

# **United Way of Genesee County**

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**Financial Report  
with Additional Information  
June 30, 2017**

# United Way of Genesee County

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## Independent Auditor's Report

To the Board of Trustees  
United Way of Genesee County

We have audited the accompanying financial statements of United Way of Genesee County (the "Organization"), which comprise the statement of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets, 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.

### **Auditor's 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 audits 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 auditor's 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Genesee County as of June 30, 2017 and 2016 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

October 27, 2017

# United Way of Genesee County

## Statement of Financial Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,692,575	\$ 5,033,120
Accounts receivable - Net	162,153	191,170
Investments (Note 2)	2,212,035	2,031,710
Pledges receivable - Annual campaign - Net	1,127,756	813,717
Prepaid expenses	31,034	46,725
Beneficial interest in trusts held by third party (Note 3)	655,567	612,005
Property and equipment - Net (Note 5)	81,741	82,799
Total assets	<u><b>\$ 6,962,861</b></u>	<u><b>\$ 8,811,246</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 402,358	\$ 176,605
Agency liabilities	22,731	25,048
Designation payable	175,097	175,097
Accrued compensation	52,642	72,731
Postretirement benefit obligations (Note 6)	1,269,016	1,308,722
Total liabilities	1,921,844	1,758,203
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,694,138	1,945,557
Board designated (Note 7)	800,000	1,607,698
Temporarily restricted (Note 7)	1,891,312	2,887,783
Permanently restricted (Note 7)	655,567	612,005
Total net assets	<u>5,041,017</u>	<u>7,053,043</u>
Total liabilities and net assets	<u><b>\$ 6,962,861</b></u>	<u><b>\$ 8,811,246</b></u>

# United Way of Genesee County

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Contributions	\$ -	\$ 2,671,495	\$ -	\$ 2,671,495
Less provision for uncollectible pledges	-	(87,686)	-	(87,686)
Less donor designations	-	(213,515)	-	(213,515)
Net campaign results	-	2,370,294	-	2,370,294
Contributions and foundation grants	1,069,790	2,671,071	-	3,740,861
Designations from other United Ways	57,292	-	-	57,292
In-kind revenue	374,516	-	-	374,516
Special event revenue - Net:				
Gross revenue	54,308	-	-	54,308
Direct benefit to donor costs	(40,779)	-	-	(40,779)
Net realized and unrealized gain (loss) on investments	143,349	-	-	143,349
Investment income	81,090	-	-	81,090
Change in value of trusts held by third party	-	-	43,562	43,562
Service fees	91,845	-	-	91,845
Miscellaneous income	76,081	-	-	76,081
Total revenue and support	1,907,492	5,041,365	43,562	6,992,419
<b>Net Assets Released from Restrictions</b>	6,037,836	(6,037,836)	-	-
Total revenue, support, and net assets released from restrictions	7,945,328	(996,471)	43,562	6,992,419
<b>Expenses</b>				
Program services:				
Gross funds awarded	1,522,240	-	-	1,522,240
Less donor designations	(213,515)	-	-	(213,515)
Net funds awarded	1,308,725	-	-	1,308,725
Community services	5,178,470	-	-	5,178,470
Labor	302,080	-	-	302,080
Community impact	492,542	-	-	492,542
Total program services	7,281,817	-	-	7,281,817
Support services:				
Management and general	870,792	-	-	870,792
Fundraising	1,015,362	-	-	1,015,362
Total expenses	9,167,971	-	-	9,167,971
<b>(Decrease) Increase in Net Assets - Before other changes to net assets</b>	(1,222,643)	(996,471)	43,562	(2,175,552)
<b>Payments to National Organization</b>	(38,937)	-	-	(38,937)
<b>Benefit-related Changes Other than Net Periodic Retiree Benefit Costs (Note 6)</b>	202,463	-	-	202,463
<b>(Decrease) Increase in Net Assets</b>	(1,059,117)	(996,471)	43,562	(2,012,026)
<b>Net Assets - Beginning of year</b>	3,553,255	2,887,783	612,005	7,053,043
<b>Net Assets - End of year</b>	<b>\$ 2,494,138</b>	<b>\$ 1,891,312</b>	<b>\$ 655,567</b>	<b>\$ 5,041,017</b>

## Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 1,899,317	\$ -	\$ 1,899,317
-	(159,996)	-	(159,996)
-	(212,588)	-	(212,588)
-	1,526,733	-	1,526,733
-	7,073,056	-	7,073,056
55,585	-	-	55,585
63,177	-	-	63,177
37,733	-	-	37,733
(53,004)	-	-	(53,004)
(20,179)	-	-	(20,179)
82,270	-	-	82,270
-	-	(51,718)	(51,718)
130,834	-	-	130,834
25,031	-	-	25,031
321,447	8,599,789	(51,718)	8,869,518
7,479,210	(7,479,210)	-	-
7,800,657	1,120,579	(51,718)	8,869,518
1,968,933	-	-	1,968,933
(212,588)	-	-	(212,588)
1,756,345	-	-	1,756,345
5,220,276	-	-	5,220,276
224,185	-	-	224,185
332,676	-	-	332,676
7,533,482	-	-	7,533,482
395,143	-	-	395,143
674,561	-	-	674,561
8,603,186	-	-	8,603,186
(802,529)	1,120,579	(51,718)	266,332
(27,947)	-	-	(27,947)
(114,610)	-	-	(114,610)
(945,086)	1,120,579	(51,718)	123,775
4,498,341	1,767,204	663,723	6,929,268
<b>\$ 3,553,255</b>	<b>\$ 2,887,783</b>	<b>\$ 612,005</b>	<b>\$ 7,053,043</b>

# United Way of Genesee County

## Statement of Functional Expenses Year Ended June 30, 2017

	Program Services				Support Services			Grand Total	
	Funds Awarded	Community Services	Labor	Community Impact	Total	Management and General	Fundraising		Total
Salaries	\$ -	\$ 430,478	\$ 60,676	\$ 177,005	\$ 668,159	\$ 182,905	\$ 263,370	\$ 446,275	\$ 1,114,434
Employee benefits	-	184,841	200,125	252,271	637,237	443,662	401,288	844,950	1,482,187
Payroll taxes	-	34,504	5,197	13,529	53,230	12,025	20,927	32,952	86,182
<b>Total salaries and related expenses</b>	<b>-</b>	<b>649,823</b>	<b>265,998</b>	<b>442,805</b>	<b>1,358,626</b>	<b>638,592</b>	<b>685,585</b>	<b>1,324,177</b>	<b>2,682,803</b>
Net funds awarded	1,308,725	-	-	-	1,308,725	-	-	-	1,308,725
Contract and professional fees	-	1,154,037	4,878	8,154	1,167,069	125,522	96,305	221,827	1,388,896
Supplies	-	427,542	1,662	4,332	433,536	7,225	89,448	96,673	530,209
Occupancy	-	42,468	10,733	15,775	68,976	15,103	18,991	34,094	103,070
Telephone	-	10,876	1,854	1,923	14,653	2,726	4,040	6,766	21,419
Postage and shipping	-	1,656	718	1,054	3,428	942	1,339	2,281	5,709
Insurance	-	4,872	1,684	2,475	9,031	2,252	2,959	5,211	14,242
Printing and publications	-	1,213	114	92	1,419	273	18,979	19,252	20,671
Mileage payments and auto expense	-	28,195	3,139	717	32,051	2,293	7,851	10,144	42,195
Conferences, meetings, and travel	-	41,750	1,777	(48)	43,479	1,645	4,121	5,766	49,245
Subscriptions and dues	-	49,923	119	73	50,115	28,917	14,454	43,371	93,486
Equipment rental and maintenance	-	59,329	3,065	5,873	68,267	6,245	29,533	35,778	104,045
Utilities	-	10,074	1,612	2,370	14,056	2,156	2,833	4,989	19,045
Miscellaneous	-	44,219	407	599	45,225	26,204	30,583	56,787	102,012
Depreciation	-	2,503	4,320	6,348	13,171	10,697	8,341	19,038	32,209
Foundation grant expense	-	2,649,990	-	-	2,649,990	-	-	-	2,649,990
<b>Total functional expenses</b>	<b>\$ 1,308,725</b>	<b>\$ 5,178,470</b>	<b>\$ 302,080</b>	<b>\$ 492,542</b>	<b>\$ 7,281,817</b>	<b>\$ 870,792</b>	<b>\$ 1,015,362</b>	<b>\$ 1,886,154</b>	<b>\$ 9,167,971</b>

# United Way of Genesee County

## Statement of Functional Expenses Year Ended June 30, 2016

	Program Services				Support Services			Grand Total	
	Funds Awarded	Community Services	Labor	Community Impact	Total	Management and General	Fundraising		Total
Salaries	\$ -	\$ 345,916	\$ 115,358	\$ 199,753	\$ 661,027	\$ 176,201	\$ 255,777	\$ 431,978	\$ 1,093,005
Employee benefits	-	62,694	58,802	54,577	176,073	91,683	127,395	219,078	395,151
Payroll taxes	-	26,897	8,479	14,173	49,549	13,684	19,218	32,902	82,451
<b>Total salaries and related expenses</b>	<b>-</b>	<b>435,507</b>	<b>182,639</b>	<b>268,503</b>	<b>886,649</b>	<b>281,568</b>	<b>402,390</b>	<b>683,958</b>	<b>1,570,607</b>
Net funds awarded	1,756,345	-	-	-	1,756,345	-	-	-	1,756,345
Contract and professional fees	-	1,143,147	3,591	6,528	1,153,266	12,651	65,593	78,244	1,231,510
Supplies	-	32,655	1,521	4,445	38,621	3,959	96,134	100,093	138,714
Occupancy	-	71,163	9,776	14,369	95,308	13,728	17,655	31,383	126,691
Telephone	-	11,687	1,662	1,738	15,087	3,053	3,729	6,782	21,869
Postage and shipping	-	4,588	1,039	1,520	7,147	1,559	1,947	3,506	10,653
Insurance	-	3,441	1,817	2,671	7,929	2,430	3,193	5,623	13,552
Printing and publications	-	38,724	411	204	39,339	112	9,546	9,658	48,997
Mileage payments and auto expense	-	38,762	2,249	1,347	42,358	2,629	6,996	9,625	51,983
Conferences, meetings, and travel	-	37,632	3,542	5,185	46,359	5,749	16,872	22,621	68,980
Subscriptions and dues	-	99,441	132	797	100,370	13,579	7,298	20,877	121,247
Equipment rental and maintenance	-	82,787	9,377	15,920	108,084	15,853	27,231	43,084	151,168
Utilities	-	6,721	1,392	2,046	10,159	1,861	2,445	4,306	14,465
Miscellaneous	-	48,813	365	536	49,714	24,843	1,977	26,820	76,534
Depreciation	-	174	4,672	6,867	11,713	11,569	11,555	23,124	34,837
Foundation grant expense	-	3,165,034	-	-	3,165,034	-	-	-	3,165,034
<b>Total functional expenses</b>	<b>\$ 1,756,345</b>	<b>\$ 5,220,276</b>	<b>\$ 224,185</b>	<b>\$ 332,676</b>	<b>\$ 7,533,482</b>	<b>\$ 395,143</b>	<b>\$ 674,561</b>	<b>\$ 1,069,704</b>	<b>\$ 8,603,186</b>



# United Way of Genesee County

## Statement of Cash Flows

	Year Ended	
	June 30, 2017	June 30, 2016
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (2,012,026)	\$ 123,775
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	32,209	34,837
Bad debt expense	87,686	159,996
Change in postretirement benefit obligation	(39,706)	211,799
Realized and unrealized (gain) loss on investments	(143,349)	20,179
Change in value of trusts held by third party	(43,562)	51,718
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	29,017	(57,147)
Pledges receivable - Annual campaign	(401,725)	(125,957)
Prepaid expenses	15,691	4,411
Accounts payable and agency liabilities	223,436	97,203
Designation payable	-	16,516
Accrued liabilities	(20,089)	21,643
Net cash (used in) provided by operating activities	(2,272,418)	558,973
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(31,151)	(15,980)
Purchases of investments	(36,976)	(593,733)
Proceeds from sales and maturities of investments	-	621,865
Net cash (used in) provided by investing activities	(68,127)	12,152
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,340,545)	571,125
<b>Cash and Cash Equivalents - Beginning of year</b>	5,033,120	4,461,995
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,692,575</b>	<b>\$ 5,033,120</b>
<b>Supplemental Disclosure of Cash Flow Information -</b>		
Noncash activities - Benefit-related changes other than net periodic retiree benefit costs	<b>\$ 202,463</b>	<b>\$ (114,610)</b>

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### Note 1 - Nature of Business and Significant Accounting Policies

**Nature of Organization** - United Way of Genesee County (the "Organization") is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support for philanthropic, health and social, educational, and community organizations within Genesee County, Michigan through a public campaign for funds. The Organization's stated mission is threefold: uniting people, developing resources, and meeting community needs. The Organization is governed by a volunteer board of trustees.

**Flint Water Crisis** - Contributions received and community services expenses decreased from fiscal year 2016 to 2017 due to the community's increased response to the Flint Water Crisis during 2016 which subsided in 2017. Gross contributions related to the Flint Water Crisis totaled \$636,132 and \$3,411,321 and total expenditures were \$1,665,048 and \$2,291,794 for the years ended June 30, 2017 and 2016, respectively. Temporarily restricted net assets designated to the Flint Water Crisis at June 30, 2017 and 2016 totaled \$90,610 and \$1,119,526, respectively. United Way of Genesee County has not taken administrative fees out of any funds received for the Flint Water Crisis.

Significant accounting policies are as follows:

**Cash Equivalents** - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Investments** - Investments in debt and equity securities are recorded at fair value based on quoted market prices. Certificates of deposit are recorded at cost.

**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 value 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.

**Promises to Give** - Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Pledges Receivable - Annual Campaign** - Annual campaigns are conducted each year to raise support for allocation to participating agencies for the subsequent calendar year. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All pledges receivable are expected to be collected within 14 months after the beginning of scheduled payments.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

A provision for uncollectible pledges relating to annual campaigns has been provided based on the prior year's experience and the expectations of management as to collectibility. The provision is computed on the gross pledges receivable, including donor designations. Campaign pledges prior to the 2015 campaign have been deemed wholly uncollectible and therefore written off. However, if any campaign pledges prior to the 2015 campaign year are collected, they will be recorded as income in the year received. The allowance was \$118,346 and \$112,953 for 2016 and 2017, respectively.

The Organization receives contributions from individuals and businesses mainly located in the Genesee County, Michigan geographic region. Corporate and employee gifts of General Motors Corporation account for 81 percent of the 2016 campaign pledges and 37 percent of the 2015 campaign pledges.

**Accounts Receivable** - Accounts receivable are stated at invoice cost. Account balances are reviewed regularly to determine whether delinquent accounts should be written off. The Organization has no allowance for doubtful accounts for financial reporting purposes. All accounts receivable are considered collectible.

The Organization participates in a multiemployer pension plan. The Organization has paid 100 percent of the required contributions for all member organizations. The amount that is billed to other participants is included in accounts receivable and amounted to \$293,086 and \$109,805 during the fiscal years ended June 30, 2017 and 2016, respectively. The allowance was \$141,193 and \$0 for 2017 and 2016, respectively.

**Property and Equipment** - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

**Designation Payable** - 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 allocations in the statement of activities and changes in net assets.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Board-designated Net Assets** - Board-designated net assets are unrestricted net assets designated by the board primarily for an operating reserve and termination of the pension plan. These designations are based on board actions, which can be altered or revoked at a future time by the board.

**Contributions** - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Unconditional promises to give and pledges receivable (annual campaign) with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions are collected or when allocations are made to recipient organizations based on those future collections.

**Donated Services** - The Organization receives volunteer services that are not recordable under accounting principles generally accepted in the United States of America. A number of volunteers have donated time to the Organization. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services. Donated materials and services are recorded at the fair market value upon receipt. The Organization received materials and services valued at \$374,516 and \$63,177 during the fiscal years ended June 30, 2017 and 2016, respectively.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Functional Allocation of Expenses** - The costs of providing 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 a different amount. During the year, management and general as well as fundraising percentage of expenses to total expenses increased significantly over the prior year as a result of a liquidation payment made by the Organization related to costs associated with the closure of the Defined Benefit Pension Plan.

**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 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes** - Under provisions of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Michigan, the Organization is exempt from income taxes. The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). There were no unrelated business activities in 2017 and 2016. Accordingly, no tax expense was incurred during the years ended June 30, 2017 and 2016.

**Concentration of Credit Risk Arising for Deposit Accounts** - The Organization maintains cash balances at several institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the United States Treasury temporary guarantee program in accordance with applicable program limits. At times, balances may exceed federally insured limits.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 27, 2017, which is the date the financial statements were available to be issued.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Upcoming Accounting Changes - Not-for-profit Entities Financial Reporting Model** - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization has determined the effects of the new standard on the financial statements will include the change in net asset descriptions and additional disclosure on liquidity and availability.

**Upcoming Accounting Change - Revenue Recognition** - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization plans to apply the standard using the full retrospective method. The Organization's primary revenue sources are not expected to be significantly impacted by the standard, but a complete review of all revenue sources has not yet been completed.

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Upcoming Accounting Change - Leases** - In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Applying the new lease guidance on the financial statements is not expected to have a significant impact.

### Note 2 - Investments

The investment objective of the Organization is to first provide for a reasonable level of liquidity to meet cash flow needs and, secondarily, to provide for long-term growth of assets available for investment in conjunction with a balanced operating budget under a prudent investment strategy (up to 60 percent of assets to be allocated to professional money managers). The investment of assets is intended to be done in a prudent manner, based upon sound financial judgment, to minimize credit and inflationary risk, which could erode investment principal. The finance committee must approve exceptions to the policy.

Investments consist of the following:

	2017	2016
Certificates of deposit	\$ 546,986	\$ 543,260
Mutual funds - Equity (Note 11)	1,029,817	885,349
Mutual funds - Fixed income (Note 11)	630,178	599,996
Common stock (Note 11)	5,054	3,105
Total	<u>\$ 2,212,035</u>	<u>\$ 2,031,710</u>

Interest and dividend income earned during the years ended June 30, 2017 and 2016 was \$81,090 and \$82,270, respectively.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### **Note 3 - Beneficial Interest in Trusts Held by Third Party**

The Organization is the income beneficiary of various trusts held by financial institutions. Under the terms of the trust agreements, the Organization has the irrevocable right to receive a percentage of the income earned on trust assets in perpetuity; however, the Organization will never receive the assets held in the trusts. A permanently restricted asset has been recorded based on the present value of the estimated future cash receipts from the trusts' assets. The balance at June 30, 2017 and 2016 was \$655,567 and \$612,005, respectively. Annual distributions from the trusts are reported as investment income, which increases unrestricted net assets. Adjustments to the amount reported as an asset, based on an annual review using the same basis as was used to measure the asset initially, are recognized as a permanently restricted unrealized gain or loss.

Income distributions of \$28,408 and \$29,440 were received in 2017 and 2016, respectively.

### **Note 4 - Beneficial Interests Held by Third Party with Variance Power**

The Organization has a beneficial interest in specific funds held by the Community Foundation of Greater Flint (the "Community Foundation"). Under the terms under which the Community Foundation has accepted the gift, the Organization can expect to receive distributions of income earned on these funds in perpetuity. The Organization will never receive the assets held by the Community Foundation. According to the terms of the gift, the income received from the beneficial interest can be used only for (1) responses to short-term crisis conditions impacting human survival among groups of people, (2) initial program start-up to meet emerging new human needs, or (3) capital needs (e.g., land, buildings, and equipment).

These assets held by the Community Foundation are not recorded on the financial statements of the Organization since the Community Foundation maintains variance power over the distributions of income from this gift and could legally redirect the income from the assets to a different income beneficiary. Because the Community Foundation maintains variance power, the Organization has no legal right to the annual income from the assets. While the Community Foundation has the legal right to change the beneficiary, the Organization's management does not expect such a change to occur and expects to continue to receive income distributions annually from the assets held at the Community Foundation.

The fair values of the investments held by the Community Foundation in funds whereby the Community Foundation has variance power at June 30, 2017 and 2016 totaled \$705,667 and \$665,749, respectively.

The Organization recognizes income annually for the income distributions received from the Community Foundation as change in value of trust held by third party. Revenue of \$44,689 and \$13,485 was recognized in 2017 and 2016, respectively.



# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 5 - Property and Equipment

The costs and accumulated depreciation of such assets were as follows:

	2017	2016	Depreciable Life - Years
Computer equipment and software	\$ 123,369	\$ 92,219	3-5
Leasehold improvements	73,560	73,560	5-20
Total cost	196,929	165,779	
Accumulated depreciation	115,188	82,980	
Net property and equipment	\$ 81,741	\$ 82,799	

Depreciation expense was \$32,209 for 2017 and \$34,837 for 2016.

### Note 6 - Other Postretirement Benefit Plan

The Organization has a plan that provides postretirement health benefits for certain individuals (the "Plan"). Employees are eligible if they retired on or after January 1, 1995 as a full-time employee. Eligible employees may receive benefits under the Plan after attaining the age of 60 as an active employee and after completing 10 or more years of service at the Organization and are not eligible for any other healthcare package, excluding Medicare. Benefits provided include hospital/medical benefits to the employee only and do not include the spouse or other dependents. The Organization funds the Plan in the year in which the benefits are paid.

#### Obligations and Funded Status

	Other Postretirement Benefits	
	2017	2016
Benefit obligation	\$ 1,269,016	\$ 1,308,722
Funded status at end of year	\$ (1,269,016)	\$ (1,308,722)

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 6 - Other Postretirement Benefit Plan (Continued)

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

	Other Postretirement Benefits	
	2017	2016
Beginning unfunded status	\$ (1,308,722)	\$ (1,096,923)
Service cost	(66,387)	(51,281)
Interest cost	(44,219)	(103,123)
Net actuarial gain	(23,538)	65,714
Benefits paid	45,326	100,935
Plan changes	187,690	169,693
Increase due to change in assumptions	(59,166)	(393,737)
Total	<u>\$ (1,269,016)</u>	<u>\$ (1,308,722)</u>

Amounts not yet recognized as components of net periodic benefit cost consist of the following:

	Other Postretirement Benefits	
	2017	2016
Net actuarial gain	\$ 366,054	\$ 313,903
Transition obligation	(323,560)	(388,272)
Total	<u>\$ 42,494</u>	<u>\$ (74,369)</u>

In accordance with generally accepted accounting principles, the benefit obligation presented in the table above presents the accumulated benefit obligation for the postretirement benefits.

	Other Postretirement Benefits	
	2017	2016
<b>Net Periodic Benefit Cost, Employer Contributions, and Benefits Paid</b>		
Net periodic benefit cost	\$ 162,757	\$ 97,189
Employer contributions	45,326	48,652
Benefits paid	45,326	48,652
<b>Other Changes in Plan Assets and Benefit Obligations Recognized</b>		
Total recognized in benefit-related changes other than net periodic retiree cost - Net gain (loss)	<u>\$ 202,463</u>	<u>\$ (114,610)</u>

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 6 - Other Postretirement Benefit Plan (Continued)

#### Assumptions

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

	Other Postretirement Benefits	
	2017	2016
Discount rate	3.50 %	3.50 %

Weighted average assumptions used to determine net periodic benefit cost at year end are as follows:

	Other Postretirement Benefits	
	2017	2016
Discount rate	5.00 %	5.00 %

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 adjusted for anticipated market movements.

#### Assumed Healthcare Cost Trend Rates at June 30

	2017	2016
Healthcare cost trend rate assumed for next year (pre-65)	8 %	8 %
Healthcare cost trend rate assumed for next year (post-65)	5 %	5 %

#### Cash Flow - Estimated Future Benefit Payments

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

Years Ending	Other Postretirement Benefits
2018	\$ 38,263
2019	39,262
2020	40,254
2021	41,039
2022-2026	240,952

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 7 - Net Assets

The Organization's net assets are categorized and reported as follows:

**Unrestricted Net Assets** - This portion of the Organization's net assets is available for general obligations and is not subject to any donor-imposed restrictions. Revenue earned from unrestricted contributions, unrestricted grants, building rental, investment income available for general operations, and all operating expenses is reported in this category. Unrestricted net assets of \$800,000 have been designated as an operating reserve for the years ended June 30, 2017 and 2016 based on board resolutions. The board also designated \$807,698 for the year ended June 30, 2016 for the termination of the pension plan based on a board resolution.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets are restricted as follows:

	<u>2017</u>	<u>2016</u>
Time restricted - General operations	\$ 952,659	\$ 666,620
Purpose restricted:		
Flint Water Crisis	90,610	1,119,526
Don Burkes Memorial Bone Marrow	59,199	59,199
Ramp Program	30,681	21,724
Our Lady of Guadalupe	2,953	15,000
Flint Area Reinvestment Office	17,086	263,826
Berston Program	143,011	99,332
United Way as grantee	556,989	632,556
Flint Kids Play	38,124	-
DEFY Grant	-	10,000
Total	<u>\$ 1,891,312</u>	<u>\$ 2,887,783</u>

**Permanently Restricted Net Assets** - This portion of the Organization's net assets is limited by donor-imposed restrictions which require that the gift be maintained in perpetuity. Permanently restricted net assets as of June 30, 2017 and 2016 were \$655,567 and \$612,005, respectively, and consist of the beneficial interests held by third parties.

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 8 - Governmental Campaigns

The Organization conducts a general fundraising campaign and also conducts consolidated campaigns for four different governmental entities within the Genesee County area. Details of the governmental campaigns conducted in 2017 and 2016 are as follows:

	2017	2016
Gross pledges	\$ 75,269	\$ 71,819
Less amounts designated to specific agencies	(58,274)	(53,993)
Amounts received by the Organization	<u>\$ 16,995</u>	<u>\$ 17,826</u>

### Note 9 - Defined Benefit Pension Plan

The Organization previously sponsored a noncontributory defined benefit pension plan covering substantially all of its employees. Several United Way agencies also participated in this plan. On June 17, 1992, the Organization adopted a motion which froze the plan as of September 1, 1992. At this date, all benefit accruals ceased to accrue and all participants became 100 percent vested in their accrued benefits.

Plan assets were distributed by the trustee in accordance with the plan document and federal regulations. The plan trustee was JPMorgan Chase Bank, N.A. until January 1, 2015 when the trustee became FirstMerit Bank, N.A. During January 2012, the board of trustees elected to terminate the defined benefit pension plan pursuant to a standard termination in accordance with ERISA regulations. Effective October 1, 2015, the plan sponsor elected to terminate the plan. Liquidation of assets through distributions to participants occurred during January 2017.

Upon termination, the net assets of the plan were used first to pay expenses of administration and then to provide benefits to participants in accordance with Section 4044 of ERISA. Whether a particular participant's accumulated plan benefits were paid depends on both the priority of those benefits and the level of benefits guaranteed by the PBGC at that time. Some benefits were fully or partially provided for by the then-existing assets and the PBGC guarantee, while other benefits were not provided for at all.

The Organization's contributions to the plan were \$0 for fiscal years 2017 and 2016. A comparison of the accumulated plan benefits and plan net assets, as of the most recent actuarial study available for the plan as a whole (January 1, 2016), was as follows:

Actuarial present value of accumulated plan benefits:

Vested	\$ 1,764,463
Net assets available for benefits	1,638,096

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.5 percent.

# United Way of Genesee County

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## Notes to Financial Statements June 30, 2017 and 2016

### Note 10 - Profit-sharing Plan

On April 2, 2015, the United Way Employees Profit Sharing Plan, that was established on January 1, 1994, was rolled into the United Way of Genesee County 401(k) Plan. The plan was established to provide retirement benefits to employees after retirement at age 65 (normal retirement) or age 59½ (early retirement). The plan covers all employees of the Organization who are eligible under plan provisions.

Employees may elect to contribute a portion of their compensation as a pretax contribution or a roth deferral. Employer contributions for the profit-sharing plan are discretionary and are determined each year by management. Contributions made to the plan for the years ended June 30, 2017 and 2016 were \$26,028 and \$24,606, respectively.

Employer contributions for the 401(k) match are up to 3 percent each pay period and were \$26,558 and \$24,029 for the years ended June 30, 2017 and 2016, respectively.

### Note 11 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2017 and 2016 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 11 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Investments:				
Money market mutual funds	\$ 188,823	\$ -	\$ -	\$ 188,823
Equity securities - Corporate	5,054	-	-	5,054
Mutual funds - Domestic equity	821,431	-	-	821,431
Mutual funds - International equity	208,386	-	-	208,386
Mutual funds - Corporate fixed income	630,178	-	-	630,178
Total investments	1,853,872	-	-	1,853,872
Endowment investments - Trusts held by third party - Beneficial interest	-	-	655,567	655,567
Total assets	\$ 1,853,872	\$ -	\$ 655,567	\$ 2,509,439

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2016
Investments:				
Money market mutual funds	\$ 204,678	\$ -	\$ -	\$ 204,678
Equity securities - Corporate	3,105	-	-	3,105
Mutual funds - Domestic equity	720,012	-	-	720,012
Mutual funds - International equity	165,337	-	-	165,337
Mutual funds - Corporate fixed income	599,996	-	-	599,996
Total investments	1,693,128	-	-	1,693,128
Endowment investments - Trusts held by third party - Beneficial interest	-	-	612,005	612,005
Total assets	\$ 1,693,128	\$ -	\$ 612,005	\$ 2,305,133

Investments per the statement of financial position include CDs of \$546,986 and \$543,260 for the years ended June 30, 2017 and 2016, respectively, not included above. Listed above are money market mutual funds of \$188,823 and \$204,678 the years ended June 30, 2017 and 2016, respectively, which are not included in investments on the statement of financial position.

# United Way of Genesee County

## Notes to Financial Statements June 30, 2017 and 2016

### Note 11 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2017 and 2016 are as follows:

	Beneficial Interests in Trusts Held by Third Party
Balance at July 1, 2016	\$ 612,005
Total unrealized gains included in change in net assets	<u>43,562</u>
Balance at June 30, 2017	<u>\$ 655,567</u>
	Beneficial Interests in Trusts Held by Third Party
Balance at July 1, 2015	\$ 663,723
Total unrealized losses included in change in net assets	<u>(51,718)</u>
Balance at June 30, 2016	<u>\$ 612,005</u>

The fair value of beneficial interest in perpetual trusts at June 30, 2017 was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments in beneficial trusts based on the fair value of the assets in the trust unless the facts and circumstances indicate the fair value would be different from the present value of estimated future distributions.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs

Of the Level 3 assets still held by the Organization at June 30, 2017 and 2016, the unrealized gain (loss) for the years ended June 30, 2017 and 2016 was \$43,562 and (\$51,718), respectively, which is recognized in the accompanying statement of activities and changes in net assets.

### Note 12 - Subsequent Events

Subsequent to year end, the board of trustees approved program allocations (amounts payable to local agencies) of \$961,188. These allocations will be paid during the fiscal year ending June 30, 2018.



## **Additional Information**

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## Independent Auditor's Report on Additional Information

To the Board of Trustees  
United Way of Genesee County

We have audited the financial statements of United Way of Genesee County (the "Organization") as of and for the years ended June 30, 2017 and 2016 and have issued our report thereon dated October 27, 2017, which contained an unmodified opinion on those financial statements. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of initial and final pledge campaign uncollectible reserves is presented for the purpose of additional analysis and is not a required part of the basic 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 audits 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.

*Plante & Moran, PLLC*

October 27, 2017

# United Way of Genesee County

## Schedule of Initial and Final Pledge Campaign Uncollectible Reserves 2011 Through 2015 Pledge Campaigns

Pledge Campaign Year	Agency Fiscal Year	Percentage of Campaign Collected as of Fiscal Year End	Total Campaign Pledges	Initial Uncollectible Reserve Established		Final Uncollectible Reserve Realized	
				Dollar Amount	Percent of Campaign	Dollar Amount	Percent of Campaign
2011	2012	62.01%	\$ 2,582,792	\$ 309,935	12.00%	\$ 119,333	4.62%
2012	2013	66.16	2,640,603	158,436	6.00	132,217	5.01
2013	2014	59.53	2,339,306	140,358	6.00	145,789	6.23
2014	2015	60.55	2,399,628	143,978	6.00	136,476	5.69
2015	2016	46.48	1,787,468	143,614	8.00	118,346	6.62