

United Way of the Midlands
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2017

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Independent Auditor's Report

Board of Directors
United Way of the Midlands
Omaha, Nebraska

We have audited the accompanying financial statements of United Way of the Midlands, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Omaha, Nebraska
October 16, 2017

United Way of the Midlands
STATEMENT OF FINANCIAL POSITION
As of June 30, 2017
(with comparative totals as of June 30, 2016)

	FY2017	FY2016
ASSETS		
Cash and cash equivalents	\$ 3,161,763	\$ 4,727,740
Cash held for others	513,537	867,010
Contributions receivable - 2016 campaign (less uncollectible allowance of \$711,860)	6,934,599	-
Contributions receivable - 2015 campaign (less uncollectible allowance of \$0 and \$815,123 respectively)	530,344	8,981,600
Contributions receivable - 2014 campaign	-	11,394
Contributions receivable - grants	187,500	170,000
Other assets and prepaid expenses	314,694	352,857
Investments	8,868,088	9,152,235
Beneficial interest in net assets held by the Omaha Community Foundation	2,169,869	2,068,819
Land, building and equipment (net of accumulated depreciation of \$478,673)	1,690,241	1,819,877
Total assets	\$ 24,370,635	\$ 28,151,532
LIABILITIES		
Accounts payable and accrued expenses	\$ 179,839	\$ 173,857
Accrued payroll and related liabilities	312,469	340,745
Refundable advances	174,325	-
Deferred rent	673,607	666,556
Undistributed allocations and designations payable for the prior period campaign	5,666	9,700
Undistributed allocations and designations payable for the current period campaign	13,420,423	14,215,729
Total liabilities	14,766,329	15,406,587
NET ASSETS		
Unrestricted net assets		
Board designated reserves	6,702,307	7,045,157
Quasi endowment	2,465,016	4,892,173
Operating	(4,479,757)	(4,329,534)
Total unrestricted net assets	4,687,566	7,607,796
Temporarily restricted net assets	1,567,696	1,788,105
Permanently restricted net assets	3,349,044	3,349,044
Total net assets	9,604,306	12,744,945
Total liabilities and net assets	\$ 24,370,635	\$ 28,151,532

See accompanying notes and independent auditors' report.

United Way of the Midlands
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017
(With summarized comparative totals for FY2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	FY2017	FY2016
REVENUE AND OTHER SUPPORT					
Contributions and reclassification					
Campaign contributions for the 2016 Fall Campaign					
Contributions received for the current period	\$ 17,741,050	\$ -	\$ -	\$ 17,741,050	\$ 20,674,552
Contributions from Endowment Perpetual Gift Fund	-	-	-	-	(25,681)
Contributions received for the prior period (net assets released from restriction)	621,670	(621,670)	-	-	-
Gross campaign results	18,362,720	(621,670)	-	17,741,050	20,648,871
Less donor designations	(3,245,510)	-	-	(3,245,510)	(2,831,081)
Less allowance for uncollectible pledges	(596,843)	-	-	(596,843)	(751,455)
Total campaign contributions for the current allocation period	14,520,367	(621,670)	-	13,898,697	17,066,335
Other contributions					
Contributions restricted for offsetting campaign expenses	28,000	-	-	28,000	56,000
Contributions for special events and miscellaneous	91,120	-	-	91,120	107,915
Contributed goods and services	93,558	-	-	93,558	93,392
Total other contributions	212,678	-	-	212,678	257,307
Total contributions	14,733,045	(621,670)	-	14,111,375	17,323,642

(Continued)

See accompanying notes and independent auditors' report.

United Way of the Midlands
STATEMENT OF ACTIVITIES - CONTINUED
For the year ended June 30, 2017
(With summarized comparative totals for FY2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	FY2017	FY2016
REVENUE AND OTHER SUPPORT - CONTINUED					
Government grants	\$ 70,610	\$ -	\$ -	\$ 70,610	\$ 65,635
Private grants	96,500	275,000	-	371,500	1,045,389
Investment income	166,123	56,967	-	223,090	268,836
Realized and unrealized gains and (losses) on investments, net	415,835	158,062	-	573,897	(242,070)
Donor designation fees	357,105	-	-	357,105	345,457
Contract fees	201,458	-	-	201,458	209,731
Gain on sale of land, building, and equipment 1805 Harney Street	-	-	-	-	1,196,751
Other income	16,367	-	-	16,367	32,798
Released from restriction	88,768	(88,768)	-	-	-
Total revenues and other support	<u>16,145,811</u>	<u>(220,409)</u>	<u>-</u>	<u>15,925,402</u>	<u>20,246,169</u>
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES					
Allocations and designations to agencies	15,625,172	-	-	15,625,172	15,074,878
Less total designations to agencies	<u>(3,245,510)</u>	<u>-</u>	<u>-</u>	<u>(3,245,510)</u>	<u>(2,831,081)</u>
Total allocations	<u>12,379,662</u>	<u>-</u>	<u>-</u>	<u>12,379,662</u>	<u>12,243,797</u>
Direct community services provided by United Way	<u>3,546,947</u>	<u>-</u>	<u>-</u>	<u>3,546,947</u>	<u>3,504,368</u>
Total allocations and direct community services	<u>15,926,609</u>	<u>-</u>	<u>-</u>	<u>15,926,609</u>	<u>15,748,165</u>
Other functional expenses					
Program services	-	-	-	-	-
Fundraising	2,813,325	-	-	2,813,325	2,701,957
Management and general	326,107	-	-	326,107	534,503
Total other functional expenses	<u>3,139,432</u>	<u>-</u>	<u>-</u>	<u>3,139,432</u>	<u>3,236,460</u>
Total allocations, designations, direct community services and other functional expenses	<u>19,066,041</u>	<u>-</u>	<u>-</u>	<u>19,066,041</u>	<u>18,984,625</u>
CHANGE IN NET ASSETS	(2,920,230)	(220,409)	-	(3,140,639)	1,261,544
NET ASSETS, BEGINNING OF YEAR	<u>7,607,796</u>	<u>1,788,105</u>	<u>3,349,044</u>	<u>12,744,945</u>	<u>11,483,401</u>
NET ASSETS, END OF YEAR	<u><u>\$ 4,687,566</u></u>	<u><u>\$ 1,567,696</u></u>	<u><u>\$ 3,349,044</u></u>	<u><u>\$ 9,604,306</u></u>	<u><u>\$ 12,744,945</u></u>

See accompanying notes and independent auditors' report.

United Way of the Midlands

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017
(With summarized comparative totals for FY2016)

	Program Services			Support Services			Total	
	Community Impact	Other Program Services	Total Program Services	Fundraising	Management and General	Total Support Services	FY2017	FY2016
Allocations and designation to agencies								
Total allocations and designations to agencies	\$ 15,625,172	\$ -	\$ 15,625,172	\$ -	\$ -	\$ -	\$ 15,625,172	\$ 15,074,878
Less total designations to agencies	(3,245,510)	-	(3,245,510)	-	-	-	(3,245,510)	(2,831,081)
Net allocations to agencies	12,379,662	-	12,379,662	-	-	-	12,379,662	12,243,797
Personnel costs								
Salaries	810,770	1,501,404	2,312,174	1,551,457	35,496	1,586,953	3,899,127	3,744,804
Employee benefits	163,299	302,381	465,680	268,820	6,907	275,727	741,407	757,365
Payroll taxes	60,257	109,052	169,309	118,877	2,808	121,685	290,994	260,210
Total personnel costs	1,034,326	1,912,837	2,947,163	1,939,154	45,211	1,984,365	4,931,528	4,762,379
Professional fees	19,239	51,386	70,625	122,962	215,371	338,333	408,958	519,743
Supplies	307	241	548	37,391	20,534	57,925	58,473	57,881
Telephone	2,854	18,265	21,119	7,794	322	8,116	29,235	34,289
Postage and shipping	169	917	1,086	11,379	4,238	15,617	16,703	16,601
Occupancy	55,649	126,782	182,431	125,555	6,285	131,840	314,271	319,321
Equipment leasing and maintenance	8,574	28,216	36,790	20,793	968	21,761	58,551	66,730
Printing, publications, and promotion	3,705	4,812	8,517	230,894	9,528	240,422	248,939	267,116
Travel and transportation	4,379	1,687	6,066	17,725	9,792	27,517	33,583	39,967
Conferences	3,230	20,320	23,550	94,559	3,376	97,935	121,485	175,862
Organizational dues	2,022	4,634	6,656	4,622	227	4,849	11,505	5,392
Awards and grants	1,872	573	2,445	21,248	2,355	23,603	26,048	40,374
Insurance	2,432	15,130	17,562	25,487	275	25,762	43,324	46,964
United Way Worldwide membership fee	35,631	81,641	117,272	81,417	4,003	85,420	202,692	236,791
Miscellaneous	8	18	26	18	1	19	45	-
Depreciation	32,057	73,034	105,091	72,327	3,621	75,948	181,039	151,418
Total non-personnel expenses	172,128	427,656	599,784	874,171	280,896	1,155,067	1,754,851	1,978,449
Total Functional Expenses	\$ 13,586,116	\$ 2,340,493	\$ 15,926,609	\$ 2,813,325	\$ 326,107	\$ 3,139,432	\$ 19,066,041	\$ 18,984,625

See accompanying notes and independent auditors' report.

United Way of the Midlands
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017
(With summarized comparative totals for FY2016)

	<u>FY2017</u>	<u>FY2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,140,639)	\$ 1,261,544
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	181,039	151,418
Gain on sale of building and related assets	-	(1,196,752)
Realized and unrealized (gains) and losses on investments, net	(573,897)	242,070
Change in beneficial interests	61,084	64,586
Change in contributions receivable	1,510,551	(1,318,263)
Change in other assets and prepaid expenses	38,163	(83,020)
Change in accounts payable and accrued expenses	180,307	17,280
Change in accrued payroll and related liabilities	(28,276)	11,907
Change in allowance - tenant improvements	7,051	84,466
Change in undistributed allocations and designations payable for the current period campaign	(799,340)	(999,398)
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,563,957)</u>	<u>(1,764,162)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(51,403)	(1,042,245)
Proceeds from sale of land, building, and equipment	-	2,180,000
Purchase of securities	(5,881,380)	(1,950,582)
Proceeds from sale of securities	6,577,290	1,923,887
NET CASH FROM INVESTING ACTIVITIES	<u>644,507</u>	<u>1,111,060</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,919,450)	(653,102)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,594,750</u>	<u>6,247,852</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,675,300</u>	<u>\$ 5,594,750</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Tenant improvement allowance provided by landlord	\$ -	\$ 582,090
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 3,161,763	\$ 4,727,740
Cash held for others	513,537	867,010
Total cash	<u>\$ 3,675,300</u>	<u>\$ 5,594,750</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of United Way of the Midlands (the Organization).

1. Nature of the Organization

The United Way of the Midlands is a not-for-profit corporation which incorporated in 1923 and is governed by a volunteer Board of Directors.

The mission of United Way of the Midlands is to improve lives by mobilizing the caring power of the Omaha-Council Bluffs-Bellevue community.

The vision of United Way of the Midlands is to engage the passion, energy and resources of community partners and leaders, working together to help underserved vulnerable populations and improve people's lives to strengthen our entire metro area in the long-term.

United Way of the Midlands is a powerful partnership of people and organizations that care about our community's future. United Way of the Midlands recruits those who have the passion, expertise and resources we need to get things done. Together, we create life-changing opportunities in education, financial stability and health, the building blocks of a good life, so our neighbors can grow stronger and remain independent.

The Board of Directors of United Way of the Midlands Foundation (the Foundation) and United Way of the Midlands approved the dissolution of the Foundation on December 9, 2016. United Way of the Midlands was the sole corporate member of the Foundation and upon dissolution, the assets of the Foundation were contributed to United Way of the Midlands at the carrying value that the assets were recorded at on the Foundation. The Foundation's primary focus was to encourage current large donors to convert their contributions into endowed gifts. The Board voted to create an Endowed Committee of UWM's Board of Directors to govern this work. The financial statements contain the financial information of both the United Way of the Midlands and the Foundation for both 2016 and 2017. The dissolution of the Foundation had no impact on financial statement amounts.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation and Accounting

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's 2016 financial statements from which the information was derived.

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified as follows:

- a. Unrestricted net assets include net assets and contributions not subject to donor-imposed stipulations. Unrestricted net assets also include assets designated by the Board for specific purposes.
- b. Temporarily restricted net assets include net assets and contributions subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the statement of activities as net assets released from restrictions.
- c. Permanently restricted net assets include net assets and contributions subject to donor-imposed stipulations that they be maintained permanently by the organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or by law.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Revenue and Other Support

Contributions, including both cash gifts and unconditional promises to give due in future periods, are recognized as revenues in the period received.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same period as the contribution is received are reported as revenues in the unrestricted net asset class.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of assets other than cash or other assets to be used to acquire land and equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statement of cash flows.

5. Contributions Receivable

Contributions receivable primarily consist of amounts pledged by donors as part of the annual fundraising campaign. Provision for uncollectible allowance is computed based upon a 5-year historical average, adjusted by management estimates of current economic factors, and applied to gross campaign contributions, including donor designations.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments and Investment Return

The Organization carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investment securities are recorded as contributions at their estimated fair value at the date of donation. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon existence and nature of any donor or legally imposed restriction.

7. Land, Building, and Equipment

Land, building, and equipment are stated at cost at date of acquisition, or fair value at date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets which cost collectively \$5,000 or more with a useful life of more than one year are capitalized.

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 year ended June 30, 2017.

8. Income Taxes

The United Way of the Midlands is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not identified by the Internal Revenue Service (IRS) as a private foundation. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At June 30, 2017, the Organization had no uncertain tax positions.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Income Taxes - Continued

The Organization's Federal Return of Organization Exempt from Income Tax returns (Form 990) for 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

9. Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks for the Organization which are not reflected in the financial statements.

10. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs are allocated based on the full-time employee equivalent method as prescribed by the United Way Worldwide cost allocation standards.

11. Fair Value of Financial Instruments

The carrying value of all financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. Investments in equity and debt securities are stated at fair value.

12. 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 the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Standards Codification (ASC) 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

--Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

--Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

--Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash equivalents	\$ 274,160	\$ 274,160	\$ -	\$ -
Fixed income	5,105,572	5,105,572	-	-
Equity funds	2,607,140	2,607,140	-	-
Complementary strategies	462,291	462,291	-	-
Real estate funds	418,925	418,925	-	-
Beneficial interest in net assets held by Omaha Community Foundation	<u>2,169,869</u>	<u>-</u>	<u>-</u>	<u>2,169,869</u>
	<u>\$11,037,957</u>	<u>\$ 8,868,088</u>	<u>\$ -</u>	<u>\$ 2,169,869</u>

The Organization uses the following methods and significant assumptions to estimate fair value.

United Way of the Midlands
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 For the year ended June 30, 2017

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Investments: The fair value of cash equivalents, fixed income, equity fund investments, complementary strategies and real estate funds is determined by obtaining quoted market prices on nationally recognized securities exchanges.

Beneficial interest in net assets held by the Omaha Community Foundation: The fair value is determined based on fair value information provided by the Foundation which is based on the Organization’s ownership interest in underlying pools. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial interest in net assets held by the Omaha Community Foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beginning fair value	\$	2,068,819
Total gains or losses (realized/unrealized)		162,135
Purchases (including re-invested net earnings)		31,990
Issuances		-
Distributions		(93,075)
		(93,075)
Ending fair value	\$	2,169,869

Gains and losses (realized and unrealized) on the beneficial interest in net assets held by the Omaha Community Foundation are included in unrestricted net assets for the period and are reported as unrestricted-realized and unrealized net gains/(losses) on investments totals on the statement of activities for the year ended June 30.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE C. INVESTMENTS AND BENEFICIAL INTEREST IN NET ASSETS

The investments of the United Way of the Midlands at June 30 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Net Gain (Loss)</u>
Cash equivalents	\$ 274,160	\$ 274,160	\$ -
Fixed income	5,081,327	5,105,572	24,245
Equity funds	2,099,640	2,607,140	507,500
Complementary strategies	464,058	462,291	(1,767)
Real estate funds	402,336	418,925	16,589
Subtotal	<u>8,321,521</u>	<u>8,868,088</u>	<u>546,567</u>
Beneficial interest in net assets held by the Omaha Community Foundation	<u>1,997,540</u>	<u>2,169,869</u>	<u>172,329</u>
Total	<u><u>\$ 10,319,061</u></u>	<u><u>\$ 11,037,957</u></u>	<u><u>\$ 718,896</u></u>

On December 17, 1998, the Organization entered into an agreement establishing a fund at Omaha Community Foundation. Although ownership and management responsibility of this fund remains with the Omaha Community Foundation, the income will continue to provide perpetual gifts to the United Way of the Midlands' campaign through distributions to the United Way of the Midlands from Omaha Community Foundation. These assets are recognized on the financial statements as "Beneficial interest in the net assets held by the Omaha Community Foundation." As of June 30, 2017, the fair value of these assets is reflected in the statement of financial position.

Shares in pooled investments at Omaha Community Foundation are apportioned to the following net assets classes:

Unrestricted	\$ 1,395,234
Permanently restricted	<u>774,635</u>
Total	<u><u>\$ 2,169,869</u></u>

United Way of the Midlands
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 For the year ended June 30, 2017

NOTE C. INVESTMENTS AND BENEFICIAL INTEREST IN NET ASSETS – CONTINUED

Investment income and fees for the United Way of the Midlands (excluding beneficial interest in net assets held by Omaha Community Foundation) for the year ended June 30 are as follows:

Interest and dividend income	\$ 177,749
Realized gain on investments	304,756
Unrealized gain on investments	107,006
Investment fees	<u>(46,013)</u>
Total investment income (loss) and fees	<u><u>\$ 543,498</u></u>

NOTE D. BUILDING AND EQUIPMENT

Building and equipment consists of the following at June 30:

Building and improvements	\$ 1,281,181
Furniture and equipment	396,004
Computer equipment and software	<u>491,729</u>
Total	2,168,914
Less accumulated depreciation	<u>(478,673)</u>
	<u><u>\$ 1,690,241</u></u>

NOTE E. CONTRIBUTED GOODS AND SERVICES

A number of companies sponsored Loaned Executives who provided approximately 6,680 hours of service to the United Way of the Midlands. Of the approximately 6,680 hours, approximately 3,340 hours were sponsored by \$28,000 of contributions restricted to offsetting campaign expenses and approximately 3,340 hours were contributed as services to the Organization. The value of such contributed services has not been recorded, as these services do not require specialized skills.

Additionally, in 2017 the United Way of the Midlands received contributed marketing, advertising, and professional services with a fair value of \$93,558. That amount is reflected in the statement of activities as contributions and fund-raising expenses within the unrestricted net assets.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE F. DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan for all regular, full-time employees who completed one year of eligibility service. The Organization will match all employee contributions up to 3% and may make discretionary contributions as well. Contribution expense for the year ended June 30 was \$256,115.

NOTE G. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Board Designated Reserve

The United Way of the Midlands holds investments which have been designated by the Board of Directors as a reserve restricted for expenditures which are not funded by annual campaign contributions.

Examples of such expenditures include capital purchases, funding for unbudgeted emergency services, and other miscellaneous unforeseen and/or non-routine expenditures. All expenditures charged to the Board Designated Reserve must be approved by the Board of Directors.

Quasi-Endowment

Quasi-endowment net assets consist of funds designated by the Board of Directors to function as an endowment.

Temporarily Restricted Net Assets

Temporarily restricted net assets are assets primarily from the Fall United Way of the Midlands Campaign, which donors restricted for the following year. Temporarily restricted net assets consist of the following at June 30.

Endowment earnings restricted for specific purposes	\$ 124,557
Funding to offset future direct program expenses	840,741
Contributions for future grant disbursements	602,398
	<u>\$ 1,567,696</u>

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE G. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES –
CONTINUED

Permanently Restricted Net Assets

Permanently restricted net assets consist of investments endowed for which donor restriction stipulates that original gift be maintained permanently. Income derived from the donated assets was restricted to be used as an annual pledge to the campaign.

NOTE H: DEFERRED RENT – TENANT IMPROVEMENT ALLOWANCE

Lease rentals that have escalating rents are recorded as expense on a straight-line basis over the life of the lease. Contingent rent payments, to the extent they exceed minimum payments, are accrued during the periods in which the liability is incurred. Tenant improvement allowance provided by the landlord under the leasing agreement is deferred as a liability and amortized to income as an adjustment to rent expense over the life of the lease.

NOTE I. COMBINED FEDERAL CAMPAIGN

The United Way of the Midlands is the Principal Combined Fund Organization and is responsible for administering the Combined Federal Campaign (CFC), which is a fundraising campaign for federal employees. The cost of administering the campaign is reimbursed to the Organization by CFC. The amount received during 2017 from CFC for administering the 2016 campaign was \$127,175. Contributions received by the Organization are maintained in a separate bank account and are accounted for as funds held for others. The Organization honors all designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

NOTE J. PARTICIPATION PARTNER AGREEMENTS

The United Way of the Midlands has a contractual agreement with the Community Health Charities of Nebraska (CHC) whereby these two agencies would conduct a joint fund-raising campaign in the counties of Douglas, Sarpy, and Pottawattamie. Under the contract, CHC receives 5% of the “adjusted net campaign contributions” as defined by the terms of the agreement.

The United Way of the Midlands has agreed to be a national distributor for certain companies. Payroll deductions are forwarded to the United Way of the Midlands where these funds are distributed on a quarterly basis to all United Way organizations. No administrative fee is charged, however, the short-term income earned on the funds while they

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE J. PARTICIPATION PARTNER AGREEMENTS – CONTINUED

reside in the Organization's accounts is used to offset the cost of providing this service. As of June 30, 2017 \$400,329 was included in cash and cash equivalents and in undistributed funds payable for the current period campaign.

NOTE K. ENDOWMENT FUNDS

The Organization maintains four endowment funds for which the income derived from the funds is restricted to be used as an annual pledge to the campaign or for other specific purposes. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds. The Organization has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of 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 the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds is classified according to donor stipulations, if any.

Absent any donor-imposed restrictions, interest, dividends, and net appreciation (depreciation) 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 NUPMIFA.

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

- 1) the duration and preservation of the endowment fund;
- 2) the purposes of the Organization and the donor-restricted endowment fund;
- 3) general economic conditions;
- 4) the possible effect of inflation or deflation;

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE K. ENDOWMENT FUNDS-CONTINUED

- 5) the expected total return from income and the appreciation of investments;
- 6) other resources of the Organization; and
- 7) the investment policy of the Organization.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy for the assets held by the Omaha Community Foundation of appropriating for distribution each year 4.5% of its endowment fund's market value as of December 31 of the year proceeding the calendar year in which the distribution is planned. This amount is restricted to be utilized as a perpetual gift to the annual United Way of the Midlands campaign drive. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

United Way of the Midlands
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 For the year ended June 30, 2017

NOTE K. ENDOWMENT FUNDS – CONTINUED

Considering the restriction of the trust, which must be maintained in perpetuity, the Organization has a policy for the assets held by the bank under the trust of appropriating for distribution each year 4.5% of its market value as of June 30 of the year proceeding the fiscal year in which the distribution is planned. This amount is restricted to serve those with developmental and intellectual disabilities.

The composition of net assets by type of endowment fund at
 June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 124,557	\$ 3,349,044	\$ 3,473,601
Quasi-endowment	2,465,016	-	-	2,465,016
Total	<u>\$2,465,016</u>	<u>\$ 124,557</u>	<u>\$ 3,349,044</u>	<u>\$ 5,938,617</u>

Changes in
 Endowment Net Assets
 Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 4,892,173	\$ 361,527	\$ 3,349,044	\$ 8,602,744
Investment return	-	215,030	-	215,030
Appropriation of endowment assets for expenditure	(2,427,157)	(452,000)	-	(2,879,157)
Endowment net assets, end of year	<u>\$2,465,016</u>	<u>\$ 124,557</u>	<u>\$ 3,349,044</u>	<u>\$ 5,938,617</u>

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE L. DIRECT COMMUNITY SERVICES

Community Impact

This function is dedicated to encouraging community engagement, mobilization, and sharing a community vision. Activities include building community relationships, promotion of community involvement in priority issues, and advocating for the support of priority services. Additional activities include prioritization and research for initiative development, outcome measure development and assessment, and service implementation through fund distribution, economic development strategies, and agency designation management.

As a direct result of the strategic planning process, United Way's vision, going forward, calls for the organization to engage the passion, energy and resources of community partners and leaders, working together to help underserved vulnerable populations and improve people's lives to strengthen our entire metro area in the long-term.

United Way will be accountable to the community for achieving and communicating results of its own work, that of its partners and grant recipients. It will serve the most vulnerable among us by supporting the local safety net, and take the next critical step – committing to solutions on some of our area's biggest human challenges.

Other Program Services

Information and Referral

When a caller dials 2-1-1, they find easy access to health and human service programs in Nebraska and Iowa. Certified Resource Specialists develop and maintain a computerized comprehensive database of nearly 4,000 health and human service programs. Individuals who need help, often in crisis situations, are connected with the right community resources by Certified Information and Referral Specialists who use the vast database. As well, individuals and groups that want to volunteer to help others can also be linked with local nonprofit groups. The 2-1-1 community resource database is also available on our website, www.ne211.org. The information gathered from both agencies and callers helps to identify gaps in local human services, which can assist local policy makers with future planning efforts. The 2-1-1 Resource Center was available 24 hours a day, 7 days a week, through June 30, 2017. Effective July 1, 2017 the 2-1-1 Resource Center is available Monday to Friday 7 a.m. to 8 p.m. and Saturday from 8 a.m. to 5 p.m.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE L. DIRECT COMMUNITY SERVICES – CONTINUED

Court Referral

Court Referral provides an alternative to incarceration for offenders, both youth and adults, who have been ordered by the judicial system to make retribution to the community through volunteer service. Trained specialists provide placement, monitoring and reporting services to ensure the successful completion of court ordered hours. These individuals are placed in not-for-profit organizations to provide much needed assistance in carrying out each host organization's mission. The individuals gain and enhance marketable social and job skills. The judicial system gains a cost-effective means for managing offenders. The entire community is impacted and receives benefits from this program.

Comprehensive Volunteerism

United Way of the Midlands links prospective volunteers with local nonprofit organizations that need the help. These can be one-time, monthly or more regular volunteer projects that meet the skills and schedule of the volunteering individual or group. Also, volunteer leadership and management skills are developed and implemented through referral, training, recognition and consultation for both program service volunteers and those who wish to serve on policy making boards at local nonprofits. A community volunteer opportunity database is available on the Organization's website.

NOTE M. UNITED WAY WORLDWIDE COST DEDUCTION STANDARDS

United Way of the Midlands has committed to comply with the United Way Worldwide's cost deduction standards, which govern how expenses are recovered from contributions designated to specific agencies or other United Way organizations. United Way of the Midlands has also committed to all of the other United Way Worldwide membership requirements and provides a written compliance certification to the Board of Directors and the United Way Worldwide on an annual basis.

NOTE N. CONCENTRATION OF RISK

The Organization maintains its cash at various financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2017, cash and cash equivalents included \$3,695,102 held in one commercial bank. As of June 30, the uninsured and uncollateralized portion of this balance was \$3,445,102.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE O. RELATED PARTY TRANSACTIONS

Material Related Party Transactions as defined by Accounting Standards Codification (ASC) 850 involving the United Way of the Midlands for year ending June 30 included:

- United Way of the Midlands Board of Director membership includes executives from various organizations. These organizations respectively received payments of \$433,476 for health and dental insurance premiums, and \$64,039 for promotional services.
- The Board of Directors for United Way of the Midlands contributed \$195,100 to the 2016 campaign in fiscal year 2017.

NOTE P. COMMITMENTS

Commitments have been assessed through October XX, 2017, which is the date the financial statements were available to be issued, and management has concluded there were no commitments or transactions that would require recognition or disclosure in the financial statements other than those already disclosed.

NOTE Q. OPERATING LEASES

On May 26, 2015, the United Way of the Midlands entered into a lease for its administrative offices for ten years and 3 months; commencing on September 1, 2015, and ending on November 30, 2025. The lease contains two options to renew for sixty months each.

The future minimum annual rental payments per fiscal year are as follows:

Year ending June 30:

2018	\$312,303
2019	318,512
2020	324,834
2021	331,237
2022	337,867
Thereafter	1,204,793

NOTE R. CONDITIONAL GIFTS

The Organization has received \$212,924 of conditional promises to give as of June 30, 2017. The promises are conditional upon the successful establishment of certain programs.

United Way of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended June 30, 2017

NOTE S. SUBSEQUENT EVENTS

Subsequent events have been assessed through October 16, 2017, which is the date the financial statements were available to be issued, and management has concluded there were no events or transactions that would require recognition or disclosure in the financial statements other than those already disclosed.