

Report of Independent Auditors and Financial Statements



United Way of the Bay Area

June 30, 2017 and 2016

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	4
Statements of Activities and Changes in Net Assets.....	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10

Report of Independent Auditors

To the Board of Directors
United Way of the Bay Area

Report on Financial Statements

We have audited the accompanying financial statements of United Way of the Bay Area (“UWBA”), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UWBA’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 UWBA’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Bay Area as of June 30, 2017 and 2016, 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.

Mass Adams LLP

San Francisco, California

November 7, 2017

Financial Statements

United Way of the Bay Area
Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 3,613,594	\$ 848,161
Pledges receivable, net of discount and provision for uncollectible pledges of \$532,000 and \$505,000 at June 30, 2017 and 2016, respectively	5,806,770	6,677,780
Grants receivable, net of discount	4,551,695	2,631,512
Investments	13,903,925	10,775,373
Investment in LLC, held at cost	80,000	-
Prepays and other receivables	464,568	291,227
Furniture, equipment, and leasehold improvements, net	<u>521,017</u>	<u>680,163</u>
Total assets	<u>\$ 28,941,569</u>	<u>\$ 21,904,216</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Operating payables and accruals	\$ 1,070,040	\$ 1,113,442
Donor designations and allocations payable	3,832,355	2,693,376
Line of credit	2,500,000	2,750,000
Accrued vacation and related costs	453,520	377,148
Deferred rent	618,143	689,661
Liabilities to beneficiaries from split interest agreements	19,829	21,804
Accrued pension costs	<u>4,113,808</u>	<u>5,778,144</u>
Total liabilities	<u>12,607,695</u>	<u>13,423,575</u>
NET ASSETS		
Unrestricted		
Undesignated	10,980,669	8,730,329
Board designated	3,004,624	804,309
Pension liability in excess of intangible pension assets	<u>(6,712,433)</u>	<u>(8,667,514)</u>
Total unrestricted net assets	7,272,860	867,124
Temporarily restricted	5,165,939	3,719,742
Permanently restricted	<u>3,895,075</u>	<u>3,893,775</u>
Total net assets	<u>16,333,874</u>	<u>8,480,641</u>
Total liabilities and net assets	<u>\$ 28,941,569</u>	<u>\$ 21,904,216</u>

United Way of the Bay Area
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public support:				
Gross campaign results	\$ 31,284,662	\$ 52,122	\$ 1,300	\$ 31,338,084
Less donor designations	(21,335,508)	-	-	(21,335,508)
Campaign revenue	9,949,154	52,122	1,300	10,002,576
Less provision for uncollectible pledges	(725,476)	-	-	(725,476)
Net campaign revenue	9,223,678	52,122	1,300	9,277,100
Grants	969,771	6,854,425	-	7,824,196
Miscellaneous contributions	849,652	457,173	-	1,306,825
Planned giving	82,132	1,975	-	84,107
Net assets released from restrictions	7,963,504	(7,963,504)	-	-
Total public support	19,088,737	(597,809)	1,300	18,492,228
Inherent contribution from acquisition (Note 3)	3,401,332	1,163,984	-	4,565,316
Service fees and earned income	610,413	275,107	-	885,520
Investment income, net	123,071	72,142	-	195,213
Net realized and unrealized gain on investments	629,212	531,773	-	1,160,985
Other income	56,093	1,000	-	57,093
Total public support and revenue	23,908,858	1,446,197	1,300	25,356,355
ALLOCATIONS AND EXPENSES				
Program services:				
Gross funds awarded/allocated to agencies	21,172,627	-	-	21,172,627
2-1-1 initiative	1,172,290	-	-	1,172,290
Economic success	5,919,366	-	-	5,919,366
Other community services	3,820,507	-	-	3,820,507
Jobs+	1,469,094	-	-	1,469,094
Donor designations	(21,119,503)	-	-	(21,119,503)
Total program services	12,434,381	-	-	12,434,381
Support services:				
Management and general	3,796,902	-	-	3,796,902
Fundraising	3,040,141	-	-	3,040,141
Acquisition expense (Note 3)	186,779	-	-	186,779
Total support services	7,023,822	-	-	7,023,822
Total allocations and expenses	19,458,203	-	-	19,458,203
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	4,450,655	1,446,197	1,300	5,898,152
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	1,955,081	-	-	1,955,081
CHANGE IN NET ASSETS	6,405,736	1,446,197	1,300	7,853,233
NET ASSETS, beginning of year	867,124	3,719,742	3,893,775	8,480,641
NET ASSETS, end of year	\$ 7,272,860	\$ 5,165,939	\$ 3,895,075	\$ 16,333,874

United Way of the Bay Area
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public support:				
Gross campaign results	\$ 26,398,442	\$ 1,570,059	\$ 1,400	\$ 27,969,901
Less donor designations	(20,064,721)	-	-	(20,064,721)
Campaign revenue	6,333,721	1,570,059	1,400	7,905,180
Less provision for uncollectible pledges	(505,000)	-	-	(505,000)
Net campaign revenue	5,828,721	1,570,059	1,400	7,400,180
Grants	962,851	4,039,452	-	5,002,303
Miscellaneous contributions	1,263,846	920,558	-	2,184,404
Planned giving	129,665	2,566	-	132,231
Net assets released from restrictions	5,545,314	(5,545,314)	-	-
Total public support	13,730,397	987,321	1,400	14,719,118
Service fees and earned income	484,418	61,350	-	545,768
Investment income, net	122,486	76,971	-	199,457
Net realized and unrealized (loss) on investments	(168,315)	(248,812)	-	(417,127)
Other income	24,255	16,115	-	40,370
Total public support and revenue	14,193,241	892,945	1,400	15,087,586
ALLOCATIONS AND EXPENSES				
Program services:				
Gross funds awarded/allocated to agencies	18,533,963	-	-	18,533,963
2-1-1 initiative	771,726	-	-	771,726
Economic success	4,614,973	-	-	4,614,973
Other community services	3,280,165	-	-	3,280,165
Jobs+	1,500,216	-	-	1,500,216
Donor designations	(20,064,721)	-	-	(20,064,721)
Total program services	8,636,322	-	-	8,636,322
Support services:				
Management and general	3,669,407	-	-	3,669,407
Fundraising	2,630,314	-	-	2,630,314
Acquisition expense (Note 3)	509,628	-	-	509,628
Total support services	6,809,349	-	-	6,809,349
Total allocations and expenses	15,445,671	-	-	15,445,671
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(1,252,430)	892,945	1,400	(358,085)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(2,569,889)	-	-	(2,569,889)
CHANGE IN NET ASSETS	(3,822,319)	892,945	1,400	(2,927,974)
NET ASSETS, beginning of year	4,689,443	2,826,797	3,892,375	11,408,615
NET ASSETS, end of year	<u>\$ 867,124</u>	<u>\$ 3,719,742</u>	<u>\$ 3,893,775</u>	<u>\$ 8,480,641</u>

United Way of the Bay Area
Statements of Functional Expenses
For the Year Ended June 30, 2017

	Program Services						Support Services					Total
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Other Community Services	Jobs+	Donor Designations	Total Program Services	Management and General	Fundraising	Acquisition Expense (Note 3)	Total Support Services	
ALLOCATIONS AND EXPENSES												
Salaries	\$ -	\$ 177,947	\$ 1,216,463	\$ 1,360,458	\$ 368,015	\$ -	\$ 3,122,883	\$ 1,753,270	\$ 1,270,011	\$ 27,658	\$ 3,050,939	\$ 6,173,822
Payroll taxes and employee benefits	-	64,495	403,229	462,623	135,474	-	1,065,821	619,598	414,073	57,327	1,090,998	2,156,819
Subtotal	-	242,442	1,619,692	1,823,081	503,489	-	4,188,704	2,372,868	1,684,084	84,985	4,141,937	8,330,641
Professional services	-	692,761	417,450	172,187	223,437	-	1,505,835	406,760	416,984	42,320	866,064	2,371,899
Supplies	-	2,575	37,698	9,581	6,222	-	56,076	18,198	15,202	234	33,634	89,710
Telephone	-	5,462	26,869	24,691	10,705	-	67,727	39,108	32,036	3,225	74,369	142,096
Postage, warehouse, and delivery	-	647	3,185	2,922	1,178	-	7,932	9,512	9,106	-	18,618	26,550
Occupancy	-	50,369	276,986	208,081	106,860	-	642,296	432,450	400,317	25,963	858,730	1,501,026
Insurance	-	-	-	2,210	-	-	2,210	-	-	-	-	2,210
Furniture, equipment, and leasehold improvements	-	6,584	50,356	28,001	17,181	-	102,122	68,408	51,869	2,307	122,584	224,706
Media and printing	-	17,942	323,976	254,054	60,300	-	656,272	62,485	51,963	2,842	117,290	773,562
Travel	-	3,618	28,611	37,409	5,155	-	74,793	23,171	29,264	-	52,435	127,228
Conference, training, and meetings	-	22,679	94,040	73,556	77,105	-	267,380	96,574	144,979	-	241,553	508,933
Bank, interest, merchant, and other fees	-	2,196	12,035	10,356	5,503	-	30,090	82,154	22,950	10,740	115,844	145,934
Miscellaneous	-	101	1,916	2,603	841	-	5,461	2,828	2,159	-	4,987	10,448
United Way Worldwide dues	-	11,706	55,436	47,766	24,791	-	139,699	103,692	92,991	-	196,683	336,382
Uncollectible pledge expense	-	1,499	-	1,000	90,419	-	92,918	-	-	14,163	14,163	107,081
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	11,709	84,198	45,191	34,908	-	176,006	95,786	86,237	-	182,023	358,029
Cost recovery reimbursements	-	-	-	-	-	-	-	(17,092)	-	-	(17,092)	(17,092)
Total	-	1,072,290	3,032,448	2,742,689	1,168,094	-	8,015,521	3,796,902	3,040,141	186,779	7,023,822	15,039,343
Allocations/awards/designations	21,172,627	100,000	2,886,918	1,077,818	301,000	(21,119,503)	4,418,860	-	-	-	-	4,418,860
TOTAL ALLOCATIONS AND EXPENSES	\$ 21,172,627	\$ 1,172,290	\$ 5,919,366	\$ 3,820,507	\$ 1,469,094	\$ (21,119,503)	\$ 12,434,381	\$ 3,796,902	\$ 3,040,141	\$ 186,779	\$ 7,023,822	\$ 19,458,203

United Way of the Bay Area
Statements of Functional Expenses
For the Year Ended June 30, 2016

	Program Services						Support Services					Total
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Other Community Services	Jobs+	Donor Designations	Total Program Services	Management and General	Fundraising	Acquisition Expense (Note 3)	Total Support Services	
ALLOCATIONS AND EXPENSES												
Salaries	\$ -	\$ 76,948	\$ 758,886	\$ 1,455,194	\$ 371,226	\$ -	\$ 2,662,254	\$ 1,827,047	\$ 1,119,965	\$ -	\$ 2,947,012	\$ 5,609,266
Payroll taxes and employee benefits	-	27,234	274,866	519,305	137,133	-	958,538	593,607	343,005	-	936,612	1,895,150
Subtotal	-	104,182	1,033,752	1,974,499	508,359	-	3,620,792	2,420,654	1,462,970	-	3,883,624	7,504,416
Professional services	-	505,941	232,149	166,062	359,902	-	1,264,054	299,018	182,866	492,953	974,837	2,238,891
Supplies	-	983	21,723	14,115	13,090	-	49,911	20,999	17,716	4,529	43,244	93,155
Telephone	-	2,635	27,969	32,277	10,863	-	73,744	41,355	30,076	-	71,431	145,175
Postage, warehouse, and delivery	-	202	1,836	2,094	841	-	4,973	6,813	7,965	-	14,778	19,751
Occupancy	-	22,702	209,680	193,920	77,676	-	503,978	391,535	291,508	-	683,043	1,187,021
Insurance	-	-	-	-	-	-	-	-	12,181	-	12,181	12,181
Furniture, equipment, and leasehold improvements	-	2,508	44,325	29,909	14,484	-	91,226	54,069	34,196	3,429	91,694	182,920
Media and printing	-	6,382	98,157	595,683	41,836	-	742,058	50,448	91,709	-	142,157	884,215
Travel	-	2,598	16,991	24,748	10,954	-	55,291	29,840	22,048	6,074	57,962	113,253
Conference, training, and meetings	-	12,698	68,453	59,690	94,561	-	235,402	125,790	340,075	2,445	468,310	703,712
Bank, interest, merchant, and other fees	-	1,080	9,807	12,361	4,964	-	28,212	72,308	18,341	-	90,649	118,861
Miscellaneous	-	23	2,136	1,130	938	-	4,227	3,074	1,315	198	4,587	8,814
United Way Worldwide dues	-	5,433	43,117	58,694	19,536	-	126,780	92,795	69,415	-	162,210	288,990
Uncollectible pledge expense	-	-	-	-	37,200	-	37,200	-	-	-	-	37,200
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	4,359	74,024	51,501	27,012	-	156,896	75,221	57,533	-	132,754	289,650
Cost recovery reimbursements	-	-	-	-	-	-	-	(14,512)	(9,600)	-	(24,112)	(24,112)
Total	-	671,726	1,884,119	3,216,683	1,222,216	-	6,994,744	3,669,407	2,630,314	509,628	6,809,349	13,804,093
Allocations/awards/designations	18,533,963	100,000	2,730,854	63,482	278,000	(20,064,721)	1,641,578	-	-	-	-	1,641,578
TOTAL ALLOCATIONS AND EXPENSES	\$ 18,533,963	\$ 771,726	\$ 4,614,973	\$ 3,280,165	\$ 1,500,216	\$(20,064,721)	\$ 8,636,322	\$ 3,669,407	\$ 2,630,314	\$ 509,628	\$ 6,809,349	\$ 15,445,671

United Way of the Bay Area
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 7,853,233	\$ (2,927,974)
Adjustments to reconcile change in net assets to net cash from (used in) operating activities		
Provision for uncollectible pledges	(27,000)	50,000
Change in discount on grants receivable	49,020	(7,446)
Change in discount on pledges receivable	(873)	(369)
Net loss on disposal of property and equipment	29,080	-
Depreciation and amortization	328,948	289,650
Net realized and unrealized (gain)/ loss on investments	(1,160,985)	417,127
Pension related changes other than net periodic pension costs	(1,955,081)	2,569,889
Contribution of marketable securities	(79,556)	-
Inherent contribution from acquisition (Note 3)	(4,565,316)	-
Contributions restricted for investment in endowment	(1,300)	(1,400)
Changes in assets and liabilities		
Pledges receivable	3,082,598	(872,689)
Grants receivable	(1,223,307)	452,173
Prepays and other receivables	(108,169)	(41,079)
Donor designations and allocations payable	(190,418)	(54,817)
Operating payables and accruals	(215,334)	(213,041)
Accrued vacation and related costs	76,372	41,463
Deferred rent	(71,518)	(16,468)
Accrued pension costs	290,745	14,389
Liabilities to beneficiaries from split interest agreements	(1,975)	(2,566)
Net cash from (used in) operating activities	<u>2,109,164</u>	<u>(303,158)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Net cash received from acquisition (Note 3)	807,388	-
Purchases of investments	(1,632,004)	(1,941,445)
Purchases investment in LLC, held at cost	(80,000)	-
Proceeds from sale of investments	1,849,355	1,916,517
Purchases of furniture, equipment, and leasehold improvements	(41,970)	(154,554)
Sales of furniture, equipment, and leasehold improvements	2,200	-
Net cash from (used in) investing activities	<u>904,969</u>	<u>(179,482)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Borrowing on the line of credit	-	-
Repayment of the line of credit	(250,000)	(3,932)
Contributions restricted for investment in endowment	1,300	1,400
Net cash (used in) financing activities	<u>(248,700)</u>	<u>(2,532)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,765,433	(485,172)
CASH AND CASH EQUIVALENTS, beginning of year	<u>848,161</u>	<u>1,333,333</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,613,594</u>	<u>\$ 848,161</u>
NONCASH INVESTING ACTIVITIES		
Acquisition (Note 3)		
Assets acquired, net of cash received	<u>\$ 5,259,257</u>	<u>\$ -</u>
Liabilities assumed	<u>\$ 1,501,329</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:		
Interest	<u>\$ 62,393</u>	<u>\$ 57,468</u>

NOTE 1 – ORGANIZATION AND PURPOSE

United Way Bay Area (UWBA) is an independent, locally managed nonprofit organization that has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. UWBA has also made the 501(h) election under the IRS code. Accordingly, no provision for income taxes is included in the financial statements.

United Way of Silicon Valley was a California nonprofit public benefit corporation established for the purpose of supporting health and service needs in Santa Clara County. Effective July 1, 2016, UWBA acquired United Way of Silicon Valley and its operations. As a result of the acquisition, United Way of Silicon Valley ceased to exist (Note 3).

As UWBA approaches its centennial, the Organization is proud to be continuing a long tradition of leadership in the local nonprofit community by encouraging philanthropy and investing those dollars in programs to serve the health and human services needs of Bay Area residents. UWBA currently serves Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, and Solano Counties.

The Bay Area Community Fund (BACF) is comprised of unrestricted funds donated to UWBA to support the achievement of its community impact goals. UWBA is committed to creating community change by positioning itself as an inclusive community leader in the eight Bay Area counties served, while honoring donors' philanthropic interests.

In response to the needs of the community, UWBA focuses its goals and its use of resources. In doing so, it may, from time to time, discontinue the management of specific programs. Discontinuance may include closing, merging, or establishing the independence of programs. When such transitions take place, the purpose has been and will continue to be enhancing the ability of the UWBA to concentrate its efforts on helping to cut the number of families living in poverty. The organization pursues a selected, targeted set of programs that help people survive the struggles of poverty and move toward economic success. Each of these programs also has a role in helping to evolve the public and private systems around them to better serve people in poverty. UWBA's programs may take the form of providing direct service to clients, issuing grants to organizations to provide services, and/or engaging in collaborative partnerships. Grant proposals are evaluated on the basis of their alignment with UWBA's strategic plan as well as the agency's ability to demonstrate high standards in fiscal and programmatic operations, and overall organizational strength. Grants and the focus of grant-making activities are reported to and approved by UWBA's Board of Directors.

The following are specific programs and strategies managed by United Way of the Bay Area:

211 INITIATIVE

211 is a free, easy-to-remember phone number and web resource that anyone can call for information and referral to resources. Last year, UWBA and its partner call centers in eight Bay Area counties responded to approximately 144,000 calls. More than half of these requests came from those requesting help with poverty/basic needs issues such as food, jobs, and shelter.

In addition to daily information and referral, 211 is a critical resource during disasters. In recent years, 211 has been available for responses to an earthquake, floods, and major fires. UWBA has launched a new guided search website and 2-way texting to increase accessibility.

United Way of the Bay Area

Notes to Financial Statements

ECONOMIC SUCCESS

SparkPoint has served more than 24,000 individuals since launching SparkPoint Oakland in 2009, and 3,200 clients in the last year alone. More than 80% of our clients are seeing 5% or better progress on their income, savings, credit, or debt and more than 70% of clients are seeing 30% or more progress.

SparkPoint centers offer an array of services in one convenient location for a person or family trying to move out of poverty, including financial coaching on budgeting and savings, credit and debt management, career or education counseling, screening for public benefits, and others. SparkPoint aims to have clients move from poverty to economic success by (1) increasing income; (2) reducing debt; (3) increasing credit scores; and (4) increasing savings. The SparkPoint regional network includes more than 75 outstanding partner organizations across the Bay Area.

Recently, SparkPoint has expanded work into community colleges and community schools. SparkPoint in community schools takes a two-generation approach to improve the immediate and long-term financial stability of parents while ensuring that children are healthy and supported at school. This disrupts the cycle of poverty so that entire families can succeed—now and far into the future.

SparkPoint also recognizes that a good education, marketable skills, and a good job are needed to lift someone out of poverty. Through the expansion into community colleges, centers align their strongest programmatic assets to improve the school to career pathway for low-income students. They ensure that students know more about available career and education options, including post-secondary job training and certificate and degree programs. SparkPoint ensures that students start and remain on a path toward a good job through wrap around support services. UWBA's strong relationships with major employers across various sectors provide students with access to work based learning opportunities and jobs.

FY17 Highlights include:

- 315 clients achieved self-sufficient income
- 717 clients achieved at least one element of financial prosperity: self-sufficient income, 3 months savings, 700 credit score, no revolving debt
- The regional network has placed 591 clients in jobs, and has an average hourly wage of \$20.33

Earn It! Keep It! Save It! (EKS) is a UWBA-led coalition of partners that prepares tax returns for free, ensuring low- to moderate-income families get the refunds and credits for which they are eligible. During the 2017 tax season, 2,800 volunteers prepared more than 72,200 returns and brought back over \$75 million in refunds. Additionally, \$22 million of those refunds was in Earned Income Tax Credit (EITC). EITC goes to the poorest, most vulnerable Bay Area households and has been identified by poverty-fighting experts as one of the most effective programs nationally, lifting millions of people above the federal poverty level every year. Families use their refunds primarily to pay bills and rent and to buy food or clothes. Through its tax preparation efforts, EKS provides resources to meet basic needs, which is critical to ending the cycle of poverty in the Bay Area. EKS has 200 locations in eight counties, several are located at SparkPoint centers. In addition to preparing tax returns, EKS uses the tax preparation session as a moment to offer low-income families the opportunity to increase their savings.

JOBS+

The **Jobs+** program helps prepare low-income youth and young adults (age 16-24) to become the 21st century workforce for employers in San Francisco and across the Bay Area. Connecting business, government, schools, nonprofits, and youth, Jobs+ helps young people get job training and work experience, plan career paths, and become motivated to finish high school and go on to college or postsecondary training. Jobs+ primary focus is Youth Jobs+, a partnership with San Francisco Mayor Ed Lee, community partners, and employers. Since its inception as Summer Jobs+ in 2012, the initiative has served over 20,000 youth in San Francisco. Last year, 7,000 youth were served as a part of the Mayor's Summer Job Challenge in San Francisco alone. Within the next several years, Jobs+ expects to expand into more counties served by United Way of the Bay Area.

OTHER COMMUNITY SERVICES

Like United Ways around the country, UWBA manages the local activities of the federal **Emergency Food and Shelter Program (EFSP)**, which distributes federal funds to local programs that feed and provide shelter to people in need. In FY17 UWBA distributed approximately \$1,572,000 to food and housing programs in 7 of the 8 Bay Area counties served through the Emergency Food and Shelter Program

LABOR COMMUNITY SERVICES –

The long-standing Labor-United Way partnership combines the power of more than 12.5 million working families and their communities toward a shared vision where all have the opportunity to reach their highest potential. Locally, UWBA's Labor Community Services program continued its essential role of assisting people in poverty through direct provision of community services and policy advocacy. In FY17, labor liaisons in three counties (San Mateo, San Francisco, and Contra Costa) provided hardship assistance to over 800 individuals, including housing, health, utilities, job access issues, and other emergencies. The liaisons also worked closely with UWBA's other programs, helping to refer potential clients to EKS, 211 and SparkPoint. They focused on key issues such as strengthening the safety net for immigrant families, including co-hosting an immigrant worker rights training sponsored by the California Labor Federation, and in San Francisco providing one stop legal and wraparound services to immigrant union members and their families. The labor liaison in San Mateo coordinated a pre-apprenticeship program in the construction sector that resulted in 95 apprenticeships and job placements. The labor liaison in Contra Costa ran an EKS site and filed over 160 tax returns.

United Way of the Bay Area

Notes to Financial Statements

PUBLIC POLICY –

United Way Bay Area recognizes that in order to achieve our goal of ending the cycle of poverty in the community, UWBA must advance public policies that support its mission. UWBA's Public Policy team influences policy and engages in advocacy at all levels of government, at the federal and state levels, and locally in our eight-county service area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, and Solano). In addition, UWBA provides advocacy support to state and federal issues important to the United Way system. In FY17, UWBA added housing to its policy agenda, endorsed bond measures in Alameda and Santa Clara counties, and organized phonebanks to educate voters on the measures and ask for their support; both measures passed with 2/3 voter approval to generate \$1.5 billion for affordable housing. On the issue of health, together with coalition partners in Contra Costa County, UWBA successfully advocated to expand Contra Costa CARES, a county health program that provides coverage to the uninsured adult population, including undocumented immigrants. The program will now be able to cover 4,400 uninsured adults in Contra Costa County. UWBA achieved another key win for working families with a significant expansion of the California State Earned Income Tax Credit. Self-employed workers will now be eligible for the tax credit during next year's tax season, and the maximum income threshold for parents with two or more children will be lifted from \$14,000 to \$22,000/year.

Finally, UWBA has formed a coalition called **Rise Together**, comprising nearly 300 leading institutions that have come together to cut poverty in half in the Bay Area by 2020. Launched by UWBA in 2012, Rise Together continues to stand out as a pivotal regional strategy through a collective impact approach. In the last four years, Rise Together has: given grants to local leaders and partnerships who are fighting poverty; selectively engaged on key policy issues; hosted major events to showcase the issues and solutions of poverty; and won an award from the National Association of Counties. UWBA serves as the backbone organization and helps the partners select and implement key initiatives. Partners include political and faith leaders, businesses, nonprofits, government, academia, media, and others.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the financial statement standards of United Way Worldwide. United Way Worldwide standards are required for membership and comply with the Financial Accounting Standards Board (FASB) Accounting Standard Codification for not-for-profit organizations.

Use of estimates – Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Significant estimates include the provision for uncollectible pledges, useful lives of furniture, equipment, and leasehold improvements; fair value of investments; allocation of functional expenses; and pension liabilities. The fair value of investments and pension assets are subject to material volatility based on market conditions. This could have a significant effect on these financial statements.

Classes of net assets – The accompanying financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

United Way of the Bay Area Notes to Financial Statements

Unrestricted net assets – Unrestricted net assets include resources available to support UWBA operations and temporarily restricted resources that become available for use by UWBA in accordance with the intentions of the donors. Unrestricted net assets are designated by UWBA’s Board of Directors for specified purposes as follows:

	2017	2016
Future grants and programs	\$ 2,167,919	\$ -
General use	836,705	804,309
	\$ 3,004,624	\$ 804,309

Temporarily restricted net assets – Temporarily restricted net assets include resources with donor-imposed restrictions that will be fulfilled by actions of UWBA and/or become unrestricted by the passage of time. UWBA’s temporarily restricted net assets include multi-year pledges as well as grants restricted for specific UWBA community projects. When the donor or time restriction is fulfilled, temporarily restricted net assets are released to unrestricted net assets and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets are comprised of the historical dollar value of contributions that were received with donor restrictions requiring that the assets be maintained in perpetuity and that only the income generated from these assets is made available for grants, programs, or support services in accordance with the donor restrictions.

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased and not held through the investment account, are considered to be cash equivalents. Substantially all of the cash equivalent balances held in financial institutions at June 30, 2017 and 2016, exceeded federal depository insurance coverage. UWBA has not experienced any losses in such accounts. Cash and cash equivalents held in money market funds that are considered nonoperating cash are intended for investment purposes and are classified separately under investments.

Pledges receivable – Pledges receivable consist of unconditional promises to give by donors and are recorded at net realizable value. Pledges receivable are net of provisions for uncollectible pledges of \$532,000 and \$505,000 as of June 30, 2017 and 2016, respectively. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.11% to 0.45%. Pledges receivable are net of discounts of \$2,861 and \$3,734 at June 30, 2017 and 2016, respectively.

Provisions for uncollectible pledges – The provision for uncollectible pledges is computed based upon historical averages and management’s consideration of current economic factors that could affect pledge collections. Using these criteria, the provision as of June 30, 2017 and 2016, was determined to be 5.75% and 6% of gross campaign pledges, respectively. For the years ended June 30, 2017 and 2016, there were uncollectible pledge recoveries of \$28,567 and \$29,169, respectively.

United Way of the Bay Area

Notes to Financial Statements

Grants receivable – Grants receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.12% to 1.24%. Grants receivable are net of discounts of \$49,619 and \$599 at June 30, 2017 and 2016, respectively.

Investments – UWBA's investments are stated at fair value based on quoted market prices at fiscal year end. Investments include money market funds and marketable securities held principally for investment purposes. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur in the accompanying statements of activities and changes in net assets. Realized gains and losses that result from sales or maturities of securities during the year are calculated on an adjusted cost basis and are reflected in the accompanying statements of activities and changes in net assets. Marketable securities received as donations are recorded at fair value at the date of the donation, and are generally sold as soon as practical after receipt.

Impairment on investments held at cost: UWBA evaluates for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. As of June 30, 2017, no such write-downs have occurred.

Fair value of assets and liabilities – UWBA determines fair value as 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 reporting standards establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of input that may be used to measure fair value:

- Level 1** – Quoted prices in active markets for identical assets or liabilities.
- 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments 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 instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, fixed income securities, and exchange traded equities. Level 2 securities include investments held in pooled income funds, which are valued using maturity and interest rates as observable inputs.

Furniture, equipment, and leasehold improvements – Furniture, equipment, and leasehold improvements are stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Total depreciation expense, amortization expense, and losses from dispositions of fixed assets amounted to \$358,029 and \$289,650 for the years ended June 30, 2017 and 2016, respectively.

Deferred rent – Certain leases of UWBA contain lease incentives and fixed escalations. UWBA recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statements of activities and changes in net assets and the amount recorded as deferred rent. For the years ended June 30, 2017 and 2016, deferred rent related to two UWBA locations: 550 Kearny Street, San Francisco, and 8200 Bancroft, Oakland.

Gross campaign results – Gross campaign results consist of cash and unconditional promises to give to UWBA during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from gross campaign results to arrive at campaign revenue.

Donor designations and service fee revenue – Donor designations, including contributions that are designated by the donor to nonprofit organizations other than UWBA that include contributions processed by third-party processors, are deducted from gross campaign results to arrive at net campaign revenue. External donor designations are paid to the designated organizations on a monthly basis, by electronic funds transfer (“EFT”) as information allows and on a quarterly basis by check for all others, as pledges are collected. Proportionate shares of the receipts are distributed out to the agencies net of service fees. Service fee revenue is reported in the accompanying statements of activities and changes in net assets. This designation processing is inclusive of pledges and payments processed as part of UWBA’s role as a federation for the Combined Federal Campaign as well as other state and local government-sponsored fundraising campaigns. Additionally, there are donor designations that are contributions designated by the donor to support UWBA’s internal programs.

Planned gifts – Planned gifts that are irrevocable are recognized as a receivable when amounts due to UWBA can be reasonably estimated. As of June 30, 2017 and 2016, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$159,964 and \$164,909 as of June 30, 2017 and 2016, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$19,829 and \$21,804 as of June 30, 2017 and 2016, respectively, at fair value and are included in the accompanying statements of financial position.

Donated goods and services – UWBA recognizes the value of donated equipment, supplies, and advertising services at the fair value for similar items. Donated goods and services for the years ended June 30, 2017 and 2016, of \$918,227 and \$1,257,981, respectively, were reflected in miscellaneous contributions in the accompanying statements of activities and changes in net assets. UWBA recognizes the fair value of donated services if the services meet the recognition criteria, which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although UWBA receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

United Way of the Bay Area

Notes to Financial Statements

Gross funds awarded/allocated to agencies – The amount shown on the accompanying statements of activities and changes in net assets includes grants to UWBA initiatives and programs. These grants have been recommended by staff working with a sub-committee of the Board of Directors and have been approved by the Board. However, to comply with financial statement presentation requirements, these grants are shown net of an offset amount to prevent revenue duplication between unrestricted and temporarily restricted accounts.

Functional allocation of expenses – The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classifications based on the average number of full-time employees, the time study allocation method, and on a direct cost basis. This is consistent with the standards for allocation of functional expenses in accordance with GAAP and United Way Worldwide.

Concentrations of risk – UWBA receives approximately 46% and 49% as of June 30, 2017 and 2016, respectively, of its gross campaign revenue from five employers. All five of these employers are nationally aligned through United Way Worldwide; therefore, the risk of loss of these employers by UWBA is remote. UWBA received 32% and 45% as of June 30, 2017 and 2016, respectively, of its gross grant revenue from two employers. UWBA has a history of collectability with these employers and therefore believes that the risk of loss of these employers as donors is remote. As of June 30, 2017 and 2016, UWBA had receivables from five sources totaling \$1,840,176 and \$1,328,858 representing approximately 34% and 24% of total pledges receivables, respectively.

Income taxes – UWBA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701d of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. Since UWBA has no unrelated business taxable income, no provision for income taxes has been provided in these financial statements. UWBA has no unrecognized tax benefits or uncertain tax positions as of June 30, 2017 and 2016.

Recent Accounting Pronouncements – In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. The adoption of ASU 2014-15 did not have a material impact on UWBA’s financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption is effective for UWBA’s fiscal year ending June 30, 2021. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity's liquidity, financial performance, and cash flows. The update replaces the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the notes. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2018, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for UWBA for the fiscal year ending June 30, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the financial statements.

NOTE 3 – ACQUISITION OF UNITED WAY OF SILICON VALLEY

On May 5, 2016, UWBA entered into an Agreement and Plan of Merger (the Agreement) to combine its operations with United Way of Silicon Valley (UWSV) wherein UWSV would become part of UWBA with an effective date of July 1, 2016 (the Effective Date). UWSV ceased to exist as of July 1, 2016. The Agreement was filed with the State of California Department of Justice on May 24, 2016. The transaction is determined to be an acquisition in accordance with FASB ASC 805, *Business Combination*.

In accordance with GAAP, on July 1, 2016, UWBA recorded in its financial statements the transfer of identifiable assets acquired and liabilities assumed from UWSV at their fair values as of the Effective Date. No consideration was transferred from UWBA to UWSV in connection with this transaction, and the amount of net assets acquired by UWBA is accounted for as an inherent contribution from UWSV to UWBA.

To the extent that the UWSV's assets were subject to donor restrictions, those restrictions carried over and are properly reported as donor restricted by UWBA. Accordingly, the net assets transferred are included in either unrestricted or temporarily restricted net assets in UWBA's financial statements beginning July 1, 2016.

United Way of the Bay Area

Notes to Financial Statements

The following table summarizes the recorded amounts of the assets acquired and liabilities assumed at the Effective Date:

Assets acquired:	
Cash and cash equivalents	\$ 807,388
Pledges receivable, net	2,183,715
Grants and other receivables	745,896
Beneficial interest in assets	2,167,918
Certificate of deposit	17,000
Prepaid expenses	65,172
Property and equipment, net	<u>79,556</u>
 Total assets to be contributed	 <u><u>\$ 6,066,645</u></u>
Liabilities assumed:	
Accounts payable and accruals	\$ 171,932
Pledges due to agencies and other United Ways	<u>1,329,397</u>
 Total liabilities to be transferred	 <u><u>1,501,329</u></u>
 Inherent contribution to UWBA	 <u><u>\$ 4,565,316</u></u>

Based on the nature and character of these accounts, the recorded amounts of the assets acquired and liabilities assumed approximate fair value at the Effective Date. Acquisition costs incurred by UWBA were \$186,779 and \$509,628 for the years ended June 30, 2017 and 2016, respectively. The costs were expensed as incurred.

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

UWBA expected to receive pledges receivable at June 30, 2017 and June 30, 2016, respectively, as follows:

	<u>2017</u>	<u>2016</u>
Amount due:		
In the next year	\$ 5,976,081	\$ 6,386,514
Between two and five years	<u>365,550</u>	<u>800,000</u>
	6,341,631	7,186,514
Discount	(2,861)	(3,734)
Provision for uncollectible pledges	<u>(532,000)</u>	<u>(505,000)</u>
 Pledges receivable, net	 <u><u>\$ 5,806,770</u></u>	 <u><u>\$ 6,677,780</u></u>

United Way of the Bay Area
Notes to Financial Statements

UWBA expected to receive grants receivable at June 30, 2017 and 2016, respectively, as follows:

	2017	2016
Amount due:		
In the next year	\$ 2,956,996	\$ 2,322,111
Between two and five years	1,644,318	310,000
	4,601,314	2,632,111
Discount	(49,619)	(599)
Grants receivable, net	\$ 4,551,695	\$ 2,631,512

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, 2017 and 2016, by valuation hierarchy:

<u>Fair Value Measurement Inputs</u>	2017		
	Level 1	Level 2	Total
Equity			
Domestic	\$ 4,770,614	\$ -	\$ 4,770,614
International	2,377,991	-	2,377,991
Balanced fund	134,012	-	134,012
Small cap funds	831,427	-	831,427
Commodities/natural resources fund	74,839	-	74,839
Bonds			
Low duration and intermediate	4,761,713	-	4,761,713
International global	530,160	-	530,160
Cash and cash equivalents (held for investment)	263,205	-	263,205
Pooled income funds	-	159,964	159,964
Total	\$ 13,743,961	\$ 159,964	\$ 13,903,925

<u>Fair Value Measurement Inputs</u>	2016		
	Level 1	Level 2	Total
Equity			
Domestic	\$ 3,104,737	\$ -	\$ 3,104,737
International	1,857,102	-	1,857,102
Balanced fund	-	-	-
Small cap funds	831,585	-	831,585
Commodities/natural resources fund	110,001	-	110,001
Bonds			
Low duration and intermediate	4,197,863	-	4,197,863
International global	283,760	-	283,760
Cash and cash equivalents (held for investment)	225,416	-	225,416
Pooled income funds	-	164,909	164,909
Total	\$ 10,610,464	\$ 164,909	\$ 10,775,373

United Way of the Bay Area Notes to Financial Statements

Investment income is as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 270,836	\$ 252,516
Less investment management fees	<u>(75,623)</u>	<u>(53,059)</u>
Total investment income, net	<u>\$ 195,213</u>	<u>\$ 199,457</u>

Net unrealized and realized gains / (loss) are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Unrealized gain (loss)	\$ 706,896	\$ (302,362)
Realized gain (loss)	<u>454,089</u>	<u>(114,765)</u>
Net realized and unrealized gains (loss) on investments	<u>\$ 1,160,985</u>	<u>\$ (417,127)</u>

UWBA's long-term asset allocation policy was developed by staff and approved by the Board to manage market fluctuations over time. UWBA is aware there are challenges in the current financial markets and continues to monitor related volatility.

NOTE 6 – INVESTMENTS HELD AT COST

On January 31, 2017, UWBA invested in United Way Digital Holdings, a limited liability company (LLC). The total commitment made by UWBA was \$400,000. UWBA assessed its rights as a limited member and concluded that UWBA does not maintain direct operational control. UWBA did not consolidate the LLC into its financial statements as a result of not maintaining control.

UWBA has accounted for the investment in the LLC at cost as the LLC fair value is not readily determinable.

The unfunded commitment as of June 30, 2017, was \$320,000.

UWBA evaluates its investment in the LLC for impairment whenever events or changes in circumstances indicate that the carrying value of its investment may not be recoverable. As of June 30, 2017, no such write-downs have occurred.

United Way of the Bay Area
Notes to Financial Statements

NOTE 7 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements consisted of the following at June 30:

	2017	2016
Computer software and equipment	\$ 992,255	\$ 998,267
Office furniture	521,729	447,267
Equipment	178,068	214,774
Leasehold improvements	562,222	487,907
Vehicles	16,712	24,240
Total	2,270,986	2,172,455
Less accumulated depreciation and amortization	(1,749,969)	(1,492,292)
Total furniture, equipment, and leasehold improvements, net	\$ 521,017	\$ 680,163

NOTE 8 – MISCELLANEOUS CONTRIBUTIONS

Miscellaneous contributions are comprised of the following at June 30:

	2017	2016
Unrestricted		
Donated goods and services	\$ 759,995	\$ 574,787
Noncampaign donations	27,507	231,227
Prior year campaign revenue	2,835	61,401
Revenue - other United Ways	52,465	71,691
Special events income	-	43,341
Sponsorship fees	6,850	281,399
	849,652	1,263,846
Temporarily restricted		
Donated goods and services	158,232	683,194
Noncampaign donations and miscellaneous income	21,909	31,419
Special events income	26,260	-
Sponsorship fees	250,772	205,945
	457,173	920,558
Total miscellaneous contributions	\$ 1,306,825	\$ 2,184,404

United Way of the Bay Area

Notes to Financial Statements

NOTE 9 – COMMITMENTS

UWBA leases office space under noncancelable operating leases expiring at various dates through March 31, 2023. Lease agreements generally provide for both renewal options and escalation clauses for increased operating expenses and real estate taxes. UWBA is also committed under noncancelable operating leases for various office equipment.

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2017 are as follows:

Years Ending June 30.

2018	\$	1,220,091
2019		1,098,249
2020		1,088,325
2021		1,103,843
2022		1,123,060
Thereafter		<u>850,989</u>
Total	\$	<u><u>6,484,557</u></u>

Rent expense for the years ended June 30, 2017 and 2016, was \$1,423,899 and \$1,187,021, respectively.

NOTE 10 – PENSION PLAN

The Pension Plan of United Way of the Bay Area (the “Plan”) is a single employer defined benefit pension plan with UWBA as plan sponsor.

The Plan was amended to freeze participation and benefit accruals under the Plan effective December 31, 2006. Accordingly, no employees will become participants after the December 1, 2006 entry date, and participants’ Plan benefits will not increase after December 31, 2006. In no event will the accrued benefit of any participant be less than that calculated as of December 31, 2006.

Accrued pension costs consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Defined benefit pension plan liabilities	\$ 3,912,308	\$ 5,584,491
Defined early retirement medical and long-term care benefit plans	<u>201,500</u>	<u>193,653</u>
Total accrued pension costs	<u><u>\$ 4,113,808</u></u>	<u><u>\$ 5,778,144</u></u>

United Way of the Bay Area
Notes to Financial Statements

The following information sets forth the Plan's projected benefit obligation, fair value of plan assets, unfunded status, and accumulated benefit obligation as of June 30:

	2017	2016
Projected benefit obligation		
Beginning of year	\$ 18,011,015	\$ 17,226,707
Service cost	206,349	174,633
Interest costs	575,097	715,657
Actuarial (gain) loss	(1,111,561)	1,932,324
Benefits paid	(796,625)	(1,834,898)
Administrative expenses paid	(223,568)	(203,408)
End of year	\$ 16,660,707	\$ 18,011,015
Fair value of plan assets		
Beginning of year	\$ 12,426,524	\$ 14,233,582
Actual return on Plan assets	1,342,068	181,248
Employer contributions	-	50,000
Benefits paid	(796,625)	(1,834,898)
Administrative expenses paid	(223,568)	(203,408)
End of year	\$ 12,748,399	\$ 12,426,524
Funded status of the Plan at year end (underfunded)	\$ (3,912,308)	\$ (5,584,491)

Amounts recognized for the defined benefit pension plan only in the accompanying statements of financial position are as follows as of June 30:

	2017	2016
Prepaid benefit cost	\$ 2,800,125	\$ 3,083,023
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	(6,712,433)	(8,667,514)
Defined benefit pension liabilities	\$ (3,912,308)	\$ (5,584,491)
Unrestricted net assets, pension liability in excess of intangible pension assets	\$ 6,712,433	\$ 8,667,514

Amounts reflected in the accompanying statements of activities and changes in net assets are as follows for the years ended June 30:

	2017	2016
Service cost	\$ 206,349	\$ 174,634
Interest cost	575,098	715,657
Expected return on assets	(957,230)	(1,104,665)
Amortization loss	458,682	285,851
Net periodic pension cost	\$ 282,899	\$ 71,477

United Way of the Bay Area Notes to Financial Statements

The projected unit credit cost method was utilized for measuring net periodic pension cost over the employee's estimated service life. The following table summarizes the assumptions used in computing the present value of projected benefit obligations and net periodic cost as of June 30:

	<u>2017</u>	<u>2016</u>
Assumptions used in computing benefit obligation		
Discount rate	3.60%	3.30%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	3.30%	4.25%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

The investment objective for the Plan is to maximize total return within reasonable and prudent levels of risk. The Plan's weighted-average asset allocations are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Asset category		
Common and collective trusts		
Equity	60.0%	61.5%
Debt	36.9%	36.9%
Cash and cash equivalents	3.1%	1.6%
Total	<u>100.0%</u>	<u>100.0%</u>

The fair values of the UWBA's defined benefit plan assets at June 30, 2017, by asset category are as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 390,757	\$ -	\$ 390,757
Large cap equities fund	-	4,057,700	4,057,700
Small cap equities fund	-	622,180	622,180
Mid cap fund	-	1,073,307	1,073,307
International equities fund	-	1,896,727	1,896,727
Fixed income securities	-	4,707,728	4,707,728
Total	<u>\$ 390,757</u>	<u>\$ 12,357,642</u>	<u>\$ 12,748,399</u>

United Way of the Bay Area
Notes to Financial Statements

The fair values of the UWBA's defined benefit plan assets at June 30, 2016, by asset category are as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 201,000	\$ -	\$ 201,000
Large cap equities fund	-	4,074,061	4,074,061
Small cap equities fund	-	629,504	629,504
Mid cap fund	-	1,091,585	1,091,585
International equities fund	-	1,847,773	1,847,773
Fixed income securities	-	4,582,601	4,582,601
 Total	 <u>\$ 201,000</u>	 <u>\$ 12,225,524</u>	 <u>\$ 12,426,524</u>

The estimated minimum benefit payments that reflect expected future service, as appropriate, to be paid by UWBA are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 756,790
2019	808,637
2020	854,180
2021	875,809
2022	904,167
2023-2028	<u>4,851,009</u>
	 <u>\$ 9,050,592</u>

UWBA contributed \$0 and \$50,000 to the Plan during the years ended June 30, 2017 and 2016, respectively.

UWBA established the UWBA 401(k) Plan. Employees that are eligible can participate in the 401(k) Plan on the first day of the calendar quarter following their date of hire. UWBA matches 100% of participants' salary deferral contribution, up to a maximum of 2% of compensation. In addition, UWBA makes an employer "nonelective" contribution according to a formula that is based on a participant's age plus service. For employees hired before January 1, 2010, matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier). Effective January 1, 2014, employees hired after January 1, 2010, will be 25% vested after one year of service, 50% after two years of service, 75% vested after three years of service, and 100% vested after four years of service. UWBA contributed \$247,710 and \$321,093 to the plan for the years ended June 30, 2017 and 2016, respectively.

UWBA instituted a voluntary long-term care insurance program in fiscal year 2013. As a part of that program, UWBA made arrangements to pay 83% of the cost of the long-term premiums for the Chief Executive Officer from March 2013 until her death. The estimated cost of future premiums as of June 30, 2017 and 2016, is \$55,501 and \$59,846, respectively.

United Way of the Bay Area

Notes to Financial Statements

UWBA had a defined benefit early retirement medical benefits plan that covered certain full-time employees who retired as of June 30, 1993. UWBA does not contribute to this plan except to reimburse certain medical and other costs submitted by the Plan's retirees as defined within the agreement. The estimated cost of future medical and other payments as of June 30, 2017 and 2016, is \$44,377 and \$56,883, respectively, and is included in accrued pension costs.

In the fiscal year ended June 30, 2014, UWBA established an eligible deferred compensation plan for a select group of highly compensated employees under Section 457(b) of the Internal Revenue Code. The plan allows pre-tax contributions of the maximum amount allowed by law per year through payroll deduction. At June 30, 2015, three employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire. The balance in the plan as of June 30, 2017 and 2016, is \$101,622 and \$76,923, respectively.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
UWBA community programs	\$ 3,682,062	\$ 2,564,918
Time restricted multi-year gifts	200,000	400,000
Donor Restricted - Sobrato in-kind rent	117,098	-
Endowment activity	<u>1,166,779</u>	<u>754,824</u>
Total	<u>\$ 5,165,939</u>	<u>\$ 3,719,742</u>

NOTE 12 – ENDOWMENT DISCLOSURES

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

- a. The duration and preservation of the fund
- b. The purposes of UWBA and the donor-restricted endowment fund
- c. General economic conditions

United Way of the Bay Area
Notes to Financial Statements

- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of UWBA
- g. The investment policies of UWBA

Spending policy and how the investment objectives relate to spending policy – The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires UWBA to retain as a fund of perpetual duration. As of June 30, 2017 and 2016, there were no deficiencies.

The composition and changes in the endowment net assets as of June 30, 2017 and 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, June 30, 2015	\$ -	\$ 1,130,510	\$ 3,892,375	\$ 5,022,885
Contribution	-	-	1,400	1,400
Investment income	-	72,640	-	72,640
Net depreciation	-	(248,940)	-	(248,940)
Amounts appropriated for expenditure	-	(199,386)	-	(199,386)
Endowment net assets, June 30, 2016	-	754,824	3,893,775	4,648,599
Contribution	-	-	1,300	1,300
Investment income	-	325,142	-	325,142
Net appreciation/depreciation	-	283,719	-	283,719
Amounts appropriated for expenditure	-	(196,906)	-	(196,906)
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 1,166,779</u>	<u>\$ 3,895,075</u>	<u>\$ 5,061,854</u>

NOTE 13 – RELATED-PARTY TRANSACTIONS

UWBA’s volunteer members of the Board of Directors participate in fundraising events, activities, and by making private contributions. UWBA may also have Board members that have other direct transactions with the organization. All related parties of UWBA are annually required to read and sign a conflict of interest policy that covers any relationship with Board members, volunteers, and staff.

United Way of the Bay Area

Notes to Financial Statements

NOTE 14 – LINE OF CREDIT

UWBA maintains a line of credit with a reputable and recognized financial institution. The terms of this agreement call for the pledging of securities and other investments maintained in the financial institution for any and all obligations taken by UWBA under this agreement. The agreement provides for a credit limit of up to \$4,900,000 based on the fair value of the pledged collateral less outstanding loan balances and letters of credit, with interest charged at a rate determined by the lender on a periodic basis. As of June 30, 2017, there was \$2,500,000 outstanding debt for the line of credit and interest expense of \$62,393. As of June 30, 2016, there was \$2,750,000 outstanding debt for the line of credit and interest expense of \$57,468. The existing letter of credit issued to the landlord for \$230,000 is still in place under the same credit limit.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. UWBA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. UWBA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

UWBA has evaluated subsequent events through November 7, 2017, which is the date the financial statements were available to be issued.