



# The United Way of Southwestern Pennsylvania

## Financial Statements

June 30, 2018 and 2017

# The United Way of Southwestern Pennsylvania

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## Independent Auditor's Report

To the Board of Directors  
The United Way of Southwestern Pennsylvania  
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of The United Way of Southwestern Pennsylvania (not-for-profit entity), which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

### *Auditor's 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 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 The United Way of Southwestern Pennsylvania 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.

*BDO USA, LLP*

Pittsburgh, Pennsylvania

October 15, 2018

# The United Way of Southwestern Pennsylvania

## Balance Sheets

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 6,089,736	\$ 7,956,951
Pledges receivable - net - Note 4	15,096,674	12,419,413
Other receivables	142,770	145,575
Investments - Note 5	25,718,191	23,165,484
Funds held by others - Note 6	5,745,974	5,565,614
Prepaid expenses and other assets	38,276	75,558
Furniture, equipment and software - net - Note 7	1,338,280	1,959,578
<b>Total Assets</b>	<b>\$ 54,169,901</b>	<b>\$ 51,288,173</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Distributions payable to agencies	\$ 9,280,104	\$ 8,638,003
Donor designations payable	6,881,301	6,404,787
Accounts payable and accrued liabilities	1,353,796	1,205,363
Accrued pension obligation - Note 9	3,588,532	4,311,375
Lines of credit - Note 8	68,000	-
<b>Total Liabilities</b>	<b>21,171,733</b>	<b>20,559,528</b>
<b>Net Assets</b>		
Unrestricted - Note 11	19,751,929	19,537,130
Temporarily restricted - Note 12	9,194,727	7,615,766
Permanently restricted - Note 12	4,051,512	3,575,749
<b>Total Net Assets</b>	<b>32,998,168</b>	<b>30,728,645</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 54,169,901</b>	<b>\$ 51,288,173</b>

*See accompanying notes to the financial statements.*

# The United Way of Southwestern Pennsylvania

## Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2018 (With Comparative Totals for 2017)</i>	Unrestricted	Temporarily Restricted
<b>Public Support and Revenue</b>		
<b>Public Support</b>		
Gross campaigns results	\$ 26,806,724	\$ 8,361,436
Less: Donor designations	12,980,685	-
Less: Allowance for uncollectible accounts	1,025,799	-
Net campaigns receipts	12,800,240	8,361,436
Gifts and other contributions	333,339	-
<b>Total Public Support</b>	<b>13,133,579</b>	<b>8,361,436</b>
<b>Revenue</b>		
Service fee revenue	1,363,216	-
Interest and investment income	430,434	23,052
Sponsorship and event revenue	385,026	-
Net realized and unrealized gain on investments	1,136,896	182,681
Donated services income	649,601	-
Grant and other services revenue	1,193,526	-
Change in beneficial interest	-	8,636
Net assets released from restrictions	7,098,136	(7,094,943)
<b>Total Revenue</b>	<b>12,256,835</b>	<b>(6,880,574)</b>
<b>Total Public Support and Revenue</b>	<b>25,390,414</b>	<b>1,480,862</b>
<b>Expenses</b>		
<b>Program services</b>		
Gross funds awarded or designated to agencies	23,297,367	-
Less: Donor designations	12,980,685	-
Net funds awarded or designated to agencies	10,316,682	-
Other program services	9,653,528	-
<b>Total Program Services</b>	<b>19,970,210</b>	<b>-</b>
<b>Total support services</b>	<b>6,159,553</b>	<b>-</b>
<b>Total Expenses</b>	<b>26,129,763</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets Before Pension and Merger Adjustments</b>	<b>(739,349)</b>	<b>1,480,862</b>
Excess of assets acquired over liabilities assumed in merger - Note 3	119,953	98,099
Pension changes other than net periodic pension cost	834,195	-
<b>Increase in Net Assets</b>	<b>214,799</b>	<b>1,578,961</b>
<b>Net Assets - beginning of year</b>	<b>19,537,130</b>	<b>7,615,766</b>
<b>Net Assets - end of year</b>	<b>\$ 19,751,929</b>	<b>\$ 9,194,727</b>

# The United Way of Southwestern Pennsylvania

## Statement of Activities and Changes in Net Assets

Permanently Restricted	2018 Total	2017 Total
\$ -	\$ 35,168,160	\$ 35,221,257
-	12,980,685	13,238,490
-	1,025,799	1,019,362
-	21,161,676	20,963,405
328,246	661,585	893,752
328,246	21,823,261	21,857,157
-	1,363,216	1,362,658
30,490	483,976	397,585
-	385,026	237,802
86,154	1,405,731	2,228,828
-	649,601	803,242
-	1,193,526	1,116,840
34,066	42,702	91,806
(3,193)	-	-
147,517	5,523,778	6,238,761
475,763	27,347,039	28,095,918
-	23,297,367	22,467,425
-	12,980,685	13,238,490
-	10,316,682	9,228,935
-	9,653,528	9,673,947
-	19,970,210	18,902,882
-	6,159,553	6,195,445
-	26,129,763	25,098,327
475,763	1,217,276	2,997,591
-	218,052	-
-	834,195	562,192
475,763	2,269,523	3,559,783
3,575,749	30,728,645	27,168,862
\$ 4,051,512	\$ 32,998,168	\$ 30,728,645

*See accompanying notes to the  
financial statements.*

# The United Way of Southwestern Pennsylvania

## Statement of Activities and Changes in Net Assets

<i>For the Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted
<b>Public Support and Revenue</b>		
<b>Public Support</b>		
Gross campaigns results	\$ 27,515,884	\$ 7,705,373
Less: Donor designations	13,238,490	-
Less: Allowance for uncollectible accounts	1,019,362	-
Net campaigns receipts	13,258,032	7,705,373
Gifts and other contributions	287,252	-
<b>Total Public Support</b>	<b>13,545,284</b>	<b>7,705,373</b>
<b>Revenue</b>		
Service fee revenue	1,362,658	-
Interest and investment income	360,686	16,119
Sponsorship and event revenue	237,802	-
Net realized and unrealized gain on investments	1,883,855	251,911
Donated services income	803,242	-
Grant and other services revenue	1,116,840	-
Change in beneficial interest	-	18,226
Net assets released from restrictions	8,461,697	(8,459,658)
<b>Total Revenue</b>	<b>14,226,780</b>	<b>(8,173,402)</b>
<b>Total Public Support and Revenue</b>	<b>27,772,064</b>	<b>(468,029)</b>
<b>Expenses</b>		
<b>Program services</b>		
Gross funds awarded or designated to agencies	22,467,425	-
Less: Donor designations	13,238,490	-
Net funds awarded or designated to agencies	9,228,935	-
Other program services	9,673,947	-
<b>Total Program Services</b>	<b>18,902,882</b>	<b>-</b>
<b>Total support services</b>	<b>6,195,445</b>	<b>-</b>
<b>Total Expenses</b>	<b>25,098,327</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets Before Pension Adjustment</b>	<b>2,673,737</b>	<b>(468,029)</b>
Pension changes other than net periodic pension cost	562,192	-
<b>Increase (Decrease) in Net Assets</b>	<b>3,235,929</b>	<b>(468,029)</b>
<b>Net Assets - beginning of year</b>	<b>16,301,201</b>	<b>8,083,795</b>
<b>Net Assets - end of year</b>	<b>\$ 19,537,130</b>	<b>\$ 7,615,766</b>



# The United Way of Southwestern Pennsylvania

## Statement of Activities and Changes in Net Assets

	Permanently Restricted		2017 Total
\$	-	\$	35,221,257
	-		13,238,490
	-		1,019,362
	-		20,963,405
	606,500		893,752
	606,500		21,857,157
	-		1,362,658
	20,780		397,585
	-		237,802
	93,062		2,228,828
	-		803,242
	-		1,116,840
	73,580		91,806
	(2,039)		-
	185,383		6,238,761
	791,883		28,095,918
	-		22,467,425
	-		13,238,490
	-		9,228,935
	-		9,673,947
	-		18,902,882
	-		6,195,445
	-		25,098,327
	791,883		2,997,591
	-		562,192
	791,883		3,559,783
	2,783,866		27,168,862
\$	3,575,749	\$	30,728,645

*See accompanying notes to the  
financial statements.*

# The United Way of Southwestern Pennsylvania

## Statement of Functional Expenses

<i>For the Year Ended June 30, 2018</i>	Program Services			
	Volunteer Referrals	Labor Services	Community Capacity Building	Total Program Services
Funds awarded	\$ -	\$ -	\$ 23,297,367	\$ 23,297,367
Less donor designations	-	-	(12,980,685)	(12,980,685)
<b>Net Funds Awarded</b>	-	-	10,316,682	10,316,682
Salaries	167,516	52,571	2,058,445	2,278,532
Employee benefits	34,158	35,198	763,955	833,311
Payroll taxes	12,945	3,457	150,493	166,895
<b>Total Salaries and Benefits</b>	214,619	91,226	2,972,893	3,278,738
Professional services	182,032	13,349	330,237	525,618
In-kind services	-	-	-	-
Community initiatives	-	-	3,378,018	3,378,018
Campaign and other literature	7,011	20	8,994	16,025
Meeting and event expense	131,073	897	308,998	440,968
Office supplies	66,896	961	162,495	230,352
Postage	1,152	652	21,196	23,000
Travel	6,229	633	58,511	65,373
Staff training	-	3,635	64,210	67,845
Insurance	2,849	1,626	42,867	47,342
Occupancy	12,065	7,279	191,701	211,045
Information technology	53,708	20,422	574,321	648,451
Equipment rental and repair	994	471	19,265	20,730
Subscriptions and memberships	295	133	28,511	28,939
Telephone	1,037	611	25,236	26,884
Depreciation expense	21,935	14,601	336,146	372,682
United Way Worldwide dues	13,087	3,896	153,296	170,279
Miscellaneous expense	13,508	30,565	57,166	101,239
<b>Total Other Operating Expenses</b>	513,871	99,751	5,761,168	6,374,790
<b>Total Functional Expenses</b>	\$ 728,490	\$ 190,977	\$ 19,050,743	\$ 19,970,210

# The United Way of Southwestern Pennsylvania

## Statement of Functional Expenses

Support Services			
Fundraising	Organizational Administration	Total Support Services	Total Expenses
\$ -	\$ -	\$ -	\$ 23,297,367
-	-	-	(12,980,685)
-	-	-	10,316,682
1,518,351	881,982	2,400,333	4,678,865
413,970	349,696	763,666	1,596,977
110,270	61,256	171,526	338,421
2,042,591	1,292,934	3,335,525	6,614,263
355,171	202,585	557,756	1,083,374
639,969	-	639,969	639,969
-	-	-	3,378,018
14,675	225	14,900	30,925
247,729	9,538	257,267	698,235
15,565	8,602	24,167	254,519
7,958	9,226	17,184	40,184
12,391	5,339	17,730	83,103
19,519	3,582	23,101	90,946
17,464	21,023	38,487	85,829
78,229	95,905	174,134	385,179
206,585	246,649	453,234	1,101,685
6,754	7,900	14,654	35,384
3,106	1,721	4,827	33,766
8,013	10,439	18,452	45,336
138,911	172,337	311,248	683,930
71,362	130,046	201,408	371,687
48,390	7,120	55,510	156,749
1,891,791	932,237	2,824,028	9,198,818
\$ 3,934,382	\$ 2,225,171	\$ 6,159,553	\$ 26,129,763

*See accompanying notes to the financial statements.*

# The United Way of Southwestern Pennsylvania

## Statement of Functional Expenses

<i>For the Year Ended June 30, 2017</i>	Program Services			
	Volunteer Referrals	Labor Services	Community Capacity Building	Total Program Services
Funds awarded	\$ -	\$ -	\$ 22,467,425	\$ 22,467,425
Less donor designations	-	-	(13,238,490)	(13,238,490)
<b>Net Funds Awarded</b>	-	-	9,228,935	9,228,935
Salaries	223,774	148,197	1,693,007	2,064,978
Employee benefits	64,382	69,671	712,230	846,283
Payroll taxes	16,672	9,948	121,812	148,432
<b>Total Salaries and Benefits</b>	304,828	227,816	2,527,049	3,059,693
Professional services	179,075	8,177	634,506	821,758
In-kind services	-	-	-	-
Community initiatives	-	-	3,469,785	3,469,785
Campaign and other literature	114	38	3,161	3,313
Meeting and event expense	112,834	1,721	260,586	375,141
Office supplies	110,813	1,032	185,529	297,374
Postage	2,354	378	20,203	22,935
Travel	3,157	3,048	54,586	60,791
Staff training	1,269	1,176	89,295	91,740
Insurance	3,927	1,580	36,057	41,564
Occupancy	19,760	8,369	186,894	215,023
Information technology	41,317	20,129	477,219	538,665
Equipment rental and repair	1,982	764	19,984	22,730
Subscriptions and memberships	811	350	43,399	44,560
Telephone	1,624	683	24,903	27,210
Depreciation expense	39,057	16,047	305,304	360,408
United Way Worldwide dues	15,264	5,785	153,239	174,288
Miscellaneous expense	6,507	30,100	10,362	46,969
<b>Total Other Operating Expenses</b>	539,865	99,377	5,975,012	6,614,254
<b>Total Functional Expenses</b>	\$ 844,693	\$ 327,193	\$ 17,730,996	\$ 18,902,882

# The United Way of Southwestern Pennsylvania

## Statement of Functional Expenses

Support Services			
Fundraising	Organizational Administration	Total Support Services	Total Expenses
\$ -	\$ -	\$ -	\$ 22,467,425
-	-	-	(13,238,490)
-	-	-	9,228,935
1,594,931	803,836	2,398,767	4,463,745
508,682	246,497	755,179	1,601,462
113,386	59,391	172,777	321,209
2,216,999	1,109,724	3,326,723	6,386,416
256,757	183,584	440,341	1,262,099
803,242	-	803,242	803,242
-	-	-	3,469,785
76,511	442	76,953	80,266
194,763	8,309	203,072	578,213
18,027	6,765	24,792	322,166
5,044	7,105	12,149	35,084
15,735	8,423	24,158	84,949
18,695	9,894	28,589	120,329
19,243	18,727	37,970	79,534
94,194	90,933	185,127	400,150
198,599	235,975	434,574	973,239
10,538	9,501	20,039	42,769
5,243	4,503	9,746	54,306
8,866	9,063	17,929	45,139
144,628	184,779	329,407	689,815
71,111	123,237	194,348	368,636
25,117	1,169	26,286	73,255
1,966,313	902,409	2,868,722	9,482,976
\$ 4,183,312	\$ 2,012,133	\$ 6,195,445	\$ 25,098,327

*See accompanying notes to the financial statements.*

# The United Way of Southwestern Pennsylvania

## Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2018	2017
<b>Cash Provided by (Used for) Operating Activities</b>		
Increase in net assets	\$ 2,269,523	\$ 3,559,783
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	683,930	689,815
Net appreciation in fair value of investments and charitable trusts	(1,448,433)	(2,320,634)
Contributions restricted for long-term purposes	(328,686)	(606,754)
Excess of assets acquired over liabilities assumed in merger - Note 3	(218,052)	-
Changes in		
Pledges receivable	(2,024,940)	1,302,359
Other assets	45,209	240,320
Distributions payable to agencies	579,374	(1,407,072)
Donor designations payable	91,227	(435,636)
Accounts payable and other liabilities	(580,094)	(270,938)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(930,942)</b>	<b>751,243</b>
<b>Cash Provided by (Used for) Investing Activities</b>		
Proceeds from sale of investments	4,061,682	5,923,719
Purchase of investments	(5,346,316)	(8,021,121)
Purchase of furniture, equipment and software	(61,818)	(398,916)
Cash received in merger - Note 3	90,493	-
<b>Net Cash Used for Investing Activities</b>	<b>(1,255,959)</b>	<b>(2,496,318)</b>
<b>Cash Provided by (Used for) Financing Activities</b>		
Proceeds from contributions to endowment	328,686	606,754
Payment on line of credit	(9,000)	-
<b>Net Cash Provided by Financing Activities</b>	<b>319,686</b>	<b>606,754</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,867,215)</b>	<b>(1,138,321)</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>7,956,951</b>	<b>9,095,272</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 6,089,736</b>	<b>\$ 7,956,951</b>

*See accompanying notes to the financial statements.*

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements

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### 1. Description of Organization

The United Way of Southwestern Pennsylvania is a Pennsylvania nonprofit corporation founded April 19, 1974 to improve the quality of people's lives in southwestern Pennsylvania. It is governed by a volunteer Board of Directors and has a membership with both United Way Worldwide and United Way of Pennsylvania (United Way). On April 1, 2018, The United Way of Butler County merged with The United Way of Southwestern Pennsylvania as further described in Note 3.

#### *Our Vision*

We are the community's fundraiser for health and human services.

#### *Our Mission*

The United Way of Southwestern Pennsylvania is a change agent and efficient community fundraiser. By convening diverse partners and investing in programs and people to advance solutions, United Way creates long-lasting change and helps children and youth succeed, strengthens and supports families by promoting financial stability, ensures the safety and well-being of vulnerable seniors, assists people with disabilities, and provides information and referral sources meeting the basic needs for residents of southwestern Pennsylvania.

#### *Our Principles*

Brand a network of quality agencies that are eligible to use The United Way of Southwestern Pennsylvania's brand and receive allocations of unrestricted and program restricted giving.

Continuously improve The United Way of Southwestern Pennsylvania's capability as a fundraiser and an allocator of funds.

Expand and increase unrestricted giving.

Grow annual workplace campaigns.

Maintain an overhead percentage in the top decile of charitable fundraisers.

The United Way of Southwestern Pennsylvania carries out its purpose through the following programs:

*Community Impact* - The United Way of Southwestern Pennsylvania has adopted the community impact philosophy to investing dollars from our Impact Fund in agencies and programs that align with four critical needs identified in our on-going Needs Assessments and Investment Strategy Studies.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 1. Description of Organization (Continued)

#### *Our Principles (Continued)*

These critical needs are:

- Help children succeed in school and life.
- Help seniors live with dignity.
- Help people with disabilities live with greater independence.
- Prevent hunger and homelessness for financially struggling families.

#### Community Capacity Building

The programs also focus on the community level to develop partnerships and projects that involve agencies, foundations and public leaders in finding model solutions.

The United Way of Southwestern Pennsylvania has transitioned to an open agency application process and provides training and consultation regarding how agencies can measure their outcomes and results.

Other tasks include:

- Reporting and assessments of agency results.
- Management of special funds such as the Flexible Fund and Maurice Falk Fund.
- Development and management of special projects such as the Earned Income Tax Credit (EITC) campaign.
- Educating donors and community leaders about issues and needs, and agency services and impact achieved.

Volunteer Engagement - Assists individuals who are searching for volunteer opportunities. Specific tasks include recruiting volunteers and providing training to prepare them to assist with projects such as "Be a Middle School Mentor", Days of Caring, and Earned Income Tax Credit support.

Information and Referral - The United Way of Southwestern Pennsylvania serves as the southwestern Pennsylvania 211 regional center and leader. 211 is a nationally recognized, easy to remember phone number that connects people seeking assistance with local health and human service resources.



# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 1. Description of Organization (Continued)

#### *Our Principles (Continued)*

Through the Union Community Activist Network, trained labor union volunteers provide information to co-workers seeking help and refer them to appropriate human services resources in the community. Union counseling is conducted under the auspices of the Pennsylvania AFL-CIO and central labor councils in cooperation with their local United Way. This ten-week training program strengthens the union member's understanding of the value of the union, public policy, community services and the value of the United Way partnership.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

#### *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. These estimates and assumptions 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.

#### *Cash and Cash Equivalents*

The United Way of Southwestern Pennsylvania considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents are maintained at three national financial institutions. Account balances at June 30, 2018 and 2017 exceeded the Federal Deposit Insurance Corporation (FDIC) limit. The United Way of Southwestern Pennsylvania believes it has placed these temporary cash investments with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

#### *Pledges and Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted public support depending on the existence or nature of any donor restrictions.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Pledges and Contributions (Continued)*

Public support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated probable uncollectible amounts through a charge to public support and a credit to a valuation allowance based on its analyses of historical collection rates and the condition of the general economy as a whole. The provision for uncollectible accounts is applied to gross campaign pledges including donor designations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. During 2018, The United Way of Southwestern Pennsylvania received a \$250,000 conditional promise to give of which conditions have been met to receive \$110,000 as of June 30, 2018. Management believes that the remaining conditions will be met in order to receive the remaining payments in 2019 and 2020.

#### *Investments and Investment Risk*

The United Way of Southwestern Pennsylvania has investments that consist of unrestricted assets that are not immediately needed for operations. These investments consist of fixed income and equity mutual funds, which are reported at fair value based on direct market-based prices. Those investments received as gifts or donations are recorded at their fair value on the date received.

Gains and losses on investments, including unrealized gains and losses, are reported as increases or decreases in unrestricted investment income.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that these changes could affect the amounts reported in the balance sheet. There is no concentration of the investments in any particular security or industry segment.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Funds Held by Others - Community Foundation*

Funds held by others consist of unrestricted - board designated and undesignated, temporarily restricted and permanently restricted assets transferred by The United Way of Southwestern Pennsylvania to a community foundation for the creation of various endowment funds which benefit The United Way of Southwestern Pennsylvania but are managed by the community foundation. The United Way of Southwestern Pennsylvania is to be the sole beneficiary of any distributions from these endowment funds. Funds held by the community foundation are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments, including private equities and absolute return investments. These amounts are reported at fair value as determined by the community foundation.

Gains and losses on funds held by others, including unrealized gains and losses, are reported as increases or decreases in unrestricted investment income unless the use of the investment income is limited by donor-imposed restrictions or law (Notes 10 and 12).

#### *Funds Held by Others - Charitable Trusts*

The United Way of Southwestern Pennsylvania is a beneficiary of several income trusts held by third parties. It has an irrevocable right to receive its portion, designated by the trust agreements, of the income from the trusts' assets. The United Way of Southwestern Pennsylvania has valued its portion of the trusts based on its pro-rata share of the fair value of the assets held in each trust. The use of the income received from the trusts has not been restricted by the donors. Unrealized gains and losses are classified as increases or decreases in temporarily or permanently restricted net assets, based upon the terms of the trust agreements (Notes 10 and 12).

#### *Fair Value Measurements*

The United Way of Southwestern Pennsylvania defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, The United Way of Southwestern Pennsylvania considers the principal or most advantageous market in which they would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The United Way of Southwestern Pennsylvania applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Observable inputs such as quoted prices in active markets for identical investments that The United Way of Southwestern Pennsylvania has the ability to access.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Fair Value Measurements (Continued)*

Level 2 - Inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;
- d. Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the reporting entity to develop its own estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

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. The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2018 and 2017.

The fair value measurements of The United Way of Southwestern Pennsylvania's investments and funds held by others are disclosed in Notes 5 and 6. The United Way of Southwestern Pennsylvania's other financial instruments consist primarily of cash and cash equivalents and pledges receivable, all of which are stated at cost, which approximates fair value.

#### *Furniture, Equipment and Software*

Furniture, equipment and software are recorded at cost. The United Way of Southwestern Pennsylvania's policy is to capitalize property and equipment purchases greater than \$1,000 with a useful life greater than one year. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. One half year of depreciation is recorded in the year of acquisition and one half year in the year of disposal or the final year of useful life.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the period.

#### *Distributions Payable to Agencies*

The United Way of Southwestern Pennsylvania records distributions payable to agencies upon approval by its Board of Directors and notification to the agencies. Distributions payable to agencies represent amounts that are due to these agencies during the course of the ensuing fiscal year.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Donor Designations Payable*

Donor designations payable represent amounts payable to other United Ways and agencies as stipulated by the individual donors. The amounts are recorded as a pledge receivable and liability in the balance sheet. Such amounts are included in gross campaign results and gross funds designated to agencies on the statements of activities and changes in net assets. These donor designated amounts are subtracted from the gross amounts to arrive at the net public support and net expenses.

#### *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*

The United Way of Southwestern Pennsylvania recognizes the funded status of its defined benefit pension plans as assets or liabilities on its balance sheets. Changes in the funded status are recognized through the statement of activities and changes in net assets in the year in which the changes occur. Plan assets and benefit obligations are measured as of June 30, 2018 and 2017.

#### *Endowment Funds*

The United Way of Southwestern Pennsylvania follows the accounting pronouncement that provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). See Note 10.

#### *Donated Services*

Donated materials and services meeting the requirements of accounting principles generally accepted in the United States of America are reflected as contributions at their estimated values at the date of receipt. The United Way of Southwestern Pennsylvania receives certain donated professional services. Values are assigned to such services based on rates commensurate with the type of services performed. The fair value of these donations, which mainly consist of advertising for its annual campaign and software development, is included in the accompanying financial statements. This activity principally occurs in the fall of the calendar year. Donated services revenue totaled approximately \$650,000 for the year ended June 30, 2018 and \$803,000 for 2017.

The United Way of Southwestern Pennsylvania indirectly benefits from donated services for media provided to United Way Worldwide. United Way Worldwide maintains relationships with the National Football League, the Ad Council, and other organizations who furnish media space to United Way Worldwide at no cost. Since the value of these services cannot be reasonably calculated or lead an end user to understand the valuation process, The United Way of Southwestern Pennsylvania has determined it will not record a donation related to the air time provided by United Way Worldwide.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Expense Allocation*

The costs of providing the various programs and other activities of The United Way of Southwestern Pennsylvania are presented on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited. Salary and benefit expenses and marketing department expenses have been allocated based on time studies. Outside professional service expenses are allocated based on the nature of the service provided. The annual membership fee paid to United Way Worldwide is allocated based on total expenses. All other expense allocations to program and support services are based on the number of full-time employees.

#### *United Way Worldwide Cost Deduction Standards*

The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general fees based on actual historical costs in accordance with the United Way Worldwide Membership Standards as outlined in their publication titled *United Way Worldwide Cost Deduction Requirements for Membership Standard M*.

#### *Federal Income Taxes*

The United Way of Southwestern Pennsylvania, under Code Section 501(c)(3), is exempt from federal income taxes under the Internal Revenue Code of 1986 (the Code) and has been classified as a non-private foundation under Section 509(a)(1) of the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require The United Way of Southwestern Pennsylvania's management to evaluate tax positions taken by The United Way of Southwestern Pennsylvania and recognize a tax liability (asset) if The United Way of Southwestern Pennsylvania has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by The United Way of Southwestern Pennsylvania and has concluded that, as of June 30, 2018, there are no uncertain tax positions taken or expected to be taken. The United Way of Southwestern Pennsylvania is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The guidance was implemented to: remove inconsistencies and weaknesses in revenue recognition requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provide more useful information to users of financial statements through improved disclosure requirements, and simplify the preparation of financial statements.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Recent Accounting Pronouncements (Continued)*

The core principle of the guidance is that an entity should recognize revenue to depict 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. To achieve that core principle, an entity should apply the following steps: 1) identify the contracts with the customer; 2) identify the performance obligations in the contract; 3) determine the contract price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in this update are effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. Earlier adoption is permitted for nonpublic entities, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this standard on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 2. Summary of Significant Accounting Policies (Continued)

#### *Recent Accounting Pronouncements (Continued)*

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018.

#### *Subsequent Events*

Management and the audit committee of the Board of Directors evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 15, 2018, the day the financial statements were approved and authorized for issue.

### 3. Merger of The United Way of Southwestern Pennsylvania and The United Way of Butler County

As approved by the Commonwealth of Pennsylvania Office of Attorney General, effective April 1, 2018, The United Way of Butler County (UWBC) was merged into The United Way of Southwestern Pennsylvania. At the time of the merger, The United Way of Butler County's corporate existence ceased and the surviving corporation was The United Way of Southwestern Pennsylvania.

The purpose of the merger is to bring increased community impact and volunteer engagement, campaign growth and operational efficiencies as well as more consistent services for the companies that partner with these organizations.

In accordance with accounting principles generally accepted in the United States of America, the merger was accounted for as an acquisition and the assets acquired and liabilities assumed were recorded at their fair values on April 1, 2018. The excess of assets acquired over liabilities assumed represents the inherent contribution of UWBC's net assets. The net assets of UWBC were recorded in accordance with their donor restrictions and considered to be a noncash contribution.



# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 3. Merger of The United Way of Southwestern Pennsylvania and The United Way of Butler County (Continued)

The following is a summary of the assets acquired and liabilities assumed based on their fair values, which approximated historical values, at April 1, 2018:

Assets acquired	
Cash and cash equivalents	\$ 90,000
Pledges receivable	652,000
Other assets	7,000
<hr/>	
Assets acquired	749,000
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Liabilities assumed	
Distributions payable to agencies	63,000
Donor designations payable	385,000
Accounts payable and accrued liabilities	6,000
Line of credit payable	77,000
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Liabilities assumed	531,000
<hr/>	
<b>Excess of Assets Acquired Over Liabilities Assumed</b>	<b>\$ 218,000</b>

### 4. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2018	2017
2018 Campaign	\$ 619,014	\$ -
2017 Campaign	15,152,942	69,159
2016 Campaign	413,150	13,283,304
2015 Campaign	-	100,136
2014 Campaign	-	25,000
<hr/>		
Campaign pledges - gross	16,185,106	13,477,599
Less: Allowance for uncollectible accounts	(1,088,432)	(1,058,186)
<hr/>		
<b>Campaign Pledges - Net</b>	<b>\$ 15,096,674</b>	<b>\$ 12,419,413</b>

The above pledges receivable are due to annual campaigns and, accordingly, are all anticipated to be collected within the next year.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 5. Investments

Investments consist of the following as of June 30:

	2018	2017
Mutual funds		
Fixed income funds	\$ 10,889,969	\$ 9,332,919
Equity funds		
Domestic	8,027,604	7,864,878
International	3,199,823	2,908,093
Equity securities	3,158,076	2,742,786
Exchange traded funds	442,719	316,808
	\$ 25,718,191	\$ 23,165,484

At June 30, 2018 and 2017, The United Way of Southwestern Pennsylvania's investments are measured at fair value as determined by quoted prices in active markets (Level 1 - significant observable inputs).

### 6. Funds Held by Others

Funds held by others are recorded at fair value and consist of the following as of June 30:

	2018	2017
Funds held by others		
Charitable trusts	\$ 1,286,893	\$ 1,244,191
Community foundation	4,459,081	4,321,423
	\$ 5,745,974	\$ 5,565,614

The composition of funds held by others consists of the following as of June 30:

	2018	2017
Investments held by charitable trusts		
Donor-restricted - Note 12		
Permanently restricted	\$ 933,251	\$ 899,185
Temporarily restricted	353,642	345,006
	\$ 1,286,893	\$ 1,244,191

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 6. Funds Held by Others (Continued)

	2018	2017
Investments held by community foundation		
Donor-restricted		
Permanently restricted	\$ 1,183,611	\$ 1,164,453
Temporarily restricted	1,449,648	1,392,636
	2,633,259	2,557,089
Unrestricted		
Undesignated	(21,819)	(29,657)
Board designated	1,847,641	1,793,991
	\$ 4,459,081	\$ 4,321,423

Investments held at the community foundation, as noted in the summary of significant accounting policies (Note 2), are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments, including private equities and absolute return investments. A substantial portion of the underlying assets at the community foundation is measured at fair value using Level 1 and 2 inputs. The United Way of Southwestern Pennsylvania's ownership in such investments is represented by an undivided interest in investment portfolios managed by the community foundation, not in the underlying assets themselves. The United Way of Southwestern Pennsylvania has a unitized ownership interest in these pools and does not have direct ownership of the underlying investments. The fair value of the pooled investments held by the community foundation is based on the number of units held at year end. The undivided interests in these portfolios are not themselves publically traded.

The United Way of Southwestern Pennsylvania follows the redemption requirements stipulated by the donor and by the spending policy of the foundation. The United Way of Southwestern Pennsylvania cannot transfer the funds to another foundation at any time. As a result of the withdrawal limitations, the investments are reported as Level 3 measurements.

The following table sets forth by level, within the fair value hierarchy, The United Way of Southwestern Pennsylvania's funds held by others as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Funds held by others				
Charitable trusts	\$ -	\$ -	\$ 1,286,893	\$ 1,286,893
Community foundation	-	-	4,459,081	4,459,081
<b>Total</b>	\$ -	\$ -	\$ 5,745,974	\$ 5,745,974

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 6. Funds Held by Others (Continued)

The following table sets forth by level, within the fair value hierarchy, The United Way of Southwestern Pennsylvania's funds held by others as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Funds held by others				
Charitable trusts	\$ -	\$ -	\$ 1,244,191	\$ 1,244,191
Community foundation	-	-	4,321,423	4,321,423
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,565,614</b>	<b>\$ 5,565,614</b>

The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows:

	Charitable Trusts	Community Foundation
Beginning balance at July 1, 2016	\$ 1,152,385	\$ 3,837,552
Earnings and net appreciation	91,806	433,116
Contributions	-	289,596
Commissions and fees	-	(71,871)
Distributions	-	(166,970)
Ending balance at June 30, 2017	1,244,191	4,321,423
Earnings and net appreciation	42,702	359,979
Contributions	-	520
Commissions and fees	-	(57,226)
Distributions	-	(165,615)
<b>Ending Balance at June 30, 2018</b>	<b>\$ 1,286,893</b>	<b>\$ 4,459,081</b>

### 7. Furniture, Equipment and Software

Furniture, equipment and software consist of the following as of June 30:

	2018	2017
Leasehold improvements	\$ 74,866	\$ 74,866
Furniture and equipment	516,740	512,780
Software	3,417,727	3,359,869
	4,009,333	3,947,515
Less: Accumulated depreciation	(2,671,053)	(1,987,937)
	<b>\$ 1,338,280</b>	<b>\$ 1,959,578</b>

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 8. Lines of Credit

The United Way of Southwestern Pennsylvania has a \$750,000 annually renewable revolving credit line with PNC Bank at an interest rate of prime (5.00% at June 30, 2018) that expires in July 2019. At June 30, 2018 and 2017, there were no outstanding borrowings.

On April 1, 2018, The United Way of Southwestern Pennsylvania assumed responsibility for a \$200,000 demand revolving credit line with NexTier Bank that had previously been entered into by The United Way of Butler County. The line of credit has a variable interest rate which was 5.50% at June 30, 2018, and will continue until termination of the borrower's credit line account. At June 30, 2018, there were outstanding borrowings of \$68,000.

### 9. Retirement Plans

The United Way of Southwestern Pennsylvania sponsors a defined contribution 403(b) plan for the former United Way of Allegheny County employees, a defined contribution 403(b) plan for the former United Way of Westmoreland County employees, a defined contribution 403(b) plan for the former United Way of Butler County employees, and a qualified noncontributory defined benefit pension plan (Pension Plan) covering substantially all of the former United Way of Allegheny County employees.

The former United Way of Allegheny County employees may elect to defer pre-tax contributions up to specified limits into their 403(b) plan. The United Way of Southwestern Pennsylvania makes a 100% matching contribution up to 4% of a participating employee's salary. The former United Way of Westmoreland County employees may elect to defer pre-tax contributions up to specified limits into their 403(b) plan. The United Way of Southwestern Pennsylvania makes a contribution equal to 6.5% of each participating employee's salary. The former United Way of Butler County employees may elect to defer pre-tax contributions up to specified limits into their 403(b) plan. The United Way of Southwestern Pennsylvania makes a contribution equal to 3% of each participating employee's salary and up to an additional 3% matching contribution. Employer contributions into the three plans approximated \$158,000 for the year ended June 30, 2018 and \$132,000 for the year ended June 30, 2017.

The Pension Plan provides for benefits to be paid to eligible employees at retirement based upon years of service and the employee's compensation levels during the last five years of employment prior to the normal retirement date. The United Way of Southwestern Pennsylvania's funding policy is to contribute annually an amount based on actuarially determined deposit amounts in accordance with the minimum funding requirements prescribed by the Employee Retirement Income Security Act of 1974, as amended. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Pension plan assets are invested in insurance company pooled separate accounts, bank common and collective trust funds and U.S. Government obligations.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 9. Retirement Plans (Continued)

The following table sets forth the funded status as of June 30:

	2018	2017
Projected benefit obligation	\$ (10,836,581)	\$ (11,135,568)
Fair value of pension plan assets	7,248,049	6,824,193
<b>Underfunded Status at June 30</b>		
	<b>\$ (3,588,532)</b>	<b>\$ (4,311,375)</b>
<b>Accrued Pension Obligation Recognized in the Balance Sheets</b>		
	<b>\$ (3,588,532)</b>	<b>\$ (4,311,375)</b>

The following table sets forth the reconciliation of items not yet reflected in net periodic pension cost and recognized in the statements of activities and changes in net assets:

		Reclassified as Net Periodic Pension Cost	Amounts Arising During Fiscal Year	June 30, 2018
Net Loss	\$ 3,239,074	\$ (355,328)	\$ (478,867)	\$ 2,404,879

Unrestricted net assets have been increased by net actuarial gain of \$834,195 for the year ended June 30, 2018 and \$562,192 for the year ended June 30, 2017. The unrecognized net loss that is expected to be recognized as a component of the 2019 net periodic pension cost is \$231,793.

Other information concerning the Pension Plan for the years ended June 30 is as follows:

	2018	2017
<b>Net Periodic Pension Cost</b>	<b>\$ 730,233</b>	<b>\$ 797,111</b>
<b>Benefits and Expenses Paid</b>	<b>\$ 577,769</b>	<b>\$ 617,997</b>

Elective contributions made to the Pension Plan were \$619,000 in 2018 and \$533,000 in 2017. The United Way of Southwestern Pennsylvania intends to make contributions in amounts which equal or exceed the minimum funding requirements of ERISA. The actual minimum funding requirement for future periods will be determined at each anniversary date.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 9. Retirement Plans (Continued)

The assumptions used to determine the value of the projected benefit obligation, actuarial present value of accumulated plan benefits, fair value of pension plan assets and pension expense for the years ended June 30 are as follows:

	2018	2017
Assumption (expressed in terms of an annual percentage)		
Discount rate	3.90%	3.50%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of increase in compensation levels	4.00%	4.00%

The United Way of Southwestern Pennsylvania's expected rate of return on pension plan assets is determined by the pension plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The United Way of Southwestern Pennsylvania's asset allocations by asset category as of June 30 are as follows:

	2018	2017
Equity	46.1%	51.6%
Fixed income	41.0%	42.8%
General account	12.9%	5.6%

Subject to the operating policies of the insurance company, The United Way of Southwestern Pennsylvania's investment strategy with respect to the funds held by the insurance company is to allocate approximately 50% of contributions to equity investments and 50% to fixed investments.

The fair value of the plan investments by asset class consists of the following as of June 30:

	2018	2017
Mutual funds - fixed income	\$ 1,436,827	\$ 1,464,251
Pooled separate account - fixed income	1,535,893	1,454,526
Pooled separate account - equities	3,338,542	3,522,759
Unallocated insurance contracts - general account	936,787	382,657
	<b>\$ 7,248,049</b>	<b>\$ 6,824,193</b>

Mutual funds are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund on the last day of the Pension Plan's year end, June 30. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the fair value hierarchy.

Mutual of America (MOA) is the Pension Plan's actuary and insurance carrier. Investments in pooled separate accounts are valued by MOA at the NAV of the underlying investment assets.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 9. Retirement Plans (Continued)

The separate account invested assets are subject to market value on a daily basis. The Pension Plan's proportionate share of each pooled separate account's investment income is credited in accordance with the revaluation of the units of participation and is included in the allocation of fund investment activity. The pooled separate accounts are excluded from the fair value hierarchy in accordance with ASU 2015-07, which was adopted during 2017.

Investment in an unallocated insurance contract is valued at contract value as determined in accordance with the contract with MOA, who guarantees a fixed interest rate. Contract value represents contributions made under the contract, plus investment income earned less withdrawals. Contract value approximates fair value. The insurance contract is classified within Level 2 of the fair value hierarchy.

The approximate benefit payments expected to be paid are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2019	\$ 2,505,000
2020	\$ 351,000
2021	\$ 293,000
2022	\$ 724,000
2023	\$ 480,000
2024-2028	\$ 2,490,000

### 10. Endowment Funds

The United Way of Southwestern Pennsylvania's endowment funds consist of twelve individual funds established for a variety of purposes. Nine of the twelve individual funds are investments with the community foundation (Note 6). The endowment funds include both donor-restricted funds and funds designated by The United Way of Southwestern Pennsylvania's Board of Directors to function as endowments (board designated endowment funds). Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions as required by generally accepted accounting principles.

The composition of net assets by type of endowment fund at June 30, 2018 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - Note 12	\$ (22,884)	\$ 1,598,737	\$ 3,118,261	\$ 4,694,114
Board designated endowment funds - Note 11	1,848,706	-	-	1,848,706
<b>Total Endowment Fund</b>	<b>\$ 1,825,822</b>	<b>\$ 1,598,737</b>	<b>\$ 3,118,261</b>	<b>\$ 6,542,820</b>



# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 10. Endowment Funds (Continued)

The composition of net assets by type of endowment fund at June 30, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - Note 12	\$ (29,657)	\$ 1,467,544	\$ 2,676,563	\$ 4,114,450
Board designated endowment funds - Note 11	1,793,991	-	-	1,793,991
<b>Total Endowment Fund</b>	<b>\$ 1,764,334</b>	<b>\$ 1,467,544</b>	<b>\$ 2,676,563</b>	<b>\$ 5,908,441</b>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2016	\$ 1,664,893	\$ 1,460,594	\$ 1,958,260	\$ 5,083,747
Contributions	254	-	606,500	606,754
Fees	(36,704)	(34,087)	(1,078)	(71,869)
Net investment income	220,997	205,931	114,920	541,848
Appropriation of endowment funds	(85,106)	(164,894)	(2,039)	(252,039)
Balance - June 30, 2017	1,764,334	1,467,544	2,676,563	5,908,441
Contributions	440	158,409	328,246	487,095
Fees	(28,351)	(26,374)	(5,293)	(60,018)
Net investment income	173,237	162,805	121,938	457,980
Appropriation of endowment funds	(83,838)	(163,647)	(3,193)	(250,678)
<b>Balance - June 30, 2018</b>	<b>\$ 1,825,822</b>	<b>\$ 1,598,737</b>	<b>\$ 3,118,261</b>	<b>\$ 6,542,820</b>

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level The United Way of Southwestern Pennsylvania is required to retain by donor stipulation or by law. The amount of the deficiency was \$22,884 as of June 30, 2018 and \$29,884 for 2017. In accordance with accounting principles generally accepted in the United States of America, these deficiencies have been properly accounted for and reported in unrestricted net assets as of June 30, 2018 and 2017.

The United Way of Southwestern Pennsylvania follows the investment and spending policies for endowment assets that have been adopted by the community foundation which manages the majority of its endowment funds.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 10. Endowment Funds (Continued)

Endowment assets include those assets of donor-restricted funds that The United Way of Southwestern Pennsylvania must hold in perpetuity or for a donor-specified period(s) as well as board designated funds.

The community foundation adopted the total investment return policy of Pennsylvania Act 141 which requires a spending policy of between 2% and 7% of the three-year average value of the funds. The spending policy for both 2018 and 2017, as approved by the Board of Directors, was 5%. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide long-term growth which exceeds inflation plus the annual payout requirement of 5% while maintaining a prudent investment risk policy. The funds held by the community foundation also include certain permanently restricted endowment funds where the income is restricted by the donor for future capital needs of The United Way of Southwestern Pennsylvania or its affiliated agencies (Note 12).

To satisfy its long-term rate-of-return objectives, The United Way of Southwestern Pennsylvania 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). The asset allocation policy adopted by the community foundation is outlined below:

Asset Class	Target	Range
Domestic public equity	20%	15%-25%
International public equity	23%	15%-25%
Global private equity	10%	5%-15%
Marketable alternatives	25%	20%-30%
Inflation hedging	10%	5%-15%
Fixed income	12%	7%-20%
Cash	0%	0%-10%

The United Way of Southwestern Pennsylvania's governing body has interpreted the current state statute as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. Based on this interpretation, The United Way of Southwestern Pennsylvania classifies as permanently restricted net assets the original value of the gift, the original value of any subsequent gifts to the permanent endowment and accumulations made in accordance with the direction of the donor gift instrument. The remaining portion of the donor-restricted endowment funds is classified as unrestricted or temporarily restricted donor net assets as required by the donor.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 11. Unrestricted Net Assets

Unrestricted net assets include funds designated by The United Way of Southwestern Pennsylvania's Board of Directors for specific purposes. Unrestricted net assets, including these board designated funds, consist of the following as of June 30:

	2018	2017
Unrestricted - undesignated	\$ 12,670,271	\$ 12,203,024
Unrestricted - board designated		
Endowment fund - Note 10	1,825,822	1,764,334
Community impact targeted investments	268,460	267,430
United Way Forward	4,962,641	5,277,607
Agency support	24,735	24,735
	7,081,658	7,334,106
	\$ 19,751,929	\$ 19,537,130

### 12. Restricted Net Assets

Temporarily restricted net assets as of June 30 are available for the following purposes:

	2018	2017
Programs of specific nature as designated by donors		
Helping Families Thrive	\$ 1,095,906	\$ 684,517
Seniors	289,264	361,159
Persons with disabilities	325,488	536,343
Children and youth	2,559,846	2,738,242
Facility & Technology Fund/Falk Endowment	1,451,429	1,520,214
United Way Forward	2,995,685	1,279,459
Veterans assistance/local disaster relief	110,939	150,826
Other	12,528	-
Time restricted - charitable remainder trust - Note 6	353,642	345,006
	\$ 9,194,727	\$ 7,615,766

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

### 12. Restricted Net Assets (Continued)

Permanently restricted net assets include donor-restricted endowment funds requiring that the original gifts be invested in perpetuity and The United Way of Southwestern Pennsylvania's beneficial interest in certain charitable trusts. The values of these funds are as follows as of June 30:

	2018	2017
Endowment Funds - Note 10		
Maurice and Laura Falk Foundation	\$ 530,500	\$ 530,500
F. E. Agnew Family Fund	265,951	265,951
George Hahn Endowment	21,554	21,554
Paul A. Stackhouse, Sr. Memorial Fund	27,076	27,076
Other	366,333	347,177
Dietrich Foundation	1,906,847	1,484,306
	<b>3,118,261</b>	<b>2,676,564</b>
Beneficial interests in charitable trusts - Note 6	933,251	899,185
<b>Permanently Restricted Net Assets</b>	<b>\$ 4,051,512</b>	<b>\$ 3,575,749</b>

Income from the Maurice and Laura Falk Foundation fund is restricted for use in financing capital requirements of partner agencies and The United Way of Southwestern Pennsylvania. This income is reported as temporarily restricted in the accompanying financial statements. Such income and accumulated appreciation is reported as temporarily restricted net assets and is classified as available for capital expenditures (Note 10). Income from the Dietrich Foundation is restricted for use for the United Way program "Preparing Children and Youth to Succeed in School and Life". This income is reported as temporarily restricted net assets.

Income from the other funds is available to support all activities of The United Way of Southwestern Pennsylvania and is reported as unrestricted in the accompanying financial statements.

### 13. Contractual and Lease Commitments

On July 7, 2005, The United Way of Southwestern Pennsylvania entered into a lease agreement, as amended in April 2013, for new office space for a 15-year period beginning September 1, 2005.

In September 2016, The United Way of Southwestern Pennsylvania entered into a three-year lease agreement for a vehicle.

On August 1, 2017, The United Way of Southwestern Pennsylvania entered into a three-year lease for office space in Greensburg.

On March 1, 2016, The United Way of Southwestern Pennsylvania entered into a five-year lease for copiers in the Greensburg office.

On April 19, 2017, The United Way of Southwestern Pennsylvania entered into a five-year lease for copiers in the Pittsburgh office.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 13. Contractual and Lease Commitments (Continued)

On January 1, 2018, The United Way of Southwestern Pennsylvania entered into a three-year lease for 211 call center office space.

On April 1, 2018, The United Way of Southwestern Pennsylvania assumed responsibility for a lease that had previously been entered into by The United Way of Butler County for office space. The lease has a remaining term of approximately 3 years.

The future minimum lease payments for these lease agreements as of June 30, 2018 are as follows:

<i>For the Year Ending June 30,</i>	<i>Amount</i>
2019	\$ 640,000
2020	638,000
2021	229,000
2022	21,000
	<hr/>
	\$ 1,528,000

The United Way of Southwestern Pennsylvania has entered into long-term service contracts with vendors for which the future minimum payments for contractual obligations as of June 30, 2018 are as follows:

<i>For the Year Ending June 30,</i>	<i>Amount</i>
2019	\$ 179,000
2020	105,000
2021	16,000
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	\$ 300,000

### 14. Related Parties

The United Way of Southwestern Pennsylvania's Board of Directors includes volunteers from the local business community who provide valuable assistance in the development of policies and programs. The United Way of Southwestern Pennsylvania's Board of Directors has adopted a policy that defines how members of the Board of Directors may participate in decisions regarding allocations and grants to agencies with which they are affiliated.

Several nonprofit organizations with Board of Directors or management relationships receive a portion of the funding distributed by The United Way of Southwestern Pennsylvania each year. The amounts allocated and payable to these agencies totaled approximately \$293,000 in 2018 and \$275,000 in 2017.

# The United Way of Southwestern Pennsylvania

## Notes to the Financial Statements (Continued)

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### 14. Related Parties (Continued)

During 2018 and 2017, certain legal, advertising, consulting and processing services were provided to The United Way of Southwestern Pennsylvania by companies managed by members of The United Way of Southwestern Pennsylvania's Board of Directors. Charges paid to these companies totaled approximately \$582,000 in 2018 and \$1,045,000 in 2017.