



United Way of Acadiana

United Way of Acadiana, Inc.
Management's Discussion and Analysis of the Financial Report
For the Year Ended December 31, 2017

Overview of the Financial Statements

This discussion and analysis is a narrative overview and analysis of the financial activities of United Way of Acadiana, Inc. (UWA) prepared by its management for the fiscal year ended December 31, 2017, compared to the corresponding period in the prior year. The intent is to assist the reader in focusing on significant financial issues and provide an overview of the financial activity as it relates to the financial report for the year ended December 31, 2017. **All page numbers noted in this document refer to United Way of Acadiana, Inc. Financial Report for Years Ended December 31, 2017 and 2016 dated June 15, 2018 and is referred to as "the report" in this document.**

Nonprofit Auditing Standards requires the presentation of four basic financial statements, as discussed below. This report also includes notes to the financial statements and other supplementary information in addition to the basic financial statements. These statements have been prepared using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Statements of Financial Position present information on all of UWA's assets and liabilities, with the difference between the two reported as net assets for years ending December 31, 2017 and 2016. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of UWA is improving or deteriorating.

Statements of Activities report information about UWA as a whole and about its activities, including increases and decreases in unrestricted, temporarily restricted, and permanently restricted net assets.

Statements of Functional Expenses breakout the expenses for each activity or service area into greater detail by function.

Statements of Cash Flows show how changes in financial position and activities affect cash and cash equivalents and break the analysis into operating, investing, and financing activities. These statements are useful in determining the short-term viability of a company.

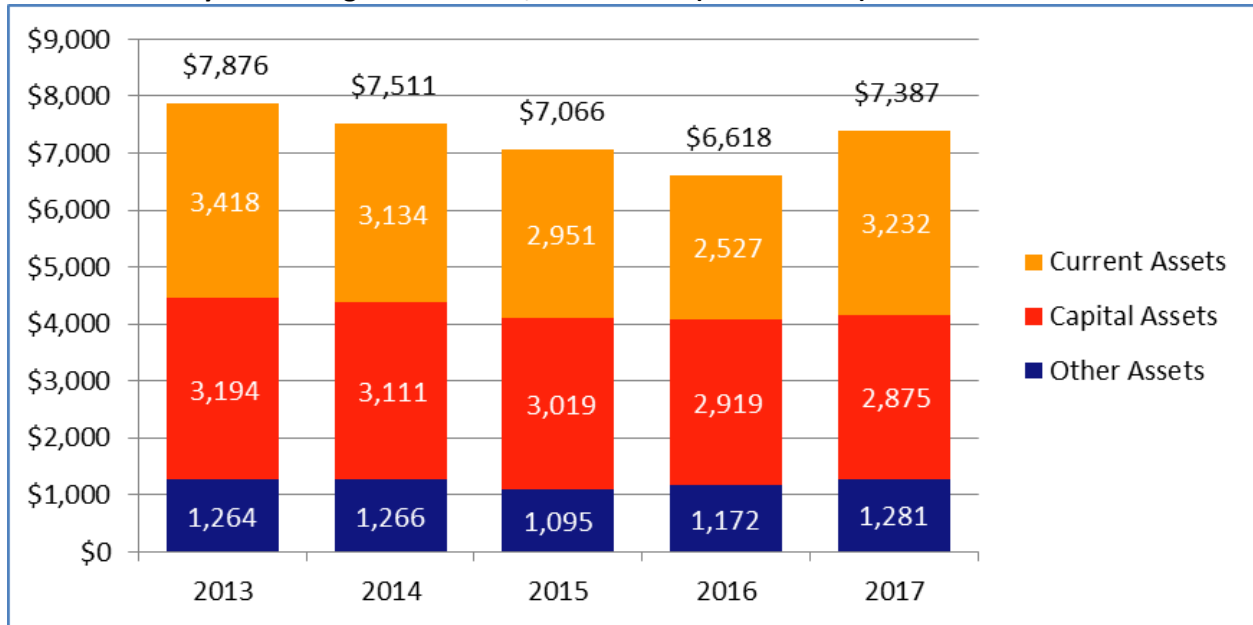
The Notes to the Financial Statements beginning on page 10 of the report are an integral part of the financial statements and are referred to throughout the Financial Statement Analysis that follows.

Supplementary information beginning on page 22 of the report is also presented to inform the reader.

Financial Statement Analysis

The Statements of Financial Position found on page 4 of the report provide a comparison of balances at 2017 and 2016 year end. Total assets comprised of current assets, capital assets and other assets increased by \$769,295 in 2017. The following chart illustrates the five year trend of Total Assets broken out by group:

Total Assets for years ending December 31, 2013 – 2017 (in thousands)



Total current assets increased by \$704,467, net capital assets decreased by \$44,278, and other assets increased by \$109,106.

Cash and cash equivalents included in current assets increased by \$664,005 and those included in restricted endowment assets decreased by \$16,314. The total increase in cash and cash equivalents of \$647,691 is outlined in the Statements of Cash Flows found on page 9 of the report. The total increase is the result of net cash provided by operating activities of \$537,119, net cash used by investing activities of \$88,019, and net cash provided by financing activities of \$198,591. Supplementary schedules of cash account balances can be found on page 23 of the report.

Gross pledge receivables increased by \$3,496, while allowances for uncollected pledges increased by \$76,986 resulting in a decrease in net pledge receivables of \$73,490. Note (2) on page 14 of the report, provides a detailed view of the pledge receivables by campaign year.

Grants receivable of \$26,541 in 2017 and \$21,917 in 2016 are due from the US Department of Health and Human Services, Administration for Children and Families, for the Early Head Start program and were for items purchased by contract or purchase order not yet expended or submitted for reimbursement.

Other receivables increased by \$112,278. At 12/31, UWA had receivables from the Child and Adult Food Care Food Program of \$8,376 and \$9,068, building rent and utility reimbursement of \$2,824 and \$2,146,

and various other receivables of \$2,791 and \$6,925, for 2017 and 2016, respectively. Other receivables in 2017 also included contracted reimbursements for the Leader in Me program of \$116,426.

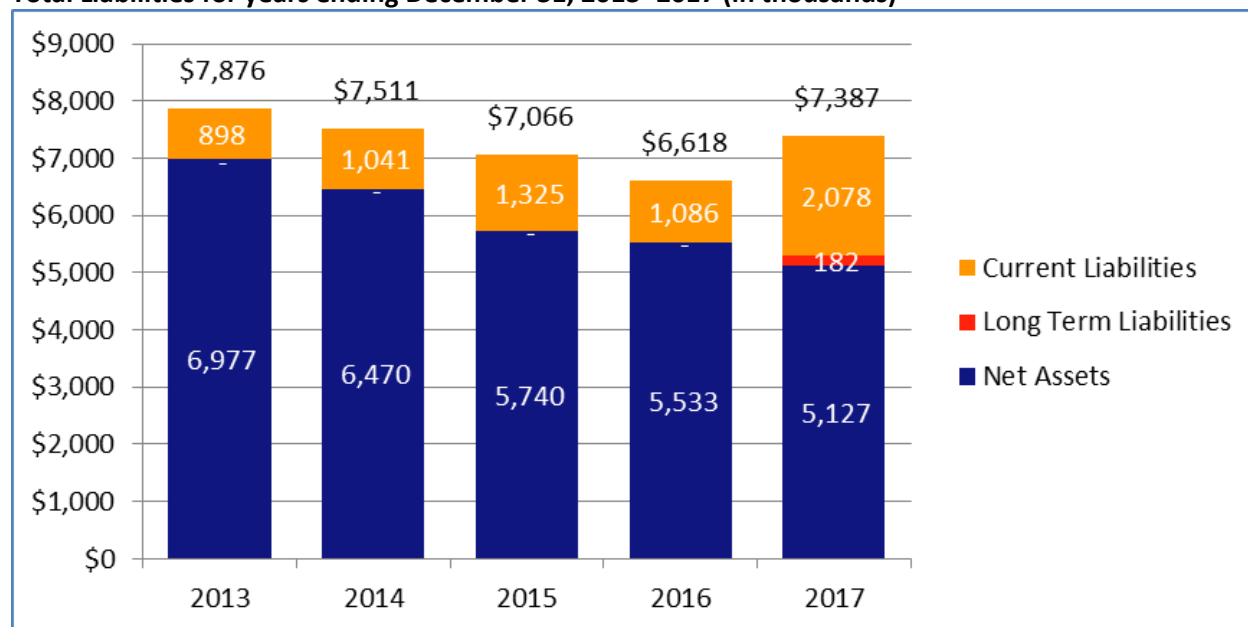
Prepaid expenses increased by \$2,950. At the end of 2017 and 2016, respectively, UWA had prepaid employee health premiums of \$19,988 and \$22,383, other insurance of \$10,130 and \$10,744, and prepaid software maintenance of \$8,025 and \$7,966.

A schedule of the property and equipment, net of accumulated depreciation is provided on page 17 of the report in Note (5) and shows the change of \$44,278 is due to 2017 depreciation of \$98,980, a new asset purchased of \$54,701, and one disposal of a fully depreciated asset of \$7,500. UWA's capitalization policy is outlined in Note (1) F. on page 11 of the report. In 2017, UWA capitalized a new roof for its main building with a cost of \$54,701.

Other assets or asset restricted for endowment, increased by \$109,106 with endowment fund cash decreasing by \$16,314 and endowment fund investments increased by \$125,420. Changes in endowment fund net assets are scheduled in Note (4) beginning at the bottom of page 16 of the report. Realized gains of \$46,182 and unrealized gains of \$45,921 on investments comprise a net gain of \$92,103; interest of \$10,063, dividends of \$18,189, and fund management and banking fees of \$9,249 comprise the net investment income. On July 20, 2017 the UWA Board of Directors approved the transfer of \$2,000 from the endowment fund earnings to fund a Venture grant to LAUW for the Family to Family Support Network. A transfer of \$2,000 was made in July 2017 and is shown as a fund distribution. The breakout of total investment transactions can be found in the Statements of Cash Flows on page 9 of the report.

Total liabilities and net assets decreased by \$769,295. The following chart illustrates the five year trend of total liabilities and net assets:

Total Liabilities for years ending December 31, 2013- 2017 (in thousands)



Total Liabilities increased by \$1,174,924.

Current Liabilities increased by \$992,550. This is comprised of an increase of \$1,748 in accounts payable, a decrease in accrued liabilities of \$2,790, an decrease in donor designations payable to other United

Ways of \$23,468, and an increase in payable to other organizations of \$90,280, a decrease in compensated absences of \$320, an increase in deferred of revenue of \$910,883, and an current maturities of long-term debt of \$16,217. Deferred revenue includes deferred rent of \$5,967 for both 2017 and 2016, deferred contributions of \$2,000 in 2017 and deferred grant revenue of \$1,065,883 in 2017 and \$157,000 in 2016. In 2017 deferred grant revenue included two Leader in Me grants totaling \$1,022,383 and two income tax preparation grants totaling \$43,500. In 2016 deferred grant revenue included a Leader in Me grants of \$7,500, two income tax preparation grants totaling \$49,500, and an incentivized matched savings grant of \$100,000.

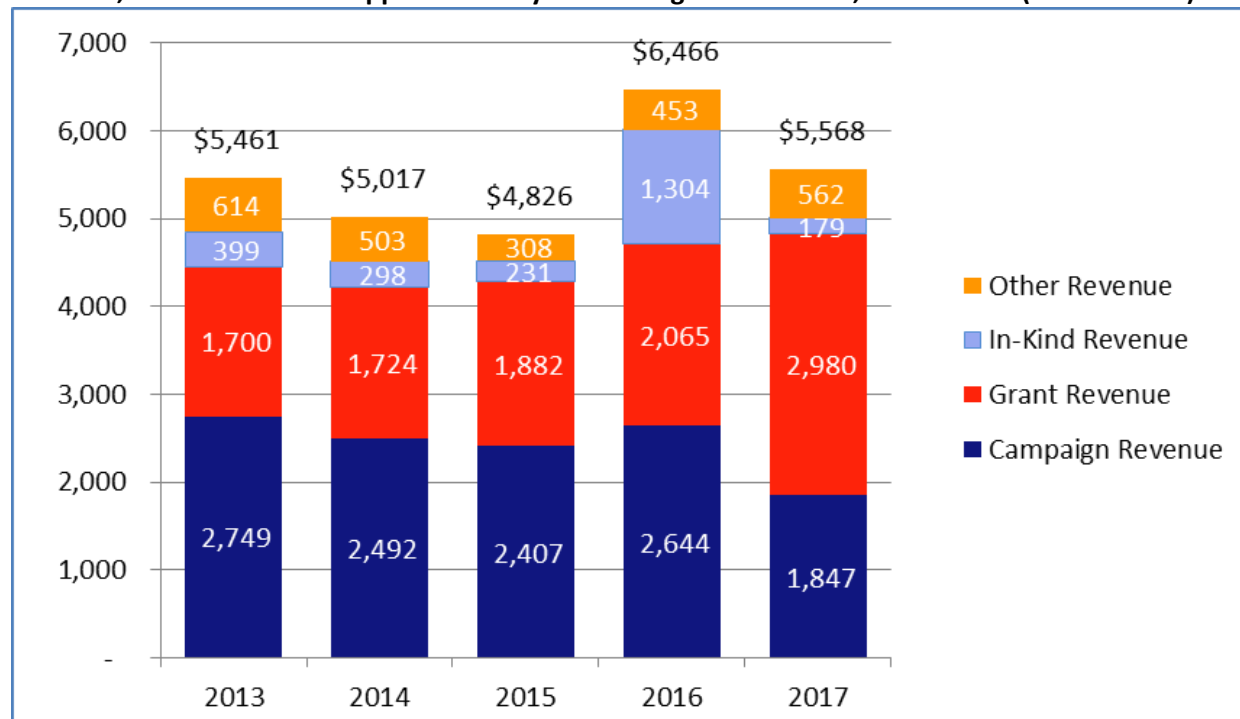
Noncurrent Liabilities at 12/31/2017 total \$182,374. The details of the long-term debts that total this are found in Note (7) on page 18 of the report. There were no noncurrent liabilities in 2016.

Overall net assets decreased by \$405,629 or 7.3%, which represents the excess of expenses over revenue on the Statements of Activities for 2017 on page 5 of the report. Unrestricted net assets represent the equity that is not subject to use restrictions by the board or donors. Unrestricted net assets, including board designated assets, decreased by \$68,631; temporarily restricted decreased by \$336,998 and permanently restricted assets remained the same. Notes (8), (9) and (10) beginning on page 18 of the report detail the designated and restricted assets.

The Statements of Activities for 2017 indicate a decrease in revenue and other support of \$898,810 and a decrease in expenses of \$700,900.

The following table shows a 5 year trending of public support and revenue:

Revenue, Gains and Other Support for the years ending December 31, 2013 – 2017 (in thousands)



The increase of in-kind revenue in 2016 was primarily due to goods collected in the UWA Flood the Love campaign following the 2016 Flood. Note (1) K. on page 13 of the report details the types of in-kind donations recorded in 2017 and 2016. This income is offset by a corresponding expense shown as a line

item in the Statements of Functional Expenses found on pages 8 and 9 of the report. There is no effect on the change in net assets for in-kind income and expense.

This revenue trend can be further broken out as follows:

Revenue, Gains and Other Support for the years ending December 31, 2013 – 2017 (in thousands)

	2013	2014	2015	2016	2017
REVENUE, GAINS & OTHER SUPPORT					
Gross Campaign (excluding disaster)	3,668	3,349	3,352	3,023	2,896
Gross Campaign (disaster only)	-	-	143	736	179
Less: Donor Designations	(789)	(751)	(972)	(829)	(909)
Less: Uncollectible Pledges	(130)	(106)	(116)	(286)	(319)
Annual Campaign (net)	2,749	2,492	2,407	2,644	1,847
Grant Revenue	1,700	1,724	1,882	2,065	2,980
In Kind Income	399	298	231	1,304	179
Rental Income	224	226	215	197	199
Service Fees	103	84	96	90	104
Other Revenue	62	70	54	53	135
Investment Income	224	123	(57)	113	124
Total public support & revenue	5,461	5,017	4,826	6,466	5,568

Net contributions and pledges decreased by \$797,135 in 2017. Gross contributions and pledges decreased by \$683,691, donor designations to other agencies increased by \$80,444, and uncollectible pledges increased by \$33,000.

A detailed look at the campaign revenue and donor designation trends is provided here:

Gross Campaign and Donor Designations for the years ending December 31, 2013 – 2017 (in thousands)

	2013	2014	2015	2016	2017
Workplace Campaign (in area)	3,023	2,761	2,608	2,307	2,044
Workplace Campaign (out of area)	505	521	641	690	754
Disaster Campaigns	-	-	143	736	179
Other Campaigns	140	67	103	26	98
	3,668	3,349	3,495	3,759	3,075
Donor Designations (in area)	302	252	348	153	173
Donor Designations (out of area)	487	499	624	676	736
	789	751	972	829	909

Disaster campaign funds for 2015 through 2017 are detailed as follows:

- In August of 2017, the Houston area was impacted by Hurricane Harvey which brought massive flooding to eastern Texas. UWA collected \$90,423 for Hurricane Harvey relief and \$89,025 for the Greater Acadiana Flood fund established in 2016.
- In August of 2016, the Acadiana area was impacted by severe and widespread flooding affecting more than 29,000 households. Funds raised in 2016 through the Greater Acadiana Flood fund

dedicated to helping the community with flood recovery totaled \$735,819 and are included in the Temporarily Restricted column on page 5 of the report.

- In 2015, UWA received donations of \$143,034 to the Lafayette Strong fund which were used to help meet the needs of 14 victims and their families directly impacted by the shooting at the Grand Theater on July 23, 2015.

Gross contributions and pledges for 2017, excluding these disaster funds, decreased by \$127,320.

Grant revenue increased by \$914,506. Corporate grants increased by \$509,971, foundation grants increased by \$323,929 and government grants increased by \$80,606.

UWA received corporate grants of \$715,080, supporting financial stability and 2016 flood relief; foundation grants of \$509,352 supporting The Leader in Me and UW Readers; and government grants of \$1,755,337 supporting Early Head Start, The Leader in Me, financial stability, employee training, and emergency food and shelter in 2017. Federal government grant expenditures in 2017 are outlined on page 30 of the report. All grant revenue is recorded as restricted when received and is released from restriction upon use.

A further breakout of grant revenue by area is listed below:

Grant revenue by focus area for the years ending December 31, 2013 – 2017 (in thousands)

	2013	2014	2015	2016	2017
Disaster Response	-	-	-	-	565
Early Head Start	1,434	1,488	1,526	1,568	1,574
Employee Training	1	-	-	38	22
Financial Stability	121	95	140	211	212
Nurse Family Partnership	49	26	-	-	-
Other Education	38	13	9	18	2
The Leader in Me	56	80	202	226	604
Volunteer Projects	2	23	5	5	-
	1,700	1,724	1,882	2,065	2,980

Other changes in revenue include an increase in rental income of \$2,434, an increase in service fee revenue of \$13,640 for donor designations processing, an increase of other revenue of \$82,713, and an increase in investment income of \$10,692. Other revenue changes include an increase of \$80,967 in special event income and an increase of \$1,746 in various other items.

Expenses and losses are outlined in the Statements of Activities by Program Services and Supporting Services. Program Services are described in Note (1) B beginning on pages 10 of the report.

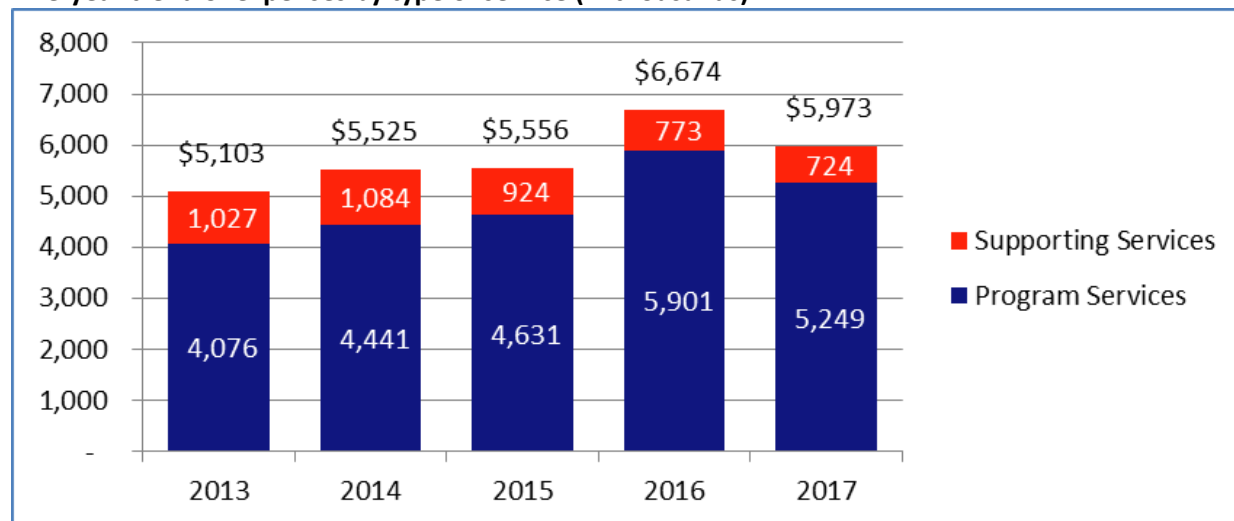
Total expenses for 2017 decreased from 2016 by \$700,900. This decrease includes a decrease in in-kind expenses of \$1,125,660. Program services decreased by \$651,823 and supporting services decreased by \$49,077.

Program services include community impact which decreased by \$247,078, disaster management which decreased by \$367,605, Early Head Start which decreased by \$18,419 and other programs which decreased by \$18,721. A description of each program service type can be found in Note (1) B beginning

on page 10 of the report. Supporting services include management and general expenses which decreased by \$4,566 and fundraising expenses which decreased by \$44,511.

The following charts depict a five year trend of expenses grouped by type of service:

Five-year trend of expenses by type of service (in thousands)



Five-year trend of expenses by type of service (in thousands)

	2013	2014	2015	2016	2017
EXPENSES AND LOSSES					
Program Services	4,076	4,441	4,631	5,901	5,249
Community Impact	1,892	2,335	2,483	2,340	2,093
Diaster Management	80	29	73	1,460	1,093
Early Head Start	1,665	1,680	1,709	1,792	1,773
Other Programs	438	398	367	309	290
Supporting Services	1,027	1,084	924	773	724
Management and General	403	418	307	271	266
Fundraising	624	666	617	503	458
Total Expenses	5,103	5,525	5,556	6,674	5,973

Supporting services or overhead costs include important investments made to improve the work of UWA: investments in training, planning, evaluation, and internal systems— as well as efforts to raise money to operate their programs. These expenses allow UWA to sustain and improve itself. The overhead ratio is calculated by dividing supporting services by total revenue.

Five-year trend of the overhead ratio

	2013	2014	2015	2016	2017
Overhead Ratio	18.8%	21.6%	19.2%	12.0%	13.0%
Overhead Ratio excl. In-Kind	20.3%	23.0%	20.1%	15.0%	13.4%

Program expenses can be further broken up into focus area as follows:

Five-year trend of program expenses by area (in thousands)

	2013	2014	2015	2016	2017
PROGRAM SERVICE COST					
Advocacy	19	19	21	13	15
Disaster Management	80	29	48	1,460	1,093
Dolly Parton Imagination Library	179	241	274	236	221
Early Head Start	1,657	1,680	1,709	1,792	1,773
Earn, Save, Succeed	200	188	225	238	211
General Impact Support	206	230	215	206	222
Grants to Agencies (non-disaster)	1,146	1,436	1,459	1,272	668
Multi-Tenant Facility	190	203	176	159	169
Nurse Family Partnership	42	24	-	-	-
The Leader in Me	76	165	279	344	732
UW Readers	44	38	35	29	24
Volunteer Center	233	189	191	151	122
Total Program Service Costs	4,072	4,441	4,631	5,901	5,249

The Statements of Functional Expenses on pages 7 and 8 of the report provide some detail of the types of expenses incurred in 2017 compared to 2016. Total payroll and related expenses decreased by \$73,168 or 3.1%, other expenses increased by \$158,438 or 5.5%, and grants to agencies decreased by \$786,170 or 53.8%. Other expenses excluding material assistance for flood victims decreased by \$695,031 or 24.9%. Line item variances over \$10K are outlined as follows:

- Salaries and wages decreased by \$30,184 due to unfilled vacancies in 2017.
- Employee benefits decreased by \$39,275 due to changes made to employer funded health insurance plans.
- Conferences and meetings decreased by \$27,203. A reduction of \$10K was due to completion of the State of Louisiana’s Incumbent Worker’s Training grant which covered \$28K and \$38K of expenses in 2017 and 2016, respectively; a reduction of \$1K in Board training, a reduction of \$4K in Fundraiser training, and a reduction of \$12K in Early Head Start training.
- Contract services increased by \$476,189. An evaluation study for Dolly Parton Imagination Library for \$28K was completed in 2017 with no expense in 2016, Leader in Me contract cost increased by \$421K due to the addition of 12 schools, delivery costs of \$6K used for disaster recovery in 2017, fundraising contract services increased by \$23K due to temporary staffing utilized in 2017 and other costs decreased by \$2K.
- Dolly Parton Imagination Library expenses decreased by \$36,257 due to program enrollment freeze.
- In-kind donations decreased by \$1,125,660. This is an offset to the revenue discussed earlier.
- Materials assistance expense of \$941,365 in 2017 and \$87,896 to assist 2016 flood victims resulted in a variance of \$853,469.
- Travel increased by \$12,177, with increases of \$5K in Administration, \$2K in Fundraising, \$2K in Disaster, and \$3K in EHS. 2016 Travel was constrained by cost cutting measures.
- United Way Worldwide (UWW) dues increased by \$11,432. This increase is due to an increase in current year support as defined by UWW for the 2015-16 campaign year on which the dues are based.
- Grants to agencies decreased by \$786,170. A detail listing of grants disbursed can be found on page 24 of the report in the Schedules of Grant Disbursements.

The increases and decreases outlined above make up all but \$9,418 of the total increase in expenses.

The following chart is a detailed trend of expenses by function:

Five-year trend of expenses by function (in thousands)

	2013	2014	2015	2016	2017	Variance 2017-2016
FUNCTIONAL EXPENSES						
Salaries and Benefits						
Salaries and wages	1,896	2,011	1,991	1,934	1,904	(30)
Payroll taxes	147	152	149	146	143	(3)
Employee benefits	292	277	277	250	211	(39)
Total Payroll and related expenses	2,335	2,440	2,417	2,330	2,258	(72)
Other Expenses						
Advertising	34	59	29	32	26	(6)
Childcare supplies	55	36	56	60	63	3
Conferences and meetings	46	40	34	78	51	(27)
Contract Services	158	217	302	377	853	476
Depreciation	112	106	106	100	99	(1)
Dolly Parton Imagination Library	174	212	235	221	185	(36)
Dues and subscriptions	24	29	25	28	24	(4)
Equipment	9	18	11	11	8	(3)
Event expense	54	61	56	59	61	2
In-kind donations	399	298	231	1,304	179	(1,125)
Insurance	74	75	62	49	54	5
Interest	-	-	-	-	-	-
Maintenance	81	88	86	81	80	(1)
Materials assistance	13	-	-	88	941	853
Miscellaneous	64	72	77	89	83	(6)
Postage	12	14	13	10	10	-
Printing	30	34	35	20	29	9
Professional fees	55	38	40	43	36	(7)
Saving incentive program	-	-	-	24	22	(2)
Supplies	50	56	53	48	51	3
Telephone	24	24	23	25	25	-
Travel and transportation	46	55	55	35	47	12
United Way Worldwide dues	24	30	31	36	47	11
Utilities	84	84	70	64	65	1
Total Other Expenses	1,622	1,646	1,630	2,882	3,039	157
Grants to agencies	1,146	1,439	1,506	1,462	676	(786)
TOTAL EXPENSES	5,103	5,525	5,553	6,674	5,973	(701)

Request for Information

The financial report is designed to provide a general overview of United Way of Acadiana's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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