

**UNITED WAY OF BUFFALO
& ERIE COUNTY**

FINANCIAL STATEMENTS

March 31, 2016

The Board of Directors
United Way of Buffalo & Erie County

We have audited the accompanying balance sheets of United Way of Buffalo & Erie County (United Way) as of March 31, 2016 and 2015, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 United Way of Buffalo & Erie County as of March 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


September 16, 2016

UNITED WAY OF BUFFALO & ERIE COUNTY

Balance Sheets

March 31,	2016	2015
Assets		
Cash and cash equivalents	\$ 3,353,721	\$ 3,319,426
Campaign pledges receivable, net (Note 2)	7,305,951	7,278,782
Grants and other receivables	1,050,083	1,251,054
Investments (Note 3)	4,029,798	4,002,211
Beneficial interest in assets held by Community Foundation for Greater Buffalo (Note 4)	6,867,189	5,011,642
Property and equipment, net (Note 5)	2,306,071	2,309,690
Other assets	75,823	69,529
	\$ 24,988,636	\$ 23,242,334
Liabilities and Net Assets		
Liabilities:		
Designations payable	\$ 3,933,567	\$ 4,113,732
Allocations payable	1,233,727	1,282,907
Accounts payable and accrued expenses	1,290,643	1,161,731
Deferred revenue	348,692	269,889
Accrued pension liability (Note 6)	1,682,845	1,272,822
Accrued postretirement benefit obligation (Note 6)	260,000	270,000
	8,749,474	8,371,081
Net assets (Note 8):		
Unrestricted	10,345,508	11,184,932
Temporarily restricted	3,372,384	3,165,051
Permanently restricted	2,521,270	521,270
	16,239,162	14,871,253
	\$ 24,988,636	\$ 23,242,334

See accompanying notes.

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Activities

For the years ended March 31,

2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 14,520,483	\$ -	\$ 14,520,483
Less: donor designations	-	(4,879,506)	-	(4,879,506)
Estimated uncollectible pledges	-	(525,000)	-	(525,000)
Net assets released from restrictions	8,908,644	(8,908,644)	-	-
	<u>8,908,644</u>	<u>207,333</u>	<u>-</u>	<u>9,115,977</u>
Other revenues:				
Grant funding, program other income	3,682,867	-	-	3,682,867
Bequest and planned giving	8,500	-	2,000,000	2,008,500
Investment income	27,587	-	-	27,587
Net appreciation (depreciation) of beneficial interest in assets held by Community Foundation for Greater Buffalo	(305,957)	-	-	(305,957)
	<u>3,412,997</u>	<u>-</u>	<u>2,000,000</u>	<u>5,412,997</u>
Total revenue, gains and other support	<u>12,321,641</u>	<u>207,333</u>	<u>2,000,000</u>	<u>14,528,974</u>
Expenses:				
Program services				
Gross funds awarded, granted or designated to agencies	12,655,457	-	-	12,655,457
Other program services	2,832,741	-	-	2,832,741
Total program services including designations	<u>15,488,198</u>	<u>-</u>	<u>-</u>	<u>15,488,198</u>
Less: donor designations	(4,879,506)	-	-	(4,879,506)
Total program services	<u>10,608,692</u>	<u>-</u>	<u>-</u>	<u>10,608,692</u>
Supporting services				
Management and general	422,767	-	-	422,767
Fundraising	1,703,853	-	-	1,703,853
	<u>2,126,620</u>	<u>-</u>	<u>-</u>	<u>2,126,620</u>
Total expenses	<u>12,735,312</u>	<u>-</u>	<u>-</u>	<u>12,735,312</u>
Excess (deficiency) of revenue over expenses	(413,671)	207,333	2,000,000	1,793,662
Pension liability adjustment (Note 6)	<u>(425,753)</u>	<u>-</u>	<u>-</u>	<u>(425,753)</u>
Change in net assets	(839,424)	207,333	2,000,000	1,367,909
Net assets - beginning	<u>11,184,932</u>	<u>3,165,051</u>	<u>521,270</u>	<u>14,871,253</u>
Net assets - ending	<u>\$ 10,345,508</u>	<u>\$ 3,372,384</u>	<u>\$ 2,521,270</u>	<u>\$ 16,239,162</u>

See accompanying notes.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 14,473,746	\$ -	\$ 14,473,746
-	(4,925,606)	-	(4,925,606)
-	(600,000)	-	(600,000)
9,425,545	(9,425,545)	-	-
9,425,545	(477,405)	-	8,948,140
3,593,496	-	-	3,593,496
314,160	-	350,000	664,160
31,556	-	-	31,556
248,553	-	-	248,553
4,187,765	-	350,000	4,537,765
13,613,310	(477,405)	350,000	13,485,905
12,772,789	-	-	12,772,789
2,736,475	-	-	2,736,475
15,509,264	-	-	15,509,264
(4,925,606)	-	-	(4,925,606)
10,583,658	-	-	10,583,658
400,644	-	-	400,644
1,688,717	-	-	1,688,717
2,089,361	-	-	2,089,361
12,673,019	-	-	12,673,019
940,291	(477,405)	350,000	812,886
(646,340)	-	-	(646,340)
293,951	(477,405)	350,000	166,546
10,890,981	3,642,456	171,270	14,704,707
\$ 11,184,932	\$ 3,165,051	\$ 521,270	\$ 14,871,253

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Functional Expenses

For the years ended March 31,

2016

	Supporting Services				Total
	Program Services	Management and General	Fund-raising	Total Supporting Services	
Allocations and distributions	\$ 4,587,000	\$ -	\$ -	\$ -	\$ 4,587,000
Designations	4,879,506	-	-	-	4,879,506
Grant awards	3,188,951	-	-	-	3,188,951
	<u>12,655,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,655,457</u>
Salaries	1,517,338	260,651	868,682	1,129,333	2,646,671
Payroll taxes and employee benefits	375,052	65,801	216,615	282,416	657,468
Total salaries and related expenses	<u>1,892,390</u>	<u>326,452</u>	<u>1,085,297</u>	<u>1,411,749</u>	<u>3,304,139</u>
Professional fees	206,420	21,330	171,425	192,755	399,175
Supplies	65,867	1,051	22,000	23,051	88,918
Telephone and internet	28,721	3,575	23,175	26,750	55,471
Postage	7,111	633	18,931	19,564	26,675
Occupancy	149,376	20,779	80,461	101,240	250,616
Printing and public relations	16,063	790	127,630	128,420	144,483
Travel, conferences and meetings	92,849	20,572	21,910	42,482	135,331
Dues and subscriptions	26,363	5,127	1,556	6,683	33,046
Employee education and training	2,426	206	1,392	1,598	4,024
Equipment rental and maintenance	138,686	4,652	31,620	36,272	174,958
Payments to State affiliate	20,179	1,720	11,578	13,298	33,477
Miscellaneous	11,470	977	6,577	7,554	19,024
Depreciation	86,452	7,370	49,601	56,971	143,423
Payments to National affiliate	88,368	7,533	50,700	58,233	146,601
	<u>2,832,741</u>	<u>422,767</u>	<u>1,703,853</u>	<u>2,126,620</u>	<u>4,959,361</u>
Total program services including designations	<u>15,488,198</u>	<u>422,767</u>	<u>1,703,853</u>	<u>2,126,620</u>	<u>17,614,818</u>
Less: donor designations	<u>(4,879,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,879,506)</u>
	<u>\$ 10,608,692</u>	<u>\$ 422,767</u>	<u>\$ 1,703,853</u>	<u>\$ 2,126,620</u>	<u>\$ 12,735,312</u>

See accompanying notes.

2015

Program Services	Supporting Services			Total
	Management and General	Fund- raising	Total Supporting Services	
\$ 4,587,000	\$ -	\$ -	\$ -	\$ 4,587,000
4,925,606	-	-	-	4,925,606
3,260,183	-	-	-	3,260,183
12,772,789	-	-	-	12,772,789
1,536,118	249,840	921,827	1,171,667	2,707,785
343,363	56,588	206,060	262,648	606,011
1,879,481	306,428	1,127,887	1,434,315	3,313,796
162,959	19,865	152,086	171,951	334,910
64,305	1,283	20,625	21,908	86,213
23,974	3,563	21,495	25,058	49,032
7,500	925	18,603	19,528	27,028
141,096	20,435	85,096	105,531	246,627
45,206	5,462	81,383	86,845	132,051
61,179	15,178	25,155	40,333	101,512
17,024	5,240	780	6,020	23,044
4,248	374	2,615	2,989	7,237
133,663	4,262	29,798	34,060	167,723
21,665	1,910	13,340	15,250	36,915
5,881	881	6,226	7,107	12,988
89,738	7,912	55,257	63,169	152,907
78,556	6,926	48,371	55,297	133,853
2,736,475	400,644	1,688,717	2,089,361	4,825,836
15,509,264	400,644	1,688,717	2,089,361	17,598,625
(4,925,606)	-	-	-	(4,925,606)
\$ 10,583,658	\$ 400,644	\$ 1,688,717	\$ 2,089,361	\$ 12,673,019

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Cash Flows

For the years ended March 31,	2016	2015
Operating activities:		
Change in net assets:		
Change in net assets from operations	\$ 1,793,662	\$ 812,886
Net assets adjustment - defined benefit pension plan (Note 6)	(425,753)	(646,340)
	<u>1,367,909</u>	<u>166,546</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	143,423	152,907
Realized and unrealized gain on investments	(2,831)	(7,856)
Net depreciation (appreciation) of beneficial interest in assets held by Community Foundation for Greater Buffalo	305,957	(248,553)
Changes in other operating assets and liabilities:		
Campaign pledges receivable	(27,169)	194,393
Grants and other receivables	200,971	954,102
Other assets	(6,294)	(1,023)
Designations payable	(180,165)	283,013
Allocations payable	(49,180)	94,183
Accounts payable and accrued expenses	128,912	(241,689)
Deferred revenue	78,803	61,850
Accrued pension liability	410,023	574,088
Accrued postretirement benefit obligation	(10,000)	(5,000)
	<u>2,360,359</u>	<u>1,976,961</u>
Net operating activities	2,360,359	1,976,961
Investing activities:		
Purchase of investments	(1,162,000)	(2,105,084)
Proceeds from sale of investments	1,137,244	669,489
Transfers to beneficial interest in assets held by Community Foundation for Greater Buffalo	(2,161,504)	(1,076,156)
Purchase of property and equipment	(139,804)	(27,866)
	<u>(2,326,064)</u>	<u>(2,539,617)</u>
Net investing activities	(2,326,064)	(2,539,617)
Net change in cash and cash equivalents	34,295	(562,656)
Cash and cash equivalents - beginning	<u>3,319,426</u>	<u>3,882,082</u>
Cash and cash equivalents - ending	\$ <u>3,353,721</u>	\$ <u>3,319,426</u>

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Operations:

United Way of Buffalo & Erie County (United Way) is a nonprofit corporation whose mission is to bring people, organizations and resources together to improve community well-being. United Way raises, administers, and distributes funds to support programs for community needs. United Way's fund raising efforts are concentrated in Erie County.

United Way's annual campaign drive begins around September 1 of each year, and is substantially completed by December 31. Annual campaign funds generally support programs whose services are provided in the subsequent year. Donors may designate their pledges among several care programs. Community care designations are pooled and allocated to service providers. The level of contributions can be affected by economic conditions, and a decrease in the level of undesignated contributions may adversely affect the United Way's ability to fund community care service providers.

Campaign contributions are used for allocations to agencies, payments to United Way of America, services provided directly by United Way, fund raising, fund distribution, management, and general expenses.

Contributions:

Contributions are reported at fair value at the date the contribution or pledge is received. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose stipulated purpose restrictions are accomplished in the same reporting period as received are reported as an increase in unrestricted net assets.

Annual gross campaign results are reduced by pledges collected on behalf of others or pledged to a specific organization (i.e., donor designation) and by a provision for uncollectible pledges. The net campaign results are recorded as temporarily restricted in the accompanying statements of activities since the amounts are generally collected over time. Campaign collections are reflected as net assets released from restrictions.

Net campaign results are allocated to providers approved to receive community care funding at the completion of the campaign. Committed community care allocations are included in allocations payable in the accompanying balance sheets. Designated care donations have been recorded as designations payable in the accompanying balance sheets.

Subsequent Events:

United Way has evaluated events and transactions for potential recognition or disclosure through September 16, 2016, the date the financial statements were available to be issued.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents at financial institutions may exceed insured limits at various times during the year, and subject United Way to concentrations of credit risk.

Campaign Pledges Receivable:

Campaign pledges receivable, recorded at net realizable value, consist primarily of uncollected campaign pledges and are recognized in the year in which the pledges become known, regardless of campaign year. An allowance for uncollectible pledges is recorded based on collection history, aging, and general economic conditions.

Investments:

Investments consist of marketable securities stated at fair value as determined by quoted prices in active markets.

United Way is the owner and beneficiary of three fully paid life insurance policies, each with death benefit coverage of \$250,000. The value of these policies is not recorded in these financial statements.

Beneficial Interest in Assets Held by Community Foundation for Greater Buffalo:

United Way maintains a donor and board-designated endowment fund with Community Foundation for Greater Buffalo (CFGB) to benefit from increased investment opportunities.

United Way's investment fund is pooled with other actively managed CFGB investment assets, and includes money market funds, marketable securities and alternative investments. Values of amounts held by CFGB are based on the United Way's contributions, plus its allocable share of the fund's net investment earnings, as defined, less any withdrawals or distributions.

Under the terms of an agreement with CFGB, United Way may receive a distribution based upon the current spending policy (Note 9). Other withdrawals are subject to certain notification and approval requirements, and distributions in excess of \$2.5 million during any 12 month period are subject to additional notification and distribution restrictions. Under variance power granted by United Way, CFGB is able to modify any restriction or condition on the distribution of funds if the restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

During fiscal 2016 the fund reached a market value of \$5 million which, based on its endowment policy, made distribution and withdrawals available to United Way. However, there were no distributions or appropriations of these funds in 2016.

Property and Equipment:

Property and equipment is recorded at cost or fair market value at the date of donation, net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Fund Raising Expenses:

Fund raising activities in connection with the annual campaign are conducted throughout the year and are reported as expenses when incurred.

Contributed Volunteer Services:

No amounts have been reflected in the financial statements for contributed volunteer services. United Way pays for substantially all services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist United Way in its program services and fundraising campaigns.

Functional Expense Allocation:

United Way's costs of providing its services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue:

Deferred revenue arises from grants and specific purpose program income for which related expenditures have not yet been made.

Income Taxes:

United Way is a 501(c)(3) corporation exempt from taxation under Section 501(a) of the Internal Revenue Code. United Way believes it is no longer subject to examination by Federal and State taxing authorities for years prior to 2013.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Campaign Pledges Receivable:

	2016	2015
United Way:		
2015 - 2016 Campaign	\$ 8,187,487	\$ -
2014 - 2015 Campaign	546,123	8,105,475
2013 - 2014 Campaign	230,778	622,263
2012 - 2013 Campaign	-	286,031
	<u>8,964,388</u>	9,013,769
Less allowance for uncollectible pledges	<u>2,317,902</u>	2,441,959
	<u>6,646,486</u>	6,571,810
Federal and State Federated Appeals	<u>659,465</u>	706,972
	<u>\$ 7,305,951</u>	\$ 7,278,782

United Way administers the local campaigns for federal and state employees. The Local Federal Coordinating Committee, representing the Combined Federal Campaign, and the State Employees Federated Appeal Steering Committee, representing the State Employees Federated Appeal, has designated United Way to conduct their annual campaigns in conjunction with the annual campaign of United Way.

United Way combines the activities of the separate campaigns with the activities of its own campaign in the accompanying financial statements, and presents the contributions as donor designations. The Federal and State Federated Appeals campaign remits an administrative fee to United Way for campaign management services.

3. Investments:

	2016	2015
Certificates of deposit	\$ 3,878,626	\$ 2,969,052
Money market	151,172	1,033,159
	<u>\$ 4,029,798</u>	\$ 4,002,211

The following summarizes investment income in the statements of activities:

	2016	2015
Interest and dividends	\$ 24,756	\$ 23,700
Net realized and unrealized gains	<u>2,831</u>	7,856
	<u>\$ 27,587</u>	\$ 31,556

4. Beneficial Interest in Assets Held by Community Foundation for Greater Buffalo:

	2016	2015
Beginning of year	\$ 5,011,642	\$ 3,686,933
Transfers	2,161,504	1,076,156
Net appreciation (depreciation)	<u>(305,957)</u>	248,553
End of year	<u>\$ 6,867,189</u>	\$ 5,011,642

5. Property and Equipment:

	2016	2015
Land	\$ 158,930	\$ 158,930
Building and improvements	3,682,810	3,667,811
Furniture and equipment	<u>3,237,253</u>	3,112,448
	<u>7,078,993</u>	6,939,189
Less accumulated depreciation	<u>4,772,922</u>	4,629,499
	<u>\$ 2,306,071</u>	\$ 2,309,690

6. Employee Benefit Plans:

Defined Benefit Pension Plan:

United Way maintains a defined benefit pension plan covering essentially all nonunion employees. United Way's policy is to fund at least the minimum amount required by the Employee Retirement Income Security Act (ERISA).

During 2016, United Way discontinued the option to allow new participants to the Plan, and allowed current participants a one-time option to transfer to the United Way sponsored defined contribution plan.

The status of the defined benefit pension plan at and for the years ended March 31, 2016 and 2015 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31st of each year.

	2016	2015
Projected benefit obligation	\$ 5,369,545	\$ 4,787,269
Fair value of plan assets	<u>3,686,700</u>	3,514,447
Funded status	<u>\$ (1,682,845)</u>	\$ (1,272,822)
Accumulated benefit obligation	<u>\$ 4,648,601</u>	\$ 4,079,270

Amounts recognized on the balance sheets:

	2016	2015
Accrued pension liability	<u>\$ (1,682,845)</u>	\$ (1,272,822)
Accumulated adjustment to net assets	<u>\$ (1,803,965)</u>	\$ (1,378,212)

Amounts recognized as the accumulated adjustment to net assets as of March 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Unrecognized actuarial loss	\$ 1,803,965	\$ 1,373,589
Unrecognized prior service cost	-	4,623
	<u>\$ 1,803,965</u>	<u>\$ 1,378,212</u>

Amounts included in the accumulated adjustment to net assets as of March 31, 2016 expected to be recognized in expense in 2017 are:

Unrecognized actuarial loss	<u>\$ 166,932</u>
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Amounts recognized as pension liability adjustment for the years ended March 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Unrecognized net asset	\$ -	\$ -
Unrecognized actuarial gain (loss)	(430,376)	(651,697)
Unrecognized prior service cost	4,623	5,357
	<u>\$ (425,753)</u>	<u>\$ (646,340)</u>

	<u>2016</u>	<u>2015</u>
Pension expense	\$ 224,270	\$ 167,748
Employer contributions	\$ 240,000	\$ 240,000
Benefits paid	\$ 23,318	\$ 54,553

Weighted average assumptions used to determine benefit obligations at March 31:

Discount rate	3.50%	3.65%
Expected future salary increase	4.00%	4.00%

Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	3.65%	4.20%
Expected return on plan assets	7.25%	7.25%
Expected future salary increase	4.00%	3.00%

The expected long-term rate of return on plan assets assumption of 7.25% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on United Way’s investment policy for the pension plan in effect as of the beginning of the fiscal year ended March 31, 2016, an estimated range was determined for both the real rate of return (net of inflation) and for inflation based on a historical 30 year rolling average. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a range of 6.88% - 9.50%.

No contributions are expected to be required by United Way for 2017.

Benefits expected to be paid in each of the next five fiscal years and the following five years in aggregate are:

2017	\$ 877,000
2018	340,000
2019	344,000
2020	755,000
2021	213,000
2022-2026	<u>1,108,000</u>
	<u>\$ 3,637,000</u>

United Way’s pension plan weighted-average asset allocations at March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Asset Category:		
Equity securities	47%	50%
Debt securities	39%	41%
Other	14%	9%
	<u>100%</u>	<u>100%</u>

The plan’s overall portfolio mix of equity securities and fixed income securities was based upon asset allocation modeling taking into consideration historical return patterns and risk factors. The plan believes that the current mix of assets under a balanced growth concept provides an appropriate level of return to achieve current assumed return plan assumptions. The plan has a target asset allocation of 50% equity securities and 50% debt securities. The plan essentially invests only in securities for which there is an active market.

Union Employee Plan:

United Way contributes to the Service Employees Pension Fund of Upstate New York, a multiemployer defined benefit pension plan, under the terms of collective-bargaining agreements that cover its union-represented employees.

The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

- a. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If United Way chooses to stop participating in a multiemployer plan, United Way may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

United Way’s participation in the plan for the years ended March 31, 2016 and 2015 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 for Plan 1 is for the plan’s year-end at December 31, 2014 and December 31, 2013, respectively. The zone status is based on information that United Way received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

EIN/Pension Plan Number	PPA Zone Status		Funded Percentage		FIP/RP Status Pending/ Implemented	Company Contributions		Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
	2014	2013	2014	2013		2016	2015		
16-0908576/001	Red	Red	82%	82%	Yes	\$ 16,100	\$ 13,900	No	6/30/2017

United Way was not listed in the Plan’s Form 5500 as providing more than 5 percent of the total contributions for the plan years ended in 2014 and 2013.

Post-retirement Health Care Benefits:

United Way provides postretirement health care benefits for certain eligible employees. United Way's practice is to fund these benefits as paid. The measurement date used to determine the benefit obligation is March 31st of each year.

The status of the postretirement health benefit plan at and for the years ended March 31, 2016 and 2015 is as follows:

	<u>2016</u>	2015
Accrued postretirement benefit obligation (benefit liability)	\$ 260,000	\$ 270,000
Benefit cost	\$ 13,000	\$ 16,000
Benefits paid	\$ 23,000	\$ 21,000
Weighted average assumptions used:		
Yearly health care premium increases	1.25%	1.25%
Discount rate	5.75%	5.75%

United Way assumes the annual health care premium increase will be approximately 1.25% based on its ability under the plan to adjust coverage or limit contributions to maintain this percentage increase.

Expected future benefit payments:

2017	\$ 29,700
2018	29,700
2019	29,700
2020	29,700
2021	29,700
2022-2026	135,300
	<u>\$ 283,800</u>

Defined Contribution Pension Plan:

In 2016, United Way established a 403(b) defined contribution plan covering essentially all employees (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the year ended March 31, 2016 were \$5,493.

7. Lease Commitments:

United Way leases certain equipment under the terms of noncancelable operating leases. Rental expense for all operating leases amounted to approximately \$87,000 and \$65,000 for the years ended March 31, 2016 and 2015.

Future minimal annual rentals due under these leases are:

2017	\$ 66,000
2018	35,000
2019	25,000
	<u>\$ 126,000</u>

8. Net Assets:

Unrestricted net assets include board-designated endowment funds and unrestricted funds. From time to time the market value of certain endowment funds is lower than the original gifted values due to investment experience. These amounts are included in unrestricted net assets as underwater funds. Net earnings and appreciation that restore the value are also included in unrestricted net assets.

The composition of unrestricted net assets is as follows:

	<u>2016</u>	2015
Board-designated endowments	\$ 4,494,572	\$ 4,606,582
Unrestricted funds	5,874,589	6,578,350
Underwater funds	(23,653)	-
	<u>\$ 10,345,508</u>	<u>\$ 11,184,932</u>

Temporarily restricted net assets represent net campaign results for the current year.

Permanently restricted net assets represent the accumulated principal of donor-restricted endowment gifts, which are to be invested in perpetuity. Income earned from the investment of permanently restricted net assets is expendable based upon donor specification, if any, and United Way's spending policy (see Note 9).

9. Endowment Assets:

United Way's endowment assets are comprised of a board-designated endowment and a donor-restricted endowment. The board-designated endowment serves to enhance the sustainability of United Way and is included in unrestricted net assets. The donor-restricted endowment consists of endowment gifts that are to be invested in perpetuity and are reported as permanently restricted net assets. United Way has adopted investment and spending policies for endowment assets that attempt to provide returns sufficient to address the purposes of the assets over the long-term. United Way expects to distribute approximately 5.25% of the total market value annually, net of fees, while maintaining the purchasing power of the endowment assets over the long-term.

United Way's Board has interpreted the New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies as permanently restricted net assets (a) original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund.

In accordance with NYPMIFA, United Way considers the following factors to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of United Way and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and appreciation of investments
- Other resources of United Way
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on United Way
- Investment policy of United Way

Investment earnings are allocated among the endowment assets based upon their proportionate share of the investment portfolio. Investment earnings related to the board-designated endowment are shown as increases (decreases) in unrestricted net assets. Investment gains related to the donor-restricted endowment are reported as increases to temporarily restricted net assets until appropriated and expended in accordance with United Way's spending policy. United Way's endowment assets activity for the years ended March 31, 2016 and 2015 is as follows:

2016	Unrestricted (Board-designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment assets - beginning of year	\$ 4,606,582	\$ -	\$ 521,270	\$ 5,127,852
Net investment loss	(248,514)	-	-	(248,514)
Contributions	136,504	-	2,000,000	2,136,504
Appropriated	-	-	-	-
Endowment assets - end of year	\$ 4,494,572	\$ -	\$ 2,521,270	\$ 7,015,842

2015	Unrestricted (Board-designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment assets - beginning of year	\$ 3,498,836	\$ -	\$ 171,270	\$ 3,670,106
Net investment income	231,590	16,963	-	248,553
Contributions	876,156	-	350,000	1,226,156
Appropriated	-	(16,963)	-	(16,963)
Endowment assets - end of year	\$ 4,606,582	\$ -	\$ 521,270	\$ 5,127,852