



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

UNITED WAY OF GREATER TOPEKA, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

UNITED WAY OF GREATER TOPEKA, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Way of Greater Topeka, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater Topeka, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and other functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as outlined in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Berberich Trahan & Co., P.A.

December 18, 2018
Topeka, Kansas

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(with Summarized Financial Information for June 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash on hand and in banks	\$ 142,526	\$ 212,758
Short-term investments	28,013	35,874
Operating investments	272,636	293,929
Pledges receivable:		
2017-2018 campaign, less allowance of \$ 145,541	1,078,497	-
2016-2017 campaign, less allowance of \$ 145,547	-	1,249,395
Other receivables	10,764	18,408
Grants receivable	290,358	230,666
Prepaid expenses	27,529	25,453
Total current assets	<u>1,850,323</u>	<u>2,066,483</u>
Furniture and equipment, net of accumulated depreciation of \$ 463,553 and \$ 460,826	7,610	10,337
Long-term investments	2,128,643	2,301,779
Total assets	<u>\$ 3,986,576</u>	<u>\$ 4,378,599</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts and grants payable	\$ 410,777	\$ 470,586
Accrued expenses	67,087	80,213
Due to participating agencies and other communities	233,538	243,972
Deferred revenue	4,481	110,872
Total current liabilities	<u>715,883</u>	<u>905,643</u>
Net assets:		
Unrestricted:		
Undesignated	1,487,766	1,558,792
Board designated	1,239,441	1,382,018
Total unrestricted net assets	<u>2,727,207</u>	<u>2,940,810</u>
Restricted:		
Temporarily restricted	270,743	262,418
Permanently restricted	272,743	269,728
Total net assets	<u>3,270,693</u>	<u>3,472,956</u>
Total liabilities and net assets	<u>\$ 3,986,576</u>	<u>\$ 4,378,599</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(with Summarized Financial Information for the Year Ended June 30, 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support:				
Campaign applicable to current year:				
Contributions received - current year	\$ 2,563,731	\$ 3,108	\$ -	\$ 2,566,839
Less: donor designations - United Way campaign	(281,807)	-	-	(281,807)
Less: allowance for uncollectible pledges	(107,987)	-	-	(107,987)
Net campaign applicable to current year	2,173,937	3,108	-	2,177,045
Private and public grants	2,456,814	-	-	2,456,814
Special grants and contributions	-	63,507	3,015	66,522
Memorial and trust income	670	-	-	670
Net investment income	167,436	34,195	-	201,631
In-kind contributions	47,904	-	-	47,904
Volunteer Center programs	-	26,222	-	26,222
Other	(7,727)	-	-	(7,727)
Net assets released from restriction	118,707	(118,707)	-	-
Total revenues, gains and other support	4,957,741	8,325	3,015	4,969,081
Allocations and other functional expenses:				
Community impact	1,322,429	-	-	1,322,429
Other functional expenses	3,848,915	-	-	3,848,915
Total expenses	5,171,344	-	-	5,171,344
Change in net assets	(213,603)	8,325	3,015	(202,263)
Net assets, beginning of year	2,940,810	262,418	269,728	3,472,956
Net assets, end of year	\$ 2,727,207	\$ 270,743	\$ 272,743	\$ 3,270,693

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(with Summarized Financial Information for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (202,263)	\$ (277,443)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,727	19,216
Net unrealized and realized gains and losses on investments	(173,909)	(238,692)
Change in assets and liabilities:		
Pledges receivable for other than long-term purposes	167,883	82,443
Other receivables	7,644	(663)
Grants receivable	(59,692)	237,292
Prepaid expenses	(2,076)	21,459
Accounts payable	(59,809)	(232,598)
Accrued expenses	(13,126)	(10,475)
Due to participating agencies and other communities	(10,434)	(17,479)
Deferred revenue	(106,391)	70,780
	<u>(449,446)</u>	<u>(346,160)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from sale of operating investments	29,154	53,052
Purchases of long-term investments	(32,978)	(367,124)
Proceeds from sale of long-term investments	380,023	639,494
	<u>376,199</u>	<u>325,422</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	3,015	4,506
	<u>(70,232)</u>	<u>(16,232)</u>
Net decrease in cash		
Cash on hand and in banks, beginning of year	212,758	228,990
	<u>\$ 142,526</u>	<u>\$ 212,758</u>
Cash on hand and in banks, end of year		

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF OTHER FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(with Summarized Financial Information for the Year Ended June 30, 2017)

	2018				2017 Total
	Support Services			Total	
	Management and General	Resource Development	Program Expenses		
Salaries	\$ 320,440	\$ 163,364	\$ 255,056	\$ 738,860	\$ 903,210
Payroll taxes	21,883	13,357	21,929	57,169	71,585
Employee benefits and retirement	33,492	15,335	32,406	81,233	115,151
Office rent	43,348	20,088	42,291	105,727	113,207
External printing	529	4,954	7,704	13,187	5,130
Public relations	16,897	9,145	21,121	47,163	112,850
Campaign ambassador	-	1,673	-	1,673	16,464
Professional fees	48,054	2,047	14,136	64,237	93,828
Insurance	3,948	1,830	3,852	9,630	9,972
Technology expenses	9,807	8,269	12,535	30,611	40,617
Office supplies	5,883	5,490	6,684	18,057	24,350
Telephone	4,117	1,908	4,017	10,042	10,162
Postage and shipping	2,522	1,465	2,461	6,448	7,342
Local transportation	344	2,678	3,442	6,464	8,364
Conferences and travel	7,291	2,437	8,499	18,227	26,068
Meetings	1,193	643	9,471	11,307	15,134
Subscriptions and reference publications	49	23	467	539	464
Local dues	1,587	556	305	2,448	2,787
Volunteer recognition	-	35	167	202	734
National dues	19,615	9,090	19,136	47,841	40,580
United Rocks	-	-	-	-	27,508
Junior Leader Reader	-	-	8,845	8,845	2,653
Successful Connections	-	-	1,006	1,006	1,765
Born Learning Trail	-	-	991	991	3,238
Dolly Parton Library	-	-	40,100	40,100	7,923
Day of Caring	-	-	8,991	8,991	18,093
Grants	-	-	2,448,830	2,448,830	2,268,646
Christmas Bureau	-	-	35,417	35,417	34,026
Young Leaders Society	-	-	-	-	398
Women United	-	-	4,728	4,728	2,446
WU Student Allocation	-	-	8,000	8,000	9,000
NOW Program	-	-	23	23	-
Powering the Good	-	-	2,126	2,126	-
Campaign expenses	-	1,355	-	1,355	-
Sales tax	311	144	303	758	-
Miscellaneous	5,325	3,005	5,623	13,953	8,394
Total expenses before depreciation	546,635	268,891	3,030,662	3,846,188	4,002,089
Depreciation of furniture and equipment	2,727	-	-	2,727	19,216
Total expenses	\$ 549,362	\$ 268,891	\$ 3,030,662	\$ 3,848,915	\$ 4,021,305

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1 - Organization and Summary of Significant Accounting Policies

Organization

United Way of Greater Topeka, Inc. (the Organization) brings together people, companies and nonprofits from Shawnee, Jefferson and Jackson counties to create positive sustainable change in our community. The Organization works to solve issues no single donor, charity, or government agency can handle alone. By focusing on education, financial stability and health, the Organization helps more children graduate and get stable jobs, helps families become financially stable and improves the overall health of our community. The Organization supports basic needs assistance to help those in crisis move toward long-term stability.

The Organization connects individual and workplace donors throughout the community with nonprofits that are committed to long-term change. These investments help ensure that regardless of a person's zip code:

- Children are ready to learn when they start school.
- Children keep up with their peers in grade school, increasing their chances of graduating high school.
- Individuals and families are financially stable and able to save and plan for the future.
- Everyone has access to nutritious and affordable food and opportunities to be active and healthy.

Through impact work, partnerships, and collaborations, the Organization makes sure more voices join the discussion about the future of our community. Investment decisions are made by volunteers from the community. As part of a competitive grant process, volunteers meet to review submitted proposals aimed at achieving the community impact goals and addressing basic needs. Proposals showing the greatest ability to meet the goals are awarded grants.

Cash on Hand and in Banks

Cash on hand and in banks consists of cash and investments with original maturities of less than three months and which have not been designated by management as operating investments (see Note 2).

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

The Organization maintains a significant portion of its total assets in a combination of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

Investments

Short-term investments include a non-negotiable certificate of deposit and operating investments include savings accounts, money market deposit accounts, and non-negotiable certificates of deposit. Both short-term and operating investments are recorded at cost since they are not affected by market rate changes.

The Organization invests in mutual funds which are reported at fair value. The Organization also invests in pooled funds at the Topeka Community Foundation (the Foundation). The pooled shares at the Foundation are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable represent legally enforceable pledges which are recorded at their net realizable value in the period made. The allowance for uncollectible pledges estimated at 5.7% for the years ended June 30, 2018 and 2017, respectively, is based on an analysis of historical trends, current levels of campaign revenue, and other factors.

Pledges for each campaign year are expected to be collected within one year. Pledges not collected by March 31 of the following year are deemed uncollectible.

Furniture and Equipment

Furniture and equipment are carried at cost. Furniture and equipment with a cost of more than \$ 1,000 and an estimated useful life of more than one year are capitalized. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are recorded as permanently restricted net assets.

In accordance with ASC 958-605, Not-For-Profit Revenue Recognition, contributions designated to specific recipient organizations are reflected as a reduction to campaign contributions and recorded as a liability.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts time-restricted by donors or law or restricted by donors for a specific purpose. The net assets released from restriction are contributions received in prior periods for which the time or purpose restriction were satisfied. Temporarily restricted net assets are included in cash on hand and in banks, operating investments, and long-term investments on the statement of financial position.

Donated Materials, Facilities and Services

Donated materials, facilities, and services, such as advertising and professional services, have been recognized at fair value in the financial statements in the amounts of \$ 47,904 and \$ 112,816 for the years ended June 30, 2018 and 2017, respectively. The related expenses have been included in the statement of other functional expenses.

A substantial number of volunteers have donated significant amounts of their time on the Organization's fund raising campaign and other activities. No amounts have been reflected in the statements for such services.

Functional Expense Allocation

Certain expenses have been allocated between program and support services based on the amount of time employees spend on each function.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code, and has been classified as other than a private foundation by the Internal Revenue Service.

The Organization's policy is to evaluate uncertain tax positions annually. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Forms 990 and 990T filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the Organization are no longer subject to examination for the fiscal years ended December 31, 2013 and prior.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

Reclassification

Certain prior year information was reclassified to conform to the current year presentation.

Pending Accounting Pronouncements

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. Early application of the amendment is permitted. Management is currently evaluating the impact that the standard may have on the Organization's financial statements.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on the financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is currently evaluating the impact the standard may have on the Organization's financial statements.

2 - Investments

Operating investments were as follows at June 30:

	2018	2017
Savings and money market deposit accounts:		
Community Bank	\$ -	\$ 3,407
INTRUST Bank	476	476
Capitol Federal Savings	46,706	66,118
	47,182	70,001
Certificates of deposit:		
INTRUST Bank	9,180	9,151
Alliance Bank	216,274	214,777
	225,454	223,928
	\$ 272,636	\$ 293,929

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Investments (Continued)

Long-term investments held at an investment company, consisted of the following at June 30:

	2018	
	Cost	Fair Value
Mutual funds	\$ 1,119,922	\$ 1,317,309
	2017	
	Cost	Fair Value
Mutual funds	\$ 1,148,044	\$ 1,298,152

Other long-term investments, which are held in trust at the Foundation in the amount of \$ 811,334 and \$ 1,003,627 at June 30, 2018 and 2017, respectively, are pooled with other funds at the Foundation.

Amounts included in investment income for the years ended June 30, 2018 and 2017 were:

	2018	2017
Short-term and operating investments:		
Dividends and interest	\$ 2,264	\$ 1,760
Long-term investments:		
Dividends, interest and capital gains	29,643	31,721
Net unrealized and realized gains and losses	173,909	238,692
Investment fees	(4,185)	(6,647)
	199,367	263,766
	\$ 201,631	\$ 265,526

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to fair value measurement and unobservable. |

The asset 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.

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

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Pooled Funds: The fair value is based on quoted market prices or at estimated fair value as reported by the fund manager. The fair value of the Organization's position is the same as the pool value of the shares as reported by the fund manager. The Foundation invests in various other investments including private equity funds, fixed income, and other alternative investments.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - Fair Value Measurements (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

In estimating fair value of the investments measured at net asset value, management monitors the Foundation's investment activity by analyzing the Foundation's investment statements. The Foundation's valuation policies and procedures are determined reasonable by management of the Foundation on a quarterly basis. These valuation procedures are to allocate the Foundation's portion of earnings based on its pro rata ownership percentage in the pool. The valuation of earnings in the pool is based on the earnings of the pooled assets, which are tracked to price indices.

The Organization reconciles investment accounts on a quarterly basis. The Organization's Board of Directors monitors the financial reports, which provide detailed information for the Foundation.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

Description	2018			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Blended funds	\$ 914,245	\$ -	\$ -	\$ 914,245
Bond fund	403,064	-	-	403,064
Investments measured at net asset value ^(a)	-	-	-	811,334
Total	<u>\$ 1,317,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128,643</u>

Description	2017			
	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Blended funds	\$ 943,706	\$ -	\$ -	\$ 943,706
Bond fund	354,446	-	-	354,446
Investments measured at net asset value ^(a)	-	-	-	1,003,627
Total	<u>\$ 1,298,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,301,779</u>

(a) In accordance with Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

There were no transfers between the levels during the years ended June 30, 2018 and 2017. The Organization's policy is to only recognize transfers in and out of the levels at the end of the reporting period; interim changes in the fair value inputs are not recognized.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Fair Value Measurements (Continued)

Fair Value of Investments that use Net Asset Value (NAV)

The following table summarizes investments measured at fair value based on the NAV per share as of June 30, 2018 and 2017:

Investment	Fair Value June 30, 2018	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled funds ^(a)	\$ 811,334	None	Daily	None

Investment	Fair Value June 30, 2017	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled funds ^(a)	\$ 1,003,627	None	Daily	None

^(a) This investment's objective is to earn a rate of return, net of all fees, in excess of 80% S & P 500 Index/20% Barclays Capital Aggregate Government/Corporate Bond Index benchmark over rolling five-year and ten-year periods.

4 - Leases

The Organization leases office space, storage space and equipment under agreements which are classified as operating leases. The office space lease is for a five-year term, with an extension expiring January 31, 2019. Monthly lease payments are approximately \$ 9,300 for the lease. Annual net lease expense for the office space including operating expenses for the years ended June 30, 2018 and 2017 was \$ 112,500 and \$ 111,202, respectively. Future minimum lease payments for the year ended June 30, 2019 are \$ 65,625.

The Organization signed a new lease agreement for a different building that starts in January 2019. Monthly lease payments will range from \$ 5,125 to \$ 5,947 for this lease.

UNITED WAY OF GREATER TOPEKA, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Endowment

The Organization's endowment consists of donor restricted endowment funds and the earnings on those funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Endowment (Continued)

The endowment net assets composition at June 30, 2018 and 2017 was:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 135,102	\$ 272,743	\$ 407,845

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 99,829	\$ 269,728	\$ 369,557

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Endowment (Continued)

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 99,829	\$ 269,728	\$ 369,557
Investment return:				
Net appreciation (realized and unrealized)	-	35,273	-	35,273
Contributions	-	-	3,015	3,015
Appropriations of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 135,102</u>	<u>\$ 272,743</u>	<u>\$ 407,845</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 67,595	\$ 265,222	\$ 332,817
Investment return:				
Net appreciation (realized and unrealized)	-	32,234	-	32,234
Contributions	-	-	4,506	4,506
Appropriations of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 99,829</u>	<u>\$ 269,728</u>	<u>\$ 369,557</u>

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 - Endowment (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2018.

The Organization's endowment assets are invested at the Foundation; therefore, the Organization uses the Foundation's growth portfolio investment policy for investment of its endowment assets. This investment policy is designed to provide for the preservation of capital and for the preservation of purchasing power of the endowment assets by striving for long-term returns that either match or exceed the Foundation's spending policy, the rate of inflation and investment fees. Endowment assets include those assets of donor-designated funds that the Organization should hold in perpetuity. Under the Foundation's investment policy, the long-term investment objective is to earn a rate of return, net of all fees, in excess of an 80% S&P 500 Index/20% Barclays Aggregate Government/Corporate Bond Index benchmark over rolling five- and ten-year periods.

The Organization's endowment funds are pooled with other funds at the Foundation. Investment gains and losses of the Foundation's investments are then allocated to the Organization by the Foundation in proportion to the Organization's portion of the investment pool. The Organization has not implemented a formal spending policy as of June 30, 2018, as the endowment income is generally being allowed to accumulate. The Organization's informal spending policy is to appropriate for expenditure the endowment earnings on a case-by-case basis in accordance with donor restrictions and/or as approved by the Board of Directors.

6 - Board Designated Net Assets

Net assets in the amount of \$ 1,239,441 and \$ 1,382,018 as of June 30, 2018 and 2017, respectively, are designated by the board of directors to be used for community impact, working capital, and other operational needs and contingencies.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Net Asset Restrictions

Temporarily restricted net assets consisted of the following at June 30:

	2018	2017
Time restrictions - endowment earnings	\$ 83,590	\$ 64,716
Women United	23,151	18,132
Christmas Bureau	7,837	28,659
Young Leaders Society	-	219
Young Leaders Society - Junior Leader Readers	-	260
Young Leaders Society - Born Learning Trail	11,695	7,797
Community impact	59,433	44,112
NOW Program	2,480	-
Washburn University Venture Grant program	27,685	35,685
Dolly Parton Imagination Library	34,854	44,934
Disaster relief	16,910	16,910
Impact funding - health	3,108	-
Home visitation retreat	-	994
	\$ 270,743	\$ 262,418

The following temporarily restricted net assets were released from restriction for their restricted purposes during the year ended June 30, 2018:

	2018	2017
Women United	\$ 9,701	\$ 2,514
Christmas Bureau	47,044	49,010
Young Leaders Society	219	485
Young Leaders Society readers	3,362	6,166
Washburn University Venture Grant program	8,000	9,000
NOW Program	4,020	-
Dolly Parton Imagination Library	45,367	14,390
Home visitation retreat	994	1,307
	\$ 118,707	\$ 82,872

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Net Asset Restrictions (Continued)

Permanently restricted net assets in the amount of \$ 272,743 and \$ 269,728 for June 30, 2018 and 2017, respectively, represent the portion of perpetual endowment funds that is required to be retained permanently either by explicit stipulation or by UPMIFA. Permanently restricted net assets are included in long-term investments on the statement of financial position.

8 - Pension

The Organization has a defined contribution retirement plan which covers all employees at least 21 years of age with one year of service. Effective April 1, 2015, the Organization contributes four percent of employees' wages to the plan and matches up to four percent of an elective employee contribution. Effective January 1, 2017, the Organization began contributing two percent of the employees' wages to the plan and will match up to 2 percent of an elective employee contribution. The plan employs a 5-year vesting schedule for the employer match, to apply to all participants hired after April 1, 2015:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Pension cost was approximately \$ 22,900 and \$ 42,000 for the years ended June 30, 2018 and 2017, respectively.

9 - Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF GREATER TOPEKA, INC.

COMMUNITY IMPACT

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Basic needs grants	\$ 395,907	\$ 413,267
Early education grants	322,219	340,759
Financial stability grants	173,184	177,228
On-grade achievement grants	431,019	472,215
Obesity grants	<u>100</u>	<u>42,000</u>
	<u>\$ 1,322,429</u>	<u>\$ 1,445,469</u>

See accompanying independent auditor's report.

UNITED WAY OF GREATER TOPEKA, INC.

PRIVATE AND PUBLIC GRANT REVENUES

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pre - K Pilot Program	\$ 230,171	\$ 382,956
Early Childhood Block Grant	2,007,220	1,788,633
NOW Grant	209,818	79,222
Other contributions and grants	<u>9,605</u>	<u>21,339</u>
	<u>\$ 2,456,814</u>	<u>\$ 2,272,150</u>

See accompanying independent auditor's report.