

Management's Discussion and Analysis of the Financial Report
For the Year Ended December 31, 2018

(An accompaniment to the audited financial statement)

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, 2018, 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, 2018. **All page numbers noted in this document refer to United Way of Acadiana, Inc. Financial Report for Years Ended December 31, 2018 and 2017 dated June 14, 2019 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, 2018 and 2017. 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.

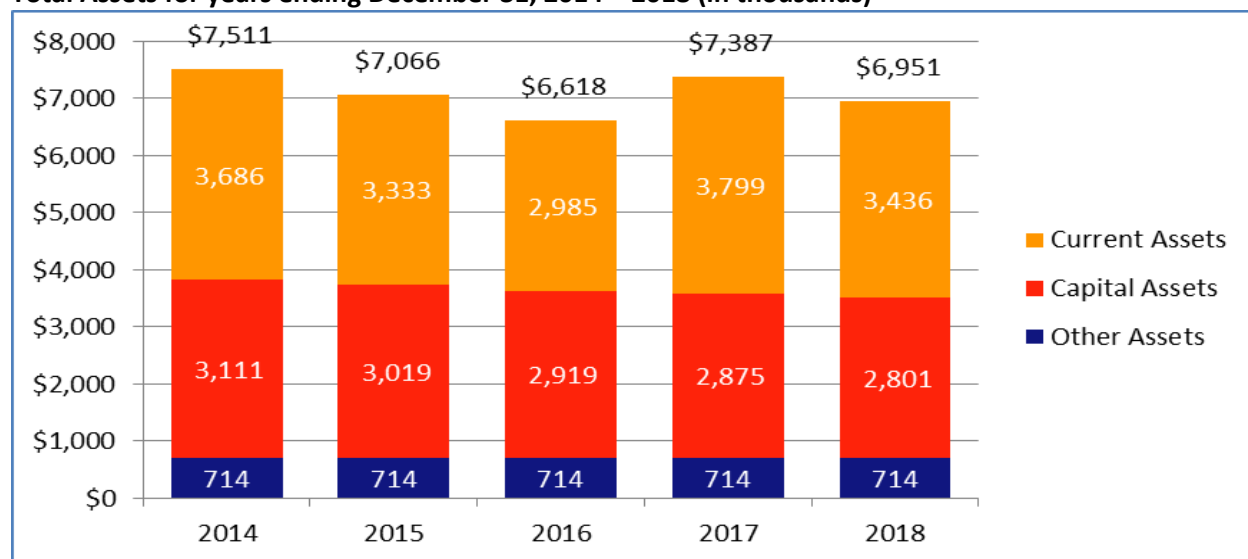
The Notes to the Financial Statements beginning on page 10 of the report are an integral part of the financial statements and are referred to throughout the Financial Statement Analysis that follows.

Supplementary information beginning on page 25 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 2018 and 2017 year end. Total assets comprised of current assets, capital assets and other assets decreased by \$436,824 in 2018. The following chart illustrates the five year trend of Total Assets broken out by group:

Total Assets for years ending December 31, 2014 – 2018 (in thousands)



Total current assets decreased by \$363,345, net capital assets decreased by \$73,479, and other assets remained the same.

Cash and cash equivalents included in current assets decreased by \$288,258 and is outlined in the Statements of Cash Flows found on page 9 of the report. The total decrease is the result of net cash used for operating activities of \$326,144, net cash provided by investing activities of \$19,800, and net cash provided by financing activities of \$18,086. Supplementary schedules of cash account balances can be found on page 25 of the report.

Gross pledge receivables decreased by \$66,783, while allowances for uncollected pledges decreased by \$160,692 resulting in an increase in net pledge receivables of \$93,909. Note (3) on page 14 of the report, provides a detailed view of the pledge receivables by campaign year.

Grants receivable of \$2,263 in 2018 and \$26,541 in 2017 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 decreased by \$31,499. At year end, UWA had receivables from the Child and Adult Food Care Food Program of \$9,548 and \$8,376, building rent and utility reimbursement of \$1,153 and \$2,824, contracted reimbursements for the Leader in Me program of \$88,163 and \$116,426, and various other receivables of \$54 and \$2,791, for 2018 and 2017, respectively.

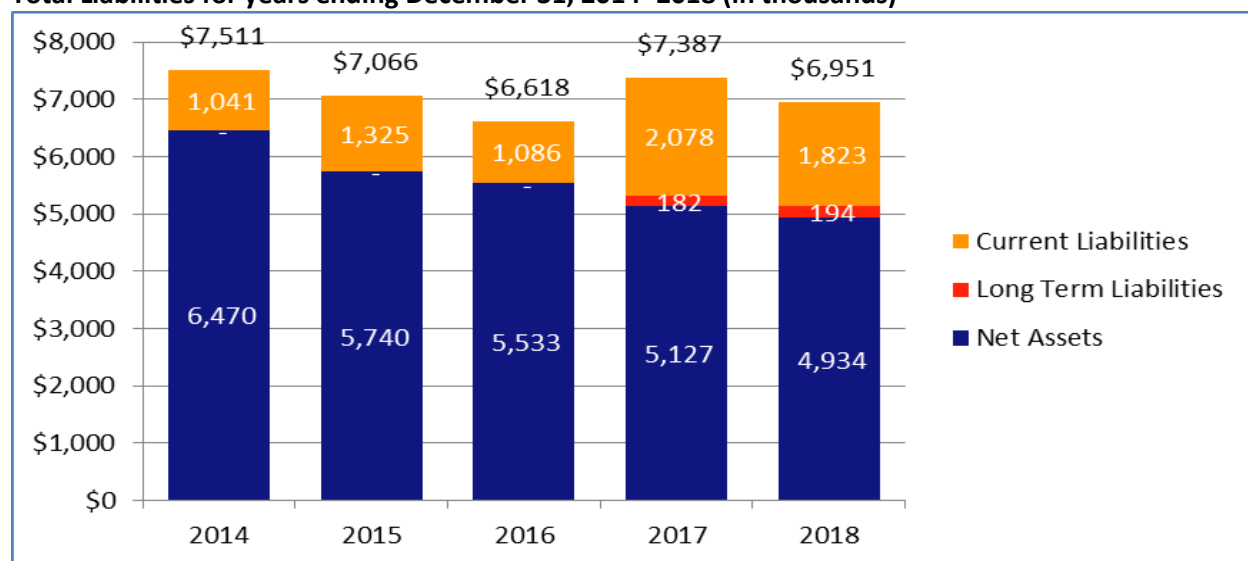
Prepaid expenses increased by \$2,351. At the end of 2018 and 2017, respectively, UWA had prepaid employee health premiums of \$22,885 and \$19,988, other insurance of \$6,810 and \$10,130, prepaid software maintenance of \$8,299 and \$8,025 and contract services of \$2,500 and \$0.

A schedule of the property and equipment, net of accumulated depreciation is provided on page 17 of the report in Note (6) and shows the change of \$73,479 is due to 2018 depreciation of \$84,310 and a new asset purchases of \$10,831. UWA’s capitalization policy is outlined in Note (1) F. on page 11 of the report.

Other assets or asset restricted for endowment, remain the same from 2017 to 2018. These assets are held in an endowment fund and represent the balance of the fund that is restricted by the donor. The portion of the endowment that is board designated is included in current assets. Changes in endowment fund net assets are scheduled in Note (5) beginning on page 16 of the report. Realized gains of \$36,617 and unrealized losses of \$121,554 on investments comprise a net loss of \$84,937; interest of \$10,706, dividends of \$19,311, and fund management and banking fees of \$11,915 comprise the net investment income. The UWA Board of Directors approved transfers of \$63,200 from the endowment fund earnings to fund Venture grants and are shown as fund distributions for 2018. 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 \$436,824. The following chart illustrates the five year trend of total liabilities and net assets:

Total Liabilities for years ending December 31, 2014- 2018 (in thousands)



Total Liabilities decreased by \$243,892.

Current Liabilities decreased by \$255,225. This is comprised of an increase of \$25,514 in accounts payable, an increase in accrued liabilities of \$2,001, an increase in donor designations payable of \$59,715, an increase in compensated absences of \$2,121, a decrease in deferred of revenue of \$351,329, and an increase in the current maturities of long-term debt of \$6,753. Deferred revenue includes deferred rent of \$15,138 for 2018 and \$5,967 for 2017, deferred contributions of \$2,000 in 2017 and deferred grant revenue of \$707,383 in 2018 and \$1,065,883 in 2017. In 2018, deferred grant revenue included two Leader in Me grants totaling \$692,383 and one tax preparation grant totaling \$15,000. In 2017 deferred grant revenue included two Leader in Me grants totaling \$1,022,383 and two income tax preparation grants totaling \$43,500.

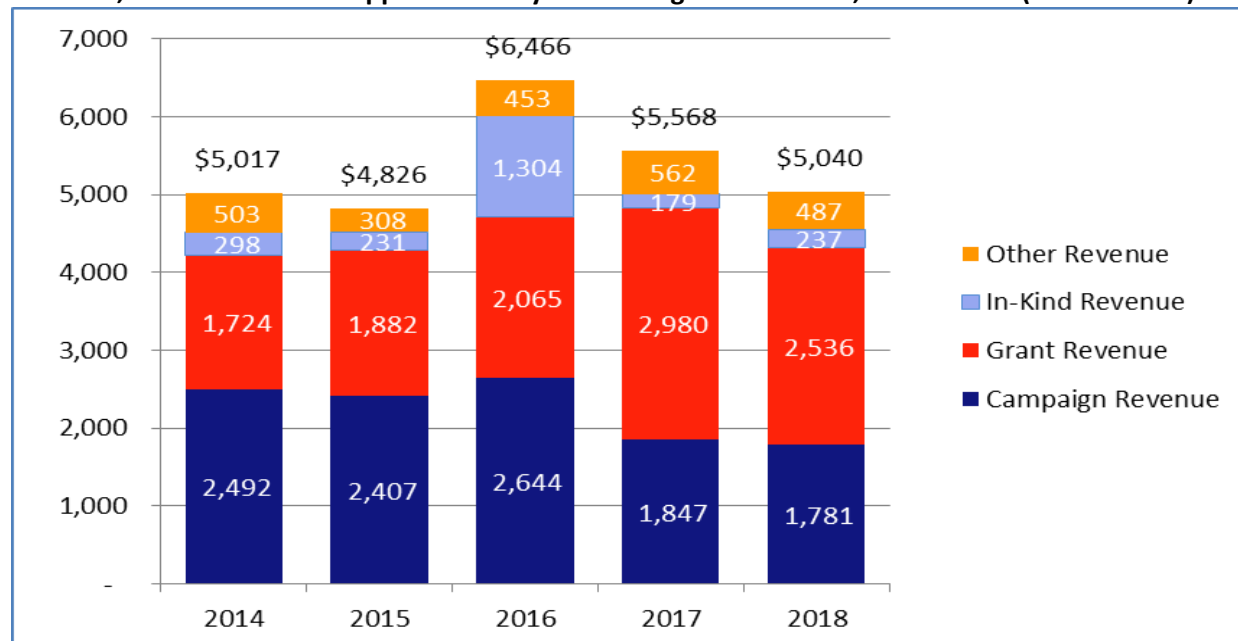
Noncurrent Liabilities at year-end total \$193,707 in 2018 and \$182,374 in 2017. The details of the long-term debts that total this are found in Note (8) on page 18 of the report.

Overall net assets decreased by \$192,932 or 3.8%, which represents the excess of expenses over revenue on the Statements of Activities for 2018 on page 5 of the report. Net Assets are presented both with and without donor restrictions. Net assets without donor restrictions, including board designated assets, decreased by \$56,820; net assets with donor restrictions decreased by \$136,112. Notes (9), (10) and (11) beginning on page 19 of the report details the composition of the net assets.

The Statements of Activities for 2018 indicate a decrease in revenue and other support of \$527,120 and a decrease in expenses of \$739,817.

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

Revenue, Gains and Other Support for the years ending December 31, 2014 – 2018 (in thousands)



Net contributions and pledges decreased by \$66,358 in 2018. Gross contributions and pledges decreased by \$271,363, donor designations to other agencies increased by \$22,654, and uncollectible pledges decreased by \$227,659.

Grant revenue decreased by \$444,257. Corporate grants decreased by \$453,906, foundation grants increased by \$500 and government grants increased by \$9,149.

In-kind revenue increased by \$58,322. Note (1) L. on page 13 of the report details the types of in-kind donations recorded in 2018 and 2017. This income is offset by a corresponding expense shown as a line item in the Statements of Functional Expenses found on pages 7 and 8 of the report. There is no effect on the change in net assets for in-kind income and expense.

Other revenue decreased by \$74,827 and includes an increase in rental income of \$2,424, a decrease in service fee revenue of \$10,717 for donor designation processing, an increase in funds from special events of \$64,409, an increase in miscellaneous revenue of \$25,492, and a decrease in investment income of \$156,435.

UWA’s revenue trend can be further broken out as follows:

Revenue, Gains and Other Support for the years ending December 31, 2014 – 2018 (in thousands)

	2014	2015	2016	2017	2018
REVENUE, GAINS & OTHER SUPPORT					
Gross Campaign (excluding disaster)	3,349	3,352	3,023	2,896	2,744
Gross Campaign (disaster only)	-	143	736	179	61
Less: Donor Designations	(751)	(972)	(829)	(909)	(932)
Less: Uncollectible Pledges	(106)	(116)	(286)	(319)	(91)
Annual Campaign (net)	2,492	2,407	2,644	1,847	1,781
Grant Revenue	1,724	1,882	2,065	2,980	2,536
In Kind Income	298	231	1,304	179	237
Rental Income	226	215	197	199	201
Service Fees	84	96	90	104	93
Other Revenue	70	54	53	135	225
Investment Income	123	(57)	113	124	(32)
Total public support & revenue	5,017	4,826	6,466	5,568	5,040

Gross contributions and pledges for 2018, excluding disaster funds, decreased by \$152,440 and disaster contributions decreased by \$118,923.

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, 2014 – 2018 (in thousands)

	2014	2015	2016	2017	2018
Workplace Campaign (in area)	2,761	2,608	2,307	2,044	1,866
Workplace Campaign (out of area)	521	641	690	754	825
Disaster Campaigns	-	143	736	179	61
Other Campaigns	67	103	26	98	53
	3,349	3,495	3,759	3,075	2,805
Donor Designations (in area)	252	348	153	173	118
Donor Designations (out of area)	499	624	676	736	814
	751	972	829	909	932

UWA received corporate grants of \$423,102 supporting financial stability and The Leader in Me program; foundation grants of \$445,000 supporting The Leader in Me program; and government grants of \$1,667,410 supporting Early Head Start, financial stability, and emergency food and shelter in 2018. Federal government grant expenditures in 2018 are outlined on page 32 of the report. All grant revenue is recorded as restricted when received and is released from restriction upon use.

Grant revenue by area can be broken out as follows:

Grant revenue by focus area for the years ending December 31, 2014 – 2018 (in thousands)

	2014	2015	2016	2017	2018
Disaster Response	-	-	-	565	-
Early Head Start	1,488	1,526	1,568	1,574	1,614
Employee Training	-	-	38	22	-
Financial Stability	95	140	211	212	197
Nurse Family Partnership	26	-	-	-	-
Other Education	13	9	18	2	-
The Leader in Me	80	202	226	604	725
Volunteer Projects	23	5	5	-	-
	1,724	1,882	2,065	2,980	2,536

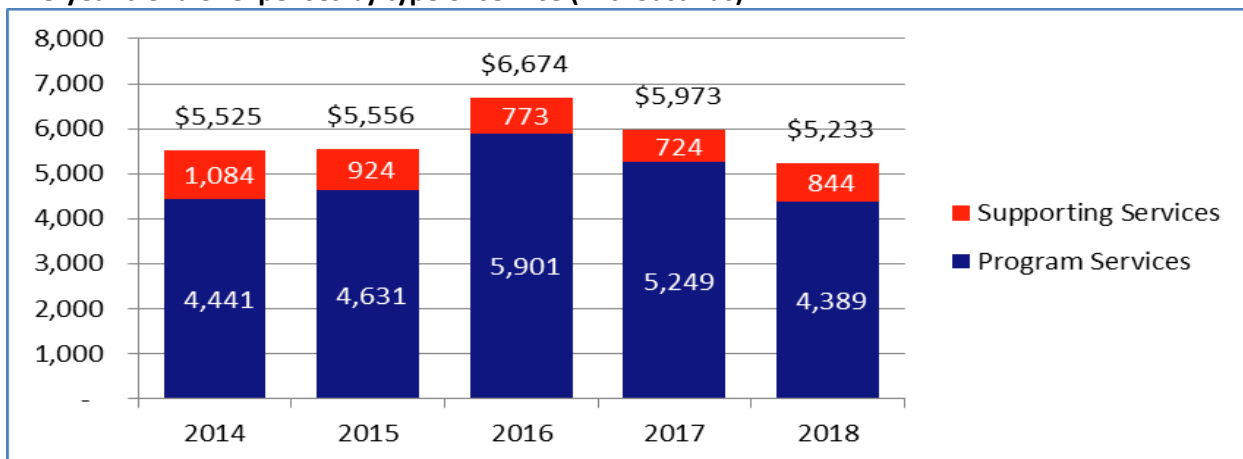
Expenses and losses are outlined in the Statements of Activities by Program Services and Supporting Services. Program Services are described in Note (1) B beginning on pages 10 of the report.

Total expenses for 2018 decreased from 2017 by \$739,817. Program services decreased by \$859,625 and supporting services increased by \$119,808.

Program services include community impact which increased by \$43,173, disaster management which decreased by \$1,016,683, Early Head Start which increased by \$116,626 and other programs which decreased by \$2,741. 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 increased by \$48,497 and fundraising expenses which increased by \$71,311.

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)



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

	2014	2015	2016	2017	2018
Overhead Ratio	21.6%	19.2%	12.0%	13.0%	16.7%
Overhead Ratio excl. In-Kind	23.0%	20.1%	15.0%	13.4%	17.6%

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

	2014	2015	2016	2017	2018
EXPENSES AND LOSSES					
Program Services	4,441	4,631	5,901	5,249	4,389
Community Impact	2,335	2,483	2,340	2,093	2,136
Disaster Management	29	73	1,460	1,093	76
Early Head Start	1,680	1,709	1,792	1,773	1,890
Other Programs	398	367	309	290	288
Supporting Services	1,084	924	773	724	844
Management and General	418	307	271	266	314
Fundraising	666	617	503	458	530
Total Expenses	5,525	5,556	6,674	5,973	5,233

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

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

PROGRAM SERVICE COST					
Advocacy	19	21	13	15	14
Disaster Management	29	48	1,460	1,093	76
Dolly Parton Imagination Library	241	274	236	221	152
Early Head Start	1,680	1,709	1,792	1,773	1,890
Earn, Save, Succeed	188	225	238	211	191
General Impact Support	230	215	206	222	196
Grants to Agencies (non-disaster)	1,436	1,459	1,272	668	612
Multi-Tenant Facility	203	176	159	169	203
Nurse Family Partnership	24	-	-	-	-
The Leader in Me	165	279	344	732	948
UW Readers	38	35	29	24	22
Volunteer Center	189	191	151	122	85
Total Program Service Costs	4,441	4,631	5,901	5,249	4,389

The Statements of Functional Expenses on pages 7 and 8 of the report provide some detail of the types of expenses incurred in 2018 compared to 2017. Total payroll and related expenses decreased by \$30,737 or 1.4%, other expenses decreased by \$657,486 or 21.6%, and grants to agencies decreased by \$51,594 or 7.6%. Total expenses excluding material assistance for flood victims increased by \$180,922 or 3.6%. Line item variances over \$10K are outlined as follows:

- Salaries and wages decreased by \$29,173 due to unfilled vacancies in 2018.
- Campaign incentives increased by \$33,530 due to increased awards given in 2018 to parish schools and public school classrooms for meeting increased fundraising goals.

- Conferences and meetings decreased by \$30,093 due to the completion of the State of Louisiana’s Incumbent Worker’s Training grant in 2017 which provided reimbursement of \$28K of expenses in 2017 and none in 2018.
- Contract services decreased by \$14,837. Changes include a \$10K increase in annual meeting costs in 2018 due to a speaker fee in 2018, a decrease of \$33K due to temporary staffing utilized in 2017 over 2018, decrease in Leader in Me evaluation of \$10K, decrease in disaster response services of \$6K, increase of \$22K in Multi-tenant building due to repairs made in 2018 with the Small Business Administration (SBA) loan proceeds following the 2016 flood, and an increase of \$2K for nutrition services for the Early Head Start centers.
- Depreciation decreased by \$14,669 due to the end of life of some assets.
- Dolly Parton Imagination Library expenses decreased by \$65,801 due to limited and focused program enrollment.
- Event expenses increased by \$27,756 due to a new events hosted in 2018 including Women Who Mean Business.
- In-kind donations increased by \$58,321. This is an offset to the revenue discussed earlier.
- Leader in Me payments made directly to Franklin Covey, Inc. increased by \$206,897 due to the addition of 12 schools within UWA’s four parish area and Evangeline and Iberia parishes as well.
- Maintenance increased by \$34,334. This increase includes \$10K spent on repairs funded by the SBA loan, \$22K spent on repairs to the Lafayette Early Head Start center following a car crash into their building, \$3K spent on repairs to the 215 Pinhook Road office fence following a car crash into their fence. Both accidents were covered by insurance.
- Materials assistance expense to assist 2016 flood victims decreased by \$920,739.
- Miscellaneous expense increased by \$10,467 and include increases in waste service and pest control of \$7K and increases in employee physicals and background checks of \$2K due to EHS changes.
- Professional fees increased by \$18,098 due to the hire of a strategic planning consulting firm in 2018 and not in 2017.
- Savings incentive program expenses decreased by \$10,153.
- Grants to agencies decreased by \$51,594. A detail listing of grants disbursed can be found on page 26 of the report in the Schedules of Grant Disbursements.

The increases and decreases outlined above make up all but \$7,839 of the total decrease in expenses.

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

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

	2014	2015	2016	2017	2018	Variance 2018-2017
FUNCTIONAL EXPENSES						
Salaries and Benefits						
Salaries and wages	2,011	1,991	1,934	1,904	1,875	(29)
Payroll taxes	152	149	146	143	142	(1)
Employee benefits	277	277	250	211	210	(1)
Total Payroll and related expenses	2,440	2,417	2,330	2,258	2,227	(31)
Other Expenses						
Advertising	59	29	25	34	31	(3)
Campaign incentives	-	-	7	8	41	33
Childcare supplies	36	56	60	63	61	(2)
Conferences and meetings	40	34	78	51	21	(30)
Contract Services	208	241	205	270	255	(15)
Depreciation	106	106	100	99	84	(15)
Dolly Parton Imagination Library	212	235	221	185	119	(66)
Dues and subscriptions	29	25	28	24	24	-
Equipment	18	11	11	13	14	1
Event expense	61	56	59	61	89	28
In-kind donations	298	231	1,304	179	237	58
Insurance	75	62	49	54	55	1
Interest	-	-	-	-	2	2
Leader in Me - Franklin Covey	9	62	172	583	790	207
Maintenance	88	86	81	81	115	34
Materials assistance	-	-	88	941	21	(920)
Miscellaneous	72	77	89	66	76	10
Postage	14	13	10	10	10	-
Printing	34	35	20	29	29	-
Professional fees	38	40	43	36	54	18
Saving incentive program	-	-	24	22	12	(10)
Supplies	56	53	48	46	41	(5)
Telephone	24	23	25	25	29	4
Travel and transportation	55	55	35	47	53	6
United Way Worldwide dues	30	31	36	47	43	(4)
Utilities	84	70	64	65	72	7
Total Other Expenses	1,646	1,631	2,882	3,039	2,378	(661)
Grants to agencies	1,439	1,506	1,462	676	625	(51)
TOTAL EXPENSES	5,525	5,554	6,674	5,973	5,230	(743)

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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