-1 (or 245-1735) is accessible 7 days a week, 8AM to Midnight, 365 days a year. UWCNM is the best source of information on where you can get the services you, or someone you know, might need. 2-1-1 expenses are presented under the Other Initiatives heading in the statements of activities.

Affinity Group Initiatives

UWCNM also administers other initiatives through Hispano Philanthropic Society, Young Leaders Society, Women in Philanthropy, and Guys Give. Affinity Group members have identified women's self-sufficiency, middle-school youth, youth transitioning to adulthood, and preventing family violence as areas for giving. Affinity Group Grant Initiatives are gifts to the Community Fund. Affinity Group Initiatives expenses are presented under the co-branding and event sponsorships heading in the statements of activities.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Administered Programs – Continued

Donor Option Program

Donors have the option to designate contributions to any organization that is tax-exempt under Internal Revenue Code Section 501(c)(3). UWCNM remits collected contributions on a monthly basis to the designated organizations. Donor option program expenses are presented under the Program Services heading in the statements of activities.

Family Advocacy Center

In 2007, following a donor survey and a Public Safety Summit, UWCNM worked with agencies providing domestic violence services to change the system of care for victims. The result of that work, the Family Advocacy Center, a “one-stop” shop for victims of domestic violence, is a safe, secure and caring environment that focuses on the needs of victims of interpersonal crime. The Family Advocacy Center (FAC) is many different agencies working together under one roof. The unique design of the facility dramatically reduces the stress and trauma often placed on victims and their families by giving them access to a wide range of support services all at a single location. Services include medical care, advocacy, legal and financial assistance, as well as law enforcement and prosecution.

UWCNM has been affiliated with the FAC since 2007, by serving on the advisory committee and by providing fiscal support for gifts to the FAC. Many of the agencies housed at the FAC or that work with the FAC apply for and receive a Community Fund grant. FAC expenses are presented under the Other Initiatives heading in the statements of activities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. UWCNM capitalizes items over \$500 over the estimated useful life of the assets, which ranges from 3 to 30 years.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions and Revenue Recognition

All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges for contributions for a campaign year are recorded as assets and temporarily restricted revenue when the pledges are received. Allocations to funded agencies are recognized as expenses in the period such allocations are made, generally the following year. Allocations are generally paid on a monthly installment basis throughout the year.

Pledges for which the donor stipulates the agency to receive the donation (Donor Option Program) are recorded as assets (Donor options receivable) and liabilities (Donor options payable) when the pledges are received. They are included in campaign results, but are not considered revenue of UWCNM, and are reflected as donor option amounts (designations) in the accompanying financial statements.

The provision for uncollectible pledges is computed based upon a three-year historical average adjusted by management estimates of current economic factors. It is applied to the gross campaign including donor option pledges.

Net Assets

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

Unrestricted net assets are not subject to donor-imposed restriction. Unrestricted net assets may be designated for a specific purpose by action of the Board of Directors.

Temporarily restricted net assets are resources received from activities and contributors which are designated to be expended in a specific manner or within a specified time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are net assets required to be maintained in perpetuity, due to the donor-imposed restrictions. UWCNM has no permanently restricted net assets as of June 30, 2018 or 2017.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

UWCNM is a nonprofit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation.

UWCNM has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2015, 2016 and 2017 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that all activities of UWCNM are within their tax-exempt purpose, and that there are no uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in UWCNM's financial statements. There were no interest or penalties recorded as of June 30, 2018 and 2017.

Financial Instruments

The carrying amounts of cash, certificates-of-deposit, receivables, payables, and accrued expenses approximate fair value due to the short maturity periods of these instruments.

Expense Allocation

The cost of providing the various programs and all other activities has been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Planned Giving

UWCNM has been named as a trustee or owner in several planned giving agreements. Some of the agreements stipulate UWCNM as the beneficiary of the agreement while others require UWCNM to distribute the trust assets or life insurance death benefits upon the death of the donor, and therefore, UWCNM has recorded a liability equal to the fair market value of these assets. The fair market value of these trust liabilities was \$370,014 and \$361,243 as of June 30, 2018 and 2017, respectively. UWCNM has a Planned Giving Committee which provides planned giving opportunities to donors and establishes and executes planned giving initiatives. They also establish and execute gift acceptance policies. Policy decisions made by this committee are moved to the finance committee for further approval before moving to the Board of Directors for final approval.

Contributed Services

Approximately 1,400 volunteers have donated over 30,000 hours of their time in the furtherance of UWCNM's activities. The value of this contributed time is not reflected in these statements because it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Services

Contributed services are recognized if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services received as determined by the donor. For the years ended June 30, 2018 and 2017, UWCNM received and recognized \$937,865 and \$683,322, respectively, of donated services. The recognized donated services included advertising and other professional services related to the programs, fundraising, and management and general operations of UWCNM.

Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that UWCNM has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

UWCNM has evaluated all events occurring subsequent to June 30, 2018 and through October 24, 2018, which is the date that the financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Equipment	\$ 499,481	\$ 621,435
Leasehold improvements	395,073	381,060
Furniture and fixtures	<u>273,451</u>	<u>273,219</u>
	1,168,005	1,275,714
Less accumulated depreciation	<u>(989,756)</u>	<u>(1,071,112)</u>
	<u>\$ 178,249</u>	<u>\$ 204,602</u>

NOTE 3 – CORPORATE CORNERSTONE RECOGNITION PROGRAM

Under the Corporate Cornerstone Recognition Program, donations from local corporations and individuals who choose to participate in the program are appropriated by UWCNM's Board of Directors to fund the fundraising and general operational and administrative costs of UWCNM, as well as several other initiatives. Annually, total donations raised from this program are allocated to fund UWCNM's operational budget and the Center for Non-Profit Excellence. After these allocations have been made, any remaining funds are designated to the Community Building Initiatives and the Community Fund Priority Focus Areas. During 2016, the Board of Directors voted to modify the Donor Option Program in response to contributions from the Corporate Cornerstone Recognition Program not being sufficient to fund UWCNM's administrative expenses. Beginning with the 2016 campaign, when a donor designates 10% of their annual contribution to support the work of United Way, 100% of their remaining designated contributions will be passed through. If they elect not to designate 10% to UWCNM, then 10% of their designations will be deducted to cover administrative cost when their designations are passed through.

NOTE 4 – PLEDGE OF BUILDING

During 2016, a UWCNM supporter purchased the office building UWCNM occupies. This donor entered into two beneficial agreements with UWCNM, an irrevocable gift agreement and a long-term lease agreement.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4 – PLEDGE OF BUILDING – CONTINUED

The gift agreement provides conveyance of the building to UWCNM at the earlier of the end of the second option period or the death of the donor and the donor's spouse. The gift takes place in 20% increments over a five-year period unless the death clause is in effect. The building will be conveyed free of encumbrances. In connection with the gift agreement, UWCNM has recorded a long-term pledge receivable for the fair market value of the building on the date of the agreement. The balance of this pledge receivable was \$1,800,000 at June 30, 2018 and 2017, respectively.

UWCNM recorded an in-kind contribution for below market rent of \$103,090 and \$97,454 in 2018 and 2017, respectively. In-kind rent is computed as the difference between the market price per square foot and the contract price in the lease.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

UWCNM restricts net assets based upon time and initiative restrictions. Temporarily restricted net assets as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable, net	\$ 2,877,103	\$ 2,317,037
Specific Priority Focus Area Restrictions	254,077	467,112
Program restrictions - Women in Philanthropy/ Young Leaders/ Hispano Philanthropic Society/ Mission Graduate	1,012,356	663,893
Planned Gift Insurance Policies	622,300	382,051
Pledge of current operating facility (land and building)	1,800,000	1,800,000
Family Advocacy Center	<u>81,642</u>	<u>41,170</u>
	<u>\$ 6,647,478</u>	<u>\$ 5,671,263</u>

Temporarily restricted net assets released from restriction consist generally of collections of unrestricted pledges and expenditures of funds in accordance with donor stipulations.

NOTE 6 – CAMPAIGN REVENUES COLLECTED ON BEHALF OF OTHERS

UWCNM acts as an agent, collecting and processing contributions on behalf of other local United Way chapters in the United States. Amounts receivable of \$163,999 and \$167,291 and payable of \$158,534 and \$377,380 as of June 30, 2018 and 2017, respectively, are included in the accompanying statements of financial position. These contributions are not counted in the UWCNM campaign results as they are counted in the communities where they are raised.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 7 – TRANSFERS OF ASSETS TO RECIPIENT ORGANIZATIONS

UWCNM transfers certain endowment gifts from donors to the Albuquerque Community Foundation (ACF). Under the terms of an agreement between UWCNM and ACF, UWCNM holds variance power over these assets. ACF keeps separate records of the activity and performance of each of these assets within UWCNM's endowment total. Annually, UWCNM requests distributions of these assets from ACF according to the endowment agreement between UWCNM and the initial donor of the endowment. As of June 30, 2018 and 2017, UWCNM had transferred \$2,961,137 and \$2,877,652, respectively, of these assets to ACF, which are included in the investment with ACF and planned giving assets balances of the accompanying statements of financial position.

NOTE 8 – FAIR VALUE MEASUREMENT

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

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates-of-deposit	\$ 412,009	\$ -	\$ 412,009	\$ -
Investment with ACF	2,263,236	-	-	2,263,236
Planned giving assets	1,417,667	-	719,766	697,901
Other assets	149,480	-	-	149,480
	<u>\$ 4,242,392</u>	<u>\$ -</u>	<u>\$ 1,131,775</u>	<u>\$ 3,110,617</u>

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017.

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates-of-deposit	\$ 993,568	\$ -	\$ 993,568	\$ -
Investment with ACF	2,221,513	-	-	2,221,513
Planned giving assets	1,139,233	-	483,094	656,139
Other assets	164,649	-	-	164,649
	<u>\$ 4,518,963</u>	<u>\$ -</u>	<u>\$ 1,476,662</u>	<u>\$ 3,042,301</u>

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 8 – FAIR VALUE MEASUREMENT – CONTINUED

Certificates-of-deposit: Valued at face value plus accrued earnings, which approximate fair value.

Investment with Albuquerque Community Foundation and Other Assets: Valued at net realizable value, as determined by the quoted prices as provided by the investment manager, which pools all funds and allocates investment activity to each fund accordingly.

Planned giving assets: Valued at the quoted prices as provided by the investment manager, which pools all funds and allocates investment activity to each fund accordingly or the present value of future cash flows using a stated discount rate for insurance policies.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 3 Investments

The following tables present the UWCNM's activities for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017: Level 3 activity is as follows:

	<u>2018</u>	<u>2017</u>
Beginning balances	\$ 3,042,301	\$ 2,603,543
Contributions	52,175	203,396
Interest and dividend income	34,297	39,953
Realized and unrealized gains	119,487	307,474
Distributions and fees	<u>(137,643)</u>	<u>(112,065)</u>
Ending balances	<u>\$ 3,110,617</u>	<u>\$ 3,042,301</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Defined Contribution Plan

All UWCNM employees are eligible to participate in a 403(b) defined contribution plan administered by Mutual of America. Eligibility is attained upon the first day of the month after hire, provided the employee is at least 21 years of age. Employees can contribute compensation to the Plan, subject to IRS restrictions. UWCNM matches the first 3% of all employee contributions, with these matching contributions vesting immediately. Total expenses incurred by UWCNM with regard to this Plan were \$201,904 and \$195,694 in 2018 and 2017, respectively.

United Way of Central New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Leases

UWCNM leases its primary corporate offices under an operating lease agreement, which calls for monthly rent payments of \$12,171, escalating after 60 months, and expires in February 2026. UWCNM also leases various office space and equipment under operating lease agreements. These agreements expire at various dates through April 2021 and call for monthly payments ranging from \$902 to \$1,171. The minimum future lease payments follow:

2019	\$	167,415
2020		156,876
2021		157,134
2022		154,303
2023		154,303
Thereafter		<u>411,475</u>
Total	\$	<u>1,201,506</u>

Total rent expense was \$167,823 and \$157,671 in 2018 and 2017, respectively.

Concentrations of Risk

To reduce the level of exposure at any one financial institution, UWCNM diversifies its certificates-of-deposit with various financial institutions. UWCNM maintains cash balances in financial institutions that at times exceed federally insured limits. Management regularly monitors the financial institutions with balances in excess of insured limits to manage the risk of loss.

NOTE 10 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - NOT-FOR-PROFIT REPORTING FRAMEWORK

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) - Presentation of Financial Statements for Not-for-Profit Entities. The main provisions of the ASU require a not-for-profit entity to present two asset classes (with and without donor restrictions), requires a classified statement of financial position, requires additional qualitative and quantitative information regarding how the entity manages its liquid resources including the restrictions that affect the use of those resources, requires disclosure of expenses by both their natural classification and their functional classification, methods used to allocate costs among program and supporting functions, as well as other various additional disclosure requirements. The ASU is effective for UWCNM's year-end June 30, 2019. Management has evaluated the impact of the ASU and has determined that the accounting information systems are sufficient to implement the effects of this ASU.