

# **United Way of Greater Kansas City, Inc.**

Independent Auditor's Report and Financial Statements

April 30, 2016 and 2015



**United Way of Greater Kansas City, Inc.**  
**April 30, 2016 and 2015**

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## Independent Auditor's Report

Board of Directors  
United Way of Greater Kansas City, Inc.  
Kansas City, Missouri

We have audited the accompanying financial statements of United Way of Greater Kansas City, Inc., which comprise the statements of financial position as of April 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *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 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 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 opinion.

Board of Directors  
United Way of Greater Kansas City, Inc.  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Kansas City, Inc. as of April 30, 2016 and 2015, and the 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.

*BKD, LLP*

Kansas City, Missouri  
November 1, 2016

**United Way of Greater Kansas City, Inc.**  
**Statements of Financial Position**  
**April 30, 2016 and 2015**

**Assets**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 6,255,691	\$ 5,630,628
Contributions receivable, net of allowance; 2016 - \$3,020,006 and 2015 - \$3,201,200	13,581,991	14,371,806
Accounts and grants receivable	822,353	332,027
Investments	5,207,352	5,721,280
Beneficial interest in assets held by others - Quasi Endowment	5,981,558	6,019,353
Beneficial interest in assets held by others - Endowment	1,500,539	1,509,288
Beneficial interest in trusts	885,196	888,643
Property and equipment, net of accumulated depreciation; 2016 - \$1,177,011 and 2015 - \$946,106	1,183,792	1,393,581
Other	<u>433,564</u>	<u>354,728</u>
Total assets	<u>\$ 35,852,036</u>	<u>\$ 36,221,334</u>

**Liabilities and Net Assets**

**Liabilities**

Payables to agencies – Community Care funds	\$ 15,105,860	\$ 15,166,533
Designations to agencies and grants payable	3,953,326	4,441,021
Accounts payable	824,856	281,581
Accrued expenses	1,504,436	1,234,935
Accrued pension plan obligation	415,256	251,849
Deferred rent	610,825	656,005
Long-term debt	<u>113,569</u>	<u>148,189</u>
Total liabilities	<u>22,528,128</u>	<u>22,180,113</u>

**Net Assets**

Unrestricted		
Undesignated – available for general activities	(4,396,137)	(2,870,517)
Board-designated contingency fund	5,500,000	5,500,000
Board-designated Quasi Endowment Fund	7,569,095	7,606,890
Temporarily restricted	2,830,690	1,985,303
Permanently restricted	<u>1,820,260</u>	<u>1,819,545</u>
Total net assets	<u>13,323,908</u>	<u>14,041,221</u>
Total liabilities and net assets	<u>\$ 35,852,036</u>	<u>\$ 36,221,334</u>

**United Way of Greater Kansas City, Inc.**  
**Statement of Activities**  
**Year Ended April 30, 2016**

	<b>Unrestricted</b>	<b>Unrestricted Quasi Endowment</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>					
<b>Campaign Revenue</b>					
Gross campaign revenues	\$ 31,932,680	\$ -	\$ 1,027,205	\$ -	\$ 32,959,885
Less					
Combined Federal Campaign	(2,813,236)	-	-	-	(2,813,236)
Donor designation	(6,620,310)	-	-	-	(6,620,310)
Provision for uncollectible pledges	(1,445,362)	-	-	-	(1,445,362)
Net campaign revenue	21,053,772	-	1,027,205	-	22,080,977
Grants	93,656	-	-	-	93,656
Other contribution income	209,535	-	1,118,550	-	1,328,085
Change in beneficial interest in trust	-	-	(4,162)	715	(3,447)
Investment income	70,553	(23,097)	1,212	-	48,668
United Way 211 income	117,132	-	-	-	117,132
Other	620,181	-	-	-	620,181
Beneficial interest released from restriction	14,698	(14,698)	-	-	-
Net assets released from restrictions	1,297,418	-	(1,297,418)	-	-
Total revenues, gains and other support	23,476,945	(37,795)	845,387	715	24,285,252
<b>Allocations and Expenses</b>					
Program services					
Agency allocations and grants	16,088,276	-	-	-	16,088,276
Community services	4,906,202	-	-	-	4,906,202
Support services					
Management and general	1,293,502	-	-	-	1,293,502
Financial resources development	3,140,217	-	-	-	3,140,217
Total allocations and expenses	25,428,197	-	-	-	25,428,197
<b>Change in Net Assets Before Change in Defined Benefit Pension Plan Gain</b>	(1,951,252)	(37,795)	845,387	715	(1,142,945)
<b>Change in Defined Benefit Pension Plan Gain, net</b>	425,632	-	-	-	425,632
<b>Change in Net Assets</b>	(1,525,620)	(37,795)	845,387	715	(717,313)
<b>Net Assets, Beginning of Year</b>	2,629,483	7,606,890	1,985,303	1,819,545	14,041,221
<b>Net Assets, End of Year</b>	\$ 1,103,863	\$ 7,569,095	\$ 2,830,690	\$ 1,820,260	\$ 13,323,908

**United Way of Greater Kansas City, Inc.**  
**Statement of Activities**  
**Year Ended April 30, 2015**

	Unrestricted	Unrestricted Quasi Endowment	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>					
<b>Campaign Revenue</b>					
Gross campaign revenues	\$ 33,569,567	\$ -	\$ 829,263	\$ -	\$ 34,398,830
Less					
Combined Federal Campaign	(2,922,906)	-	-	-	(2,922,906)
Donor designation	(6,991,433)	-	-	-	(6,991,433)
Provision for uncollectible pledges	(1,746,033)	-	-	-	(1,746,033)
Net campaign revenue	21,909,195	-	829,263	-	22,738,458
Grants	69,697	-	-	-	69,697
Other contribution income	231,625	-	488,015	-	719,640
United for Hope/United to Help	75,000	-	-	-	75,000
In-kind income	627,605	-	-	-	627,605
Change in beneficial interest in trust	-	-	1,677	15,144	16,821
Investment income	73,630	399,389	104,053	-	577,072
United Way 211 income	102,846	-	-	-	102,846
Other	706,502	-	-	-	706,502
Contribution to quasi-endowment	(1,587,537)	1,587,537	-	-	-
Beneficial interest released from restriction	14,588	(14,588)	-	-	-
Net assets released from restrictions	1,431,183	-	(1,431,183)	-	-
Total revenues, gains and other support	23,654,334	1,972,338	(8,175)	15,144	25,633,641
<b>Allocations and Expenses</b>					
Program services					
Agency allocations and grants	17,314,486	-	-	-	17,314,486
Community services	5,013,623	-	-	-	5,013,623
Support services					
Management and general	1,219,212	-	-	-	1,219,212
Financial resources development	3,148,297	-	-	-	3,148,297
Total allocations and expenses	26,695,618	-	-	-	26,695,618
<b>Change in Net Assets Before Change in Defined Benefit Pension Plan Loss</b>	(3,041,284)	1,972,338	(8,175)	15,144	(1,061,977)
<b>Change in Defined Benefit Pension Plan Loss, net</b>	(232,907)	-	-	-	(232,907)
<b>Change in Net Assets</b>	(3,274,191)	1,972,338	(8,175)	15,144	(1,294,884)
<b>Net Assets, Beginning of Year</b>	5,903,674	5,634,552	1,993,478	1,804,401	15,336,105
<b>Net Assets, End of Year</b>	\$ 2,629,483	\$ 7,606,890	\$ 1,985,303	\$ 1,819,545	\$ 14,041,221

**United Way of Greater Kansas City, Inc.**  
**Statement of Functional Expenses**  
**Year Ended April 30, 2016**

	Program Services		Support Services		Total
	Agency Allocations and Grants	Community Services	Management and General	Financial Resources Development	
Agency allocations	\$ 15,085,635	\$ -	\$ -	\$ -	\$ 15,085,635
Community change strategy grant payments	1,002,641	-	-	-	1,002,641
Salaries	-	2,555,451	614,416	1,419,706	4,589,573
Employee benefits	-	308,778	73,913	169,958	552,649
Retirement expense	-	539,218	211,310	354,630	1,105,158
Payroll taxes	-	187,375	44,684	103,411	335,470
Contract and temporary services	-	49,091	20,914	86,972	156,977
Travel, training and conferences	-	100,868	29,733	74,383	204,984
Insurance	-	31,451	16,243	22,615	70,309
Printing, postage and supplies	-	40,566	16,920	54,538	112,024
Occupancy and maintenance	-	223,460	97,799	136,198	457,457
Events and donor communications	-	26,083	-	280,316	306,399
Professional fees	-	120,658	64,986	95,703	281,347
Campaign materials and expenses	-	-	-	105,224	105,224
Telecommunications and technology services	-	76,994	22,955	33,267	133,216
Program research and assistance	-	367,983	-	-	367,983
Interest and investment expense	-	12,829	3,674	9,922	26,425
Miscellaneous expense	-	(154)	(88)	(11,997)	(12,239)
United Way of America dues	-	153,447	43,941	118,672	316,060
	16,088,276	4,794,098	1,261,400	3,053,518	25,197,292
Depreciation	-	112,104	32,102	86,699	230,905
Total operating expense	\$ 16,088,276	\$ 4,906,202	\$ 1,293,502	\$ 3,140,217	\$ 25,428,197

**United Way of Greater Kansas City, Inc.**  
**Statement of Functional Expenses**  
**Year Ended April 30, 2015**

	Program Services		Support Services		Total
	Agency Allocations and Grants	Community Services	Management and General	Financial Resources Development	
Agency allocations	\$ 15,163,215	\$ -	\$ -	\$ -	\$ 15,163,215
United for Hope/United for Help	325,000	-	-	-	325,000
Community change strategy grant payments	1,198,666	-	-	-	1,198,666
In-kind expense	627,605	-	-	-	627,605
Salaries	-	2,632,075	623,408	1,476,674	4,732,157
Employee benefits	-	368,466	95,295	206,880	670,641
Retirement expense	-	307,058	85,723	180,104	572,885
Payroll taxes	-	197,725	47,660	112,223	357,608
Contract and temporary services	-	46,503	21,304	102,482	170,289
Travel, training and conferences	-	92,283	24,221	73,431	189,935
Insurance	-	27,627	13,690	20,183	61,500
Printing, postage and supplies	-	58,041	16,951	50,650	125,642
Occupancy and maintenance	-	231,174	105,603	155,692	492,469
Events and donor communications	-	22,685	-	242,127	264,812
Professional fees	-	136,140	68,791	103,939	308,870
Campaign materials and expenses	-	-	-	141,666	141,666
Telecommunications and technology services	-	101,926	24,823	38,309	165,058
Program research and assistance	-	491,728	-	-	491,728
Interest and investment expense	-	13,537	3,852	10,741	28,130
Miscellaneous expense	-	9,016	5,093	12,906	27,015
United Way of America dues	-	159,412	45,365	126,484	331,261
	17,314,486	4,895,396	1,181,779	3,054,491	26,446,152
Impairment of long-lived assets and loss on disposals of long-lived assets	-	-	3,789	-	3,789
Depreciation	-	118,227	33,644	93,806	245,677
Total operating expense	\$ 17,314,486	\$ 5,013,623	\$ 1,219,212	\$ 3,148,297	\$ 26,695,618

**United Way of Greater Kansas City, Inc.**  
**Statements of Cash Flows**  
**Years Ended April 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ (717,313)	\$ (1,294,884)
Items not requiring (providing) operating activities cash flows		
Depreciation	230,905	245,677
Net realized and unrealized losses on investments	6,508	12,422
Net realized and unrealized (gains)/losses on assets held by others	182,285	(364,619)
Gain on beneficial interests in trusts	3,447	(16,821)
Loss on disposal property and equipment	-	3,789
Change in defined benefit pension plan gains	(425,632)	232,907
Changes in		
Campaign pledges receivable	789,815	1,124,885
Accounts and grants receivable	(490,326)	357,164
Other assets	(78,836)	27,758
Payable to agencies – community care funds	(60,673)	(48,120)
Designations to agencies and grants payable	(487,695)	(200,082)
Accounts payable and accrued expenses	812,776	(1,291,300)
Deferred rent	(45,180)	(31,486)
Accrued pension plan obligation	589,039	44,733
	<u>309,120</u>	<u>(1,197,977)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Proceeds from maturities of investments	2,285,192	3,858,188
Proceeds from beneficial interest in assets held by others	18,385	18,246
Proceeds from sale of property and equipment	-	1,078,296
Purchase of investments	(1,777,772)	(3,533,156)
Purchase of beneficial interest in assets held by others	(154,126)	(134,913)
Purchase of property and equipment	(21,116)	(58,461)
	<u>350,563</u>	<u>1,228,200</u>
Net cash provided by investing activities		
<b>Financing Activities</b>		
Principal payments under capital lease	(34,620)	(32,588)
	<u>(34,620)</u>	<u>(32,588)</u>
Net cash used in financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	625,063	(2,365)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,630,628</u>	<u>5,632,993</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,255,691</u>	<u>\$ 5,630,628</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 8,039	\$ 9,885

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

United Way of Greater Kansas City, Inc. (the “Organization”) is a not-for-profit organization focused on community impact, seeking to improve lives and strengthen communities. The Organization works collaboratively with a wide range of community partners to achieve lasting results through a combination of organization initiatives and funding of health and human service programs. The Organization’s primary source of revenue is an annual fundraising campaign.

The Organization’s revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the Kansas City area.

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

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers.

At April 30, 2016, the Organization’s cash accounts held at three banks cumulatively exceeded federally insured limits by approximately \$5,639,000.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value. Investments held in a beneficial interest in assets held by others are recorded at the estimated net asset value per share, as a practical expedient to fair value, of the investments. The beneficial interest in trust assets are recorded at the Organization’s percentage interest in the fair value of these trusts’ assets, which approximates the present value of the estimated future cash receipts, in accordance with ASC 958, *Transfer of Assets to a Not-for-Profit Institute or Charitable Remainder Trust that Raises or Holds Contributions for Others*.

Investment return is reflected in the statements of activities as unrestricted and temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### ***Accounts and Grants Receivable***

Accounts and grants receivable are stated at the amounts billed under the terms of the grants or agreements. If necessary, the Organization will record an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and leasehold improvements	10-39 years
Equipment, furniture and fixtures	3-10 years

### ***Long-lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended April 30, 2016 and 2015.

### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

### ***Board-Designated Quasi Endowment***

The quasi endowment represents the beneficial interest in assets held by others and other general investments, which are designated by the governing body of the Organization to be used in a manner similar to an endowment.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### **Contributions**

Revenues include contributions from the fundraising campaign conducted each fall. Direct contributions are considered available for unrestricted use unless they are specifically restricted by the donor. Contributions received are recorded in the year the related commitments are received as either unrestricted, temporarily restricted or permanently restricted revenue. As restrictions on temporarily restricted net assets are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction in the statements of activities. Contributions made (allocations) are recognized in the year when the related commitments are made.

Certain contributions/pledges received in fundraising campaigns are designated by individuals for specific agencies or for United Way organizations in areas other than the Greater Kansas City area. Accounting standards require that organizations who received contributions/pledges that are designated by donors for other organizations exclude such designated contributions/pledges from the amount recognized as contributions received and made. The Organization classifies and reports such designations in its statements of activities as a reduction of contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### **Contributed Services**

No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and financial resources development.

### **In-Kind Contributions**

In addition to receiving cash contributions, the Organization receives in-kind contributions of office supplies, house furnishings, event tickets and personal hygiene products from various donors. It is the policy of the Organization to record the estimated fair value of in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. At the beginning of 2016, the Organization ended its in-kind contributions and did not receive any contributions. For the year ended April 30, 2015, \$627,605 was received in in-kind contributions that was recorded in the statement of activities.

### **Deferred Rent**

As further discussed in *Note 8*, the Organization records deferred rent associated with lease incentives and escalating lease payments in the accompanying statements of financial position. These incentives are amortized on a straight-line basis as a reduction to rental expense over the life of the related lease.

# **United Way of Greater Kansas City, Inc.**

## **Notes to Financial Statements**

**April 30, 2016 and 2015**

### ***Government Grants***

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### ***Payable to Agencies and Other Organizations***

Unconditional grants to participating agencies are recorded when approved by the Board of Directors. Conditional grants are recorded when the grantee has substantially met the conditions of the grant.

### ***Amounts Raised on Behalf of Others***

Contributions which are donor-designated for specific agencies or communities, other than those represented by the Organization, are considered amounts raised on behalf of others and are not considered income to the Organization. These amounts are included in designations to agencies and grants payable on the statements of financial position. Funds are distributed to designated agencies based on actual dollars collected.

### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated by management among the program, management and general and fundraising categories based on estimated usage and the accumulation of relevant, current and historical data.

### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

**United Way of Greater Kansas City, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016 and 2015**

**Note 2: Investments and Investment Return**

Investments at April 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
U.S. Government agency bonds		
Fannie Mae	\$ 1,505,601	\$ 1,504,748
Federal Home Loan Mortgage	249,885	500,640
Corporate bonds		
General Electric Capital	-	504,135
Other	252,209	254,680
Certificates of deposit	3,185,000	2,940,000
Interest receivable	14,657	17,077
	<u>\$ 5,207,352</u>	<u>\$ 5,721,280</u>

Total investment return on investments and the beneficial interest in assets held by others is composed of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 216,906	\$ 210,375
Net realized and unrealized losses on investments	(6,508)	(12,422)
Net realized and unrealized gains (losses) on assets held by others	(182,285)	364,619
Income from beneficial interest in trusts	20,555	14,500
	<u>\$ 48,668</u>	<u>\$ 577,072</u>

**Note 3: Beneficial Interest in Trusts**

The Organization is the beneficiary under two perpetual trusts administered by an outside party. Under the terms of the trust agreements, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated fair value of the trust assets was \$820,260 and \$819,545 at April 30, 2016 and 2015, respectively. The income from these trusts for the years ended April 30, 2016 and 2015 was \$17,519 and \$11,621, respectively.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

The Organization is the beneficiary under a charitable remainder trust administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets and a portion of the corpus upon termination of the trust. The estimated value of the trust assets was \$64,936 and \$69,098 at April 30, 2016 and 2015, respectively. The income from this trust for the years ended April 30, 2016 and 2015 was \$3,036 and \$2,879, respectively.

### Note 4: Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Greater Kansas City Community Foundation (Foundation) and retained a beneficial interest in those assets. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the Fund. One of the funds held at the Foundation is permanently restricted. All other funds held at the Foundation are board-designated and, therefore, unrestricted. Under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided the governing board of the Organization and the Foundation approve of the withdrawal. At April 30, 2016 and 2015, the Fund had a fair value of \$7,482,097 and \$7,528,641, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others. The assets of the quasi endowment fund consist of money market, short term fixed income, intermediate fixed income and equity securities.

### Note 5: Property and Equipment

Property and equipment at April 30 consisted of:

	<u>2016</u>	<u>2015</u>
Building	\$ 459,710	\$ 459,710
Equipment, furniture and fixtures	1,901,093	1,879,977
	<u>2,360,803</u>	<u>2,339,687</u>
Less accumulated depreciation and amortization	1,177,011	946,106
	<u>\$ 1,183,792</u>	<u>\$ 1,393,581</u>

During 2015, the Organization sold the remaining building from the Washington Street location resulting in proceeds of \$1,078,296 (selling price \$1,150,000, net of closing costs and fees of \$71,704), resulting in a \$3,789 loss on disposal.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### Note 6: Line of Credit

The Organization has a \$1,000,000 revolving bank line of credit and also a \$300,000 line of credit that is maintained on behalf of the Combined Federal Campaign, both of which expire in July 2016. There were no outstanding borrowings on either line of credit at April 30, 2016. Interest rates vary with the bank's prime rate, which was 2.75% for both lines of credit on April 30, 2016 and 2015. Interest on any outstanding borrowings is payable monthly.

### Note 7: Long-term Debt

As of April 30, 2016 and 2015, the Organization maintained a capital lease for various copiers with an outstanding balance of \$113,569 and \$148,189, respectively. Interest expense on the copier leases amounted to \$8,039 and \$9,885 for the years ended April 30, 2016 and 2015, respectively.

Payments on capital lease obligations at April 30, 2016 are:

2017	\$ 42,660
2018	42,660
2019	38,077
	<hr/>
	123,397
Less amounts representing interest	9,828
	<hr/>
Present value of future minimum lease payments	\$ 113,569
	<hr/> <hr/>

### Note 8: Operating Leases

The Organization entered into a noncancellable operating lease for office space expiring in 2023. This lease requires the Organization to pay a portion of executor costs (property taxes, maintenance and insurance).

In accordance with ASC Topic 840, *Leases*, rental agreements with escalating lease payments and rental incentives are recognized in the statements of activities on a straight-line basis. The landlord paid for \$506,651 in leasehold improvements for the leased office space. Additionally, the lease agreement includes annual escalation of rents based on a fixed schedule that range from \$394,400 to \$472,000, annually, through 2023. Deferred rent liability and deferred lease incentive totaled \$610,825 and \$656,005 as of April 30, 2016 and 2015, respectively, and is included in deferred rent on the statements of financial position. Rental expense for all operating leases amounted to \$376,844 and \$388,326 for the years ended April 30, 2016 and 2015, respectively.

**United Way of Greater Kansas City, Inc.**  
**Notes to Financial Statements**  
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Future minimum lease payments under operating leases at April 30, 2016 were:

2017	\$ 417,651
2018	432,500
2019	437,450
2020	452,299
2021	457,249
Thereafter	<u>1,101,562</u>
 Total minimum lease payments	 <u><u>\$ 3,298,711</u></u>

**Note 9: Endowment**

The Organization's endowment consists of multiple funds. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

**United Way of Greater Kansas City, Inc.**  
**Notes to Financial Statements**  
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The composition of net assets by type of endowment fund at April 30, 2016 and 2015 was:

	<b>2016</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 500,539	\$ 1,000,000	\$ 1,500,539
Board-designated endowment funds	7,569,095	-	-	7,569,095
<b>Total endowment funds</b>	<b><u>\$ 7,569,095</u></b>	<b><u>\$ 500,539</u></b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 9,069,634</u></b>

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 509,288	\$ 1,000,000	\$ 1,509,288
Board-designated endowment funds	7,606,890	-	-	7,606,890
<b>Total endowment funds</b>	<b><u>\$ 7,606,890</u></b>	<b><u>\$ 509,288</u></b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 9,116,178</u></b>

Changes in endowment net assets for the years ended April 30, 2016 and 2015, were:

	<b>2016</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 7,606,890	\$ 509,288	\$ 1,000,000	\$ 9,116,178
Investment return				
Realized gains	141,911	35,350	-	177,261
Net depreciation	(165,008)	(40,412)	-	(205,420)
<b>Total investment return</b>	<b><u>(23,097)</u></b>	<b><u>(5,062)</u></b>	<b><u>-</u></b>	<b><u>(28,159)</u></b>
Appropriation of endowment assets for expenditure	(14,698)	(3,687)	-	(18,385)
<b>Endowment net assets, end of year</b>	<b><u>\$ 7,569,095</u></b>	<b><u>\$ 500,539</u></b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 9,069,634</u></b>

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 5,634,552	\$ 412,803	\$ 1,000,000	\$ 7,047,355
Investment return				
Realized gains	123,758	31,032	-	154,790
Net depreciation	275,631	69,111	-	344,742
Total investment return	399,389	100,143	-	499,532
Contributions received	1,587,537	-	-	1,587,537
Appropriation of endowment assets for expenditure	(14,588)	(3,658)	-	(18,246)
Endowment net assets, end of year	<u>\$ 7,606,890</u>	<u>\$ 509,288</u>	<u>\$ 1,000,000</u>	<u>\$ 9,116,178</u>

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at April 30, 2016 and 2015 consisted of:

	2016	2015
Permanently restricted net assets		
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Temporarily restricted net assets		
Portion of perpetual endowment funds subject to a time restriction under SPMIFA	<u>\$ 500,539</u>	<u>\$ 509,288</u>

Total board designated endowment funds are reflected in the statements of financial position at April 30, 2016 and 2015 as follows:

	2016	2015
Investments	\$ 1,587,537	\$ 1,587,537
Beneficial interest in assets held by others	<u>5,981,558</u>	<u>6,019,353</u>
Total quasi-endowment funds	<u>\$ 7,569,095</u>	<u>\$ 7,606,890</u>

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity, as well as those of board-designated endowment funds. During the year ended April 30, 2015, endowment assets were invested in a ratio of 50% equity, 35% fixed income securities and 15% alternative investments. During the year ended April 30, 2016, the Organization's policies were updated and endowment assets were invested in a ratio of 60% equities and 40% fixed income securities. The Organization expects its endowment funds to provide an average rate of return of approximately 5% annually based on the funds average balance over the previous three years. Any portion of investment returns that is not distributed for a particular calendar year will be reinvested. Actual returns in any given year may vary from this amount.

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

### Note 10: Net Assets

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at April 30 were available for the following purposes or periods:

	<b>2016</b>	<b>2015</b>
Aids Partnership	\$ 43,615	\$ 86,230
Income	305,794	273,736
Health	102,412	106,436
Education	264,925	277,836
United Way 211	13,573	8,603
Citizen Assist Program	3,215	260
African American Society for Leadership	179,025	184,061
Dolly Parton Imagination Library	193,661	122,798
Building improvements	100,000	100,000
Investment income	645,809	652,445
HCF Promise 1000	569,166	11,190
Other	409,495	161,708
	<u>\$ 2,830,690</u>	<u>\$ 1,985,303</u>

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### **Permanently Restricted Net Assets**

Permanently restricted net assets at April 30 were restricted to:

	<b>2016</b>	<b>2015</b>
Endowment net assets, subject to SPMIFA	\$ 1,000,000	\$ 1,000,000
Beneficial interest in perpetual trusts	820,260	819,545
	<b>\$ 1,820,260</b>	<b>\$ 1,819,545</b>

### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2016</b>	<b>2015</b>
Aids Partnership	\$ 107,865	\$ 116,750
Income	273,736	104,434
Health	106,436	184,263
Education	277,836	397,705
United Way 211	23,603	48,013
Citizen Assist Program	22,760	17,667
African American Society for Leadership	80,036	65,619
Dolly Parton Imagination Library	27,053	18,124
Health Advocate	-	18,000
Investment income	3,687	3,658
HCF Promise 1000	11,190	1,000
Other	363,216	455,950
	<b>\$ 1,297,418</b>	<b>\$ 1,431,183</b>

## **Note 11: Related Party Transactions**

### **Heartland Combined Federal Campaign**

The Organization has an agreement with the Heartland Combined Federal Campaign (“HCFC”) to collect pledges from federal employers on behalf of HCFC. In addition, the Organization pays certain campaign expenditures on a reimbursable basis on behalf of HCFC, and receives an allocation from and performs required accounting functions for HCFC. Contributions are recorded as agency transactions as the Organization acts as an intermediary.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### ***Urban Neighborhood Initiative***

The Organization has an agreement with the Urban Neighborhood Initiative (“UNI”) which automatically renews for one year periods unless terminated by either party. Under the agreement, the Organization acts as a fiduciary agent and provides secretarial, clerical, development, accounting and payroll services without cost to UNI. The CEO of the Organization is a board member of UNI.

## **Note 12: Employee Benefit Plans**

### ***Defined Contribution Plan***

The Organization sponsors a 403(b) defined contribution plan, where eligible employees may defer a percentage of their salary to such plan. This plan includes a 50% employer matching contribution for the first 8% of salary contributed by employees. The Organization’s matching contributions amounted to \$86,896 and \$57,288 for the years ended April 30, 2016 and 2015, respectively.

The Organization froze benefits related to the Defined Benefit plan in 2008. To compensate for the loss of benefits for the frozen plan, the Board of Trustees authorized management to provide a discretionary contribution to the 403(b) plan, if financially feasible. During the years ended April 30, 2016 and 2015, the Organization made additional discretionary contributions to the 403(b) Plan of \$429,224 and \$470,864, respectively.

### ***Deferred Compensation Plan***

The Organization also sponsors a 457(b) deferred compensation plan for the executive management team. The plan includes an employer discretionary contribution on behalf of the participants and also participant contributions based on a chosen deferral amount documented in Salary Reduction Agreements. During the years ended April 30, 2016 and 2015, the Organization made a discretionary contribution to the 457(b) Plan of \$23,000 and \$22,500, respectively. An asset and corresponding liability are recorded in the statements of financial position for \$327,424 and \$302,676 as of April 30, 2016 and 2015, respectively, representing the amounts held in the plan which have been contributed by the employer or plan participants and the funds owed to the participants.

### ***Defined Benefit Plan***

The Organization has a noncontributory defined benefit pension plan covering employees who met eligibility requirements when the plan was active. The Organization froze the plan on January 31, 2008. The Organization’s funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. The Organization did not contribute to the plan during the years ended April 30, 2016 and 2015 and does not expect to contribute to the plan during the year ended April 30, 2017.

**United Way of Greater Kansas City, Inc.**  
**Notes to Financial Statements**  
**April 30, 2016 and 2015**

The Organization uses an April 30 measurement date for the plan. Information about the plan's funded status follows:

	<u>2016</u>	<u>2015</u>
Accumulated benefit obligation	\$ 4,016,086	\$ 5,541,151
Fair value of plan assets	<u>3,600,830</u>	<u>5,289,302</u>
Funded status	<u>\$ (415,256)</u>	<u>\$ (251,849)</u>

A liability recognized in the statements of financial position is equal to the funded status shown above. Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consisted of a net loss for \$1,307,471 and \$1,733,103 for the years ended April 30, 2016 and 2015, respectively.

Other significant balances and costs are:

	<u>2016</u>	<u>2015</u>
Benefits paid	\$ 1,731,917	\$ 479,017
Benefit costs	16,175	14,070
Net periodic benefit costs before recognizing settlement	(25,198)	105,089
Net periodic benefit costs after recognizing settlement	(589,039)	(44,733)

Other changes in plan assets and benefit obligations recognized in change in net assets:

	<u>2016</u>	<u>2015</u>
Amounts arising during the period		
Net (gain) loss	\$ (320,365)	\$ 311,167
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	105,267	78,260

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$90,225.

**United Way of Greater Kansas City, Inc.**  
**Notes to Financial Statements**  
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Significant assumptions include:

	<b>2016</b>	<b>2015</b>
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.50%	3.50%
Interest rate	5.50%	5.50%
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.00%	3.75%
Expected return on plan assets	5.50%	7.50%
Pre-retirement mortality rate	Adjusted RP - 2014 Total Dataset Employee Table with Mortality Improvement Projective Scale MP - 2015, separate for males and females	RP - 2014 Total Dataset Employee Table with Mortality Improvement Projective Scale MP - 2014, separate for males and females

The Organization has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available data. The Organization has no rate of compensation increase as the plan was frozen in 2008.

The Organization's overall investment strategy is the preservation of capital and reducing excessive volatility in the value of the plan assets. As such, the Organization has determined 34% of plan assets shall be allocated to the General Account and the remaining 66% shall be split between the bond fund and mid-term bond fund at a range of 28%-38%.

During 2015, the plan was amended to provide a distribution to all terminated participants effective February 1, 2015, with vested account balances of \$5,000 or less. A second amendment, effective April 1, 2015, provided participants who had not yet reached 55 and who were terminated on March 1, 2015 or prior to elect an immediate payment of their benefit. Furthermore, the Board of Directors approved a resolution indicating that it has the intention to terminate the defined benefit pension plan. As of the date of the Independent Auditor's Report, no formal plan termination has been communicated to the participants. In the event the plan terminates, the net assets of the plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

- (A) Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.
- (B) Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) up to the applicable limitations discussed below.
- (C) Vested benefits not insured by the PBGC.
- (D) All nonvested benefits.

Certain benefits under the plan are insured by the PBGC if the plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the plan are guaranteed at the level in effect on the date of the plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the plan terminate at some future time will depend on the sufficiency, at that time, of the plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

### ***Pension Plan Assets***

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include pooled separate accounts. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy and include a general investment account.

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

The fair values of the Organization's pension plan assets at April 30, 2016 and 2015, by asset category are as follows:

<b>Asset Category</b>	<b>Total Fair Value</b>	<b>2016</b>		
		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
General investment account	\$ 1,089,649	\$ -	\$ -	\$ 1,089,649
Pooled separate accounts				
Pension Bond	1,253,874	-	1,253,874	-
Mid-term Bond	1,250,148	-	1,250,148	-
Other	7,159	-	7,159	-
Total	<u>\$ 3,600,830</u>	<u>\$ -</u>	<u>\$ 2,511,181</u>	<u>\$ 1,089,649</u>

<b>Asset Category</b>	<b>Total Fair Value</b>	<b>2015</b>		
		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
General investment account	\$ 1,771,672	\$ -	\$ -	\$ 1,771,672
Pooled separate accounts				
Pension Bond	1,753,022	-	1,753,022	-
Mid-term Bond	1,757,256	-	1,757,256	-
Other	7,352	-	7,352	-
Total	<u>\$ 5,289,302</u>	<u>\$ -</u>	<u>\$ 3,517,630</u>	<u>\$ 1,771,672</u>

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	General Investment Account
Balance at May 1, 2014	\$ 1,901,582
Actual return on plan assets	18,010
Purchases	345,000
Sales	(492,920)
Balance at April 30, 2015	1,771,672
Actual return on plan assets	10,000
Purchases	1,055,000
Sales	(1,747,023)
Balance at April 30, 2016	\$ 1,089,649

Plan assets are held in a group variable annuity issued through an insurance company, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreements permit investment in equity and fixed income alternatives.

The following benefit payments are expected to be paid as of April 30 assuming the plan is not terminated.

2017	\$ 1,530,000
2018	157,000
2019	96,000
2020	284,000
2021	66,000
2022-2025	797,000

### Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall April 30, 2016 and 2015:

	2016			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Government agency bonds				
Fannie Mae	\$ 1,505,601	\$ -	\$ 1,505,601	\$ -
Federal Home Loan Mortgage	249,885	-	249,885	-
Corporate debt securities				
Other	252,209	-	252,209	-
Beneficial interest in assets held by others	7,482,097	-	7,482,097	-
Beneficial interest in trusts	885,196	-	-	885,196
	<u>\$ 10,374,988</u>	<u>\$ -</u>	<u>\$ 9,489,792</u>	<u>\$ 885,196</u>

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

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	2015			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
U.S. Government agency bonds				
Fannie Mae	\$ 1,504,748	\$ -	\$ 1,504,748	\$ -
Federal Home Loan Mortgage	500,640	-	500,640	-
Corporate debt securities				
Financial institutions corporate bond				
General Electric Capital	504,135	-	504,135	-
Other	254,680	-	254,680	-
Beneficial interest in assets held by others	7,528,641	-	7,528,641	-
Beneficial interest in trusts	888,643	-	-	888,643
<b>Total</b>	<b>\$ 11,181,487</b>	<b>\$ -</b>	<b>\$ 10,292,844</b>	<b>\$ 888,643</b>

Following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended April 30, 2016. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At April 30, 2016 and 2015, the Organization did not have any Level 1 securities. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government agency and corporate bonds.

### **Beneficial Interest in Trusts**

Fair value is estimated based on the Organization's beneficial interest in the trust assets which represents the present value of the future distributions expected to be received over the term of the agreement. As the Organization does not expect to be able to redeem its beneficial interest in trusts

**United Way of Greater Kansas City, Inc.**  
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with the investee within 12 months after the reporting date, the beneficial interest in trusts are categorized as Level 3.

***Beneficial Interest in Assets Held by Others***

The value of certain interest in assets held by others is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Organization expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2.

***Level 3 Reconciliation***

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b>Beneficial Interest in Trusts</b>
Balance, May 1, 2014	\$ 871,822
Change in beneficial interest	16,821
Balance, April 30, 2015	888,643
Change in beneficial interest	(3,447)
Balance, April 30, 2016	\$ 885,196

***Unobservable Level 3 Inputs***

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at 4/30/2016	Fair Value at 4/30/2015	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Beneficial interest in trusts	\$ 885,196	\$ 888,643	Estimated value of the expected future cash flows	Present value of estimated future cash flows	N/A

# United Way of Greater Kansas City, Inc.

## Notes to Financial Statements

April 30, 2016 and 2015

### **Note 14: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

#### ***Contributions Receivable Allowance***

The Organization estimates the allowance for uncollectible contributions receivable based upon a review of outstanding receivables, historical collection information and existing economic conditions. It is at least reasonably possible that actual collection could differ materially from the contributions receivable currently reported in the accompanying statements of financial position.

#### ***Functional Allocation of Expenses***

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and fundraising categories based on management's estimate of usage and other methods.

#### ***Pension Benefit Obligations***

The Organization has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

#### ***Investments***

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 change could materially affect the amounts reported in the accompanying statements of financial position.

### **Note 15: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.