

United Way of
Washtenaw
County



Years Ended
June 30, 2014
and 2013

Financial
Statements
and
Supplementary
Information

UNITED WAY OF WASHTENAW COUNTY

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INDEPENDENT AUDITORS' REPORT

November 19, 2014

Board of Directors
United Way of Washtenaw County
Ann Arbor, Michigan

We have audited the accompanying financial statements of the *United Way of Washtenaw County* (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor 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 Washtenaw County as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditor

The financial statements of the United Way of Washtenaw County for the year ended June 30, 2013, were audited by other auditors in accordance with auditing standards generally accepted in the United States of America. Those auditors expressed an unmodified opinion on those financial statements in their report dated November 13, 2013.

Rehmann Lobson LLC

UNITED WAY OF WASHTENAW COUNTY

STATEMENTS OF FINANCIAL POSITION

| ASSETS | June 30 | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Current assets | | |
| Cash and cash equivalents | \$ 393,975 | \$ 337,715 |
| Accounts receivable | 463 | 250,707 |
| Pledges receivable, net of allowance for estimated uncollectible pledges of \$222,413 in 2014 and 2013 | 1,653,217 | 1,703,374 |
| Investments | 3,226,387 | 3,203,150 |
| Prepaid expenses and other current assets | 39,657 | 11,068 |
| Total current assets | 5,313,699 | 5,506,014 |
| Investments | 2,278,811 | 2,102,583 |
| Property and equipment | 1,558,849 | 1,638,224 |
| Total assets | \$ 9,151,359 | \$ 9,246,821 |
| | | |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 11,291 | \$ 15,315 |
| Designations payable | 710,278 | 657,679 |
| Current portion of capital lease obligation | 12,225 | 15,608 |
| Grants payable | 2,040,339 | 2,333,007 |
| Accrued liabilities and other | 78,258 | 64,429 |
| Total current liabilities | 2,852,391 | 3,086,038 |
| Capital lease obligation, net of current portion | 4,584 | 16,827 |
| Pension and postretirement obligations | 53,233 | 189,862 |
| Total liabilities | 2,910,208 | 3,292,727 |
| Net assets | | |
| Unrestricted | | |
| Undesignated | 2,988,845 | 2,709,810 |
| Board designated | 100,000 | 155,354 |
| Temporarily restricted | 1,230,713 | 1,168,442 |
| Permanently restricted | 1,921,593 | 1,920,488 |
| Total net assets | 6,241,151 | 5,954,094 |
| Total liabilities and net assets | \$ 9,151,359 | \$ 9,246,821 |

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

UNITED WAY OF WASHTENAW COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | Year Ended June 30, 2014 | | | |
|---|--------------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenue, gains, and other support | | | | |
| Campaign results | | | | |
| Contributions | \$ 17,221 | \$ 5,509,431 | \$ - | \$ 5,526,652 |
| Uncollectible pledges | - | (190,279) | - | (190,279) |
| Donor designations | - | (2,339,634) | - | (2,339,634) |
| Net campaign results | 17,221 | 2,979,518 | - | 2,996,739 |
| Grants | 16,000 | 15,801 | - | 31,801 |
| Donated services and supplies | 212,032 | - | - | 212,032 |
| Special event revenue | 60,349 | - | - | 60,349 |
| Other contributions and bequests | 251,665 | - | 1,105 | 252,770 |
| Investment income | 38,567 | 33,096 | - | 71,663 |
| Service fees | 86,387 | - | - | 86,387 |
| Miscellaneous income | 6,308 | - | - | 6,308 |
| Total revenue, gains, and other support | 688,529 | 3,028,415 | 1,105 | 3,718,049 |
| Net assets released from restrictions | 3,200,402 | (3,200,402) | - | - |
| Total revenue, gains, other support, and net assets released from restrictions | 3,888,931 | (171,987) | 1,105 | 3,718,049 |
| Expenses | | | | |
| Program services | | | | |
| Funds awarded | | | | |
| Gross funds awarded | 4,544,641 | - | - | 4,544,641 |
| Less donor designations | 2,339,634 | - | - | 2,339,634 |
| Net funds awarded | 2,205,007 | - | - | 2,205,007 |
| Community impact | 253,912 | - | - | 253,912 |
| Community service | 174,003 | - | - | 174,003 |
| Regional call center 2-1-1 | 32,000 | - | - | 32,000 |
| Success by Six | - | - | - | - |
| Total program services | 2,664,922 | - | - | 2,664,922 |
| Support services | | | | |
| Management and general | 512,607 | - | - | 512,607 |
| Fundraising | 511,415 | - | - | 511,415 |
| United Way of America dues | 48,107 | - | - | 48,107 |
| Total support services | 1,072,129 | - | - | 1,072,129 |
| Total expenses | 3,737,051 | - | - | 3,737,051 |
| Increase (decrease) in net assets - before other changes | 151,880 | (171,987) | 1,105 | (19,002) |
| Net realized and unrealized gains on investments | 10,096 | 234,258 | - | 244,354 |
| Increase (decrease) in net assets - before pension and other postretirement-related charges | 161,976 | 62,271 | 1,105 | 225,352 |
| Pension and other postretirement-related charges other than net periodic pension costs | 61,705 | - | - | 61,705 |
| Changes in net assets | 223,681 | 62,271 | 1,105 | 287,057 |
| Net assets, beginning of year | 2,865,164 | 1,168,442 | 1,920,488 | 5,954,094 |
| Net assets, end of year | \$ 3,088,845 | \$ 1,230,713 | \$ 1,921,593 | \$ 6,241,151 |

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



| Year Ended June 30, 2013 | | | |
|--------------------------|------------------------|------------------------|---------------------|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| \$ 294,411 | \$ 5,635,785 | \$ - | \$ 5,930,196 |
| - | (222,413) | - | (222,413) |
| - | (2,377,694) | - | (2,377,694) |
| <u>294,411</u> | <u>3,035,678</u> | <u>-</u> | <u>3,330,089</u> |
| 16,000 | - | - | 16,000 |
| 124,034 | - | - | 124,034 |
| 95,635 | - | - | 95,635 |
| 197,048 | - | 1,470 | 198,518 |
| 53,072 | 43,572 | - | 96,644 |
| 91,646 | - | - | 91,646 |
| 13,430 | - | - | 13,430 |
| <u>885,276</u> | <u>3,079,250</u> | <u>1,470</u> | <u>3,965,996</u> |
| <u>3,002,071</u> | <u>(3,002,071)</u> | <u>-</u> | <u>-</u> |
| <u>3,887,347</u> | <u>77,179</u> | <u>1,470</u> | <u>3,965,996</u> |
| 4,724,161 | - | - | 4,724,161 |
| <u>2,377,694</u> | <u>-</u> | <u>-</u> | <u>2,377,694</u> |
| <u>2,346,467</u> | <u>-</u> | <u>-</u> | <u>2,346,467</u> |
| 204,830 | - | - | 204,830 |
| 249,333 | - | - | 249,333 |
| 16,261 | - | - | 16,261 |
| <u>90,637</u> | <u>-</u> | <u>-</u> | <u>90,637</u> |
| <u>2,907,528</u> | <u>-</u> | <u>-</u> | <u>2,907,528</u> |
| 477,947 | - | - | 477,947 |
| 563,398 | - | - | 563,398 |
| <u>52,718</u> | <u>-</u> | <u>-</u> | <u>52,718</u> |
| <u>1,094,063</u> | <u>-</u> | <u>-</u> | <u>1,094,063</u> |
| <u>4,001,591</u> | <u>-</u> | <u>-</u> | <u>4,001,591</u> |
| (114,244) | 77,179 | 1,470 | (35,595) |
| <u>4,876</u> | <u>157,387</u> | <u>-</u> | <u>162,263</u> |
| (109,368) | 234,566 | 1,470 | 126,668 |
| <u>261,324</u> | <u>-</u> | <u>-</u> | <u>261,324</u> |
| 151,956 | 234,566 | 1,470 | 387,992 |
| 2,713,208 | 933,876 | 1,919,018 | 5,566,102 |
| <u>\$ 2,865,164</u> | <u>\$ 1,168,442</u> | <u>\$ 1,920,488</u> | <u>\$ 5,954,094</u> |

UNITED WAY OF WASHTENAW COUNTY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2014

| | Program Services | | | | Total |
|-------------------------------------|---------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| | Funds Awarded | Community Impact | Community Service | Regional Call Center 2-1-1 | |
| Grants to agencies | \$ 4,544,641 | \$ - | \$ - | \$ - | \$ 4,544,641 |
| Less donor designations | <u>2,339,634</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,339,634</u> |
| Subtotal | <u>2,205,007</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,205,007</u> |
| Salaries | - | 147,822 | 117,965 | - | 265,787 |
| Employee benefits | - | 8,598 | 12,468 | - | 21,066 |
| Defined benefit plan benefits | - | 4,111 | 311 | - | 4,422 |
| Payroll taxes | - | 12,898 | 9,362 | - | 22,260 |
| Postretirement health plan benefits | - | - | - | - | - |
| Subtotal | <u>-</u> | <u>173,429</u> | <u>140,106</u> | <u>-</u> | <u>313,535</u> |
| Professional fees | - | 11,959 | 4,455 | - | 16,414 |
| Contract services | - | 434 | - | 32,000 | 32,434 |
| Data processing | - | 388 | 169 | - | 557 |
| Supplies | - | 446 | 136 | - | 582 |
| Telephone | - | 3,338 | 1,246 | - | 4,584 |
| Postage | - | 577 | 238 | - | 815 |
| Occupancy | - | 14,800 | 5,586 | - | 20,386 |
| Rental and maintenance of equipment | - | 1,175 | 225 | - | 1,400 |
| Printing and publications | - | 3,005 | 521 | - | 3,526 |
| Advertising | - | 99 | - | - | 99 |
| Awards and recognition | - | 243 | 108 | - | 351 |
| Conferences and training | - | 3,021 | 1,157 | - | 4,178 |
| Campaign supplies | - | - | 53 | - | 53 |
| Meetings | - | 4,353 | 3,399 | - | 7,752 |
| Special events | - | 9,363 | 6,358 | - | 15,721 |
| Depreciation | - | 22,939 | 8,645 | - | 31,584 |
| State membership fees | - | 1,225 | 500 | - | 1,725 |
| Insurance | - | 2,544 | 992 | - | 3,536 |
| Miscellaneous | - | 212 | - | - | 212 |
| Interest expense | - | 362 | 109 | - | 471 |
| Gifts in-kind | - | - | - | - | - |
| Subtotal | <u>-</u> | <u>80,483</u> | <u>33,897</u> | <u>32,000</u> | <u>146,380</u> |
| United Way of America dues | - | - | - | - | - |
| Total functional expenses | <u>\$2,205,007</u> | <u>\$ 253,912</u> | <u>\$ 174,003</u> | <u>\$ 32,000</u> | <u>\$ 2,664,922</u> |

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

| Support Services | | | | |
|------------------------|-------------------|------------------|---------------------|---------------------|
| Management and General | Fundraising | UWA Dues | Total | Total Expenses |
| \$ - | \$ - | \$ - | \$ - | \$ 4,544,641 |
| - | - | - | - | 2,339,634 |
| - | - | - | - | 2,205,007 |
| 172,902 | 213,497 | - | 386,399 | 652,186 |
| 12,155 | 9,850 | - | 22,005 | 43,071 |
| 560 | 1,245 | - | 1,805 | 6,227 |
| 14,278 | 18,879 | - | 33,157 | 55,417 |
| (14,570) | - | - | (14,570) | (14,570) |
| 185,325 | 243,471 | - | 428,796 | 742,331 |
| 34,025 | 22,452 | - | 56,477 | 72,891 |
| - | - | - | - | 32,434 |
| 966 | 720 | - | 1,686 | 2,243 |
| 1,057 | 1,193 | - | 2,250 | 2,832 |
| 2,738 | 5,356 | - | 8,094 | 12,678 |
| 1,735 | 6,162 | - | 7,897 | 8,712 |
| 11,759 | 23,833 | - | 35,592 | 55,978 |
| 960 | 1,437 | - | 2,397 | 3,797 |
| 6,121 | 17,746 | - | 23,867 | 27,393 |
| 2,520 | 73,635 | - | 76,155 | 76,254 |
| 510 | 469 | - | 979 | 1,330 |
| 3,252 | 3,910 | - | 7,162 | 11,340 |
| - | 7,952 | - | 7,952 | 8,005 |
| 3,493 | 6,588 | - | 10,081 | 17,833 |
| - | 52,523 | - | 52,523 | 68,244 |
| 17,980 | 36,888 | - | 54,868 | 86,452 |
| 3,600 | 2,175 | - | 5,775 | 7,500 |
| 2,098 | 4,260 | - | 6,358 | 9,894 |
| 21,899 | 78 | - | 21,977 | 22,189 |
| 537 | 567 | - | 1,104 | 1,575 |
| 212,032 | - | - | 212,032 | 212,032 |
| 327,282 | 267,944 | - | 595,226 | 741,606 |
| - | - | 48,107 | 48,107 | 48,107 |
| \$ 512,607 | \$ 511,415 | \$ 48,107 | \$ 1,072,129 | \$ 3,737,051 |

UNITED WAY OF WASHTENAW COUNTY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2013

| | Program Services | | | | |
|-------------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|-------------------------|
| | Community Impact | Community Impact | Community Service | Regional Call Center 2-1-1 | Success by Six |
| Grants to agencies | \$ 4,724,161 | \$ - | \$ - | \$ - | \$ - |
| Less donor designations | <u>2,377,694</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>2,346,467</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Salaries | - | 83,950 | 126,952 | - | 23,406 |
| Employee benefits | - | 6,933 | 18,430 | - | 9,985 |
| Defined benefit plan benefits | - | 2,566 | 26,035 | - | - |
| Payroll taxes | - | 7,766 | 11,439 | - | 2,440 |
| Postretirement health plan benefits | - | - | - | - | - |
| Subtotal | <u>-</u> | <u>101,215</u> | <u>182,856</u> | <u>-</u> | <u>35,831</u> |
| Professional fees | - | 2,430 | 3,818 | - | - |
| Contract services | - | 52,410 | - | 16,000 | 54,678 |
| Data processing | - | 34 | 51 | - | - |
| Supplies | - | 734 | 905 | - | - |
| Telephone | - | 1,666 | 2,416 | - | - |
| Postage | - | 467 | 450 | - | - |
| Occupancy | - | 12,458 | 14,913 | - | - |
| Rental and maintenance of equipment | - | 1,166 | 2,161 | - | - |
| Printing and publications | - | 4,550 | 1,390 | 261 | - |
| Advertising | - | - | - | - | - |
| Awards and recognition | - | 53 | - | - | - |
| Conferences and training | - | 2,286 | 2,346 | - | 128 |
| Campaign supplies | - | - | 100 | - | - |
| Meetings | - | 1,578 | 6,350 | - | - |
| Special events | - | 6,434 | 5,359 | - | - |
| Depreciation | - | 14,949 | 22,864 | - | - |
| State membership fees | - | - | - | - | - |
| Insurance | - | 1,926 | 2,945 | - | - |
| Miscellaneous | - | 153 | 103 | - | - |
| Interest expense | - | 321 | 306 | - | - |
| Gifts in-kind | - | - | - | - | - |
| Subtotal | <u>-</u> | <u>103,615</u> | <u>66,477</u> | <u>16,261</u> | <u>54,806</u> |
| United Way of America dues | - | - | - | - | - |
| Total functional expenses | <u>\$ 2,346,467</u> | <u>\$ 204,830</u> | <u>\$ 249,333</u> | <u>\$ 16,261</u> | <u>\$ 90,637</u> |

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

| Total | Support Services | | | Total | Total Expenses |
|---------------------|------------------------|-------------------|------------------|---------------------|---------------------|
| | Management and General | Fundraising | UWA Dues | | |
| \$ 4,724,161 | \$ - | \$ - | \$ - | \$ - | \$ 4,724,161 |
| 2,377,694 | - | - | - | - | 2,377,694 |
| 2,346,467 | - | - | - | - | 2,346,467 |
| 234,308 | 176,078 | 212,726 | - | 388,804 | 623,112 |
| 35,348 | 3,341 | 14,959 | - | 18,300 | 53,648 |
| 28,601 | 5,707 | 5,543 | - | 11,250 | 39,851 |
| 21,645 | 15,421 | 20,264 | - | 35,685 | 57,330 |
| - | (6,478) | - | - | (6,478) | (6,478) |
| 319,902 | 194,069 | 253,492 | - | 447,561 | 767,463 |
| 6,248 | 70,568 | 19,489 | - | 90,057 | 96,305 |
| 123,088 | - | - | - | - | 123,088 |
| 85 | 1,489 | 91 | - | 1,580 | 1,665 |
| 1,639 | 1,212 | 1,528 | - | 2,740 | 4,379 |
| 4,082 | 1,858 | 3,771 | - | 5,629 | 9,711 |
| 917 | 2,355 | 3,462 | - | 5,817 | 6,734 |
| 27,371 | 10,379 | 22,594 | - | 32,973 | 60,344 |
| 3,327 | 1,877 | 2,460 | - | 4,337 | 7,664 |
| 6,201 | 5,314 | 23,366 | - | 28,680 | 34,881 |
| - | 160 | 91,802 | - | 91,962 | 91,962 |
| 53 | 391 | 40 | - | 431 | 484 |
| 4,760 | 5,953 | 2,123 | - | 8,076 | 12,836 |
| 100 | - | 10,517 | - | 10,517 | 10,617 |
| 7,928 | 4,953 | 4,028 | - | 8,981 | 16,909 |
| 11,793 | - | 85,086 | - | 85,086 | 96,879 |
| 37,813 | 15,829 | 34,295 | - | 50,124 | 87,937 |
| - | 10,000 | - | - | 10,000 | 10,000 |
| 4,871 | 2,090 | 4,419 | - | 6,509 | 11,380 |
| 256 | 24,578 | 247 | - | 24,825 | 25,081 |
| 627 | 837 | 588 | - | 1,425 | 2,052 |
| - | 124,035 | - | - | 124,035 | 124,035 |
| 241,159 | 283,878 | 309,906 | - | 593,784 | 834,943 |
| - | - | - | 52,718 | 52,718 | 52,718 |
| \$ 2,907,528 | \$ 477,947 | \$ 563,398 | \$ 52,718 | \$ 1,094,063 | \$ 4,001,591 |

UNITED WAY OF WASHTENAW COUNTY

STATEMENTS OF CASH FLOWS

| | Year Ended June 30 | |
|---|--------------------|-------------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Changes in net assets | \$ 287,057 | \$ 387,992 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 86,452 | 87,937 |
| Net realized and unrealized gains on investments | (244,354) | (162,263) |
| Uncollectible pledges | 190,279 | 222,413 |
| Changes in operating assets and liabilities which provided (used) cash | | |
| Accounts receivable | 250,244 | (222,780) |
| Pledges receivable | (140,122) | (23,152) |
| Prepaid expenses and other current assets | (28,589) | 19,919 |
| Accounts payable | (4,024) | (16,051) |
| Designations payable | 52,599 | (409,358) |
| Grants payable | (292,668) | (115,919) |
| Accrued liabilities and other | 13,829 | (15,603) |
| Pension and postretirement obligations | (136,629) | (265,367) |
| Net cash provided by (used in) operating activities | 34,074 | (512,232) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (7,077) | (10,238) |
| Purchases of investments | (964,994) | (1,303,249) |
| Proceeds from sales of investments | 1,008,778 | 1,492,082 |
| Net cash provided by investing activities | 36,707 | 178,595 |
| Cash flows from financing activities | | |
| Contributions restricted for investment in endowment | 1,105 | 1,470 |
| Payments on capital lease | (15,626) | (18,069) |
| Net cash used in financing activities | (14,521) | (16,599) |
| Net increase (decrease) in cash and cash equivalents | 56,260 | (350,236) |
| Cash and cash equivalents, beginning of the year | 337,715 | 687,951 |
| Cash and cash equivalents, end of the year | \$ 393,975 | \$ 337,715 |
| Supplemental disclosures of cash flows information | | |
| Cash paid for interest | \$ 1,575 | \$ 2,052 |

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

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of Washtenaw County (the "Organization"), is a not-for-profit corporation that was formed on January 13, 1972. Skilled volunteers recruited by the Organization distribute undesignated funds to local nonprofits based on community needs. In addition, the Organization distributes funds to nonprofits that are designated by the donor. The Organization's revenue is derived from voluntary contributions from the public. The Organization is governed by a volunteer Board of Directors.

Mission Statement

The mission of United Way of Washtenaw County is to connect people, resources, and agencies together to create a thriving community for everyone.

The Organization provides the following program services.

Community Impact

In an effort to coordinate an approach to better meet human service needs, the Coordinated Funding Model was conceived. Together with the Office of Community & Economic Development ("OCED") and the Ann Arbor Area Community Foundation ("AACF"), United Way of Washtenaw County developed a funding model that supports shared, community-wide strategies, focusing the attention of donors, funders, and nonprofit service providers on outcomes and stretching community resources to the greatest extent possible. Each organization brings capacity, knowledge, best practices, and experience, which result in improvements such as more comprehensive data about community needs and "one application-one review-one evaluation" process for agencies to manage rather than one per funder. Approved programs that address the issues of hunger relief, housing, and homelessness, access to health care, early childhood, school-aged youth, and aging are funded annually. United Way of Washtenaw County continues to fund several other programs such as 2-1-1, the American Red Cross, etc., entirely outside of Coordinated Funding. The Organization also retains a small flexible fund to address emerging needs or opportunities.

Community Service

The Organization promotes United Way contributions from union members, recruits volunteers for United Way, and other nonprofits serving the community and links families through the Community Labor Council and the AFL-CIO Community Services Programs.

Regional Call Center 2-1-1

The Organization provides callers with information about and referrals to human services for everyday needs and in times of crisis. United Way Regional Call Center 2-1-1 offers basic human needs resources; physical/mental health resources; employment support; support for older Americans and persons with disabilities; support for children, youth, and families; and volunteer opportunities.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Basis of Presentation

The Organization has classified information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- *Unrestricted* - Unrestricted net assets are not restricted by funding source or donor, or the funding source requirements or donor-imposed restrictions have expired.
- *Temporarily Restricted* - Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied by either the passage of time or the actions of the Organization and are reported as reclassifications between the applicable classes of net assets.
- *Permanently Restricted* - Permanently restricted net assets contain funding source or donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchases with an original maturity of three months or less to cash equivalents. The Organization maintains cash deposits with financial institutions, which at times, may exceed the federally insured limits.

Contribution Revenue and Promises to Give

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received at fair value. These pledges, all of which are due primarily within one year, consist of amounts designated to other organizations and amounts to be used for operations. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. Unconditional promises to give (pledges) with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions are collected or when grants are made to recipient organizations based on those future collections.

Provision for Uncollectible Pledges

The provision for uncollectible pledges is computed based upon a five year historical average, adjusted by management's estimates of current economic factors and applied to campaign results, excluding donor designations.

Grants to Agencies

Grants to agencies are reported as expense when unconditionally committed to the recipient by the Organization. Grants represent ongoing service delivery to recipients.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Designations to Agencies

The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contribution revenue and the related disbursements to specified agencies are excluded from gross funds awarded in the statement of activities and changes in net assets. Service fees are withheld from these designated amounts in accordance with the agreement with the donor. Service fee revenue is recognized in the period when the designation is received from the donor.

Donated Services and Supplies

The Organization receives volunteer services that are not recordable under accounting principles generally accepted in the United States of America. A substantial number of volunteers have donated a significant amount of time in the Organization's fund raising campaigns and determination of the allocation of the funds raised. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services. Donated materials are recorded at the fair market value at the time of receipt. The Organization received advertising and legal services as well as special event materials totaling \$212,032 and \$124,034 for the years ended June 30, 2014 and 2013, respectively.

Property and Equipment

All property and equipment purchased and recorded to capital outlay accounts in excess of \$1,000 are capitalized. Ordinary maintenance and repairs are expensed. Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is provided over the shorter of the estimated useful lives of the respective assets or the lease term on a straight-line basis. A summary of depreciable lives follows:

| | |
|-------------------------|------------|
| Land improvements | 25 years |
| Buildings | 50 years |
| Furniture and equipment | 3-15 years |

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Company was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income."

The Organization has evaluated its income tax filing positions for fiscal years 2011 through 2014, the years which remain subject to examination as of June 30, 2014. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next 12 months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2014, and are not aware of any claims for such amounts by federal or state income tax authorities.

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 income and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The costs of advertising are expensed as incurred.

Concentration of Credit Risk Arising for Deposit Accounts

The Organization maintains cash balances at several institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At times, balances may exceed federally insured limits.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The fair value of certain mutual funds and Community Foundation Funds are measured based on net asset value per share, or its equivalent. Investments with readily determinable net asset value traded in an active market are categorized as Level 1 investments. In the absence of active markets, these investments are categorized as either Level 2 or Level 3 based on the ability to redeem those shares on or near the statement of financial position date.

For a further discussion of fair value measurement, refer to Note 4 to the financial statements.

Reclassification

Certain amounts as reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2014, the most recent statement of financial position presented herein, through November 19, 2014, the date these financial statements were available to be issued. No such significant transactions or events were identified.

2. INVESTMENTS

The fair value of investments as of June 30 is as follows:

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Cash equivalents | \$ 59,203 | \$ 79,047 |
| Mutual funds | | |
| Fixed income | 745,001 | 474,920 |
| Balanced | 218,735 | 263,872 |
| Equity | 871,677 | 874,563 |
| Global | 288,578 | 324,705 |
| Beneficial interest in funds held by Ann Arbor Area Community Foundation | <u>95,617</u> | <u>85,476</u> |
| Total noncurrent investments | <u>2,278,811</u> | <u>2,102,583</u> |
| Certificates of deposit | 734,302 | 263,615 |
| Money market funds | <u>2,492,085</u> | <u>2,939,535</u> |
| Total current investments | <u>3,226,387</u> | <u>3,203,150</u> |
| Total investments | <u>\$ 5,505,198</u> | <u>\$ 5,305,733</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Investment securities purchased are initially recorded at cost and investment securities received by gift are recorded at fair values at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair values based on quoted market prices. Gains and losses from sales of securities are determined on a specific identification basis. Investment income derived from interest and dividends is included in operations, unless their use is restricted by explicit donor imposed restriction or law.

The activity in the investment funds of the Organization and the Community Foundation for the year ended June 30, 2014 is as follows:

| | Investments | Community Foundation | Total |
|--|----------------------------|-------------------------|----------------------------|
| Investment returns, dividends included in operations | \$ 71,475 | \$ 188 | \$ 71,663 |
| Net realized and unrealized gains on investments | <u>231,138</u> | <u>13,216</u> | <u>244,354</u> |
| Total investment income | 302,613 | 13,404 | 316,017 |
| Other activity | | | |
| Other deposits | 1,060 | 45 | 1,105 |
| Distributions and grants | <u>(114,349)</u> | <u>(3,308)</u> | <u>(117,657)</u> |
| Total activity | 189,324 | 10,141 | 199,465 |
| Balance beginning of year | <u>5,220,257</u> | <u>85,476</u> | <u>5,305,733</u> |
| Balance end of year | <u>\$ 5,409,581</u> | <u>\$ 95,617</u> | <u>\$ 5,505,198</u> |

The activity in the investment funds of the Organization and the Community Foundation for the year ended June 30, 2013 is as follows:

| | Investments | Community Foundation | Total |
|--|----------------------------|-------------------------|----------------------------|
| Investment returns, dividends included in operations | \$ 96,055 | \$ 589 | \$ 96,644 |
| Net realized and unrealized gains on investments | <u>154,076</u> | <u>8,187</u> | <u>162,263</u> |
| Total investment income | 250,131 | 8,776 | 258,907 |
| Other activity | | | |
| Other deposits | 1,320 | 150 | 1,470 |
| Distributions and grants | <u>(103,099)</u> | <u>(3,900)</u> | <u>(106,999)</u> |
| Total activity | 148,352 | 5,026 | 153,378 |
| Balance beginning of year | <u>5,071,905</u> | <u>80,450</u> | <u>5,152,355</u> |
| Balance end of year | <u>\$ 5,220,257</u> | <u>\$ 85,476</u> | <u>\$ 5,305,733</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

3. DONOR-RESTRICTED ENDOWMENTS

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment funds are donor-restricted endowment funds.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the changes in the Organization's endowment during the years ended June 30:

| 2014 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------------|------------------------|------------------------|---------------------|
| Endowment net assets, beginning of year | \$ (14,799) | \$ 122,747 | \$ 1,920,488 | \$ 2,028,436 |
| Investment return | | | | |
| Investment income | - | 33,096 | - | 33,096 |
| Net appreciation (realized and unrealized) | <u>10,096</u> | <u>234,258</u> | <u>-</u> | <u>244,354</u> |
| Total investment return | 10,096 | 267,354 | - | 277,450 |
| Contributions | - | - | 1,105 | 1,105 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(102,327)</u> | <u>-</u> | <u>(102,327)</u> |
| Endowment net assets, end of year | <u>\$ (4,703)</u> | <u>\$ 287,774</u> | <u>\$ 1,921,593</u> | <u>\$ 2,204,664</u> |
| 2013 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, beginning of year | \$ (19,675) | \$ 22,661 | \$ 1,919,018 | \$ 1,922,004 |
| Investment return | | | | |
| Investment income | - | 43,572 | - | 43,572 |
| Net appreciation (realized and unrealized) | <u>4,876</u> | <u>157,387</u> | <u>-</u> | <u>162,263</u> |
| Total investment return | 4,876 | 200,959 | - | 205,835 |
| Contributions | - | - | 1,470 | 1,470 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(100,873)</u> | <u>-</u> | <u>(100,873)</u> |
| Endowment net assets, end of year | <u>\$ (14,799)</u> | <u>\$ 122,747</u> | <u>\$ 1,920,488</u> | <u>\$ 2,028,436</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2014 and 2013, the fair value of the Community Foundation endowment assets had fallen below its corpus level by \$4,703 and \$14,799, respectively. This deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. The primary objective under this investment policy, as approved by the board of directors, is to accept a moderate level of risk in exchange for capital appreciation and growth of principal.

Income from endowment assets accrues to the individual funds at the rate earned by the combined assets unless otherwise specified by the donor. Investments are diversified amongst equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. In general, investment distribution percentage targets are 40% to 80% equity with the remainder in fixed income instruments and cash equivalents.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified assets allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior five quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment.

4. FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Certificates of Deposit

The carrying amounts of certificates of deposit approximate fair values (Level 1).

Money Market Funds and Mutual Funds

Shares held in money market funds and mutual funds traded on national securities exchanges are valued at the net asset value ("NAV") of shares held by the Organization at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding (Level 1).

Beneficial Interest in Funds Held by Community Foundation

The Organization is allocated its portion of the total fair values of the underlying securities of the Foundation. The underlying securities held by the Foundation cannot be liquidated or redeemed by the Organization (Level 3).

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30:

| 2014 | Assets at Fair Value | | | |
|--|---------------------------|--------------------|-------------------------|---------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalents | \$ 59,203 | \$ - | \$ - | \$ 59,203 |
| Certificates of deposit | 734,302 | - | - | 734,302 |
| Money market funds | 2,492,085 | - | - | 2,492,085 |
| Mutual funds | | | | |
| Fixed income | 745,001 | - | - | 745,001 |
| Balanced | 218,735 | - | - | 218,735 |
| Equity | 871,677 | - | - | 871,677 |
| Global | 288,578 | - | - | 288,578 |
| Beneficial interest in funds held by Ann Arbor Area Community Foundation | - | - | 95,617 | 95,617 |
| Total assets | <u>\$5,409,581</u> | <u>\$ -</u> | <u>\$ 95,617</u> | <u>\$5,505,198</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

| 2013 | Assets at Fair Value | | | |
|--|---------------------------|--------------------|-------------------------|---------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Cash equivalents | \$ 79,047 | \$ - | \$ - | \$ 79,047 |
| Certificates of deposits | 263,615 | - | - | 263,615 |
| Money market funds | 2,939,535 | - | - | 2,939,535 |
| Mutual funds | | | | |
| Fixed income | 474,920 | - | - | 474,920 |
| Balanced | 263,872 | - | - | 263,872 |
| Equity | 874,563 | - | - | 874,563 |
| Global | 324,705 | - | - | 324,705 |
| Beneficial interest in funds held by Ann Arbor Area Community Foundation | - | - | 85,476 | 85,476 |
| Total assets | <u>\$5,220,257</u> | <u>\$ -</u> | <u>\$ 85,476</u> | <u>\$5,305,733</u> |

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets measured at fair value on a recurring basis for the years ended June 30:

| Community Foundation | 2014 | 2013 |
|---|-------------------------|-------------------------|
| Balance of recurring Level 3 assets at beginning of year | \$ 85,476 | \$ 80,450 |
| Net investment gain | 13,404 | 7,996 |
| Purchases | 45 | 150 |
| Sales | (3,308) | (3,120) |
| Balance of recurring Level 3 assets at end of year | <u>\$ 95,617</u> | <u>\$ 85,476</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following assets at June 30:

| | 2014 | 2013 |
|-----------------------------------|----------------------------|----------------------------|
| Land | \$ 81,195 | \$ 81,195 |
| Land improvements | 33,327 | 33,327 |
| Buildings | 1,874,798 | 1,873,457 |
| Furniture and fixtures | <u>273,933</u> | <u>268,197</u> |
| Total | 2,263,253 | 2,256,176 |
| Less accumulated depreciation | <u>704,404</u> | <u>617,952</u> |
| Net property and equipment | <u>\$ 1,558,849</u> | <u>\$ 1,638,224</u> |

Depreciation expense was \$86,452 and \$87,937 for the years ended June 30, 2014 and 2013, respectively.

6. LEASES

The Organization conducts a portion of its operations with leased property, a portion of which meet capitalization criteria specified by generally accepted accounting principles. The Organization also has certain leases not meeting the capitalization criteria that have been treated as operating leases. The future minimum lease payments under these leases are as follows:

| | Capital Lease Obligations | Operating Lease Commitments |
|--|---------------------------------|-----------------------------------|
| 2015 | \$ 12,862 | \$ 9,000 |
| 2016 | <u>4,650</u> | <u>8,021</u> |
| Total minimum lease payments | 17,512 | <u>\$ 17,021</u> |
| Less amounts representing interest | <u>703</u> | |
| Present value of net minimum lease payments | <u>\$ 16,809</u> | |

Equipment purchased under the capital leases has been capitalized and is included in property and equipment. As of June 30, 2014 and 2013, \$72,697 and \$87,520 has been capitalized as equipment with related accumulated depreciation of \$56,474 and \$55,478, respectively. Interest rates on capital leases vary from .006% to 9.123%.

The Organization recorded rent expense for the operating leases of \$7,414 for the year ended June 30, 2014.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

7. LINES OF CREDIT

The Organization has available one unsecured line of credit, which allows the Organization to borrow up to \$500,000. Interest is payable at the bank's prime rate (3.25% at June 30, 2014 and 2013, respectively). This line of credit is due on demand and there were no outstanding borrowings on it at June 30, 2014 and 2013.

8. RETIREMENT PLANS

Defined Benefit Pension Plan and Other Postretirement Benefit Plan

The Organization sponsored a defined benefit pension plan covering employees who met certain minimum service requirements. Costs are computed in accordance with the projected until credit method. Service cost is the annual cost of projected benefits for eligible employees. As of April 30, 2007, the board of directors froze the plan.

The Organization also has a plan that provides an annuity for a former employee and postretirement health benefits for certain individuals (the "Plan"). Employees are eligible to participate in the Plan if they were hired prior to January 1, 1995 and had attained their 40th birthday prior to December 31, 1995. Eligible participants and their spouses may receive benefits under the Plan after attaining age 55 as an active employee and completing 20 or more years of service with United Way of Washtenaw County or any other United Way organization. Benefits provided include comprehensive health insurance and dental insurance. The Plan specifies employee copayments and imposes limits on certain types of services provided. The Organization funds the Plan in the year in which the benefits are paid.

Obligations and funded status are as follows:

| | June 30, 2014 | | June 30, 2013 | |
|--|------------------|-------------------------------|---------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Projected benefit obligation | \$ 1,608,569 | \$ 56,516 | \$ 1,640,888 | \$ 48,062 |
| Fair value of plan assets at end of year | <u>1,611,852</u> | <u>-</u> | <u>1,499,088</u> | <u>-</u> |
| Funded status at year end | <u>\$ 3,283</u> | <u>\$ (56,516)</u> | <u>\$ (141,800)</u> | <u>\$ (48,062)</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Amounts recognized in the statement of financial position consist of the following:

| | June 30, 2014 | | June 30, 2013 | |
|---------------------------|------------------|-------------------------------|---------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Beginning - funded status | \$ (141,800) | \$ (48,062) | \$ (322,276) | \$ (132,953) |
| Interest cost | (80,373) | (2,145) | (83,658) | (5,527) |
| Actuarial (loss) gain | (23,851) | (12,184) | 106,036 | 84,543 |
| Actual return on assets | 188,601 | - | 128,098 | - |
| Actual benefits paid | - | 5,875 | - | 5,875 |
| Employer contributions | 60,706 | - | 30,000 | - |
| Ending, funded status | <u>\$ 3,283</u> | <u>\$ (56,516)</u> | <u>\$ (141,800)</u> | <u>\$ (48,062)</u> |

Amounts not yet recognized in nonoperating income consist of the following:

| | June 30, 2014 | | June 30, 2013 | |
|--------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Actuarial net loss | <u>\$ 639,121</u> | <u>\$ -</u> | <u>\$ 729,725</u> | <u>\$ -</u> |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Net periodic benefit cost (income, employer contributions, participant contributions, and benefits paid) are as follows:

| | June 30, 2014 | | June 30, 2013 | |
|--|------------------|-------------------------------|------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Net periodic benefit cost (income, employer contributions, participant contributions, and benefits paid) | | | | |
| Net periodic benefit cost (income) | \$ 6,227 | \$ (14,570) | \$ 39,851 | \$ (6,478) |
| Employer contributions | 60,706 | 5,875 | 30,000 | 5,875 |
| Benefits paid | - | 5,875 | - | 5,875 |
| Other changes in plan assets and benefit obligations recognized in the statement of activities and changes in net assets | | | | |
| Net loss (gain) | <u>\$ -</u> | <u>\$ 28,899</u> | <u>\$ -</u> | <u>\$ (72,538)</u> |
| Total recognized in benefit related changes other than net periodic benefit cost | <u>\$ -</u> | <u>\$ 28,899</u> | <u>\$ -</u> | <u>\$ (72,538)</u> |
| Total recognized in net periodic benefit cost and other changes | <u>\$ 6,227</u> | <u>\$ (14,570)</u> | <u>\$ 39,851</u> | <u>\$ (6,478)</u> |

Weighted average assumptions used to determine benefit obligations at June 30:

| | June 30, 2014 | | June 30, 2013 | |
|---------------|------------------|-------------------------------|------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Discount rate | 5.00% | 4.25% | 5.00% | 4.75% |

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Weighted average assumptions used to determine net periodic benefit cost for the year June 30 are as follows:

| | June 30, 2014 | | June 30, 2013 | |
|--|------------------|-------------------------------|------------------|-------------------------------|
| | Pension Benefits | Other Post Retirement Benefit | Pension Benefits | Other Post Retirement Benefit |
| Discount rate | 5.00% | 4.25% | 5.00% | 4.75% |
| Expected long-term return on plan assets | 7.00% | N/A | 7.00% | N/A |

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes.

Assumed healthcare cost trend rates at June 30, 2014 are as follows:

| | |
|---|------|
| Healthcare cost trend rate assumed for next year | 9% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5% |
| Year that the rate reaches the ultimate trend rate | 2018 |

Assumed healthcare cost trend rates at June 30, 2013 are as follows:

| | |
|---|------|
| Healthcare cost trend rate assumed for next year | 10% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5% |
| Year that the rate reaches the ultimate trend rate | 2018 |

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Organization, maintain an asset/liability ration that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

The Organization's pension plan weighted average asset allocation at June 30, by asset category is as follows:

| Asset category | 2014 | 2013 |
|-------------------|-------------|-------------|
| Equity securities | 63% | 68% |
| Fixed income | 34% | 26% |
| Cash equivalents | 3% | 6% |
| Total | 100% | 100% |

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NOTES TO FINANCIAL STATEMENTS

The target allocation of plan assets is 40%-80% equity securities, 10%-55% corporate bonds and U.S. Treasury securities, and 0%-30% other types of investments.

The fair values of the Organization's pension plan assets by major asset classes are as follows:

| June 30, 2014 | Fair Value Measurement | | | |
|---------------------|----------------------------|--------------------|--------------------|----------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Fixed income | \$ 544,927 | \$ - | \$ - | \$ 544,927 |
| Balanced | 159,431 | - | - | 159,431 |
| Equity | 639,441 | - | - | 639,441 |
| Global | 212,015 | - | - | 212,015 |
| Total | <u>\$ 1,555,814</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,555,814</u> |

| June 30, 2013 | Fair Value Measurement | | | |
|---------------------|----------------------------|--------------------|--------------------|----------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Fixed income | \$ 386,191 | \$ - | \$ - | \$ 386,191 |
| Balanced | 244,867 | - | - | 244,867 |
| Equity | 558,002 | - | - | 558,002 |
| Global | 218,231 | - | - | 218,231 |
| Total | <u>\$ 1,407,291</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,407,291</u> |

Refer to Note 4 for a description of fair value measurements used.

The difference between the plan assets of \$1,611,852 and \$1,499,088 and total investments per the fair value table of \$1,555,814 and \$1,407,291 above is \$56,038 and \$91,797, for June 30, 2014 and 2013, respectively, held in a deposit account not subject to fair market valuation.

Contributions

The Organization expects to contribute \$60,704 and \$60,706 to its pension plan in 2014 and 2013, respectively.

UNITED WAY OF WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid:

| Year | Pension Benefits | Other Post Retirement Benefit |
|-----------|------------------|-------------------------------|
| 2015 | \$ 59,748 | \$ 7,021 |
| 2016 | 95,693 | 6,436 |
| 2017 | 99,677 | 5,863 |
| 2018 | 114,923 | 5,338 |
| 2019 | 116,614 | 4,868 |
| 2020-2024 | 615,807 | 19,339 |

Estimated Amortization of Actuarial Loss

Expected amortization of the net actuarial loss during the year ending June 30, 2015 is \$31,862.

Defined Contribution Plans

The Organization has an employee 401(k) salary deferral plan. All employees who have reached the age of 21 are eligible to participate in the plan. The Organization makes match and discretionary contributions for all eligible employees with service of at least one year and 1,000 hours of service. The Organization matches 3% of employee salary up to salary deferral. Total matching contributions for the years ended June 30, 2014 and 2013 were \$17,619 and \$10,886, respectively.

The Organization has an employee 403(b) salary deferral plan. This plan is inactive and no new participants have been accepted since January 2009.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets consist of pledges made for general operating purposes that were not yet received at June 30, 2014 and 2013, net of the allocations and designations to be paid from the contributions raised by the current campaign and restricted contributions.

Temporarily restricted net assets are available for the following purposes as of June 30:

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Time restriction - pledges | \$ 942,939 | \$ 1,045,695 |
| Endowment earnings in excess of distributions | <u>287,774</u> | <u>122,747</u> |
| Total temporary restricted net assets | <u>\$ 1,230,713</u> | <u>\$ 1,168,442</u> |

UNITED WAY OF WASHTENAW COUNTY

■ NOTES TO FINANCIAL STATEMENTS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable for operations or other purposes as decided by the board. Permanently restricted net assets at June 30, 2014 and 2013 were \$1,921,593 and \$1,920,488, respectively.

Board-designated net assets are designated campaign contributions to be allocated out at a future time based on board approval. Board-designated net assets at June 30, 2014 and 2013 were \$100,000 and \$155,354, respectively.

10. CONCENTRATION

The Organization receives pledges from employees at businesses and organizations located throughout Washtenaw County. As of June 30, 2014, employees at two local organizations accounted for approximately 18% of the total campaign revenues and 41% of the outstanding pledges receivable balances.

11. RELATED PARTY TRANSACTIONS

The Organization has insurance relationships with an entity whose chief operating officer is a member of the Board of Directors. In addition, the Organization awarded grants and assistance to an organization whose superintendent is also a member of the Board of Directors. A summary of expenses resulting from business conducted with the related entities or individuals is as follows for the years ended June 30:

| | 2014 | 2013 |
|----------------|-----------|-----------|
| Insurance | \$ 12,238 | \$ 12,679 |
| Grants awarded | 76,160 | - |



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

November 19, 2014

To the Board of Directors
United Way of Washtenaw County
Ann Arbor, Michigan

We have audited the financial statements of the *United Way of Washtenaw County* (the "Organization") as of and for the year ended June 30, 2014, and have issued our report thereon dated November 19, 2014, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of grants and donor designations 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Predecessor Auditor

The financial statements of the United Way of Washtenaw County for the year ended June 30, 2013, were audited by other auditors in accordance with auditing standards generally accepted in the United States of America. In their report dated November 13, 2013, those auditors expressed an opinion that the supplementary information was fairly stated in all material respects in relation to the financial statements as a whole over which they expressed an unmodified opinion.



SUPPLEMENTARY INFORMATION

UNITED WAY OF WASHTENAW COUNTY

SCHEDULES OF GRANTS AND DONOR DESIGNATIONS

| | Year Ended June 30 | |
|---|--------------------|-----------|
| | 2014 | 2013 |
| Aid in Milan | \$ 45,000 | \$ 55,500 |
| American Red Cross | 25,000 | 75,000 |
| Ann Arbor Area Community Foundation | 5,396 | - |
| Ann Arbor Center for Independent Living | - | 38,772 |
| Ann Arbor Meals on Wheels | 25,778 | - |
| Arbor Hospice | 2,500 | 9,123 |
| Ardent Cause | - | 7,900 |
| Avalon Housing | 1,667 | - |
| Barrier Busters | 10,145 | - |
| Blueprint for Aging | 33,200 | 50,000 |
| Boys and Girls Club | - | 31,930 |
| Catholic Social Services | 404,306 | 217,882 |
| Chelsea Senior Citizens Activities | 10,000 | - |
| Child Care Network | 110,500 | 154,656 |
| Community Action Network | 750 | 29,285 |
| Community Dental Center | 16,220 | 22,715 |
| Corner Health Center | 94,975 | 274,505 |
| Faith in Action | 13,300 | 30,000 |
| Food Gatherers | 118,481 | 149,020 |
| Friends in Deed | 9,000 | - |
| Girls Group | 12,000 | - |
| Home of New Vision | 42,901 | - |
| Hope Clinic | 82,656 | 136,803 |
| Housing Bureau for Seniors | 7,626 | - |
| Interfaith Hospitality Network | 14,000 | - |
| Jewish Family Services | 90,317 | 4,761 |
| Legal Services of South Central MI | - | 31,782 |
| Manchester Community Resource Center | 10,000 | 30,000 |
| Michigan Ability Partners | 2,133 | - |
| Milan Seniors for Healthy Living | 30,739 | - |
| Neutral Zone | 5,000 | - |
| NEW | 2,000 | - |
| Ozone House Youth & Family | 149,576 | 112,409 |
| Packard Health | 4,499 | - |
| Peace Neighborhood Center | 4,610 | - |
| Perry Nursery School | 121,077 | 58,759 |
| PORT | - | 119,268 |
| Regional Alliance for Healthy Schools | - | 9,547 |
| SafeHouse Center | 68,671 | 45,112 |

See independent auditor's report on supplementary information.

UNITED WAY OF WASHTENAW COUNTY

SCHEDULES OF GRANTS AND DONOR DESIGNATIONS

| | Year Ended June 30 | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| Saline Area Social Service | \$ - | \$ 59,759 |
| Salvation Army of Washtenaw | 45,000 | 42,192 |
| Shelter Association of Washtenaw | 21,005 | 74,152 |
| SOS Community Services | 107,605 | 115,896 |
| Student Advocacy Center | 168,104 | 42,556 |
| Success by Six Great Start Collaborative | 40,300 | 45,000 |
| The Family Learning Institute | 42,750 | - |
| U of M Optimize Team | 2,500 | - |
| Washtenaw Alliance for Children and Youth | 20,750 | 25,000 |
| Washtenaw Health Initiative | - | 6,387 |
| Washtenaw Health Plan | 34,050 | 30,000 |
| Washtenaw Housing Alliance | 29,250 | 40,000 |
| Washtenaw Intermediate School | 76,160 | - |
| Washtenaw Literacy | 8,098 | 59,034 |
| Washtenaw Area Council for Children | 7,553 | - |
| Ypsilanti Meal on Wheels | 10,000 | 46,841 |
| Grants pending | 17,859 | 64,921 |
| Total grants to agencies | 2,205,007 | 2,346,467 |
| Donor designations | 2,339,634 | 2,377,694 |
| Gross funds awarded | \$ 4,544,641 | \$ 4,724,161 |

See independent auditors' report on supplementary information.