

United Way of the Midlands
United Way of the Midlands Foundation
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2016

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Independent Auditor's Report

Board of Directors
United Way of the Midlands and the United Way of the Midlands Foundation
Omaha, Nebraska

We have audited the accompanying consolidating financial statements of United Way of the Midlands and United Way of the Midlands Foundation, which comprise the consolidating statement of financial position as of June 30, 2016 and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Midlands and United Way of the Midlands Foundation as of June 30, 2016, 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 Consolidating Comparative Information

The 2015 financial statements were audited by other auditors and their report thereon, dated September 25, 2015, expressed an unmodified opinion. In our opinion, the summarized consolidating comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the consolidating audited financial statements from which it has been derived.

BKD, LLP

Omaha, Nebraska
October 3, 2016

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2016
(With summarized comparative totals as of FY2015)

	United Way of the Midlands	United Way of the Midlands Foundation	Eliminating Entries	Consolidated Totals	
	United Way of the Midlands	United Way of the Midlands Foundation	Eliminating Entries	FY2016	FY2015
ASSETS					
Cash and cash equivalents	\$ 2,396,237	\$ 2,331,503	\$ -	\$ 4,727,740	\$ 5,469,392
Cash held for others	867,010	-	-	867,010	778,460
Contributions receivable - future campaigns	-	-	-	-	10,000
Contributions receivable - 2015 campaign (less uncollectible allowance of \$815,123)	8,981,600	-	-	8,981,600	-
Contributions receivable - 2014 campaign	11,394	-	-	11,394	7,834,731
Contributions receivable - grants	170,000	-	-	170,000	-
Other assets and prepaid expenses	231,871	120,986	-	352,857	269,837
Investments	5,058,462	4,093,773	-	9,152,235	9,342,979
Beneficial interest in net assets held by the Omaha Community Foundation	-	2,068,819	-	2,068,819	2,158,036
Beneficial interest in net assets of the United Way of the Midlands Foundation	8,602,744	-	(8,602,744)	-	-
Land, building and equipment (net of accumulated depreciation of \$297,634)	1,819,877	-	-	1,819,877	324,895
Land, building and equipment available for sale	-	-	-	-	1,005,313
Total assets	<u>\$ 28,139,195</u>	<u>\$ 8,615,081</u>	<u>\$ (8,602,744)</u>	<u>\$ 28,151,532</u>	<u>\$ 27,193,643</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 173,857	\$ -	\$ -	\$ 173,857	\$ 156,577
Accrued payroll and related liabilities	340,745	-	-	340,745	328,838
Intercompany	(12,337)	12,337	-	-	-
Deferred rent	666,556	-	-	666,556	-
Undistributed allocations and designations payable for the prior period campaign	9,700	-	-	9,700	-
Undistributed allocations and designations payable for the current period campaign	14,215,729	-	-	14,215,729	15,224,827
Total liabilities	<u>15,394,250</u>	<u>12,337</u>	<u>-</u>	<u>15,406,587</u>	<u>15,710,242</u>
NET ASSETS					
Unrestricted net assets					
Board designated reserves	7,045,157	-	-	7,045,157	8,118,589
Quasi endowment	4,892,173	4,892,173	(4,892,173)	4,892,173	3,524,654
Operating	(4,329,534)	-	-	(4,329,534)	(4,149,558)
Total unrestricted net assets	<u>7,607,796</u>	<u>4,892,173</u>	<u>(4,892,173)</u>	<u>7,607,796</u>	<u>7,493,685</u>
Temporarily restricted net assets	1,788,105	361,527	(361,527)	1,788,105	640,672
Permanently restricted net assets	3,349,044	3,349,044	(3,349,044)	3,349,044	3,349,044
Total net assets	<u>12,744,945</u>	<u>8,602,744</u>	<u>(8,602,744)</u>	<u>12,744,945</u>	<u>11,483,401</u>
Total liabilities and net assets	<u>\$ 28,139,195</u>	<u>\$ 8,615,081</u>	<u>\$ (8,602,744)</u>	<u>\$ 28,151,532</u>	<u>\$ 27,193,643</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With summarized comparative totals for FY2015)

	United Way of the Midlands				United Way of the Midlands Foundation				Eliminating Entries Unrestricted	Eliminating Entries Temporarily Restricted	Eliminating Entries Permanently Restricted	Consolidated			Consolidated	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total				Unrestricted	Temporarily Restricted	Permanently Restricted	FY2016	FY2015
REVENUE AND OTHER SUPPORT																
Contributions and reclassification																
Campaign contributions for the 2015 Fall Campaign																
Contributions received for the current period	\$ 20,033,674	\$ 723,788	\$ -	\$ 20,757,462	\$ 21,500	\$ -	\$ -	\$ 21,500	\$ (104,410)	\$ -	\$ -	\$ 19,950,764	\$ 723,788	\$ -	\$ 20,674,552	\$ 21,386,047
Contributions from Endowment Perpetual Gift Fund	(13,344)	118,000	-	104,656	(12,337)	-	-	(12,337)	-	(118,000)	-	(25,681)	-	-	(25,681)	-
Contributions received for the prior period (net assets released from restriction)	179,877	(179,877)	-	-	-	-	-	-	-	-	-	179,877	(179,877)	-	-	-
Gross campaign results	20,200,207	661,911	-	20,862,118	9,163	-	-	9,163	(104,410)	(118,000)	-	20,104,960	543,911	-	20,648,871	21,386,047
Less donor designations	(2,831,081)	-	-	(2,831,081)	-	-	-	-	-	-	-	(2,831,081)	-	-	(2,831,081)	(4,190,472)
Less allowance for uncollectible pledges	(751,455)	-	-	(751,455)	-	-	-	-	-	-	-	(751,455)	-	-	(751,455)	(1,029,833)
Total campaign contributions for the current allocation period	16,617,671	661,911	-	17,279,582	9,163	-	-	9,163	(104,410)	(118,000)	-	16,522,424	543,911	-	17,066,335	16,165,742
Campaign contributions applicable to the prior year campaign																
Contributions received to date	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions from "Endowment Perpetual Gift Fund"	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less donor designations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collection on pledges in excess of allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	681,925
Total campaign contributions applicable to the next allocation period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	681,925
Total campaign contributions	16,617,671	661,911	-	17,279,582	9,163	-	-	9,163	(104,410)	(118,000)	-	16,522,424	543,911	-	17,066,335	16,847,667
Other contributions																
Contributions applicable to upcoming fall campaign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,877
Contributions restricted for offsetting campaign expenses	63,000	(7,000)	-	56,000	-	-	-	-	-	-	-	63,000	(7,000)	-	56,000	42,000
Contributions to the endowment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139,542
Contributions for executive search process	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,000
Contributions for special events and miscellaneous	107,915	-	-	107,915	-	-	-	-	-	-	-	107,915	-	-	107,915	12,720
Contributions for community initiatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions for community initiatives released from restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed goods and services	93,392	-	-	93,392	-	-	-	-	-	-	-	93,392	-	-	93,392	98,020
Total other contributions	264,307	(7,000)	-	257,307	-	-	-	-	-	-	-	264,307	(7,000)	-	257,307	417,159
Total contributions	16,881,978	654,911	-	17,536,889	9,163	-	-	9,163	(104,410)	(118,000)	-	16,786,731	536,911	-	17,323,642	17,264,826

See accompanying notes and independent auditors' report.
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(Continued)

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED
For the year ended June 30, 2016
(With summarized comparative totals for FY2015)

	United Way of the Midlands				United Way of the Midlands Foundation				Eliminating Entries	Eliminating Entries	Eliminating Entries	Consolidated			Consolidated	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total				Unrestricted	Temporarily Restricted	Permanently Restricted	FY2016	FY2015
REVENUE AND OTHER SUPPORT - CONTINUED																
Government grants	\$ 65,635	\$ -	\$ -	\$ 65,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,635	\$ -	\$ -	\$ 65,635	\$ 50,613
Private grants	599,266	446,123	-	1,045,389	-	-	-	-	-	-	-	599,266	446,123	-	1,045,389	647,947
Investment income	114,711	-	-	114,711	87,437	66,688	-	154,125	-	-	-	202,148	66,688	-	268,836	174,565
Investment income - Board restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,317
Realized and unrealized gains and (losses) on investments, net	(79,589)	-	-	(79,589)	(68,940)	(93,541)	-	(162,481)	-	-	-	(148,529)	(93,541)	-	(242,070)	(80,179)
Donor designation fees	345,457	-	-	345,457	-	-	-	-	-	-	-	345,457	-	-	345,457	369,504
Changes in beneficial interest in net assets held by the United Way of the Midlands Foundation	1,367,519	361,527	-	1,729,046	-	-	-	-	(1,367,519)	(361,527)	-	-	-	-	-	-
Contract fees	209,731	-	-	209,731	-	-	-	-	-	-	-	209,731	-	-	209,731	245,242
Gain on sale of land, building, and equipment 1805 Harney building / Allocation to UWMF	1,196,751	-	-	1,196,751	-	-	-	-	-	-	-	1,196,751	-	-	1,196,751	-
Transfer of sale proceeds	(2,090,537)	-	-	(2,090,537)	2,090,537	-	-	2,090,537	-	-	-	-	-	-	-	-
Other income	17,438	-	-	17,438	15,360	-	-	15,360	-	-	-	32,798	-	-	32,798	51,683
Change in classification of net assets	-	-	-	-	(506,380)	506,380	-	-	-	-	-	(506,380)	506,380	-	-	-
Released from restriction	315,128	(315,128)	-	-	118,000	(118,000)	-	-	(118,000)	118,000	-	315,128	(315,128)	-	-	-
Total revenues and other support	18,943,488	1,147,433	-	20,090,921	1,745,177	361,527	-	2,106,704	(1,589,929)	(361,527)	-	19,098,736	1,147,433	-	20,246,169	18,824,518
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES																
Allocations and designations to agencies	15,074,878	-	-	15,074,878	-	-	-	-	-	-	-	15,074,878	-	-	15,074,878	17,402,096
Less total designations to agencies	(2,831,081)	-	-	(2,831,081)	-	-	-	-	-	-	-	(2,831,081)	-	-	(2,831,081)	(4,190,473)
Total allocations	12,243,797	-	-	12,243,797	-	-	-	-	-	-	-	12,243,797	-	-	12,243,797	13,211,623
Direct community services provided by United Way	3,504,368	-	-	3,504,368	-	-	-	-	-	-	-	3,504,368	-	-	3,504,368	2,909,444
Total allocations and direct community services	15,748,165	-	-	15,748,165	-	-	-	-	-	-	-	15,748,165	-	-	15,748,165	16,121,067
Other functional expenses																
Program services	-	-	-	-	222,410	-	-	222,410	(222,410)	-	-	-	-	-	-	-
Fundraising	2,546,709	-	-	2,546,709	155,248	-	-	155,248	-	-	-	2,701,957	-	-	2,701,957	2,216,766
Management and general	534,503	-	-	534,503	-	-	-	-	-	-	-	534,503	-	-	534,503	801,660
Total other functional expenses	3,081,212	-	-	3,081,212	377,658	-	-	377,658	(222,410)	-	-	3,236,460	-	-	3,236,460	3,018,426
Total allocations, designations, direct community services and other functional expenses	18,829,377	-	-	18,829,377	377,658	-	-	377,658	(222,410)	-	-	18,984,625	-	-	18,984,625	19,139,493
CHANGE IN NET ASSETS	114,111	1,147,433	-	1,261,544	1,367,519	361,527	-	1,729,046	(1,367,519)	(361,527)	-	114,111	1,147,433	-	1,261,544	(314,975)
NET ASSETS, BEGINNING OF YEAR	7,493,685	640,672	3,349,044	11,483,401	3,524,654	-	3,349,044	6,873,698	(3,524,654)	-	(3,349,044)	7,493,685	640,672	3,349,044	11,483,401	11,798,376
NET ASSETS, END OF YEAR	\$ 7,607,796	\$ 1,788,105	\$ 3,349,044	\$ 12,744,945	\$ 4,892,173	\$ 361,527	\$ 3,349,044	\$ 8,602,744	\$ (4,892,173)	\$ (361,527)	\$ (3,349,044)	\$ 7,607,796	\$ 1,788,105	\$ 3,349,044	\$ 12,744,945	\$ 11,483,401

See accompanying notes and independent auditors' report.

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With summarized comparative totals for FY2015)

	United Way of the Midlands						
	Program Services			Support Services			
	Community Impact	Other Program Services	Total Program Services	Fundraising	Management and General	Total Support Services	Program and Support Total
Allocations and designation to agencies							
Total allocations and designations to agencies	\$ 15,074,878	\$ -	\$ 15,074,878	\$ -	\$ -	\$ -	\$ 15,074,878
Less total designations to agencies	(2,831,081)	-	(2,831,081)	-	-	-	(2,831,081)
Net allocations to agencies	12,243,797	-	12,243,797	-	-	-	12,243,797
Personnel costs							
Salaries	450,812	1,774,122	2,224,934	1,376,659	69,670	1,446,329	3,671,263
Employee benefits	113,323	349,786	463,109	271,422	13,736	285,158	748,267
Payroll taxes	31,849	122,865	154,714	95,339	4,825	100,164	254,878
Total personnel costs	595,984	2,246,773	2,842,757	1,743,420	88,231	1,831,651	4,674,408
Professional fees	47,185	21,313	68,498	42,464	364,822	407,286	475,784
Supplies	3,584	245	3,829	30,805	23,222	54,027	57,856
Telephone	12,443	12,390	24,833	9,042	414	9,456	34,289
Postage and shipping	834	796	1,630	10,487	4,435	14,922	16,552
Occupancy	49,536	131,915	181,451	131,840	6,030	137,870	319,321
Equipment leasing and maintenance	10,127	26,969	37,096	26,953	1,233	28,186	65,282
Printing, publications, and promotion	18,158	6,164	24,322	227,805	14,920	242,725	267,047
Travel and transportation	3,158	6,853	10,011	18,367	10,292	28,659	38,670
Conferences	54,379	15,751	70,130	98,070	7,451	105,521	175,651
Organizational dues	900	600	1,500	1,867	2,025	3,892	5,392
Awards and grants	859	1,534	2,393	34,174	3,588	37,762	40,155
Insurance	4,183	11,139	15,322	11,133	509	11,642	26,964
United Way Worldwide membership fee	36,733	97,821	134,554	97,765	4,472	102,237	236,791
Miscellaneous	-	-	-	-	-	-	-
Depreciation	23,489	62,553	86,042	62,517	2,859	65,376	151,418
Transfer to United Way of the Midlands	-	-	-	-	-	-	-
Total non-personnel expenses	265,568	396,043	661,611	803,289	446,272	1,249,561	1,911,172
 Total Functional Expenses	 \$ 13,105,349	 \$ 2,642,816	 \$ 15,748,165	 \$ 2,546,709	 \$ 534,503	 \$ 3,081,212	 \$ 18,829,377

See accompanying notes and independent auditors' report.

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With summarized comparative totals for FY2015)

	United Way of the Midlands Foundation			Eliminating Entries	Consolidated Totals	
	Program Services	Fundraising	Total		FY2016	FY2015
Allocations and designation to agencies						
Total allocations and designations to agencies	\$ -	\$ -	\$ -	\$ -	\$ 15,074,878	\$ 17,402,096
Less total designations to agencies	-	-	-	-	(2,831,081)	(4,190,473)
Net allocations to agencies	-	-	-	-	12,243,797	13,211,623
Personnel costs						
Salaries	-	73,541	73,541	-	3,744,804	3,365,597
Employee benefits	-	9,098	9,098	-	757,365	642,445
Payroll taxes	-	5,332	5,332	-	260,210	259,661
Total personnel costs	-	87,971	87,971	-	4,762,379	4,267,703
Professional fees	-	43,959	43,959	-	519,743	445,671
Supplies	-	25	25	-	57,881	43,579
Telephone	-	-	-	-	34,289	51,456
Postage and shipping	-	49	49	-	16,601	17,379
Occupancy	-	-	-	-	319,321	121,798
Equipment leasing and maintenance	-	1,448	1,448	-	66,730	143,106
Printing, publications, and promotion	-	69	69	-	267,116	289,316
Travel and transportation	-	1,297	1,297	-	39,967	49,983
Conferences	-	211	211	-	175,862	69,123
Organizational dues	-	-	-	-	5,392	12,140
Awards and grants	-	219	219	-	40,374	41,087
Insurance	-	20,000	20,000	-	46,964	44,254
United Way Worldwide membership fee	-	-	-	-	236,791	222,313
Miscellaneous	-	-	-	-	-	874
Depreciation	-	-	-	-	151,418	108,088
Transfer to United Way of the Midlands	222,410	-	222,410	(222,410)	-	-
Total non-personnel expenses	222,410	67,277	289,687	(222,410)	1,978,449	1,660,167
Total Functional Expenses	<u>\$ 222,410</u>	<u>\$ 155,248</u>	<u>\$ 377,658</u>	<u>\$ (222,410)</u>	<u>\$ 18,984,625</u>	<u>\$ 19,139,493</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands and the United Way of the Midlands Foundation
CONSOLIDATING STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With summarized comparative totals for FY2015)

	United Way of the Midlands	United Way of the Midlands Foundation	Eliminating Entries	Consolidated Totals	
				FY2016	FY2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 1,261,544	\$ 1,729,046	\$ (1,729,046)	\$ 1,261,544	\$ (314,975)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities					
Depreciation	151,418	-	-	151,418	108,088
Gain on sale of building and related assets	(1,196,752)	-	-	(1,196,752)	-
Realized and unrealized gains and losses on investments, net	79,589	162,481	-	242,070	80,179
Change in beneficial interests	(1,729,046)	64,586	1,729,046	64,586	-
Change in contributions receivable	(1,318,263)	-	-	(1,318,263)	(1,131,930)
Change in other assets and prepaid expenses	(68,006)	(15,014)	-	(83,020)	(67,895)
Change in accounts payable and accrued expenses	17,280	-	-	17,280	23,952
Change in accrued payroll and related liabilities	11,907	-	-	11,907	85,874
Change in refundable advance	-	-	-	-	(200,000)
Change in due to/from	(12,337)	12,337	-	-	-
Change in allowance - tenant improvements	84,466	-	-	84,466	-
Change in undistributed allocations and designations payable for the current period campaign	(999,398)	-	-	(999,398)	62,825
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	<u>(3,717,598)</u>	<u>1,953,436</u>	<u>-</u>	<u>(1,764,162)</u>	<u>(1,353,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	(1,042,245)	-	-	(1,042,245)	(331,020)
Proceeds from sale of land, building, and equipment	2,180,000	-	-	2,180,000	-
Purchase of securities	(1,022,451)	(928,131)	-	(1,950,582)	(2,409,023)
Proceeds from sale of securities	957,587	966,300	-	1,923,887	2,422,604
NET CASH FROM INVESTING ACTIVITIES	<u>1,072,891</u>	<u>38,169</u>	<u>-</u>	<u>1,111,060</u>	<u>(317,439)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,644,707)	1,991,605	-	(653,102)	(1,671,321)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,907,954</u>	<u>339,898</u>	<u>-</u>	<u>6,247,852</u>	<u>7,919,173</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,263,247</u>	<u>\$ 2,331,503</u>	<u>\$ -</u>	<u>\$ 5,594,750</u>	<u>\$ 6,247,852</u>
SUPPLEMENTAL CASH FLOWS INFORMATION					
Tenant improvement allowance provided by landlord	\$ 582,090	\$ -	\$ -	\$ 582,090	\$ -
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION					
Cash and cash equivalents	2,396,237	2,331,503	-	4,727,740	5,469,392
Cash held for others	867,010	-	-	867,010	778,460
Total cash	<u>\$ 3,263,247</u>	<u>\$ 2,331,503</u>	<u>\$ -</u>	<u>\$ 5,594,750</u>	<u>\$ 6,247,852</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Nature of the Organizations

a. The United Way of the Midlands

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.

b. The United Way of the Midlands Foundation

The United Way of the Midlands Foundation is a not-for-profit corporation, incorporated in 2003, created solely and exclusively to support and benefit the United Way of the Midlands by raising assets to create sufficient earnings to: 1) fund both its direct and indirect costs as approved by the United Way of the Midlands Foundation Board of Directors in the annual operating budget; 2) to increase campaign dollars and/or offset operating costs for the United Way of the Midlands; 3) to provide flexibility in current program support; and 4) to provide future capacity as the United Way of the Midlands addresses changing human care needs in the community.

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Nature of the Organizations – Continued

b. The United Way of the Midlands Foundation - Continued

The United Way of the Midlands Board of Directors approves the election of all members of the United Way of the Midlands Foundation Board, who are volunteers and are nominated by the United Way of the Midlands Foundation Board Development Committee.

Any amendments made to the United Way of the Midlands Foundation Articles of Incorporation must be approved by both the United Way of the Midlands and the United Way of the Midlands Foundation Boards of Directors.

2. Basis of Presentation and Accounting

The consolidating financial statements include the accounts of the United Way of the Midlands and the United Way of the Midlands Foundation. All significant inter-company balances and transactions were eliminated.

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 2015 financial statements from which the information was derived.

The consolidating 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:

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation and Accounting – Continued

- a. Unrestricted net assets include net assets and contributions not subject to donor-imposed stipulations. Unrestricted net assets also include assets designated by the Boards 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.

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 assets.

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Revenue and Other Support – Continued

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, including donor designations.

6. Investments and Investment Return

The Organization carries their 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. Other investments are valued at the lower of cost or fair value. 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.

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$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, 2016.

8. Income Taxes

The United Way of the Midlands and the United Way of the Midlands Foundation are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. They are not identified by the Internal Revenue Service as private foundations. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At June 30, 2016, the Organization had no uncertain tax positions.

The Organization's Federal Return of Organization Exempt from Income Tax returns (Form 990) for 2013, 2014, and 2015 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.

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

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	\$ 301,580	\$ 301,580	\$ -	\$ -
Fixed income	4,268,057	4,268,057	-	-
Equity funds	3,443,261	3,443,261	-	-
Complementary strategies	501,899	501,899	-	-
Real estate funds	637,438	637,438	-	-
Beneficial interest in net assets held by Omaha Community Foundation	<u>2,068,819</u>	<u>-</u>	<u>-</u>	<u>2,068,819</u>
	<u>\$11,221,054</u>	<u>\$ 9,152,235</u>	<u>\$ -</u>	<u>\$ 2,068,819</u>

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

Investments: The fair value of cash equivalent, 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. The Senior Director of Finance is responsible for obtaining the investment balances from Omaha Community Foundation and determining the balances are reasonable and complete.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE B. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

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	\$ 2,158,036
Total gains or losses (realized/unrealized)	(24,631)
Purchases (including re-invested net earnings)	30,537
Issuances	-
Distributions	<u>(95,123)</u>
Ending fair value	<u>\$ 2,068,819</u>

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 in the investment income – unrestricted and net gains/(losses) on investments totals on the consolidating statement of activities for the year ended June 30.

NOTE C. INVESTMENTS AND BENEFICIAL INTEREST IN NET ASSETS

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

	Cost	Fair Value	Unrealized Net Gain(Loss)
Cash equivalents	\$ 164,746	\$ 164,746	\$ -
Fixed income	3,077,690	3,067,067	(10,623)
Equity funds	1,311,619	1,441,066	129,447
Complementary strategies	168,928	162,930	(5,998)
Real estate funds	<u>190,384</u>	<u>222,653</u>	<u>32,269</u>
Total	<u>\$ 4,913,367</u>	<u>\$ 5,058,462</u>	<u>\$ 145,095</u>

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

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

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

	Cost	Fair Value	Unrealized Net Gain(Loss)
Cash equivalents	\$ 136,834	\$ 136,834	\$ -
Fixed income	1,185,007	1,200,990	15,983
Equity funds	1,766,630	2,002,195	235,565
Complementary strategies	350,214	338,969	(11,245)
Real estate funds	367,284	414,785	47,501
Subtotal	<u>3,805,969</u>	<u>4,093,773</u>	<u>287,804</u>
Beneficial interest in net assets held by the Omaha Community Foundation	<u>1,997,540</u>	<u>2,068,819</u>	<u>71,279</u>
Total	<u>\$ 5,803,509</u>	<u>\$ 6,162,592</u>	<u>\$ 359,083</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 United Way of the Midlands Foundation’s financial statements as “Beneficial interest in the net assets held by the Omaha Community Foundation.” As of June 30, 2016, the fair value of these assets is reflected in the consolidating statement of financial position.

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

Unrestricted	\$ 1,294,184
Permanently restricted	<u>774,635</u>
Total	<u>\$ 2,068,819</u>

United Way of the Midlands
and the United Way of the Midlands Foundation
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

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

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

	United Way of the Midlands	United Way of the Midlands Foundation	Total
Interest and dividend income	\$ 114,711	\$ 110,588	\$ 225,299
Realized loss on investments	(244)	(811)	(1,055)
Unrealized loss on investments	(79,345)	(137,039)	(216,384)
Investment fees	(26,084)	(21,470)	(47,554)
Total investment income (loss) and fees	<u>\$ 9,038</u>	<u>\$ (48,732)</u>	<u>\$ (39,694)</u>

NOTE D. BUILDING AND EQUIPMENT

Building and equipment consists of the following at June 30:

Building and improvements	\$ 1,276,531
Furniture and equipment	381,352
Computer equipment and software	459,629
Total	<u>2,117,512</u>
Less accumulated depreciation	<u>(297,635)</u>
	<u>\$ 1,819,877</u>

NOTE E. CONTRIBUTED GOODS AND SERVICES

A number of companies sponsored Loaned Executives who provided approximately 7,100 hours of service to the United Way of the Midlands. Of the approximately 7,100 hours, approximately 4,100 hours were sponsored by \$56,000 of contributions restricted to offsetting campaign expenses and approximately 2,950 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.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE E. CONTRIBUTED GOODS AND SERVICES – CONTINUED

Additionally, in 2016 the United Way of the Midlands received contributed marketing, advertising, and professional services with a fair value of \$93,392. That amount is reflected in the consolidating statement of activities as contributions and fund-raising expenses within the unrestricted net assets.

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 \$254,756.

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 the unrestricted portion of United Way of the Midlands Foundation net assets.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

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

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	\$ 361,527
Funding to offset future direct program expenses	1,169,912
Contributions from Foundation for future grant disbursements	256,666
Contributions pledged for future annual campaign drives	<u>-</u>
	<u>\$ 1,788,105</u>

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. OTHER INCOME

Sources of other income for the year ended June 30:

Interest received on bank accounts	\$ 6,522
Miscellaneous	10,916
Gain from sale of land, building, and equipment (a)	<u>1,196,751</u>
	<u>\$ 1,214,189</u>

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.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE I. COMBINED FEDERAL CAMPAIGN

The United Way of the Midlands is the Principal Combined Fund Organization and is responsible for administrating the Combined Federal Campaign (CFC), which is a fundraising campaign for federal employees. The cost of administrating the campaign is reimbursed to the Organization by CFC. The amount received during 2016 from CFC for administrating the 2015 campaign was \$120,300. 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 reside in the Organization’s accounts is used to offset the cost of providing this service. As of June 30, 2016 \$390,802 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 fund 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

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE K. ENDOWMENT FUNDS – CONTINUED

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;
- 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, approved by the United Way of the Midlands Foundation Board of Directors, 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.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE K. ENDOWMENT FUNDS – CONTINUED

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. The unrestricted income from these assets is utilized only to fund the direct costs of the United Way of the Midlands Foundation. 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.

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.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE L. DIRECT COMMUNITY SERVICES

The composition of net assets by type of endowment fund at
June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ -	\$ 361,527	\$ 3,349,044	\$ 3,710,571
Quasi-endowment	4,892,173	-	-	4,892,173
Total	<u>\$4,892,173</u>	<u>\$ 361,527</u>	<u>\$ 3,349,044</u>	<u>\$ 8,602,744</u>

Changes in
Endowment Net Assets
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,524,653	\$ -	\$ 3,349,044	\$ 6,873,697
Reclassification of net assets	(506,380)	506,380	-	-
Investment return	18,497	(26,853)	-	(8,356)
Appropriation of endowment assets for expenditure	(271,995)	(118,000)	-	(389,995)
New contribution	2,127,398	-	-	2,127,398
Endowment net assets, end of year	<u>\$4,892,173</u>	<u>\$ 361,527</u>	<u>\$ 3,349,044</u>	<u>\$ 8,602,744</u>

During 2016, management determined that certain undistributed earnings on permanently restricted trust funds should have been classified as temporarily restricted net assets. These amounts are shown as reclassifications of net assets in the above table and on the statement of activities.

United Way of the Midlands
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
For the for the year ended June 30, 2016

NOTE L. DIRECT COMMUNITY SERVICES – CONTINUED

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 is available 24 hours a day, 7 days a week.

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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
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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, 2016, cash and cash equivalents included \$5,797,692 held in one commercial bank. As of June 30, the uninsured and uncollateralized portion of this balance was \$5,547,692.

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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
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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 \$462,512 for health and dental insurance premiums, \$468,376 for remodel and leasehold improvements of leased space and \$64,077 for promotional services. One of the organizations also received additional compensation of \$582,090 for remodel and leasehold improvements which was paid by the landlord.
- The board of directors for United Way of the Midlands contributed \$109,978 to the 2015 campaign in fiscal year 2016.

NOTE P. COMMITMENTS

Commitments have been assessed through October 3, 2016, 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:

2017	\$ 306,175
2018	312,303
2019	318,512
2020	324,834
2021	331,237
Thereafter	1,542,660

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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS – CONTINUED
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NOTE R. SUBSEQUENT EVENTS

Subsequent events have been assessed through October 3, 2016, 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.