

**UNITED WAY OF BUFFALO
& ERIE COUNTY**

FINANCIAL STATEMENTS

March 31, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors
United Way of Buffalo & Erie County

We have audited the accompanying balance sheets of United Way of Buffalo & Erie County (United Way) as of March 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

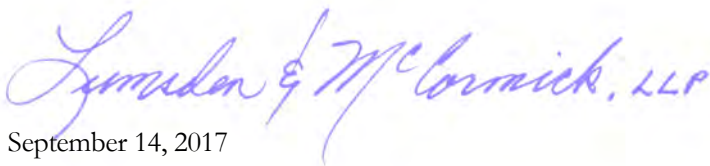
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way as of March 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



September 14, 2017

UNITED WAY OF BUFFALO & ERIE COUNTY

Balance Sheets

March 31,	2017	2016
Assets		
Cash	\$ 2,278,234	\$ 3,353,721
Campaign pledges receivable, net (Note 2)	7,495,482	7,305,951
Grants and other receivables	1,133,268	1,050,083
Investments (Note 3)	4,057,233	4,029,798
Beneficial interest in assets held by Community Foundation for Greater Buffalo (Note 4)	8,138,490	6,867,189
Property and equipment, net (Note 5)	2,323,478	2,306,071
Other assets	75,120	75,823
	\$ 25,501,305	\$ 24,988,636
Liabilities and Net Assets		
Liabilities:		
Designations payable	\$ 3,602,519	\$ 3,933,567
Allocations payable	1,334,266	1,233,727
Accounts payable and accrued expenses	927,762	1,290,643
Deferred revenue	293,472	348,692
Accrued pension liability (Note 6)	1,698,751	1,682,845
Accrued postretirement benefit obligation (Note 6)	230,000	260,000
	8,086,770	8,749,474
Net assets (Note 8):		
Unrestricted	10,820,646	10,345,508
Temporarily restricted	4,072,619	3,372,384
Permanently restricted	2,521,270	2,521,270
	17,414,535	16,239,162
	\$ 25,501,305	\$ 24,988,636

See accompanying notes.

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Activities

For the years ended March 31,

2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Campaign results:				
Annual campaign	\$ 118,862	\$ 13,984,498	\$ -	\$ 14,103,360
Endowment campaign	442,156	-	-	442,156
	561,018	13,984,498	-	14,545,516
Less: donor designations	-	(4,614,311)	-	(4,614,311)
Estimated uncollectible pledges	-	(525,000)	-	(525,000)
Net assets released from restrictions	8,324,609	(8,324,609)	-	-
	8,885,627	520,578	-	9,406,205
Other revenues:				
Grant funding and other program income	2,993,749	-	-	2,993,749
Investment income	27,435	-	-	27,435
Net appreciation (depreciation) of beneficial interest in assets held by Community Foundation for Greater Buffalo	804,906	179,657	-	984,563
	3,826,090	179,657	-	4,005,747
Total revenue, gains and other support	12,711,717	700,235	-	13,411,952
Expenses:				
Program services				
Gross funds awarded, granted or designated to agencies	11,737,765	-	-	11,737,765
Other program services	3,001,497	-	-	3,001,497
Total program services including designations	14,739,262	-	-	14,739,262
Less: donor designations	(4,614,311)	-	-	(4,614,311)
Total program services	10,124,951	-	-	10,124,951
Supporting services				
Management and general	481,892	-	-	481,892
Fundraising	1,786,788	-	-	1,786,788
	2,268,680	-	-	2,268,680
Total expenses	12,393,631	-	-	12,393,631
Excess (deficiency) of revenue over expenses	318,086	700,235	-	1,018,321
Pension liability adjustment (Note 6)	157,052	-	-	157,052
Change in net assets	475,138	700,235	-	1,175,373
Net assets - beginning	10,345,508	3,372,384	2,521,270	16,239,162
Net assets - ending	\$ 10,820,646	\$ 4,072,619	\$ 2,521,270	\$ 17,414,535

See accompanying notes.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 106,640	\$ 14,520,483	\$ -	\$ 14,627,123
8,500	-	2,000,000	2,008,500
115,140	14,520,483	2,000,000	16,635,623
-	(4,879,506)	-	(4,879,506)
-	(525,000)	-	(525,000)
8,908,644	(8,908,644)	-	-
9,023,784	207,333	2,000,000	11,231,117
3,576,227	-	-	3,576,227
27,587	-	-	27,587
(305,957)	-	-	(305,957)
3,297,857	-	-	3,297,857
12,321,641	207,333	2,000,000	14,528,974
12,655,457	-	-	12,655,457
2,832,741	-	-	2,832,741
15,488,198	-	-	15,488,198
(4,879,506)	-	-	(4,879,506)
10,608,692	-	-	10,608,692
422,767	-	-	422,767
1,703,853	-	-	1,703,853
2,126,620	-	-	2,126,620
12,735,312	-	-	12,735,312
(413,671)	207,333	2,000,000	1,793,662
(425,753)	-	-	(425,753)
(839,424)	207,333	2,000,000	1,367,909
11,184,932	3,165,051	521,270	14,871,253
\$ 10,345,508	\$ 3,372,384	\$ 2,521,270	\$ 16,239,162

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Functional Expenses

For the years ended March 31,

2017

	Supporting Services				
	Program Services	Management and General	Fund- raising	Total Supporting Services	Total
Allocations and distributions	\$ 4,587,000	\$ -	\$ -	\$ -	\$ 4,587,000
Designations	4,614,311	-	-	-	4,614,311
Grant awards	2,536,454	-	-	-	2,536,454
	<u>11,737,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,737,765</u>
Salaries	1,591,787	292,137	905,298	1,197,435	2,789,222
Payroll taxes and employee benefits	448,299	83,303	254,530	337,833	786,132
Total salaries and related expenses	<u>2,040,086</u>	<u>375,440</u>	<u>1,159,828</u>	<u>1,535,268</u>	<u>3,575,354</u>
Professional fees	210,996	19,231	187,227	206,458	417,454
Supplies	66,494	809	20,155	20,964	87,458
Telephone and internet	25,515	3,245	19,756	23,001	48,516
Postage	7,061	701	19,680	20,381	27,442
Occupancy	146,466	21,227	77,714	98,941	245,407
Printing and public relations	30,117	10,670	92,156	102,826	132,943
Travel, conferences and meetings	91,281	14,531	19,278	33,809	125,090
Dues and subscriptions	21,355	6,660	9,291	15,951	37,306
Employee education and training	4,443	385	2,380	2,765	7,208
Equipment rental and maintenance	124,503	8,805	54,456	63,261	187,764
Payments to State affiliate	20,859	1,807	11,173	12,980	33,839
Miscellaneous	10,839	930	5,773	6,703	17,542
Depreciation	90,977	7,880	48,731	56,611	147,588
Payments to National affiliate	110,505	9,571	59,190	68,761	179,266
	<u>3,001,497</u>	<u>481,892</u>	<u>1,786,788</u>	<u>2,268,680</u>	<u>5,270,177</u>
Total program services including designations	<u>14,739,262</u>	<u>481,892</u>	<u>1,786,788</u>	<u>2,268,680</u>	<u>17,007,942</u>
Less: donor designations	<u>(4,614,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,614,311)</u>
	<u>\$ 10,124,951</u>	<u>\$ 481,892</u>	<u>\$ 1,786,788</u>	<u>\$ 2,268,680</u>	<u>\$ 12,393,631</u>

See accompanying notes.

2016				
Program Services	Supporting Services			Total
	Management and General	Fund- raising	Total Supporting Services	
\$ 4,587,000	\$ -	\$ -	\$ -	\$ 4,587,000
4,879,506	-	-	-	4,879,506
3,188,951	-	-	-	3,188,951
12,655,457	-	-	-	12,655,457
1,517,338	260,651	868,682	1,129,333	2,646,671
375,052	65,801	216,615	282,416	657,468
1,892,390	326,452	1,085,297	1,411,749	3,304,139
206,420	21,330	171,425	192,755	399,175
65,867	1,051	22,000	23,051	88,918
28,721	3,575	23,175	26,750	55,471
7,111	633	18,931	19,564	26,675
149,376	20,779	80,461	101,240	250,616
16,063	790	127,630	128,420	144,483
92,849	20,572	21,910	42,482	135,331
26,363	5,127	1,556	6,683	33,046
2,426	206	1,392	1,598	4,024
138,686	4,652	31,620	36,272	174,958
20,179	1,720	11,578	13,298	33,477
11,470	977	6,577	7,554	19,024
86,452	7,370	49,601	56,971	143,423
88,368	7,533	50,700	58,233	146,601
2,832,741	422,767	1,703,853	2,126,620	4,959,361
15,488,198	422,767	1,703,853	2,126,620	17,614,818
(4,879,506)	-	-	-	(4,879,506)
\$ 10,608,692	\$ 422,767	\$ 1,703,853	\$ 2,126,620	\$ 12,735,312

UNITED WAY OF BUFFALO & ERIE COUNTY

Statements of Cash Flows

For the years ended March 31,	2017	2016
Operating activities:		
Change in net assets:		
Change in net assets from operations	\$ 1,018,321	\$ 1,793,662
Net assets adjustment - defined benefit pension plan (Note 6)	157,052	(425,753)
	<u>1,175,373</u>	<u>1,367,909</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	147,588	143,423
Unrealized (gain) loss on investments	3,517	(2,831)
Net (appreciation) depreciation of beneficial interest in assets held by Community Foundation for Greater Buffalo	(984,563)	305,957
Changes in other operating assets and liabilities:		
Campaign pledges receivable	(189,531)	(27,169)
Grants and other receivables	(83,185)	200,971
Other assets	703	(6,294)
Designations payable	(331,048)	(180,165)
Allocations payable	100,539	(49,180)
Accounts payable and accrued expenses	(362,881)	128,912
Deferred revenue	(55,220)	78,803
Accrued pension liability	15,906	410,023
Accrued postretirement benefit obligation	(30,000)	(10,000)
	<u>(592,802)</u>	<u>2,360,359</u>
Net operating activities		
Investing activities:		
Purchase of investments	(954,708)	(1,162,000)
Proceeds from sale of investments	923,756	1,137,244
Transfers to beneficial interest in assets held by Community Foundation for Greater Buffalo	(286,738)	(2,161,504)
Purchase of property and equipment	(164,995)	(139,804)
	<u>(482,685)</u>	<u>(2,326,064)</u>
Net investing activities		
Net change in cash	(1,075,487)	34,295
Cash - beginning	<u>3,353,721</u>	<u>3,319,426</u>
Cash - ending	<u>\$ 2,278,234</u>	<u>\$ 3,353,721</u>

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Operations:

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

United Way's annual campaign drive begins around September 1 of each year, and is substantially completed by December 31. Annual campaign funds generally support programs whose services are provided in the subsequent year. Donors may designate their pledges among several care programs. Pledges received without donor designations (community care funds) are pooled and allocated to service providers. The level of contributions can be affected by economic conditions, and a decrease in the level of undesignated contributions may adversely affect United Way's ability to fund community care service providers.

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

Contributions:

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

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

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

Subsequent Events:

United Way has evaluated events and transactions for potential recognition or disclosure through September 14, 2017, the date the financial statements were available to be issued.

Cash:

Cash at financial institutions may exceed insured limits at various times during the year, and subject United Way to concentrations of credit risk.

Campaign Pledges Receivable:

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

Investments:

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

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

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

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

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

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

During fiscal 2016 the fund reached a market value of \$5 million which, based on its endowment policy, made distribution and withdrawals available to United Way. Appropriations during 2017 were in accordance with donor requirements. United Way elected to not make any discretionary appropriations or distributions during 2017 or 2016.

Property and Equipment:

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

Fund Raising Expenses:

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

Contributed Volunteer Services:

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

Functional Expense Allocation:

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

Deferred Revenue:

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

Income Taxes:

United Way is a 501(c)(3) corporation exempt from taxation under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

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

Reclassifications:

The 2016 financial statements have been reclassified to conform to the presentation adopted in 2017.

2. Campaign Pledges Receivable:

	2017	2016
United Way:		
2016 - 2017 Campaign	\$ 8,280,242	\$ -
2015 - 2016 Campaign	626,514	8,187,487
2014 - 2015 Campaign	333,641	546,123
2013 - 2014 Campaign	-	230,778
	<u>9,240,397</u>	<u>8,964,388</u>
Less allowance for uncollectible pledges	<u>2,392,749</u>	<u>2,317,902</u>
	<u>6,847,648</u>	<u>6,646,486</u>
Federal and State Federated Appeals	<u>647,834</u>	<u>659,465</u>
	<u>\$ 7,495,482</u>	<u>\$ 7,305,951</u>

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

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

The fees included in Campaign results, for the Federal (CFC) Campaign were \$146,000 and \$126,000 for 2017 and 2016, respectively. The federal government has established a new single source electronic pledging system and will no longer have the United Way System manage the campaign for the CFC at the local level. The United Way will no longer receive CFC fee revenue in future years.

The fees for the State Federated Appeal (SEFA) campaign were \$158,000 and \$155,000 for 2017 and 2016, respectively. The United Way of Buffalo will continue to manage the campaign for the State Employees in Western New York.

3. Investments:

	2017	2016
Certificates of deposit	\$ 3,067,191	\$ 3,878,626
Money market	990,042	151,172
	<u>\$ 4,057,233</u>	<u>\$ 4,029,798</u>

The following summarizes investment income in the statements of activities:

	2017	2016
Interest and dividends	\$ 30,952	\$ 24,756
Net unrealized gains (losses)	(3,517)	2,831
	<u>\$ 27,435</u>	<u>\$ 27,587</u>

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

	2017	2016
Beginning of year	\$ 6,867,189	\$ 5,011,642
Transfers	286,738	2,161,504
Net appreciation (depreciation)	984,563	(305,957)
End of year	<u>\$ 8,138,490</u>	<u>\$ 6,867,189</u>

5. Property and Equipment:

	2017	2016
Land	\$ 158,930	\$ 158,930
Building and improvements	3,682,810	3,682,810
Furniture and equipment	3,402,248	3,237,253
	<u>7,243,988</u>	<u>7,078,993</u>
Less accumulated depreciation	<u>4,920,510</u>	<u>4,772,922</u>
	<u>\$ 2,323,478</u>	<u>\$ 2,306,071</u>

6. Employee Benefit Plans:

Defined Benefit Pension Plan:

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

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

The status of the defined benefit pension plan at and for the years ended March 31, 2017 and 2016 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31st of each year.

	2017	2016
Projected benefit obligation	\$ 5,697,366	\$ 5,369,545
Fair value of plan assets	3,998,615	3,686,700
Funded status	<u>\$ (1,698,751)</u>	<u>\$ (1,682,845)</u>
Accumulated benefit obligation	\$ 4,915,810	\$ 4,648,601

Amounts recognized on the balance sheets:

	2017	2016
Accrued pension liability	\$ (1,698,751)	\$ (1,682,845)
Accumulated adjustment to net assets	<u>\$ (1,646,913)</u>	<u>\$ (1,803,965)</u>

Amounts recognized as the accumulated adjustment to net assets as of March 31, 2017 and 2016 consist of:

	2017	2016
Unrecognized actuarial loss	\$ 1,646,913	\$ 1,803,965

Amounts included in the accumulated adjustment to net assets as of March 31, 2017 expected to be recognized in expense in 2018 are:

Unrecognized actuarial loss	\$ 145,564
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Amounts recognized as pension liability adjustment for the years ended March 31, 2017 and 2016 consist of:

	2017	2016
Unrecognized actuarial gain (loss)	\$ 157,052	\$ (430,376)
Unrecognized prior service cost	-	4,623
	<u>\$ 157,052</u>	<u>\$ (425,753)</u>

	2017	2016
Pension expense	\$ 352,958	\$ 224,270
Employer contributions	\$ 180,000	\$ 240,000
Benefits paid	\$ 152,195	\$ 23,318

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

Discount rate	3.70%	3.50%
Expected future salary increase	4.00%	4.00%

Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	3.50%	3.65%
Expected return on plan assets	6.75%	7.25%
Expected future salary increase	4.00%	4.00%

The expected long-term rate of return on plan assets assumption of 6.75% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on United Way’s investment policy for the pension plan in effect as of the beginning of the fiscal year ended March 31, 2017, an estimated range was determined for both the real rate of return (net of inflation) and for inflation based on a historical 30 year rolling average. An average inflation rate within the range equal to 3.50% was selected and added to the real rate of return range to arrive at a range of 6.41% - 8.89%.

No contributions are expected to be required by United Way for 2018.

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

2018	\$ 1,288,000
2019	227,000
2020	789,000
2021	215,000
2022	126,000
2023-2027	<u>1,613,000</u>
	<u>\$ 4,258,000</u>

United Way’s pension plan weighted-average asset allocations at March 31, 2017 and 2016 are as follows:

Asset Category:	2017	2016
Equity securities	50%	47%
Fixed income	37%	39%
Other	13%	14%
	<u>100%</u>	<u>100%</u>

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

Union Employee Pension Plan:

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

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

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

United Way's participation in the plan for the years ended March 31, 2017 and 2016 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2017 and 2016 is for the plan's year-end at December 31, 2015 and December 31, 2014, respectively. The zone status is based on information that United Way received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

EIN/Pension Plan Number	PPA Zone Status		Funded Percentage		FIP/RP Status Pending/ Implemented	Company Contributions		Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
	2015	2014	2015	2014		2017	2016		
16-0908576/001	Red	Red	84%	82%	Yes	\$ 16,500	\$ 16,100	No	6/30/2020

United Way was not listed in the Plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ended in 2015 and 2014.

Post-Retirement Health Care Benefits:

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

The status of the postretirement health benefit plan at and for the years ended March 31, 2017 and 2016 is as follows:

	2017	2016
Accrued postretirement benefit obligation (benefit liability)	\$ 230,000	\$ 260,000
Benefit cost	\$ -	\$ 13,000
Benefits paid	\$ 30,000	\$ 23,000
Weighted average assumptions used:		
Discount rate	6.00%	6.00%

United Way's postretirement health care benefits plan provides for a limit on the amount of health care premiums paid for by United Way. United Way assumes the maximum annual premium per participant to determine the benefit.

Expected future benefit payments:

2018	\$ 26,400
2019	26,400
2020	26,400
2021	26,400
2022	26,400
2023-2027	115,500
	<u>\$ 247,500</u>

Defined Contribution Pension Plan:

In 2016, United Way established a 403(b)-defined contribution plan covering essentially all employees (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended March 31, 2017 and 2016 were \$23,356 and \$5,493.

7. Lease Commitments:

United Way leases certain equipment under the terms of noncancelable operating leases. Rental expense for all operating leases amounted to approximately \$88,000 and \$87,000 for the years ended March 31, 2017 and 2016.

Future minimal annual rentals due under these leases are:

2018	\$ 36,000
2019	27,000
2020	1,000
	<u>\$ 64,000</u>

8. Net Assets:

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

The composition of unrestricted net assets is as follows:

	2017	2016
Board-designated endowments	\$ 5,537,563	\$ 4,528,362
Unrestricted funds	5,283,083	5,874,589
Underwater donor restricted endowment funds	-	(57,443)
	<u>\$ 10,820,646</u>	<u>\$ 10,345,508</u>

Temporarily restricted net assets represent net campaign pledges outstanding and unappropriated earnings on permanently restricted endowment gifts. The composition of temporarily restricted net assets is as follows:

	2017	2016
Net campaign pledges outstanding	\$ 3,892,962	\$ 3,372,384
Unappropriated restricted endowment earnings (Note 9)	179,657	-
	<u>\$ 4,072,619</u>	<u>\$ 3,372,384</u>

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

9. Endowment Assets:

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

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

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

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

Investment earnings are allocated among the endowment assets based upon their proportionate share of the investment portfolio. Investment earnings related to the board-designated endowment are shown as increases (decreases) in unrestricted net assets. Investment gains related to the donor-restricted endowment are reported as increases to temporarily restricted net assets until appropriated and expended in accordance with United Way's spending policy. United Way's endowment assets activity for the years ended March 31, 2017 and 2016 is as follows:

2017	Unrestricted Board-designated	Temporarily Restricted	Permanently Restricted	Total
Endowment assets - beginning of year	\$ 4,528,362	\$ -	\$ 2,521,270	\$ 7,049,632
Net investment income	647,463	279,657	-	927,120
Contributions	361,738	-	-	361,738
Appropriated	-	(100,000)	-	(100,000)
Endowment assets - end of year	\$ 5,537,563	\$ 179,657	\$ 2,521,270	\$ 8,238,490

2016	Unrestricted (Board-designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment assets - beginning of year	\$ 4,640,372	\$ -	\$ 521,270	\$ 5,161,642
Net investment loss	(248,514)	-	-	(248,514)
Contributions	136,504	-	2,000,000	2,136,504
Appropriated	-	-	-	-
Endowment assets - end of year	\$ 4,528,362	\$ -	\$ 2,521,270	\$ 7,049,632