



United Way of Acadiana

United Way of Acadiana, Inc.

Management's Discussion and Analysis of the Financial Report
For the Year Ended December 31, 2016

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, 2016, 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, 2016.

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, 2016 and 2015. 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.

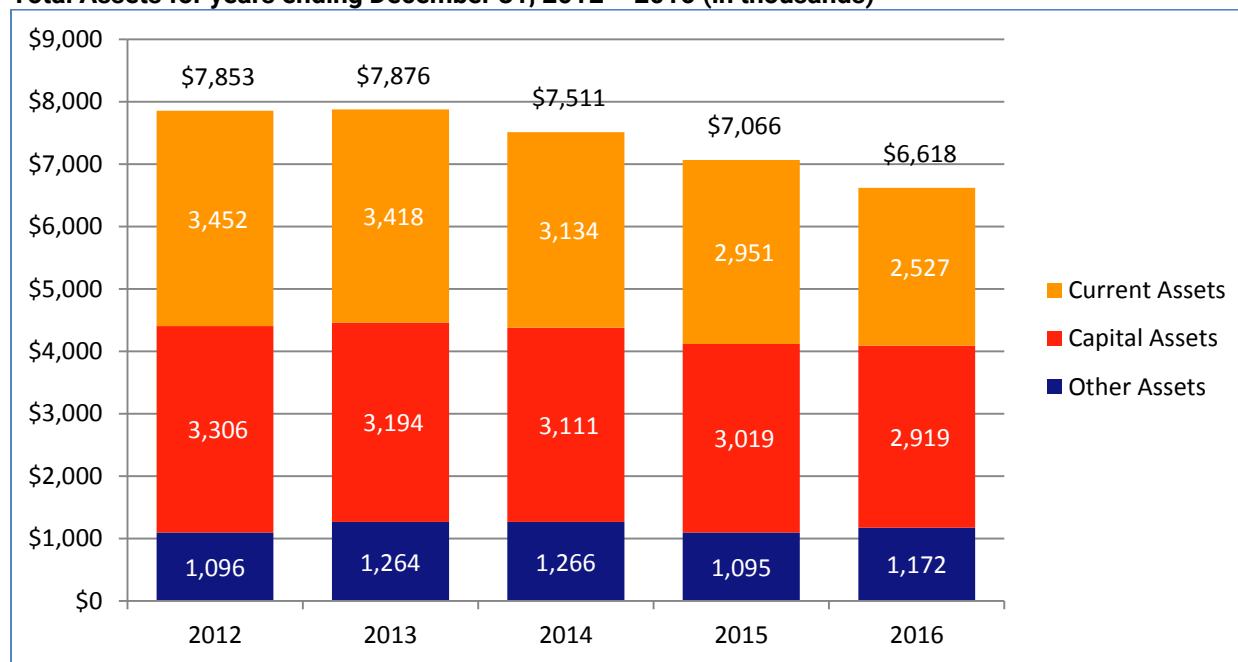
The Notes to the Financial Statements beginning on page 10 are an integral part of the financial statements and are referred to throughout the Financial Statement Analysis that follows.

Supplementary information is also presented beginning on page 21 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 2016 and 2015 year end. Total assets comprised of current assets, capital assets and other assets decreased by \$447,565 in 2016. The following chart illustrates the five year trend of Total Assets broken out by group:

Total Assets for years ending December 31, 2012 – 2016 (in thousands)



Total current assets decreased by \$424,165, net capital assets decreased by \$100,043, and other assets increased by \$76,643.

Cash and cash equivalents included in current assets decreased by \$57,656 and those included in restricted endowment assets increased by \$18,837. The total decrease in cash and cash equivalents of \$38,819 is outlined in the Statements of Cash Flows found on page 9. The total decrease is the result of net cash used in operating activities of \$63,795 and net cash provided by investing activities of \$24,976. Supplementary schedules of cash account balances can be found on page 22.

Gross pledge receivables decreased by \$189,960, while allowances for uncollected pledges increased by \$133,815 resulting in a decrease in net pledge receivables of \$323,775. Note (2) on page 14, provides a detailed view of the pledge receivables by campaign year.

Grants receivable of \$21,917 in 2016 and \$32,687 in 2015 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 \$6,058. At the end of 2016, UWA had various other receivables including reimbursement from the Child and Adult Food Care Food Program of \$9,068, building

rent and utility reimbursement of \$2,146, and grant proceeds of \$6,925. There were similar receivables due at the end of 2015.

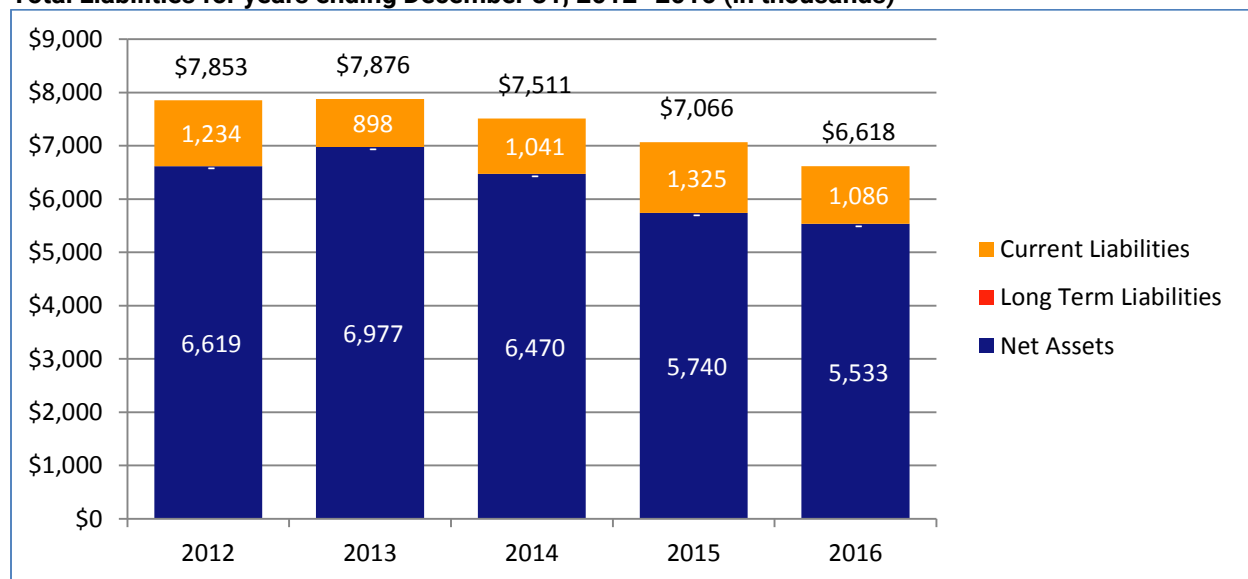
Prepaid expenses decreased by \$38,022. At the end of 2016, UWA had prepaid employee health premiums of \$22,383, other insurance of \$10,744, and prepaid software maintenance of \$7,966. These prepaid expenses compare closely to those of 2015; however, the 2015 prepaid expense also included prepaid books purchased for the Dolly Parton Imagination Library of \$25,531 accounting for most of the difference.

A schedule of the decrease in property and equipment, net of accumulated depreciation is provided on page 17 in Note (5) and shows the change is due solely to the 2016 depreciation of \$100,043. No additional assets were capitalized in 2016. UWA's capitalization policy is outlined in Note (1) F. on page 11.

Other assets or asset restricted for endowment, increased by \$76,643 with endowment fund cash increasing by \$18,837 and endowment fund investments increased by \$57,806. Changes in endowment fund net assets are scheduled in Note (4) at the bottom of page 16. A listing of investments by type can be found in Note (3) on page 14. Realized gains of \$28,601 and unrealized gains of \$54,181 on investments comprise a net gain of \$82,782; interest of \$10,139, dividends of \$19,418, and fund management and banking fees of \$10,696 comprise the net investment income. On January 27, 2016 the UWA Board of Directors approved the transfer of up to \$125,000 from the endowment fund earnings to augment PACT funds from campaign. A transfer of \$25,000 was made in July 2016 and is shown as a fund distribution. The breakout of investment transactions can be found in the Statements of Cash Flows on page 9.

Total liabilities and net assets decreased by \$447,565. The following chart illustrates the five year trend of total liabilities and net assets:

Total Liabilities for years ending December 31, 2012- 2016 (in thousands)



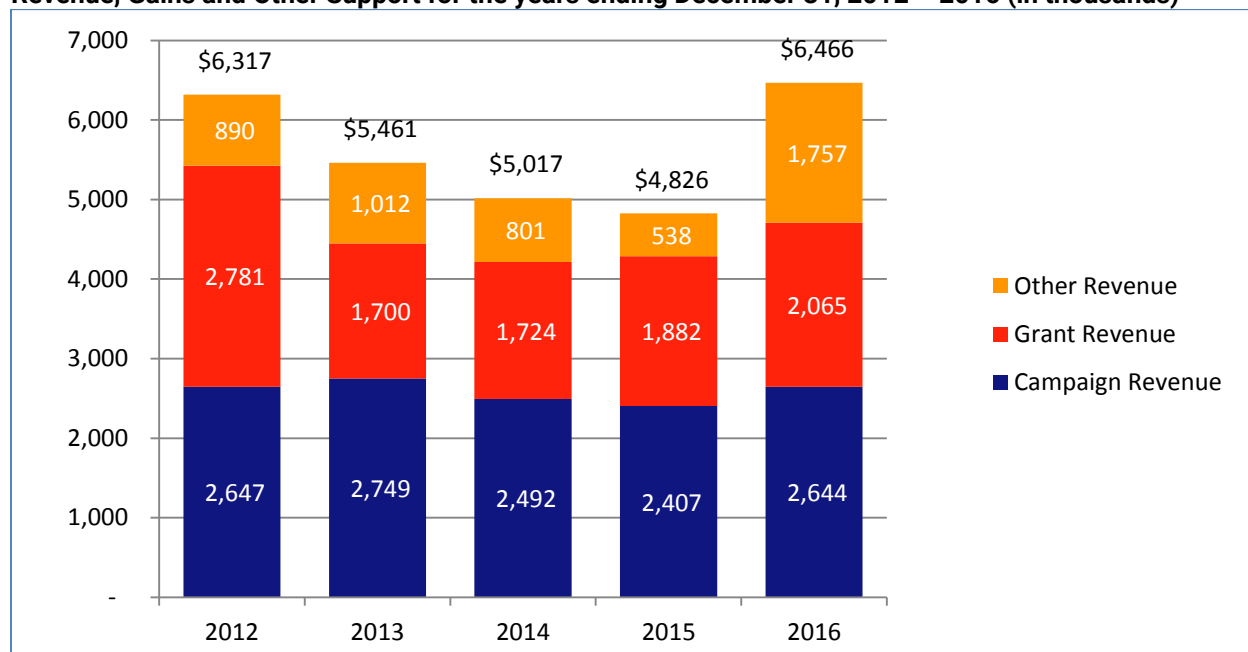
Current Liabilities decreased by \$239,846. This is comprised of an decrease of \$32,509 in accounts payable for a variety of vendors; an increase in accrued liabilities of \$7,858; an increase in donor designations payable to other United Ways of \$33,098, due to an increase in out of area campaigns; and an decrease in payable to other organizations of \$194,760, due to a decrease funds payable for Lafayette Strong and a decrease in area campaigns; a decrease in

compensated absences of \$6,952; and a decrease in deferred of revenue of \$46,581. Deferred revenue includes deferred rent of \$5,967 for 2016 and \$14,539 for 2015 and deferred grant revenue which is discussed in Note (6) on page 18. The organization has no long-term liabilities.

Overall net assets decreased by \$207,719 or 3.6%, which represents the excess of expenses over revenue on the Statements of Activities for 2016 on page 5. Unrestricted net assets, including board designated assets, decreased by \$577,285; temporarily restricted increased by \$369,566 and permanently restricted assets remained the same. Notes (7), (8) and (9) beginning on page 18 detail the designated and restricted assets.

The Statements of Activities for 2016 indicate an increase in revenue and other support of \$1,640,017 and an increase in expenses of \$1,118,299. The following table shows a 5 year trending of public support and revenue:

Revenue, Gains and Other Support for the years ending December 31, 2012 – 2016 (in thousands)



This trend can be further broken out as follows:

Revenue, Gains and Other Support for the years ending December 31, 2012 – 2016 (in thousands)

| REVENUE, GAINS & OTHER SUPPORT | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Gross Campaign results | 3,594 | 3,668 | 3,349 | 3,495 | 3,759 |
| Less: Donor Designations | (871) | (789) | (751) | (972) | (829) |
| Less: Uncollectible Pledges | (77) | (130) | (106) | (116) | (286) |
| Annual Campaign (net) | 2,647 | 2,749 | 2,492 | 2,407 | 2,644 |
| Grant Revenue | 2,781 | 1,700 | 1,724 | 1,882 | 2,065 |
| In Kind Income | 326 | 399 | 298 | 231 | 1,304 |
| Rental Income | 236 | 224 | 226 | 215 | 197 |
| Investment Income | 108 | 224 | 123 | (57) | 113 |
| Service Fees | 145 | 103 | 84 | 96 | 90 |
| Other Revenue | 74 | 62 | 70 | 54 | 53 |
| Total public support & revenue | 6,317 | 5,461 | 5,017 | 4,826 | 6,466 |

Net contributions and pledges increased by \$237,655 in 2016. Gross contributions and pledges increased by \$264,322, donor designations to external agencies decreased by \$143,598, and uncollectible pledges increased by \$170,265.

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.

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 2016 excluding the Greater Acadiana Flood fund as compared to gross contributions for 2015 excluding Lafayette Strong Fund decreased by \$328,463.

Grant revenue increased by \$183,579. Corporate grants increased by \$85,284, foundation grants increased by \$112,423 and government grants decreased by \$14,128. UWA received corporate grants of \$205,109, foundation grants of \$185,423 and government grants of \$1,674,731. Federal government grant expenditures in 2016 are outlined on page 29. All grant revenue is recorded as restricted when received and is released from restriction upon use.

In-kind income increased by \$1,073,765 and includes donated services, equipment, and other goods as described in Note (1) K. on page 13. Donated services total \$103,749 in 2016 and \$182,314 in 2015 while donated goods total \$1,200,634 in 2016 and \$48,304 in 2015. Donations from the community to the Flood the Love materials drive for flood victims totaled \$1,104,621 and included items such as water, food, cleaning kits, diapers, toiletries, school supplies, bedding, building supplies, appliances and more. 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. There is no effect on the change in net assets for in-kind income and expense.

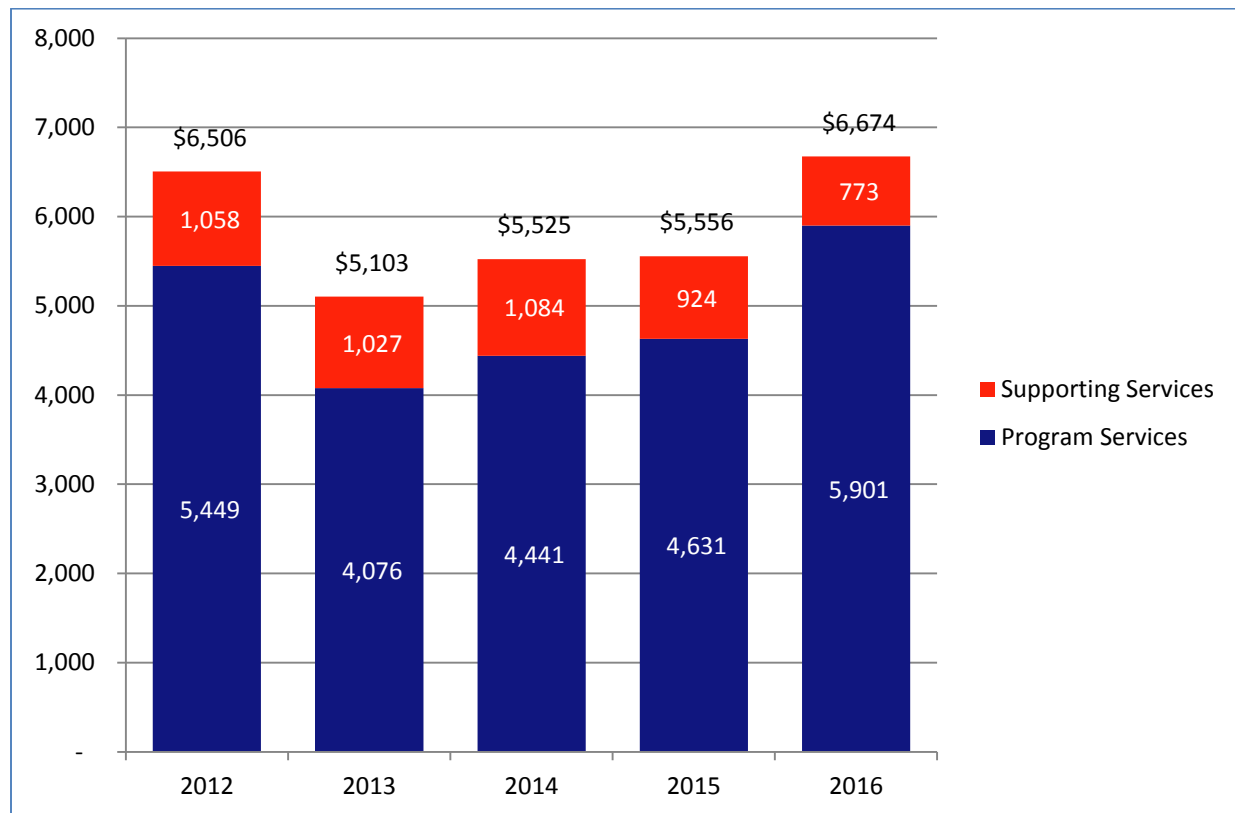
Other changes in revenue include a decrease in rental income of \$18,035, a decrease in service fee revenue of \$5,888 for donor designations processing, a decrease of other revenue of \$1,335, and an increase in investment income of \$170,276.

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.

Total expenses for 2016 increased from 2015 by \$1,118,299. This increase includes an increase in in-kind expenses of \$1,073,765. Program services increased by \$1,269,384 and supporting services decreased by \$151,085.

Program services include community impact which decreased by \$143,133, disaster management which increased by \$1,387,686, Early Head Start which increased by \$82,918 and other programs which decreased by \$58,087. A description of each program service type can be found on page 10 and 11, Note (1) B. Supporting services include management and general expenses which decreased by \$36,388 and fundraising expenses which decreased by \$114,697.

The chart below depicts a five-year trend of expenses by type of service (in thousands)



This expense trend by service type can be further broken up as follows:

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

| EXPENSES AND LOSSES | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|
| Program Services | 5,449 | 4,076 | 4,441 | 4,631 | 5,901 |
| Community Impact | 3,121 | 1,892 | 2,335 | 2,483 | 2,340 |
| Diaster Management | 307 | 80 | 29 | 73 | 1,460 |
| Early Head Start | 1,630 | 1,665 | 1,680 | 1,709 | 1,792 |
| Other Programs | 391 | 438 | 398 | 367 | 309 |
| Supporting Services | 1,058 | 1,027 | 1,084 | 924 | 773 |
| Management and General | 466 | 403 | 418 | 307 | 271 |
| Fundraising | 592 | 624 | 666 | 617 | 503 |
| Total Expenses | 6,506 | 5,103 | 5,525 | 5,556 | 6,674 |
| Overhead Percentage | 16.3% | 20.1% | 19.6% | 16.6% | 11.6% |
| Overhead Percentage excl. In-Kind | 16.1% | 19.5% | 18.8% | 16.8% | 14.4% |

The Statements of Functional Expenses on pages 7 and 8 provide some detail of the types of expenses incurred in 2016 compared to 2015. Total payroll and related expenses decreased by \$86,746 or 3.6%, other expenses increased by \$1,248,978, and allocations and grants decreased by \$43,933. Other expenses excluding flood response expenses decreased by \$129,880. Line item variances over \$10K are outlined as follows:

- Salaries and wages decreased by \$57,263 due to downsizing of staff in January 2016.
- Employee benefits decreased by \$26,894 due to staff reductions and changes to employer funded health insurance plans.
- Conferences and meetings increased by \$43,859 due to support from the State of Louisiana's Incumbent Worker's Training grant which covered \$38,345 of the increase.
- Contract services increased by \$74,624 as broken out into the following areas: Community Impact +\$74K includes DPIL -\$28K, Earn Save Succeed -\$5K, and Leader in Me +\$107K; EHS +\$1K; Management and General -\$13K due to bringing payroll processing in-house; and Fundraising +\$12K due to increased contracted marketing services.
- Dolly Parton Imagination Library expenses decreased by \$13,655 due to program enrollment freeze and two month hiatus.
- In-kind donations increased by \$1,073,765, this is an offset to the revenue discussed earlier.
- Insurance costs decreased by \$12,472, mainly due to a worker's compensation dividend which was used to offset the expense.
- Materials assistance expense of \$87,896 was used to assist 2016 flood victims.
- Miscellaneous expense increased by \$11,159, this includes \$5,527 in credit card processing fees deducted from Greater Acadiana Flood donations, an increase in credit card processing fees for general campaign pledges of \$3,135, and an increase in website expense of \$4,080 due to a change made in website vendors.
- Printing costs decreased by \$15,304 as a result of budget cuts.
- Saving incentive costs of \$24,105 were a new expense in 2016 and were supported by an Earn Save Succeed grant.
- Travel decreased by \$19,979 as a result of budget cuts.
- Grants to agencies decreased by \$43,933. A 10% reduction in community grants was implemented in May of 2016 resulting in a decrease of \$84K, Leader in Me grants decreased by \$102K, and disaster grants for organizations assisting flood victims were made in 2016 for \$189K, Lafayette Strong victim grants of \$47K were made in 2015.

The increases and decreases outlined above make up all but \$7,609 of the total increase in expenses.

A detail listing of grants disbursed can be found on page 23 in the Schedules of Grant Disbursements.

Please note that the I am a Leader Foundation changed its name to Leader.org in 2016 and is listed as such. Direct disaster payments made in 2015 to victims of the Grand Theatre shooting are recorded as grants disbursed under Lafayette Strong.

A detailed trend of expenses by function is found below:

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

| FUNCTIONAL EXPENSES | 2012 | 2013 | 2014 | 2015 | 2016 | 2016-2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Salaries and Benefits | | | | | | |
| Salaries and wages | 1,814 | 1,896 | 2,011 | 1,991 | 1,934 | (57) |
| Payroll taxes | 144 | 147 | 152 | 149 | 147 | (2) |
| Employee benefits | 270 | 292 | 277 | 277 | 250 | (27) |
| Total Payroll and related expenses | 2,228 | 2,335 | 2,440 | 2,417 | 2,331 | (86) |
| Other Expenses | | | | | | |
| Advertising | 35 | 34 | 59 | 29 | 32 | 3 |
| Childcare supplies | 153 | 55 | 36 | 56 | 60 | 4 |
| Conferences and meetings | 60 | 46 | 40 | 34 | 78 | 44 |
| Contract Services | 418 | 158 | 217 | 302 | 377 | 75 |
| Depreciation | 102 | 112 | 106 | 106 | 100 | (6) |
| Direct assistance | 649 | 3 | - | - | - | - |
| Dolly Parton Imagination Library | 156 | 174 | 212 | 235 | 221 | (14) |
| Dues and subscriptions | 28 | 24 | 29 | 25 | 27 | 2 |
| Equipment | 23 | 9 | 18 | 11 | 11 | - |
| Event expense | 55 | 54 | 61 | 56 | 59 | 3 |
| In-kind donations | 326 | 399 | 298 | 231 | 1,304 | 1,073 |
| Insurance | 79 | 74 | 75 | 62 | 49 | (13) |
| Maintenance | 120 | 81 | 88 | 86 | 81 | (5) |
| Materials assistance | 152 | 10 | - | - | 88 | 88 |
| Miscellaneous | 87 | 64 | 72 | 77 | 89 | 12 |
| Postage | 14 | 12 | 14 | 13 | 10 | (3) |
| Printing | 30 | 30 | 34 | 35 | 20 | (15) |
| Professional fees | 56 | 55 | 38 | 40 | 42 | 2 |
| Saving incentive program | - | - | - | - | 24 | 24 |
| Supplies | 74 | 50 | 56 | 53 | 47 | (6) |
| Telephone | 32 | 24 | 24 | 23 | 26 | 3 |
| Travel and transportation | 61 | 46 | 55 | 55 | 36 | (19) |
| United Way Worldwide dues | 32 | 24 | 30 | 31 | 36 | 5 |
| Utilities | 67 | 84 | 84 | 70 | 64 | (6) |
| Total Other Expenses | 2,809 | 1,622 | 1,646 | 1,630 | 2,881 | 1,251 |
| Grants to agencies | 1,469 | 1,146 | 1,439 | 1,506 | 1,462 | (44) |
| TOTAL EXPENSES | 6,506 | 5,103 | 5,525 | 5,553 | 6,674 | 1,121 |

Many of the variances in expenses shown in the five-year trend are due to changes in programs and grants managed from year to year. UWA's Early Head Start program opened its centers in 2012 accounting for increased childcare supplies. Direct assistance expenses in 2012 and 2013 were funded by a grant designed to help the BP Horizon disaster victims. Dolly Parton Imagination Library expense has continued to grow over the years due to enrollment increases. In 2016, UWA froze enrollment to control the costs. Materials assistance expenses were funded by donations for flood victims in the Carencro area in 2012 and 2013 and in all four parishes served by United Way of Acadiana in 2016. These parishes are referred to in Note (1) A. on page 10 of the accompanying report.

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:

Lori Petrie, Vice President of Administration and Finance
United Way of Acadiana, Inc.
P.O. Box 52033
Lafayette, LA 70505-2033
(337) 706-1229