

Aloha United Way, Inc.

(A Nonprofit Organization)

Financial and Compliance Audit

December 31, 2018 and 2017

Aloha United Way, Inc.
(A Nonprofit Organization)
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Report of Independent Auditors

To the Board of Directors of
Aloha United Way, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Aloha United Way, Inc. (“Aloha United Way” or the “Organization”), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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 auditors consider internal control relevant to the Organization’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 Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aloha United Way as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Allocations to Agencies for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. The word "Accuity" is written in a larger, more decorative script, and "LLP" is written in a simpler, smaller font to the right of it.

Honolulu, Hawaii
July 17, 2019

Aloha United Way, Inc.
(A Nonprofit Organization)
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 2,340,129	\$ 2,642,977
Investments	6,953,905	7,646,557
Pledges receivable, net of allowance of \$695,960 and \$676,517 in 2018 and 2017, respectively	3,513,682	3,757,043
Accounts receivable	1,115,223	214,831
Prepaid expenses and other	63,882	279,359
Total current assets	<u>13,986,821</u>	<u>14,540,767</u>
Endowments and charitable gift annuities	1,957,956	2,000,373
Cash and time certificates of deposit held by third party	840,174	861,386
Beneficial interest in perpetual trusts	901,035	1,019,310
Other assets	199,141	196,950
Property and equipment		
Land	191,000	191,000
Building and improvements	10,843,400	10,224,372
Furniture, fixtures and equipment	789,188	789,188
Total	<u>11,823,588</u>	<u>11,204,560</u>
Less: Accumulated depreciation	<u>(9,071,266)</u>	<u>(8,789,174)</u>
Property and equipment, net	<u>2,752,322</u>	<u>2,415,386</u>
Total assets	<u>\$ 20,637,449</u>	<u>\$ 21,034,172</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,521,582	\$ 707,951
Due to designated agencies	3,004,966	2,790,136
Total current liabilities	<u>4,526,548</u>	<u>3,498,087</u>
Annuities payable, noncurrent	53,840	57,531
Total liabilities	<u>4,580,388</u>	<u>3,555,618</u>
Net assets		
Without donor restrictions		
Invested in property and equipment, net	2,752,322	2,415,386
Board-Designated Operating Reserve Fund	4,019,795	5,843,880
Undesignated	2,000,000	2,000,000
Total net assets without donor restrictions	<u>8,772,117</u>	<u>10,259,266</u>
With donor restrictions	7,284,944	7,219,288
Total net assets	<u>16,057,061</u>	<u>17,478,554</u>
Total liabilities and net assets	<u>\$ 20,637,449</u>	<u>\$ 21,034,172</u>

The accompanying notes are an integral part of the financial statements.

Aloha United Way, Inc.
(A Nonprofit Organization)
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Campaign revenue			
Current year campaign contributions	\$ -	\$ 7,669,125	\$ 7,669,125
Prior year campaign contributions (released from restrictions)	7,028,321	(7,028,321)	-
Prior years' campaign contributions received in current year	<u>1,529,238</u>	<u>-</u>	<u>1,529,238</u>
Gross campaign results	8,557,559	640,804	9,198,363
Less: Donor designations – current year campaign	-	(3,320,147)	(3,320,147)
Less: Donor designations – prior year campaign	(3,706,379)	2,909,405	(796,974)
Less: Provision for uncollectible pledges – current year campaign	-	(311,755)	(311,755)
Less: Provision for uncollectible pledges – prior year campaigns	<u>(603,596)</u>	<u>308,645</u>	<u>(294,951)</u>
Net campaign revenue	4,247,584	226,952	4,474,536
Grant income and bequests	4,616,140	-	4,616,140
Fiscal agent revenue	1,039,397	-	1,039,397
In-kind contributions	488,878	-	488,878
Investment income	465,522	-	465,522
Building income, net	487,023	-	487,023
Change in value of Board-Designated Operating Reserve Fund investments	(735,657)	-	(735,657)
Change in value of charitable trusts and other permanently restricted investments	-	(161,296)	(161,296)
Other income	<u>389,229</u>	<u>-</u>	<u>389,229</u>
Total revenues and support	<u>10,998,116</u>	<u>65,656</u>	<u>11,063,772</u>
Allocations and other functional expenses			
Gross funds allocated to agencies	7,598,091	-	7,598,091
Less: Donor designations	<u>(4,614,749)</u>	<u>-</u>	<u>(4,614,749)</u>
Net funds allocated to agencies	2,983,342	-	2,983,342
Functional expenses			
Program services	6,563,942	-	6,563,942
Management and general	1,287,258	-	1,287,258
Fundraising	<u>1,650,723</u>	<u>-</u>	<u>1,650,723</u>
Total functional expenses	<u>9,501,923</u>	<u>-</u>	<u>9,501,923</u>
Total allocations and expenses	<u>12,485,265</u>	<u>-</u>	<u>12,485,265</u>
Change in net assets	(1,487,149)	65,656	(1,421,493)
Net assets			
Beginning of year	<u>10,259,266</u>	<u>7,219,288</u>	<u>17,478,554</u>
End of year	<u>\$ 8,772,117</u>	<u>\$ 7,284,944</u>	<u>\$ 16,057,061</u>

The accompanying notes are an integral part of the financial statements.

Aloha United Way, Inc.
(A Nonprofit Organization)
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Campaign revenue			
Current year campaign contributions	\$ -	\$ 7,028,321	\$ 7,028,321
Prior year campaign contributions (released from restrictions)	6,869,752	(6,869,752)	-
Prior years' campaign contributions received in current year	<u>2,009,076</u>	<u>-</u>	<u>2,009,076</u>
Gross campaign results	8,878,828	158,569	9,037,397
Less: Donor designations – current year campaign	-	(2,909,405)	(2,909,405)
Less: Donor designations – prior year campaign	(3,711,441)	2,992,331	(719,110)
Less: Provision for uncollectible pledges – current year campaign	-	(308,645)	(308,645)
Less: Provision for uncollectible pledges – prior year campaigns	<u>(480,886)</u>	<u>292,247</u>	<u>(188,639)</u>
Net campaign revenue	4,686,501	225,097	4,911,598
Grant income and bequests	1,285,844	-	1,285,844
In-kind contributions	468,980	-	468,980
Investment income	575,247	-	575,247
Building income, net	460,980	-	460,980
Change in value of Board-Designated Operating Reserve Fund investments	369,002	-	369,002
Change in value of charitable trusts and other permanently restricted investments	-	183,473	183,473
Other income	<u>212,606</u>	<u>-</u>	<u>212,606</u>
Total revenues and support	<u>8,059,160</u>	<u>408,570</u>	<u>8,467,730</u>
Allocations and other functional expenses			
Gross funds allocated to agencies	8,770,634	-	8,770,634
Less: Donor designations	<u>(5,015,845)</u>	<u>-</u>	<u>(5,015,845)</u>
Net funds allocated to agencies	3,754,789	-	3,754,789
Functional expenses			
Program services	2,299,476	-	2,299,476
Management and general	1,250,562	-	1,250,562
Fundraising	<u>1,561,733</u>	<u>-</u>	<u>1,561,733</u>
Total functional expenses	<u>5,111,771</u>	<u>-</u>	<u>5,111,771</u>
Total allocations and expenses	<u>8,866,560</u>	<u>-</u>	<u>8,866,560</u>
Change in net assets	(807,400)	408,570	(398,830)
Net assets			
Beginning of year	<u>11,066,666</u>	<u>6,810,718</u>	<u>17,877,384</u>
End of year	<u>\$ 10,259,266</u>	<u>\$ 7,219,288</u>	<u>\$ 17,478,554</u>

The accompanying notes are an integral part of the financial statements.

Aloha United Way, Inc.
(A Nonprofit Organization)
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	Program Services			Management and General	Fundraising	Total
	Member Agency Services	Other Program Services	Total			
2018						
Salaries	\$ 630,066	\$ 219,785	\$ 849,851	\$ 621,647	\$ 638,387	\$ 2,109,885
Employee benefits	104,349	73,310	177,659	143,859	114,134	435,652
Payroll taxes	55,219	20,168	75,387	55,735	56,512	187,634
Total salaries and related expenses	789,634	313,263	1,102,897	821,241	809,033	2,733,171
Professional fees and contract services	4,826,950	197,574	5,024,524	290,908	285,179	5,600,611
Media, printing and publications	60,832	93,793	154,625	8,060	320,339	483,024
Depreciation	31,226	22,303	53,529	54,197	46,087	153,813
National dues	36,348	20,566	56,914	34,450	36,039	127,403
Conferences, conventions and meetings	10,051	45,141	55,192	9,974	82,750	147,916
Telephone	4,051	18,011	22,062	4,604	8,286	34,952
Supplies	18,856	4,694	23,550	7,520	13,470	44,540
Equipment rental and maintenance	22,623	12,013	34,636	12,367	10,515	57,518
Postage and shipping	348	4,027	4,375	3,952	7,895	16,222
Travel	11,561	6,350	17,911	19,643	20,907	58,461
Other	3,658	10,069	13,727	20,342	10,223	44,292
Total expenses	\$ 5,816,138	\$ 747,804	\$ 6,563,942	\$ 1,287,258	\$ 1,650,723	\$ 9,501,923
2017						
Salaries	\$ 525,327	\$ 217,273	\$ 742,600	\$ 594,865	\$ 554,394	\$ 1,891,859
Employee benefits	77,018	69,952	146,970	109,103	105,165	361,238
Payroll taxes	44,913	19,833	64,746	56,241	49,676	170,663
Total salaries and related expenses	647,258	307,058	954,316	760,209	709,235	2,423,760
Professional fees and contract services	329,192	735,629	1,064,821	330,495	353,079	1,748,395
Media, printing and publications	2,045	80,070	82,115	4,274	293,217	379,606
Depreciation	24,202	23,487	47,689	45,264	38,612	131,565
National dues	22,659	18,107	40,766	30,994	31,211	102,971
Conferences, conventions and meetings	12,541	31,194	43,735	19,257	71,662	134,654
Telephone	3,536	16,913	20,449	5,809	7,361	33,619
Supplies	1,888	1,555	3,443	7,618	16,032	27,093
Equipment rental and maintenance	5,058	4,042	9,100	12,076	6,563	27,739
Postage and shipping	1,063	27	1,090	3,280	13,283	17,653
Travel	3,148	6,871	10,019	15,168	17,445	42,632
Other	13,888	8,045	21,933	16,118	4,033	42,084
Total expenses	\$ 1,066,478	\$ 1,232,998	\$ 2,299,476	\$ 1,250,562	\$ 1,561,733	\$ 5,111,771

The accompanying notes are an integral part of the financial statements.

Aloha United Way, Inc.
(A Nonprofit Organization)
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,421,493)	\$ (398,830)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	282,091	263,997
Net unrealized and realized losses (gains) on investments	285,285	(887,483)
Change in value of charitable trusts	128,980	(112,732)
Change in operating assets and liabilities		
Pledges receivable	243,361	19,261
Accounts receivable	(900,392)	775,938
Prepaid expenses and other	215,477	(187,909)
Accounts payable and accrued expenses	813,631	226,176
Due to designated agencies	214,830	(292,923)
Net cash used in operating activities	<u>(138,230)</u>	<u>(594,505)</u>
Cash flows from investing activities		
Purchase of property and equipment	(619,027)	(1,337,190)
Purchases of investments	(2,690,295)	(5,029,273)
Proceeds from sale or maturity of investments	3,097,662	6,726,937
Net change in cash and time certificates of deposit held by third party	21,212	555,126
Net change in investments	<u>32,210</u>	<u>(70,741)</u>
Net cash provided by (used in) investing activities	<u>(158,238)</u>	<u>844,859</u>
Cash flows from financing activities		
Charitable gift annuities	<u>(6,380)</u>	<u>(6,380)</u>
Net cash used in financing activities	<u>(6,380)</u>	<u>(6,380)</u>
Net increase (decrease) in cash and cash equivalents	(302,848)	243,974
Cash and cash equivalents		
Beginning of year	<u>2,642,977</u>	<u>2,399,003</u>
End of year	<u>\$ 2,340,129</u>	<u>\$ 2,642,977</u>

The accompanying notes are an integral part of the financial statements.

Aloha United Way, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2018 and 2017

1. Organization

The mission of Aloha United Way, Inc. (“Aloha United Way” or the “Organization”) is to bring resources, organizations and people together to advance the health, education and financial stability of every person in our community. Aloha United Way has fundraised for almost 100 years to address the greatest needs in our community. As an organization, Aloha United Way has evolved to meet the changing face of donors and the changing needs of our community.

A member of United Way Worldwide, Aloha United Way supports nonprofit organizations and communities on Oahu. The Organization operates separately from the Hawaii Island United Way, Kauai United Way, and Maui United Way. As an efficient, effective fundraiser for hundreds of local nonprofits, Aloha United Way provides those who want to support collective and sustainable impact with a trusted, transparent and meaningful way to invest in addressing critical issues in its community. During 2018, Aloha United Way supported over 330 independent agencies, a good portion of which have provided health and human services for families and individuals in need.

2. Summary of Significant Accounting Policies

Basis of Accounting

Aloha United Way classifies its net assets and its revenues and expenses based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions result from contributions (including grants and bequests) whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Aloha United Way pursuant to those stipulations in addition to contributions whose use is limited by donor stipulations that do not expire. Net assets without donor restrictions represent resources over which the board of directors has discretionary control. Contributions (including grants and bequests) for which restrictions are met in the same reporting period are reported as net assets without donor restrictions. Conditional contributions, including grants whereby unspent proceeds must be returned to the grantor, are recognized as the conditions are satisfied, which typically occurs as grant funds are expended.

Aloha United Way reports contributions of cash and other assets as net assets with donor restrictions if they are received for the subsequent allocation period. At the beginning of the next allocation period, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are designated by donors for specific beneficiaries are considered to be agency transactions; accordingly, such amounts are not recognized as revenues and distributions in the statements of activities. At December 31, 2018 and 2017, the amount due to designated agencies was approximately \$3,005,000 and \$2,790,000, respectively.

In 2018, Aloha United Way adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Among other changes, ASU No. 2016-14 requires the presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions – on the face of the statement of financial position, quantitative and qualitative disclosures on the availability of financial assets to meet cash needs in the near term, and reporting of expenses by both their natural and functional classifications.

Aloha United Way, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. Significant items subject to such estimates and assumptions include valuation allowances for pledges receivable, valuation of charitable trusts, and pension plan assumptions. Actual results could differ from those estimates.

Annual Campaigns

Annual campaigns are conducted to raise support for qualified agencies in the subsequent calendar year. All contributions are considered available for unrestricted use unless specifically designated or restricted by the donor.

In 2018 and 2017, Aloha United Way maintained its federation for the Combined Federal Campaign consisting of 61 and 54 agencies, respectively. From the 2018 and 2017 campaigns, \$31,343 and \$39,797, respectively, was designated for Aloha United Way, while \$674,189 and \$729,875, respectively, was designated for Aloha United Way's federation agencies. As a federation, Aloha United Way and its Combined Federal Campaign designated agencies' share of the campaign expenses was \$139,665 and \$126,741 for the 2018 and 2017 campaigns, respectively. Only the federation's share of the Combined Federal Campaign totals is reported. The federation is honoring designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

Cash and Cash Equivalents

Aloha United Way considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. Permanently restricted cash included in noncurrent investments, cash held in investment accounts, and cash held by third party are not considered cash and cash equivalents for statements of cash flows purposes.

Cash Accounts and Time Certificates of Deposit Held by Third Party

The property manager of the building owned by Aloha United Way maintains and manages cash accounts and time certificates of deposit as an agent of Aloha United Way. Aloha United Way has legal title to the cash accounts and time certificates of deposit, which are primarily reserves for major maintenance and improvement projects of the building.

Concentrations of Credit Risk

Aloha United Way maintains cash and cash equivalents and short-term investments with various major financial institutions. Cash equivalents and short-term investments include investments in money market funds and investments in securities backed by the U.S. government. Aloha United Way's cash balances are in excess of federally insured amounts. Pledges and donor-restricted pledges receivables are pledges from various individuals and corporations in the state of Hawaii.

Pledges Receivable

Aloha United Way establishes an allowance for uncollectible pledges based on a historical analysis of collections over the past five to seven years, adjusted for management's estimates of current economic factors, applied to gross campaigns, including donor designations.

Beneficial Interest in Charitable Trusts

Aloha United Way recognizes charitable trusts such as perpetual trusts and charitable gift annuities when a donor purchases an annuity contract or makes an initial irrevocable gift to a trust in which the Aloha United Way has a beneficial interest.

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Notes to Financial Statements
December 31, 2018 and 2017

Beneficial interest in perpetual trusts represents assets held in perpetual trusts by independent trustees and resources neither in the possession nor under the control of Aloha United Way, although Aloha United Way derives income from the assets of such trusts. The beneficial interests in these trusts are carried at fair value as reported to Aloha United Way by the trustees. The changes in the fair value of these trusts are reflected as increases or decreases to net assets with donor restrictions in the statements of activities.

Charitable gift annuities are arrangements between the donors and Aloha United Way in which the donors contribute assets to Aloha United Way, which are recognized at fair value. The portion of these assets held for the benefit of others is carried at the estimated present value of future payments to be distributed over the donor's expected life based on Internal Revenue Service valuation tables, and is classified as an annuity obligation. The difference is recognized as contribution revenues in the year of the gift. The discount rates ranged from 1.6% to 5.2% at December 31, 2018 and 2017.

Investments

Investments are stated at fair value, which are based on quoted market prices or observable inputs. Cash and certificates of deposit included in the investment balances are stated at cost.

Property and Equipment

Property and equipment are stated at cost. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs that do not extend the lives of assets are charged to operations. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to income. Property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building and improvements	5 to 45 years
Furniture, fixtures and equipment	3 to 10 years

Board-Designated Operating Reserve Fund

The Board-Designated Operating Reserve fund is an unrestricted fund that can be used at the Board's discretion. It contains a six-month operating reserve, a reserve for strategic investments, as well as an emergency reserve to assist the Oahu community to rebuild and recover in the event of a natural or man-made disaster.

Impact Allocations

Based on feedback from the community, Aloha United Way identified three issues of most concern where it could make the largest impact in sustaining the community. These impact issues include education, poverty prevention and safety net services. Of the \$7,598,091 and \$8,770,634 in allocations made to the agencies in December 31, 2018 and 2017, Aloha United Way directed \$2,157,885 and \$2,951,691, respectively, toward impact issue areas.

Aloha United Way believes that all children in its community should be provided adequate tools, resources and support to succeed in school. The Early Childhood Developmental Screening Initiative ensures that children have the best start possible through increased early childhood developmental screenings and follow-up services. In 2017, Aloha United Way distributed \$50,000 toward this initiative. There were no allocations to this initiative in 2018.

Aloha United Way, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2018 and 2017

The community has also asked the Organization to respond to the needs of its kupuna by supporting them as they age, especially as the number of seniors in Hawaii grows larger every year. Aloha United Way's Active Aging Initiative provides early support to seniors to help them maintain their independence and quality of life so that they are well-equipped and confident to age in place for as long as possible. The Organization allocated \$533,938 and \$530,258 to its Active Aging Initiative in 2018 and 2017, respectively.

Coordinated Statewide Homeless Initiative

In 2016, the Governor of Hawaii issued six consecutive Emergency Proclamations on Homelessness. As part of the emergency response to these proclamations, Aloha United Way was selected to manage the Coordinated Statewide Homeless Initiative ("CSHI"), a one-time, one-year grant, that provided rent, deposit and utility assistance to homeless populations and those at risk of homelessness. Aloha United Way served as the master contractor to 20 provider agencies statewide, who were able to identify and assist clients with the application process. This CSHI pilot program exceeded its 12-month contract goals by serving over 1,600 households comprised of over 4,900 of Hawaii's most vulnerable community members. Of the \$5,000,000 granted by the state of Hawaii, approximately \$706,000 was expended and earned in 2017. The grant was not renewed upon its termination in 2017.

Continuum of Care

Aloha United Way is the recipient of various Continuum of Care ("CoC") grants funded by the U.S. Department of Housing and Urban Development ("HUD"). The CoC program is designed to (1) promote community-wide commitment to the goal of ending homelessness; (2) provide funding for efforts by non-profits, states and local governments to quickly re-house homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families and communities by homelessness; (3) promote access to and effective utilization of mainstream programs by homeless individuals and families; and (4) optimize self-sufficiency among individuals and families experiencing homelessness. The Organization has been awarded four grants under the CoC including Permanent Supportive Housing ("PSH"), CoC Planning Activities, Homeless Management Information System ("HMIS"), and Coordinated Entry System ("CES").

Of the \$5,894,777 granted by HUD, approximately \$4,108,271 was expended and earned in 2018.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and IT services, which are allocated on a square footage or FTE basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Fiscal Agent Revenue

Aloha United Way serves as fiscal agent for certain nonprofit organizations receiving Federal and non-Federal funds. Fiscal agent revenues and related expenses are recognized upon distribution of funds to the organizations.

Aloha United Way, Inc.
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Donated Services

Aloha United Way recognizes their pro-rata share of the fair value of airtime donated to United Way Worldwide, which is allocated based on a ratio of membership dues paid by each member agency during the year. For the years ended December 31, 2018 and 2017, Aloha United Way included \$85,360 and \$74,139, respectively, as in-kind contribution revenue and in-kind program services expense.

A substantial number of volunteers have donated significant amounts of their time in Aloha United Way's program services and in its fundraising campaigns; however, no amounts have been reflected in the accompanying financial statements for donated services because these services did not meet the requirements for financial statement recognition.

Income Taxes

Aloha United Way has received a determination letter from the Internal Revenue Service that it is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Aloha United Way evaluates uncertain tax positions utilizing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At December 31, 2018 and 2017, management believes there were no significant uncertain tax positions and there were no pending federal or state income tax audits. The federal statute of limitations remains open for Aloha United Way for the years ended December 31, 2015 through 2018.

Employee Benefit Plan

Aloha United Way created a defined contribution plan effective June 1, 2012 covering substantially all employees. For the years ended December 31, 2018 and 2017, contributions made to the plan by Aloha United Way were \$67,400 and \$38,461, respectively.

Rental Income

Rental income is recognized as income on a straight-line basis over the lease term.

Advertising

Advertising costs are recognized when incurred and approximated \$305,000 and \$271,000 for the years ended December 31, 2018 and 2017, respectively.

Fair Value Measurements

Aloha United Way measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2** – Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Aloha United Way, Inc.
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The fair value of mutual funds were estimated using a market approach with quoted prices in an active market or exchange and are generally categorized in Level 1. The fair value of government obligations and corporate and foreign bonds were estimated using an income approach with extrapolated data and proprietary pricing models that use observable inputs, such as prices in active markets, and are generally categorized in Level 2. The fair value of the underlying assets in its beneficial interest in perpetual trusts is generally categorized in Level 3 as the Organization does not have possession nor does it control the underlying investments.

Reclassifications

Due to adoption of ASU No. 2016-14 in 2018, unrestricted net assets have been reclassified to net assets without donor restrictions and temporarily and permanently restricted net assets have been reclassified to net assets with donor restrictions in the 2017 financial statements to conform to the 2018 presentation. Such reclassifications had no effect on the net assets or change in net assets as previously reported.

Subsequent Events

Management has reviewed all events that have occurred from January 1, 2019 through July 17, 2019, the date that the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

3. Availability of Financial Assets

Aloha United Way's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and equivalents	\$ 2,340,129
Accounts receivable	1,115,223
Pledges receivable	3,513,682
BDORF investments	<u>6,953,905</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,922,939</u>

Aloha United Way's operations and grant funding is primarily supported by its undesignated contributions. The Board Designated Operating Reserve Fund ("BDORF") investments may also be used for strategic initiatives, additional grant funding, and general operations upon Board approval. Contained within the BDORF investments is a six-month operating reserve that is monitored by the Organization's Finance Committee. In the event of an unanticipated liquidity need, the Organization may also draw up to \$1,000,000 from its Loan Management Account which is collateralized by a portion of the BDORF investments.

Aloha United Way, Inc.
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Notes to Financial Statements
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4. Investments

Aloha United Way's investments at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Cash	\$ 628,455	\$ 441,834
Government obligations	839,614	897,596
Corporate and foreign bonds	599,124	606,124
Mutual and fixed income funds	<u>4,886,712</u>	<u>5,701,003</u>
	<u>\$ 6,953,905</u>	<u>\$ 7,646,557</u>

At December 31, 2018 and 2017, noncurrent investments consisted of the following:

	2018	2017
Cash	\$ 65,378	\$ 54,039
Restricted certificate of deposit, with interest of 3.00% and 1.32% at December 31, 2018 and 2017, respectively	1,000,000	1,000,000
Mutual and fixed income funds	<u>892,578</u>	<u>946,334</u>
	<u>\$ 1,957,956</u>	<u>\$ 2,000,373</u>

Investment income in 2018 and 2017 consisted of the following:

	2018	2017
Investment gain (loss)	\$ 1,009,981	\$ (215,926)
Unrealized and realized gains (losses), net	<u>(544,459)</u>	<u>791,173</u>
	<u>\$ 465,522</u>	<u>\$ 575,247</u>

Aloha United Way, Inc.
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Notes to Financial Statements
December 31, 2018 and 2017

5. Fair Value Measurements

Aloha United Way has determined the fair value of its investments and the underlying assets in its beneficial interest in perpetual trusts measured on a recurring basis at December 31, 2018 and 2017 as follows:

	2018			Total
	Level 1	Level 2	Level 3	
Investments				
Cash	\$ 693,833	\$ -	\$ -	\$ 693,833
Government obligations				
U.S. treasury obligations	-	243,781	-	243,781
U.S. government agencies	-	148,328	-	148,328
U.S. government mortgage	-	174,714	-	174,714
Municipal obligations	-	272,791	-	272,791
Total government obligations	-	839,614	-	839,614
Corporate bonds				
Financials	-	206,564	-	206,564
Consumer	-	53,213	-	53,213
Energy	-	20,699	-	20,699
Health care	-	22,605	-	22,605
Information technology	-	112,952	-	112,952
Industrials	-	15,898	-	15,898
Other	-	88,743	-	88,743
Total corporate bonds	-	520,674	-	520,674
Foreign bonds	-	78,450	-	78,450
Mutual funds				
Domestic equity funds	2,602,262	-	-	2,602,262
International funds	2,753,539	-	-	2,753,539
Total mutual funds	5,355,801	-	-	5,355,801
Fixed income funds	423,489	-	-	423,489
Time certificates of deposit	-	1,000,000	-	1,000,000
Beneficial interest in perpetual trusts	-	-	901,035	901,035
	<u>\$ 6,473,123</u>	<u>\$ 2,438,738</u>	<u>\$ 901,035</u>	<u>\$ 9,812,896</u>

Aloha United Way, Inc.
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Notes to Financial Statements
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	2017			Total
	Level 1	Level 2	Level 3	
Investments				
Cash	\$ 495,873	\$ -	\$ -	\$ 495,873
Government obligations				
U.S. treasury obligations	-	272,627	-	272,627
U.S. government agencies	-	343,564	-	343,564
Municipal obligations	-	281,405	-	281,405
Total government obligations	-	897,596	-	897,596
Corporate bonds				
Financials	-	185,434	-	185,434
Consumer	-	65,414	-	65,414
Energy	-	51,841	-	51,841
Health care	-	9,038	-	9,038
Information technology	-	98,153	-	98,153
Industrials	-	38,726	-	38,726
Other	-	84,957	-	84,957
Total corporate bonds	-	533,563	-	533,563
Foreign bonds	-	72,561	-	72,561
Mutual funds				
Domestic equity funds	3,157,501	-	-	3,157,501
International funds	3,058,451	-	-	3,058,451
Total mutual funds	6,215,952	-	-	6,215,952
Fixed income funds	431,385	-	-	431,385
Time certificates of deposit	-	1,000,000	-	1,000,000
Beneficial interest in perpetual trusts	-	-	1,019,310	1,019,310
	<u>\$ 7,143,210</u>	<u>\$ 2,503,720</u>	<u>\$ 1,019,310</u>	<u>\$ 10,666,240</u>

The following table presents a reconciliation of the beginning and ending balances of the fair value measurement using significant unobservable inputs (Level 3):

	Beneficial Interest in Perpetual Trusts
As of January 1, 2017	\$ 930,479
Sales and distributions	(116,207)
Purchases	66,472
Realized and unrealized gains, net	138,566
As of December 31, 2017	1,019,310
Sales and distributions	(215,927)
Purchases	102,859
Realized and unrealized losses, net	(5,207)
As of December 31, 2018	<u>\$ 901,035</u>

Aloha United Way, Inc.
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Notes to Financial Statements
December 31, 2018 and 2017

6. Accounts Receivable

At December 31, 2018 and 2017, accounts receivable consisted of the following:

	2018	2017
Grant receivable from the U.S. Department of Housing and Urban Development	\$ 751,966	\$ -
Grant receivable from the State of Hawaii	-	106,226
Receivable from ALEA Bridge	247,164	-
Rent receivable and other	116,093	108,605
	<u>\$ 1,115,223</u>	<u>\$ 214,831</u>

7. Community Service Center

Aloha United Way's offices are located within the Castle and Cooke Community Service Center owned by Aloha United Way. Office space is leased to tenants, which are primarily nonprofit organizations, under noncancelable lease agreements with terms expiring on various dates through 2027. The leases provide for minimum rents with scheduled increases and for reimbursements of the tenant's share of building operating expenses.

Community Service Center revenues and expenses during 2018 and 2017 included the following:

	2018	2017
Minimum rent income	\$ 734,574	\$ 648,767
Operating expense reimbursements	604,993	579,168
Parking rent	85,466	74,800
Rental income	<u>1,425,033</u>	<u>1,302,735</u>
Other income	<u>26,361</u>	<u>39,003</u>
	1,451,394	1,341,738
Less: Expenses		
Depreciation	121,671	132,432
Utilities	219,134	204,925
Repairs and maintenance	180,927	181,020
Janitorial, grounds and security	225,560	218,700
Commissions	77,733	15,208
Management fees	52,670	51,156
Insurance	34,720	32,867
Other expenses	51,956	44,450
	<u>964,371</u>	<u>880,758</u>
	<u>\$ 487,023</u>	<u>\$ 460,980</u>

Aloha United Way, Inc.
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Notes to Financial Statements
December 31, 2018 and 2017

Future minimum rental receipts under noncancelable operating lease agreements and commitments for office space as of December 31, 2018 are as follows:

Years ending	
2019	\$ 744,000
2020	536,000
2021	380,000
2022	370,000
2023	175,000
Thereafter	<u>569,000</u>
	<u>\$ 2,774,000</u>

The cost and accumulated depreciation related to the property the Aloha United Way leases or has available to lease, based on square footage usage, as of December 31, 2018 and 2017 were as follows:

	2018	2017
Buildings and improvements	\$ 7,509,031	\$ 7,555,150
Less: Accumulated depreciation	<u>(5,923,574)</u>	<u>(6,186,084)</u>
	<u>\$ 1,585,457</u>	<u>\$ 1,369,066</u>

8. Net Assets with Donor Restrictions

Net assets with time restrictions consisted of campaign results for the next allocation period of \$4,432,280 and \$4,205,328 as of December 31, 2018 and 2017, respectively.

Net assets with permanent donor restrictions generate income that can be expended for unrestricted purposes and consisted of the following:

	2018	2017
Donor restricted endowments	\$ 1,951,629	\$ 1,994,650
Perpetual trusts	<u>901,035</u>	<u>1,019,310</u>
	<u>\$ 2,852,664</u>	<u>\$ 3,013,960</u>

9. Related Parties

Aloha United Way was a participant in the United Way Statewide Association of Hawaii ("Statewide"). Statewide exists as a cooperative effort among three United Way organizations and one United Fund in Hawaii to increase the organized capacity of people to care for one another. Aloha United Way's relationship with Statewide ceased during 2016 and settlement of outstanding balances occurred in 2017.

Aloha United Way, Inc.
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Notes to Financial Statements
December 31, 2018 and 2017

10. Uniform Prudent Management of Institutional Funds Act

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and imposes additional duties on those who manage and invest charitable funds. Board-designated net assets with and without donor restrictions would be termed endowment funds under UPMIFA.

Aloha United Way includes in their endowment donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Aloha United Way invests their restricted funds in a certificate of deposit and cash equivalents when received unless otherwise designated by the donors. The funds are maintained in perpetuity and the earnings on the investments are released for unrestricted use.

Aloha United Way’s spending policy for the endowment assets provides funding in addition to the amounts that are raised during the campaign. The spending policy reflects that the investment income earned for net assets with donor restrictions should be reported as unrestricted income and be used for expenditures for which the endowment was established.

The endowment net asset composition as of December 31, 2018 and 2017 consisted of donor-restricted endowment funds of \$1,718,407 included in net assets with donor restrictions.

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Total
Endowment net assets, January 1, 2017	\$ -	\$ 1,718,407	\$ 1,718,407
Interest income	-	13,297	13,297
Appropriation of endowment earnings for expenditure	13,297	(13,297)	-
Expenditure of endowment earnings	<u>(13,297)</u>	<u>-</u>	<u>(13,297)</u>
Total change in endowment net assets	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2017	<u>-</u>	<u>1,718,407</u>	<u>1,718,407</u>
Interest income	-	13,297	13,297
Appropriation of endowment earnings for expenditure	13,297	(13,297)	-
Expenditure of endowment earnings	<u>(13,297)</u>	<u>-</u>	<u>(13,297)</u>
Total change in endowment net assets	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 1,718,407</u>	<u>\$ 1,718,407</u>

Aloha United Way, Inc.
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Notes to Financial Statements
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11. Commitments

Aloha United Way entered into a line of credit agreement with a financial institution in April 2016. The line has a limit of \$1,500,000 and is collateralized by certain investments. Management does not intend to draw funds from the account unless an emergency situation were to arise.

Supplemental Schedule

Aloha United Way, Inc.
(A Nonprofit Organization)
Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

AccessSurf Hawaii, Inc.	\$ 9,658
Adult Friends for Youth	12,911
After-School All-Stars Hawaii	54,705
AHED Foundation	2,500
ALEA Bridge	3,582
Alliance for Drama Education	4,050
Aloha Harvest	23,110
Aloha House	35,048
Aloha Medical Mission	3,197
Alzheimer's Association – Aloha Chapter	91,628
American Cancer Society Inc.	84,524
American Civil Liberties Union of Hawaii Foundation	4,779
American Diabetes Association	47,578
American Heart Association	83,637
American Lung Association in Hawaii	5,628
American Red Cross	243,056
Armed Services YMCA	11,044
Arthritis Foundation Hawaii	7,153
ASSETS School	110,423
Ballet Hawaii	5,108
Big Brothers Big Sisters Hawaii	103,445
Bishop Museum	7,093
Blood Bank of Hawaii	11,036
Blue Planet Foundation	9,424
Bobby Benson Center	13,176
Boy Scouts of America – Aloha Council	61,872
Boys & Girls Club of Hawaii	138,423
Boys & Girls Club of Hawaii – Kauai	1,108
Boys & Girls Club of Maui	1,367
Catholic Charities Hawaii	252,664
Catholic Charities Maui	1,057
Center for Strategic & International Studies	7,000
Center for Tomorrow's Leaders	24,837
Chamber Music Hawaii	1,974
Chaminade University of Honolulu	5,029
Child & Family Service	97,943
Child & Family Service Hawaii Island	1,028
ClimbHI Inc.	4,241
Coalition for a Drug-Free Hawaii	9,377
Common Grace	5,596
Community Assistance Center	10,644
Community Health Outreach Work to Prevent AIDS	1,084
Coolingcancer	10,000
Corvette Center Ministries	1,745
Council for Native Hawaiian Advancement	1,274
CrimeStoppers Honolulu Inc.	2,527
CSI Inc.	1,275

(continued)

Aloha United Way, Inc.
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Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

Damien Memorial School	13,195
Diamond Head Theatre	114,159
Disabled American Veterans (“DAV”) Charitable Service Trust	8,757
Domestic Violence Action Center	44,572
Easter Seals Hawaii	56,797
Easter Seals Hawaii – Kauai	1,315
Epilepsy Foundation of Hawaii	6,709
Equine 808 Horse Rescue	1,979
Family Programs Hawaii	9,423
Family Promise of Hawaii	69,498
Farrington Alumni and Community Foundation	1,000
Feed The Hunger Foundation	3,382
Feeding Hawaii Together	11,223
Filipino Community Center Inc.	5,000
Food Basket, Inc., Hawaii Island’s Food Bank	1,352
Franciscan Care Services	203,997
Frank Delima’s Student Enrichment Program Inc.	4,982
Friendly Isle United Fund (Molokai)	4,351
Friends of Challenger Center Hawaii, Inc.	1,157
Friends of the Children’s Justice Center of Oahu	7,169
Friends of the Library of Hawaii	10,721
Friends of the University of Hawaii Cancer Center	11,291
Friends of Youth Outreach Foundation dba RYSE	50,700
Girl Scouts of Hawaii	24,781
Goodwill Industries of Hawaii, Inc.	61,603
Gregory House Programs	35,055
Guide Dogs of Hawaii	19,678
Habilitat, Inc.	2,322
Habitat for Humanity West Hawaii, Inc.	2,299
Hale Kipa, Inc.	134,866
Hale Kipa Kauai	1,487
Hawaii 3RS	11,237
Hawaii 4-H Foundation	2,627
Hawaii Academy of Science	2,000
Hawaii Alliance for Arts in Education	6,055
Hawaii Appleseed Center for Law and Economic Justice	41,035
Hawaii Autism Foundation	7,026
Hawaii Bone Marrow Donor Registry	1,500
Hawaii Book & Music Festival	17,897
Hawaii Branch of the International Dyslexia Association	5,020
Hawaii Cares	5,000
Hawaii Children’s Action Network	2,087
Hawaii Children’s Cancer Foundation	43,785
Hawaii Community Foundation	13,500
Hawaii Cord Blood Bank	1,218
Hawaii Council on Economic Education	5,145
Hawaii Department of Education	11,028

(continued)

Aloha United Way, Inc.
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Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

Hawaii Dog Foundation	15,881
Hawaii Fi-Do Service Dogs	12,175
Hawaii Foodbank	171,687
Hawaii HomeOwnership Center	32,144
Hawaii International Child Placement & Family Services Inc.	5,178
Hawaii International Film Festival	2,000
Hawaii Island HIV/AIDS Foundation	1,729
Hawaii Island United Way	31,371
Hawaii Justice Foundation	1,978
HawaiikidsCAN	5,000
Hawaii Lions Foundation	8,027
Hawaii Literacy	118,194
Hawaii Meals on Wheels, Inc.	165,118
Hawaii Mothers' Milk, Inc.	7,540
Hawaii Nature Center	8,571
Hawaii Opera Theatre	6,602
Hawaii Pacific Health	8,500
Hawaii Pacific University	1,516
Hawaii Performing Arts Company Ltd.	5,226
Hawaii Public Television Foundation dba PBS Hawaii	76,100
Hawaii Speed and Quickness	11,000
Hawaii Symphony Orchestra Inc.	3,184
Hawaii Theatre Center	5,291
Hawaii Youth Opera Chorus	3,578
Hawaii Youth Symphony	13,470
Hawaiian Community Assets	110,850
Hawaiian Humane Society	194,000
Healthy Mothers Healthy Babies Coalition of Hawaii	5,154
Helping Hands Hawaii	174,328
Hina Mauka	6,424
Historic Hawai'i Foundation	7,793
Ho'ola Na Pua	59,727
Hoa Aina O Makaha	4,060
Holy Nativity School	10,000
Honolulu Community Action Program Inc.	3,913
Honolulu Habitat for Humanity	5,699
Honolulu Museum of Art	3,402
Honolulu Police Community Foundation	8,081
Honolulu Professionals Foundation	3,417
Honolulu Theatre for Youth	15,286
Honpa Hongwanji Mission of Hawaii	5,245
HOPE Services Hawaii, Inc. (Hawaii Island)	1,787
Hospice Hawaii Inc.	94,188
Hospice of Hilo	2,133
HUGS (Help, Understanding & Group Support)	77,317
Hui Malama O Ke Kai Foundation	2,106
IHS, The Institute for Human Services, Inc.	149,370

(continued)

Aloha United Way, Inc.
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Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

Institute for Native Pacific Education and Culture (“INPEACE”)	15,541
Iolani School	31,090
Island Pacific Academy	2,574
Japanese Cultural Center of Hawai’i	11,273
Jewish Community Services	1,980
Junior Achievement of Hawaii	35,461
Juvenile Diabetes Research Foundation Int’l	1,608
Kahi Mohala	2,547
Kalihi-Palama Health Center	10,438
Kamaaina Care, Inc	4,464
KAMP Hawaii	5,988
Kapi’olani Health Foundation	27,707
Kauai Hospice	1,159
Kauai United Way	2,803
KCAA Preschools of Hawaii	23,594
Kids Hurt Too Hawaii	21,783
Kokua Care Foundation	1,514
Kokua Kalihi Valley Comprehensive Family Services	360,646
Kokua Mau Inc.	2,685
Kona Adult Day Care Center	1,315
Ku Aloha Ola Mau	1,251
Kuakini Foundation	13,236
Kualoa-Heeia Ecumenical Youth Project	98,014
Kupu	13,686
Lanakila Pacific Meals on Wheels	204,253
Le Jardin Academy	16,124
Leadership in Disabilities & Achievement of Hawaii	24,666
Leahi-Maluhia Foundation	5,079
Legacy of Life Hawai’i	6,588
Legal Aid Society of Hawaii	38,167
Legal Aid Society of Hawaii (Kauai)	1,036
Life Foundation	13,177
Living the Word Project D.A.T.E.	3,795
Make A Wish Hawaii Inc	83,150
Malama Learning Center	1,592
Mandel School of Applied Sciences	1,000
Manoa Heritage Center	1,000
Ma’o Farms	1,000
March of Dimes Foundation	17,320
Maryknoll School	15,000
Maui United Way	12,586
Mental Health America of Hawaii	8,221
Mental Health Kokua	10,357
Mid-Pacific Institute	55,904
Moiiliili Community Center	8,336
Montessori Community School	2,473
Mothers Against Drunk Driving	2,987

(continued)

Aloha United Way, Inc.
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Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

Na Kama Kai	1,250
Na Wahine Pa‘ani ‘O Punahou	5,000
National Alliance on Mental Illness Hawaii	2,078
National Kidney Foundation of Hawaii	15,271
National Multiple Sclerosis Pacific South Coast Chapter	1,464
Navy Hale Keiki School	6,830
New Hope Windward	3,000
Oahu Society for the Prevention of Cruelty of Animals	43,721
Olelo Community Media	32,466
Pacific and Asian Affairs Council	20,498
Pacific Gateway Center	1,792
Palama Settlement	53,042
Pali Momi Foundation	2,093
Palolo Chinese Home	22,502
Parents and Children Together	46,743
PARENTS, Inc.	1,206
Partners in Development Foundation	76,835
PATCH (“People Attentive to Children”)	15,177
Planned Parenthood of the Great Northwest and the Hawaiian Islands	67,704
Positive Coaching Alliance	4,338
Prevent Child Abuse Hawaii	7,606
Project Dana	52,573
Project Hawaii, Inc.	1,000
Project Vision Hawaii	6,380
Pu‘a Foundation	6,611
Punahou School	4,500
Read to Me International	8,857
Rehabilitation Hospital of the Pacific	15,716
Rehabilitation Hospital of the Pacific Foundation	6,325
Re-use Hawaii	1,359
River of Life Mission	23,023
Ronald McDonald House Charities of Hawaii	37,071
Sacred Hearts Academy	2,261
Saint Louis School	18,716
Samaritan Counseling Center Hawaii	15,367
Seagull Schools, Inc.	3,569
Shidler College of Business Alumni Association	7,500
Shriner’s Hospitals for Children	42,571
Soroptomist International	1,250
Sounding Joy Music Therapy, Inc.	1,782
Special Education Center of Hawaii	3,580
Special Olympics Hawaii Inc.	59,495
St. Francis Healthcare Foundation of Hawaii	21,248
Straub Foundation	11,882
Surfrider Spirit Sessions	3,228
Susan G. Komen Breast Cancer Foundation	11,803
Susannah Wesley Community Center	46,885

(continued)

Aloha United Way, Inc.
(A Nonprofit Organization)
Supplemental Schedule of Allocations to Agencies
Year Ended December 31, 2018

Teach for America Hawai'i	27,280
The ALS Association Golden West Chapter	2,434
The Arc in Hawaii	19,521
The Compassionate Friends Inc. Honolulu Chapter	2,117
The Early School	3,214
The Mediation Center of the Pacific, Inc.	51,934
The Nature Conservancy, Hawai'i Program	24,501
The Newman Center	2,000
The Salvation Army Hawaiian & Pacific Islands Division	167,121
The Sister Maureen Keleher Center	16,662
The St. Andrew's Schools	13,000
The Toddler Program	7,000
United Cerebral Palsy Association of Hawaii	8,960
United Church of Christ Transition House	2,157
United Service Organizations Inc.	5,855
United States Veterans Initiative	3,670
University of Hawaii Foundation	69,074
University of Virginia McIntire	5,000
U.S. Japan Council	10,000
USS Missouri Memorial Foundation	1,500
Variety School of Hawaii	5,866
Visitor Aloha Society of Hawaii	1,746
Volunteer Legal Services Hawaii	4,043
Waianae District Comprehensive Health and Hospital Board Inc.	32,754
Waikiki Community Center	175,620
Waikiki Health	85,857
Waimanalo Health Center	79,884
Wally Yonamine Foundation	10,000
Washington Place Foundation	3,500
Wild Bird Rehab Haven	2,304
Women Helping Women (Maui)	1,069
Women in Need	2,030
YMCA of Honolulu	112,108
Young Life Oahu	1,572
Young Women's Christian Association of Oahu	104,458
Youth for Christ Hawaii	7,452
Youth Service Hawaii	2,091
Other	55,523
	<u>\$ 7,598,091</u>

Schedule of Expenditures of Federal Awards

Aloha United Way, Inc.
(A Nonprofit Organization)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Agency / Program Title	Federal CFDA Number	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
U.S. Department of Housing and Urban Development			
Continuum of Care Program	14.267	\$ 4,108,271	\$ 3,178,144
Total U.S. Department of Housing and Urban Development		<u>4,108,271</u>	<u>3,178,144</u>
Total expenditures of federal awards		<u>\$ 4,108,271</u>	<u>\$ 3,178,144</u>

Aloha United Way, Inc.

(A Nonprofit Organization)

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Indirect Costs

The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Single Audit Reports



CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Aloha United Way, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aloha United Way, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Accuity LLP, featuring the word "Accuity" in a cursive script followed by "LLP" in a bold, sans-serif font.

Honolulu, Hawaii
July 17, 2019

**Report of Independent Auditors on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of
Aloha United Way, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Aloha United Way, Inc. (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2018. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding No. 2018-001, which we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Honolulu, Hawaii
July 17, 2019

Aloha United Way, Inc.
 (A Nonprofit Organization)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	<u>Unmodified</u>	
Internal control over financial reporting		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major program		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported

Type of auditors’ report issued on compliance for major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<u> X </u> yes	<u> </u> no

Identification of major programs

Name of Federal Program or Cluster	CFDA Number
Continuum of Care Program	14.267

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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Aloha United Way, Inc.
(A Nonprofit Organization)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section II – Financial Statement Findings

None noted.

Aloha United Way, Inc.
 (A Nonprofit Organization)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section III – Federal Award Findings and Questioned Costs

		Questioned Cost
Finding No. 2018-001:	Allowable Costs (Significant Deficiency)	<u>\$ 612</u>
Federal Agency:	U.S. Department of Housing and Urban Development	
CFDA Number and Title:	14.267 – Continuum of Care	
Award Number and Award Year:	HI0089L9C011600 2016 HI0029L9C011811 2017	
Repeat Finding?	No	

Condition

During our audit, we examined 14 haphazardly selected payroll transactions and identified one instance where payroll charged to the grant was overstated by \$612. In addition, we identified two instances where employee time spent working on the program was based on a predetermined percentage rather than actual efforts.

Criteria

According to 2 CFR 200.430(a), costs of compensation are allowable to the extent that they are reasonable for the services rendered and are adequately supported as provided in paragraph (i) of this section, *Standards for Documentation of Personnel Expenses*.

In addition, according to 2 CFR 230, Appendix B, salaries and wages charged to Federal awards must be supported by personnel activity reports that reflect an after-the-fact determination of the actual activity of the employee (as opposed to budget estimates).

Effect

Inaccurate compensation costs could affect the accuracy and transparency of program costs used by management and reported to the federal awarding agency.

Context

A sample of 14 payroll expenditure transactions totaling \$53,054 was selected for audit from a population of 131 payroll expenditure transactions totaling \$316,578. Our test found one transaction for which payroll expenditures charged to the grant were overstated, resulting in a questioned cost of \$612. Our test also found two transactions where time charged to the grant was based on predetermined percentages rather than actual efforts. Our sample was a statistically valid sample.

Cause and View of Responsible Officials

The Organization just recently acquired a significant amount of federal grant funding. While management developed appropriate policies and procedures, implementation and standardization took some time and in a few instances used estimates. The Organization understands the importance of proper time record keeping and has implemented corrective action.

Recommendation

The Organization should implement procedures to ensure that employee time charged to Federal awards is accurately reported based on actual activity and adequately reviewed.

Corrective Action Plan

Finding No. 2018-001: Allowable Costs (Significant Deficiency)

Views of Responsible Officials and Planned Corrective Actions

Management agrees with the finding and recommendation.

Corrective Action Plan

The Organization just recently acquired a significant amount of federal grant funding. While management developed appropriate policies and procedures, implementation and standardization took some time and in a few instances used estimates. The Organization understands the importance of proper time record keeping and has implemented corrective action.

Corrective actions included implementing a process where 1) all employees working on federal grants (excluding personnel who are 100% dedicated to one specific grant) are required to complete a daily timesheet that is signed and approved by their supervisor, and 2) grant managers obtain actual salary and benefit information, by pay period, from the payroll processor (ProService) or its website (via HR or Finance).

Anticipated Date of Completion

Completed

Person Responsible

Nan Katsuda – VP, Finance