

# **United Way of the Battle Creek and Kalamazoo Region**

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**Financial Report  
March 31, 2016 and 2015**

# **United Way of the Battle Creek and Kalamazoo Region**

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## Independent Auditor's Report

To the Board of Directors  
United Way of the Battle Creek and  
Kalamazoo Region

We have audited the accompanying financial statements of United Way of the Battle Creek and Kalamazoo Region, which comprise the statement of financial position as of March 31, 2016 and 2015 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 the Battle Creek and Kalamazoo Region as of March 31, 2016 and 2015 and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

July 20, 2016

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Financial Position March 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,401,004	\$ 857,825	\$ 3,258,829
Investments (Note 3)	4,639,106	4,845,661	9,484,767
Pledges receivable (Note 2)	-	5,972,362	5,972,362
Grants receivable (Note 5)	-	992,271	992,271
Prepaid expenses and other assets	192,081	-	192,081
Beneficial interest in funds held at community foundations (Note 9)	683,732	-	683,732
Property and equipment - Net (Note 4)	865,787	-	865,787
Total assets	<u>\$ 8,781,710</u>	<u>\$ 12,668,119</u>	<u>\$ 21,449,829</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 126,668	\$ -	\$ 126,668
Donor designations payable	178,159	815,589	993,748
Allocations and grants payable	1,993,398	-	1,993,398
Refundable advance	-	150,000	150,000
Accrued liabilities	207,788	-	207,788
Deferred revenue	36,500	-	36,500
Accrued postretirement benefit (Note 11)	312,500	-	312,500
Total liabilities	2,855,013	965,589	3,820,602
<b>Net Assets</b>			
Unrestricted:			
Undesignated	2,512,064	-	2,512,064
Board designated (Note 8)	3,414,633	-	3,414,633
Temporarily restricted (Note 6)	-	11,702,530	11,702,530
Total net assets	<u>5,926,697</u>	<u>11,702,530</u>	<u>17,629,227</u>
Total liabilities and net assets	<u>\$ 8,781,710</u>	<u>\$ 12,668,119</u>	<u>\$ 21,449,829</u>

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Financial Position March 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,405,227	\$ 1,165,453	\$ 4,570,680
Investments (Note 3)	3,737,177	5,832,949	9,570,126
Pledges receivable (Note 2)	-	5,881,883	5,881,883
Grants receivable (Note 5)	-	-	-
Prepaid expenses and other assets	293,834	-	293,834
Beneficial interest in funds held at community foundations (Note 9)	709,680	-	709,680
Property and equipment - Net (Note 4)	941,634	-	941,634
Total assets	<u>\$ 9,087,552</u>	<u>\$ 12,880,285</u>	<u>\$ 21,967,837</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 179,058	\$ -	\$ 179,058
Donor designations payable	143,466	1,186,061	1,329,527
Allocations and grants payable	2,128,075	-	2,128,075
Accrued liabilities	225,913	-	225,913
Deferred revenue	-	25,900	25,900
Accrued postretirement benefit (Note 11)	373,000	-	373,000
Total liabilities	3,049,512	1,211,961	4,261,473
<b>Net Assets</b>			
Unrestricted:			
Undesignated	2,391,142	-	2,391,142
Board designated (Note 8)	3,646,898	-	3,646,898
Temporarily restricted (Note 6)	-	11,668,324	11,668,324
Total net assets	<u>6,038,040</u>	<u>11,668,324</u>	<u>17,706,364</u>
Total liabilities and net assets	<u>\$ 9,087,552</u>	<u>\$ 12,880,285</u>	<u>\$ 21,967,837</u>

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Activities and Changes in Net Assets Year Ended March 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, Other Support, and Assets Released from Restrictions</b>				
Contributions	\$ -	\$ 12,641,426	\$ -	\$ 12,641,426
Donor designations	-	(2,147,565)	-	(2,147,565)
Allowance for uncollectible pledges	-	(530,000)	-	(530,000)
Net campaign results	-	9,963,861	-	9,963,861
Campaign results - Prior year - Net	265,129	-	-	265,129
Foundation and corporate grants	200,705	1,546,462	-	1,747,167
Designations from other United Way agencies	10,767	38,572	-	49,339
Other contributions	160,595	-	-	160,595
Service fees	176,802	-	-	176,802
Net realized and unrealized loss on investments	(270,865)	-	-	(270,865)
Investment income - Net of expense of \$79,161 in 2016	235,283	-	-	235,283
Distribution from community foundations	304,000	-	-	304,000
Rental income	12,970	-	-	12,970
Miscellaneous income	154,260	-	-	154,260
Total revenue, gains, other support, and reclassifications	1,249,646	11,548,895	-	12,798,541
Net assets released from restrictions (Note 7)	11,514,689	(11,514,689)	-	-
Total revenue, gains, other support, and net assets released from restrictions	12,764,335	34,206	-	12,798,541
<b>Expenses</b>				
Program services:				
Gross allocations to agencies	10,783,354	-	-	10,783,354
Less donor designations paid	(2,147,565)	-	-	(2,147,565)
Net funds awarded/distributed	8,635,789	-	-	8,635,789
Community impact	1,096,252	-	-	1,096,252
Community service	614,763	-	-	614,763
Grants and initiatives	417,566	-	-	417,566
Total program services	10,764,370	-	-	10,764,370
Support services:				
Management and general	869,299	-	-	869,299
Fundraising	1,242,009	-	-	1,242,009
Total allocations and other expenses	12,875,678	-	-	12,875,678
<b>(Decrease) Increase in Net Assets</b>	(111,343)	34,206	-	(77,137)
<b>Net Assets - Beginning of year</b>	6,038,040	11,668,324	-	17,706,364
<b>Net Assets - End of year</b>	<b>\$ 5,926,697</b>	<b>\$ 11,702,530</b>	<b>\$ -</b>	<b>\$ 17,629,227</b>

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Activities and Changes in Net Assets Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, Other Support, and Assets Released from Restrictions</b>				
Contributions	\$ -	\$ 13,492,287	\$ -	\$ 13,492,287
Donor designations	-	(2,433,732)	-	(2,433,732)
Allowance for uncollectible pledges	-	(579,000)	-	(579,000)
Net campaign results	-	10,479,555	-	10,479,555
Campaign results - Prior year - Net	116,459	-	-	116,459
Foundation and corporate grants	200,374	16,821	-	217,195
Designations from other United Way agencies	2,839	23,315	-	26,154
Other contributions	81,857	-	-	81,857
Service fees	152,867	-	-	152,867
Net realized and unrealized gain on investments	62,200	-	-	62,200
Investment income - Net of expense of \$71,867 in 2015	249,858	-	-	249,858
Distribution from community foundations	254,000	-	-	254,000
Rental income	13,210	-	-	13,210
Miscellaneous income	154,139	-	-	154,139
Total revenue, gains, other support, and reclassifications	1,287,803	10,519,691	-	11,807,494
Net assets released from restrictions (Note 7)	12,127,282	(12,127,282)	-	-
Total revenue, gains, other support, and net assets released from restrictions	13,415,085	(1,607,591)	-	11,807,494
<b>Expenses</b>				
Program services:				
Gross allocations to agencies	11,273,559	-	-	11,273,559
Less donor designations paid	(2,433,732)	-	-	(2,433,732)
Net funds awarded/distributed	8,839,827	-	-	8,839,827
Community impact	750,066	-	-	750,066
Community service	966,227	-	-	966,227
Grants and initiatives	642,182	-	-	642,182
Total program services	11,198,302	-	-	11,198,302
Support services:				
Management and general	855,825	-	-	855,825
Fundraising	1,282,825	-	-	1,282,825
Total allocations and other expenses	13,336,952	-	-	13,336,952
<b>Increase (Decrease) in Net Assets</b>	78,133	(1,607,591)	-	(1,529,458)
<b>Net Assets - Beginning of year</b>	5,959,907	13,275,915	-	19,235,822
<b>Net Assets - End of year</b>	<b>\$ 6,038,040</b>	<b>\$ 11,668,324</b>	<b>\$ -</b>	<b>\$ 17,706,364</b>

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Functional Expenses Year Ended March 31, 2016

	Program Services				Support Services			
	Allocations and Grants	Community Impact	Community Service	Grants and Initiatives	Total	Management and General	Fundraising	Total
Salaries	\$ -	\$ 541,829	\$ 188,188	\$ 133,658	\$ 863,675	\$ 469,100	\$ 594,153	\$ 1,926,928
Employee benefits	-	108,028	50,148	18,163	176,339	93,528	110,644	380,511
Payroll taxes	-	38,575	13,473	10,097	62,145	33,397	42,328	137,870
Total salaries and related expenses	-	688,432	251,809	161,918	1,102,159	596,025	747,125	2,445,309
Net funds awarded	8,635,789	-	-	13,517	8,649,306	-	-	8,649,306
Contract and professional fees	-	74,948	41,766	128,934	245,648	102,981	73,785	422,414
Program evaluation expenses	-	55,000	-	47,101	102,101	-	-	102,101
211 contractual expenses	-	-	171,605	-	171,605	-	-	171,605
Supplies	-	9,573	2,648	10,128	22,349	2,037	4,153	28,539
Telephone	-	6,062	7,014	921	13,997	5,646	8,102	27,745
Postage and shipping	-	4,503	2,526	239	7,268	3,993	10,153	21,414
Occupancy costs	-	30,033	12,203	-	42,236	26,932	31,851	101,019
Travel	-	18,248	8,444	1,832	28,524	9,957	21,066	59,547
Board/Staff development	-	10,154	12,765	23,914	46,833	11,835	13,288	71,956
Printing, publicity, and promotion	-	86,470	57,189	21,995	165,654	9,943	212,522	388,119
Other organizational dues	-	23,628	10,426	-	34,054	19,584	24,077	77,715
Rental and maintenance of equipment	-	14,537	5,907	6,073	26,517	13,413	15,417	55,347
Depreciation	-	31,194	12,675	-	43,869	27,973	33,083	104,925
Miscellaneous	-	346	264	994	1,604	309	1,652	3,565
United Way Worldwide dues	-	43,124	17,522	-	60,646	38,671	45,735	145,052
Total functional expenses	<u>\$ 8,635,789</u>	<u>\$ 1,096,252</u>	<u>\$ 614,763</u>	<u>\$ 417,566</u>	<u>\$10,764,370</u>	<u>\$ 869,299</u>	<u>\$ 1,242,009</u>	<u>\$12,875,678</u>



# United Way of the Battle Creek and Kalamazoo Region

## Statement of Functional Expenses Year Ended March 31, 2015

	Program Services				Support Services			
	Allocations and Grants	Community Impact	Community Service	Grants and Initiatives	Total	Management and General	Fundraising	Total
Salaries	\$ -	\$ 363,210	\$ 426,659	\$ 115,792	\$ 905,661	\$ 444,476	\$ 590,359	\$ 1,940,496
Employee benefits	-	100,376	120,238	19,224	239,838	122,834	155,376	518,048
Payroll taxes	-	25,815	30,433	8,604	64,852	31,590	41,959	138,401
Total salaries and related expenses	-	489,401	577,330	143,620	1,210,351	598,900	787,694	2,596,945
Net funds awarded	8,839,827	-	-	62,203	8,902,030	-	-	8,902,030
Contract and professional fees	-	37,698	35,084	347,079	419,861	81,982	50,272	552,115
Program evaluation expenses	-	60,000	-	40,000	100,000	-	-	100,000
211 contractual expenses	-	-	185,687	-	185,687	-	-	185,687
Supplies	-	6,439	6,173	6,105	18,717	2,764	10,084	31,565
Telephone	-	4,909	13,272	2,603	20,784	6,636	9,205	36,625
Postage and shipping	-	2,436	2,220	143	4,799	2,949	7,810	15,558
Occupancy costs	-	23,037	18,303	-	41,340	28,191	35,659	105,190
Travel	-	13,868	7,441	672	21,981	8,926	19,706	50,613
Board/Staff development	-	11,940	9,278	33,755	54,973	16,263	10,786	82,022
Printing, publicity, and promotion	-	16,464	41,800	6,002	64,266	8,281	221,817	294,364
Other organizational dues	-	18,499	14,783	-	33,282	19,823	26,505	79,610
Rental and maintenance of equipment	-	9,915	7,878	-	17,793	12,676	15,348	45,817
Depreciation	-	22,953	18,236	-	41,189	28,088	35,530	104,807
Miscellaneous	-	-	2,914	-	2,914	565	2,090	5,569
United Way Worldwide dues	-	32,507	25,828	-	58,335	39,781	50,319	148,435
Total functional expenses	<u>\$ 8,839,827</u>	<u>\$ 750,066</u>	<u>\$ 966,227</u>	<u>\$ 642,182</u>	<u>\$11,198,302</u>	<u>\$ 855,825</u>	<u>\$ 1,282,825</u>	<u>\$13,336,952</u>

# United Way of the Battle Creek and Kalamazoo Region

## Statement of Cash Flows

	Year Ended March 31	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (77,137)	\$ (1,529,458)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	104,925	104,807
Change in beneficial interest	25,948	(1,652)
Net realized and unrealized loss (gain) on investments	270,865	(62,200)
Change in allowance for uncollectible pledges	81,334	48,265
Changes in operating assets and liabilities which (used) provided cash:		
Pledges receivable	(171,813)	(33,176)
Grants receivable	(992,271)	1,064,209
Prepaid expenses and other	101,753	(145,434)
Accounts payable	(52,390)	72,193
Donor designations payable	(335,779)	(37,419)
Allocations and grants payable	(134,677)	(80,867)
Refundable advance	150,000	-
Accrued liabilities	(18,125)	4,903
Deferred revenue	10,600	(205)
Accrued postretirement benefit	(60,500)	45,389
Net cash used in operating activities	(1,097,267)	(550,645)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(29,078)	(21,294)
Purchases of investments	(2,508,026)	(2,451,086)
Proceeds from sales and maturities of investments	2,322,520	1,972,642
Net cash used in investing activities	(214,584)	(499,738)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,311,851)	(1,050,383)
<b>Cash and Cash Equivalents - Beginning of year</b>	4,570,680	5,621,063
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,258,829</b>	<b>\$ 4,570,680</b>

# United Way of the Battle Creek and Kalamazoo Region

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## Notes to Financial Statements March 31, 2016 and 2015

### **Note 1 - Nature of Entity and Summary of Significant Accounting Policies**

United Way of the Battle Creek and Kalamazoo Region (the "Organization") is a nonprofit corporation whose vision is for a vibrant community where all people realize their full potential. The Organization is an independent and autonomous organization governed by a volunteer board of directors.

A community of connected individuals, all people, united and working together for the benefit of all is at the heart of what United Way represents. The Organization recognizes that we are all part of something greater and that a tear anywhere weakens the entire social fabric.

The Organization advances the common good in the City of Battle Creek and Kalamazoo County by creating opportunities for a better life for all. The Organization focuses on education, income, and health - the building blocks for a good quality life. We all win when a child succeeds in school, when a family becomes financially stable, and when people have good health.

United Way recruits people and organizations that bring the passion, expertise, and resources needed to get things done. Individuals can give, advocate, and volunteer. That's what it means to LIVE UNITED.

The financial statements have been prepared in accordance with the accounting principles and financial statement format set forth in the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-For-Profit Organizations*. The financial statements of the Organization are maintained on an accrual basis.

#### **Basis of Presentation**

**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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash and 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. Investments sold are valued using the specific-identification method.

# United Way of the Battle Creek and Kalamazoo Region

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## Notes to Financial Statements March 31, 2016 and 2015

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

**Pledges Receivable** - Contributions generated in the annual fund drive are recorded as receivables in the year pledged. These contributions are recognized as revenue in the year for which the contributions were received. All pledges are expected to be collected by the end of the calendar year following the fall campaign. The pledges are reported net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management using a 10-year rolling average adjusted for economic conditions, which for the years ended March 31, 2016 and 2015, approximated 5 percent. Additionally, campaign pledges are 100 percent allowed for if the balance remains 12 months after the campaign has ended.

**Grants Receivable** - The Organization has received unconditional commitments, which are expected to be collected within the next two years. Grant revenue is recorded as revenue when the commitment is received. Management believes the receivable is fully collectible and therefore has not recorded an allowance as of March 31, 2016.

**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.

**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, upon initial recognition, are recorded at the present value of estimated future cash flows.

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.

**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 contributions 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 the Battle Creek and Kalamazoo Region

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## Notes to Financial Statements March 31, 2016 and 2015

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

The Organization contracts with the local Combined Federal Campaign (CFC) coordinating committee to manage the CFC for federal employees in Kalamazoo and Calhoun counties. During the periods presented, the Organization complied with the requirements of the CFC campaign to honor designations made to each member agency by distributing a proportionate share of receipts based on donor designations to each member agency.

**Donated Services and Assets** - Donated materials and marketable securities are recorded at fair value at the date of gift. No amounts have been recorded in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and its fundraising campaign.

**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 different amounts.

**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. In addition, the Organization also has board-designated net assets, which are unrestricted net assets that have been set aside for specific purposes by the board as reported within Note 8.

Donor-imposed restrictions that expire with the passage of time or 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.

# United Way of the Battle Creek and Kalamazoo Region

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## Notes to Financial Statements March 31, 2016 and 2015

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

**Income Taxes** - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of March 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to the year ended March 31, 2013.

**Concentrations** - The Organization maintains cash balances at four banks and the accounts are insured for up to \$250,000 per bank. In addition, the Organization maintains accounts at investment companies that are insured for up to \$500,000 (with a limit of \$100,000 for cash equivalents) by the Securities Investor Protection Corporation. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

The Organization's annual fundraising campaigns are concentrated in the City of Battle Creek and Kalamazoo County, Michigan. In addition, approximately 45 percent and 44 percent, respectively, of the Organization's 2016 and 2015 campaign revenue was donated by three companies and their employees.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including July 20, 2016, which is the date the financial statements were available to be issued.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 2 - Pledges Receivable

Pledges receivable consist of the following:

	2016	2015
Pledges:		
Current campaign	\$ 6,502,362	\$ 6,460,883
First prior campaign	480,000	615,627
Second prior campaign	558,955	292,994
Total pledges	7,541,317	7,369,504
Less allowance for uncollectible pledges:		
Current campaign	530,000	579,000
First prior campaign	480,000	615,627
Second prior campaign	558,955	292,994
Total allowance for uncollectible pledges	1,568,955	1,487,621
Net pledges receivable	<u>\$ 5,972,362</u>	<u>\$ 5,881,883</u>

### Note 3 - Investments

Investments stated at fair value at March 31 include the following:

	2016	2015
Money market mutual funds	\$ 302,830	\$ 14,283
Certificates of deposit	250,000	500,000
Corporate bonds	3,948,341	3,423,389
Foreign bonds	51,166	53,627
Government securities	1,379,884	1,523,507
Mutual funds	3,497,062	3,999,716
Exchange traded funds	55,484	55,604
Total	<u>\$ 9,484,767</u>	<u>\$ 9,570,126</u>

The primary objective of the Organization's investment policy is to provide capital preservation, with appropriate income generation and conservative growth as secondary concerns. This objective is designed to safeguard the portfolio's assets and preserve real purchasing power while earning investment returns that are commensurate with a determined risk tolerance and sufficient to meet the Organization's operational requirements. Liquidity is a primary concern in an effort to allow for funds to be deposited and withdrawn based on campaign receipts and operational needs.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 3 - Investments (Continued)

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.

### Note 4 - Property and Equipment

The cost of property and equipment and depreciable lives are summarized as follows:

	2016	2015	Depreciable Lives - Years
Land	\$ 170,666	\$ 170,666	-
Buildings and building improvements	1,801,604	1,775,373	3-40
Land improvements	65,835	65,835	15-30
Furniture, fixtures, and equipment	591,028	588,181	3-10
Total cost	2,629,133	2,600,055	
Accumulated depreciation	(1,763,346)	(1,658,421)	
Net carrying amount	<u>\$ 865,787</u>	<u>\$ 941,634</u>	

Depreciation expense for the years ended March 31, 2016 and 2015 aggregated \$104,925 and \$104,807, respectively.

### Note 5 - Grants Receivable

The Organization has received unconditional commitments, which will be payable over the next two years. The funds are to be primarily used for operations, community impact, and 211 support. The grants, upon initial recognition, were discounted to present value using a three-year U.S. Treasury discount rate of .87 percent. The grant receivable at March 31, 2016 is summarized below.

Grant receivable expected to be collected in:

Less than one year	\$ 550,000
Over one year	450,000
Discount to present value	<u>(7,729)</u>
Total	<u>\$ 992,271</u>



# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets, which are restricted because of time or purpose restrictions, consist of the following at March 31:

	<u>2016</u>	<u>2015</u>
Net campaign results	\$ 10,002,433	\$ 10,502,870
Grant receivable	992,271	-
Community service programs	<u>707,826</u>	<u>1,165,454</u>
Total temporarily restricted net assets	<u>\$ 11,702,530</u>	<u>\$ 11,668,324</u>

### Note 7 - Net Assets Released from Restriction

Net assets that were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for community service programs for the years ended March 31, 2016 and 2015 totaled \$1,011,819 and \$1,254,339, respectively. Net assets released from restrictions relating to the net campaign results for the years ended March 31, 2016 and 2015 totaled \$10,502,870 and \$10,872,943, respectively.

### Note 8 - Board-designated Net Assets

Board-designated net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Beneficial interest in assets held at community foundations	\$ 683,732	\$ 709,680
Property and equipment fund	1,314,455	1,390,302
Memorial funds	816,450	904,743
Herrick Endowment Fund	250,000	250,000
American Red Cross Disaster Fund	103,058	104,945
Service Learning/Battle Creek Project Impact Funds	146,938	185,000
Community Investment Fund	<u>100,000</u>	<u>102,228</u>
Total	<u>\$ 3,414,633</u>	<u>\$ 3,646,898</u>

### Note 9 - Community Foundations

Beneficial interest in funds held at community foundations includes amounts held by the Battle Creek Community Foundation (BCCF) and the Kalamazoo Community Foundation (KCF) for the benefit of the Organization. The board of directors approved contributions to the respective foundations from the above-mentioned board-designated net assets to establish these endowments.

# **United Way of the Battle Creek and Kalamazoo Region**

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## **Notes to Financial Statements March 31, 2016 and 2015**

### **Note 9 - Community Foundations (Continued)**

The Organization has accounted for the transfer of such assets as a beneficial interest in funds held by community foundations. BCCF and KCF refer to such funds as agency fund endowments. Therefore, an asset has been established on the Organization's balance sheet for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. The current value of these funds at March 31, 2016 and 2015 was \$683,732 and \$709,680, respectively, and is included in board-designated net assets in the statement of financial position.

Several contributions have been made to these funds in addition to other funds held at BCCF and KCF to benefit the Organization. Contributions can be made to the funds, but only expendable income is available to the Organization. BCCF and KCF maintain variance power, which, as a result, requires that the assets they hold not be recorded as assets of the Organization. The value of the funds held at BCCF and KCF for the benefit of the Organization was \$2,248,062 and \$2,937,913, respectively, at March 31, 2016. The value of the funds held at BCCF and KCF for the benefit of the Organization was \$2,312,258 and \$3,228,958, respectively, at March 31, 2015. Earnings are available for distribution to the Organization at the discretion of the foundations and are therefore not reflected as revenue in the financial statements until received by the Organization.

### **Note 10 - Retirement Plan**

Substantially all employees of the Organization participate in a defined contribution pension plan. Substantially all employees are immediately eligible under the plan and are fully vested after three years of service. Contributions, equal to 10 percent of compensation as defined, amounted to approximately \$185,000 and \$189,000 for the years ending March 31, 2016 and 2015, respectively.

### **Note 11 - Postretirement Benefit Payable**

The Organization provides certain healthcare benefits for eligible retired employees. The Organization will pay the portion of the insurance premium equal to 80 percent of the cost of Medicare supplemental coverage from its general assets, with the remainder of the premium to be paid by the retiree.

The Organization has recognized the unfunded status of the postretirement plan in the statement of financial position. The Organization does not fund the obligation with any assets.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 11 - Postretirement Benefit Payable (Continued)

The plan obligations are measured as of the date of the employer's statement of financial position, as well as certain effects on net periodic benefit cost of the next fiscal year from the delayed recognition of the gains or losses and prior service costs or credits. The Organization's measurement date has historically been March 31. In addition, there are currently no amounts of estimated net loss or prior service cost for the plan that are required to be amortized.

The net periodic postretirement benefit cost and accrued postretirement benefit payable consist of the following:

	2016	2015
Service cost	\$ -	\$ -
Interest cost at 7 percent	20,188	22,933
Actual costs different than projected	<u>(56,640)</u>	<u>45,358</u>
Net postretirement benefit cost	(36,452)	68,291
Current year premiums paid	<u>(24,048)</u>	<u>(22,902)</u>
Total	(60,500)	45,389
Accrued postretirement benefit payable - April 1	<u>373,000</u>	<u>327,611</u>
Accrued postretirement benefit payable - March 31	<u>\$ 312,500</u>	<u>\$ 373,000</u>

The estimated benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows:

Years Ending March 31	Amount
2017	\$ 27,000
2018	29,000
2019	31,000
2020	33,000
2021	35,000
2022-2026	173,000

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 11 - Postretirement Benefit Payable (Continued)

The following actuarial assumptions were used in computing the plan's net postretirement benefit cost:

	March 31, 2016 and 2015
Weighted average discount rate	7 percent
Mortality	RP-2014 Mortality Table
Healthcare trend rate	Through 2018 - 8% per annum 2018-2023 - 6% per annum 2024-2028 - 5% per annum After 2028 - 4% per annum

The effect of a one percentage point increase or decrease in the assumed healthcare trend rates for each future year will result in the following:

	2016	2015
One percentage point increase:		
Service and interest cost	\$ 24,756	\$ 31,271
Accumulated postretirement benefit obligation	335,543	404,128
One percentage point decrease:		
Service and interest cost	18,637	22,826
Accumulated postretirement benefit obligation	291,376	344,800

### Note 12 - 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 table presents information about the Organization's assets measured at fair value on a recurring basis at March 31, 2016 and 2015 and the valuation techniques used by the Organization to determine those fair values.

**Level 1** - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 12 - Fair Value Measurements (Continued)

**Level 2** - 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 and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

**Level 3** - 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.

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.

The Organization's policy is to recognize transfers between levels of the fair value hierarchy during the reporting period. For the years ended March 31, 2016 and 2015, there were no transfers between levels of the fair value hierarchy.

#### Assets Measured at Fair Value on a Recurring Basis at March 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2016
Investments:				
Money market mutual funds	\$ 302,830	\$ -	\$ -	\$ 302,830
U.S. equity mutual funds	1,673,608	-	-	1,673,608
Foreign equity mutual funds	201,198	-	-	201,198
U.S. fixed-income mutual funds	1,562,214	-	-	1,562,214
Foreign fixed-income mutual funds	60,042	-	-	60,042
U.S. equity exchange-traded fund	55,484	-	-	55,484
U.S. government obligations	-	1,329,739	-	1,329,739
U.S. corporate obligations	-	3,948,341	-	3,948,341
Municipal bonds	-	50,145	-	50,145
Foreign bonds	-	51,166	-	51,166
Total investments	<u>\$ 3,855,376</u>	<u>\$ 5,379,391</u>	<u>\$ -</u>	<u>\$ 9,234,767</u>
Beneficial interest in funds held at community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,732</u>	<u>\$ 683,732</u>

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 12 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at March 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2015
Investments:				
Money market mutual funds	\$ 14,283	\$ -	\$ -	\$ 14,283
U.S. equity mutual funds	2,091,337	-	-	2,091,337
Foreign equity mutual funds	218,990	-	-	218,990
U.S. fixed-income mutual funds	1,631,181	-	-	1,631,181
Foreign fixed-income mutual funds	58,209	-	-	58,209
Foreign fixed-income exchange-traded fund	55,604	-	-	55,604
U.S. government obligations	-	1,471,645	-	1,471,645
U.S. corporate obligations	-	3,423,388	-	3,423,388
Municipal bonds	-	51,862	-	51,862
Foreign bonds	-	53,627	-	53,627
Total investments	<u>\$ 4,069,604</u>	<u>\$ 5,000,522</u>	<u>\$ -</u>	<u>\$ 9,070,126</u>
Beneficial interest in funds held at community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,680</u>	<u>\$ 709,680</u>

The fair value of investments at March 31, 2016 and 2015 as disclosed above does not include certificates of deposit that are classified as investments on the statement of financial position since they are appropriately recorded at cost. The amount held in certificates of deposit at March 31, 2016 and 2015 was \$250,000 and \$500,000, respectively.

The Organization holds a beneficial interest in the assets of community foundations, which was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments based on the underlying value of the investments making up the investment pool. These investments include fixed-income, equity, and alternative investments.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 12 - Fair Value Measurements (Continued)

Income from community foundations, which consists substantially of interest, dividends, and realized gains, is to be used for unrestricted purposes. The Organization has recorded an asset in the amount of the present value of future benefits, which approximates the market value of the future community foundations' pooled investments. Annually, a percent of the principal balance in the account becomes available to the Organization. The Organization has a process in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. This process includes review of information and communications received from the community foundations. Significant increases or decreases in any of the inputs in isolation would result in significantly lower or higher fair value measurements.

Changes in beneficial interest in assets of community foundations measured at fair value on a recurring basis for the years ended March 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Balance at April 1	\$ 709,680	\$ 708,028
Change in beneficial interest	<u>(25,948)</u>	<u>1,652</u>
Balance at March 31	<u>\$ 683,732</u>	<u>\$ 709,680</u>

Of the Level 3 assets still held by the Organization at March 31, 2016 and 2015, the change in beneficial interest was a decrease of \$25,948 and an increase of \$1,652, respectively, which is recognized as a component of income in the accompanying statement of activities and changes in net assets.

# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 13 - Endowments

The Organization has adopted investment and spending policies for endowment assets that attempt to provide assurance of the continuous financial solvency of the Organization and to provide flexibility for new organizational directions. The primary investment objective is to provide capital preservation with appropriate income generation and conservative growth as secondary concerns. The policies adopted by the Organization work together to achieve this objective.

The finance committee determines the estimated amount to be distributed from the fund based on budgetary needs of the Organization and returns on the investments. This is consistent with the Organization's objective to avoid erosion of the endowment's principal.

#### Endowment Net Asset Composition by Type of Fund as of March 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment	\$ 250,000	\$ -	\$ -	\$ 250,000

#### Changes in Endowment Net Assets for the Year Ended March 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at April 1, 2015	\$ 250,000	\$ -	\$ -	\$ 250,000
Investment income	1,228	-	-	1,228
Net depreciation in market value	(1,228)	-	-	(1,228)
Appropriation of endowment net assets for expenditures	-	-	-	-
Endowment net assets at March 31, 2016	\$ 250,000	\$ -	\$ -	\$ 250,000

#### Endowment Net Asset Composition by Type of Fund as of March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment	\$ 250,000	\$ -	\$ -	\$ 250,000



# United Way of the Battle Creek and Kalamazoo Region

## Notes to Financial Statements March 31, 2016 and 2015

### Note 13 - Endowments (Continued)

#### Changes in Endowment Net Assets for the Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at April 1, 2014	\$ 250,000	\$ -	\$ -	\$ 250,000
Investment income	954	-	-	954
Net appreciation in market value	5,252	-	-	5,252
Appropriation of endowment net assets for expenditures	<u>(6,206)</u>	<u>-</u>	<u>-</u>	<u>(6,206)</u>
Endowment net assets at March 31, 2015	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>