



Report of Independent Auditors and
Financial Statements



United Way of the Bay Area
June 30, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
United Way of the Bay Area

Report on Financial Statements

We have audited the accompanying financial statements of United Way of the Bay Area ("UWBA"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Bay Area as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



San Francisco, California
October 31, 2016

FINANCIAL STATEMENTS

UNITED WAY OF THE BAY AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 848,161	\$ 1,333,333
Pledges receivable, net of discount and provision for uncollectible pledges of \$505,000 and \$555,000 at June 30, 2016 and 2015, respectively	6,677,780	5,854,722
Grants receivable, net of discount	2,631,512	3,076,239
Investments	10,775,373	11,167,572
Prepays and other receivables	291,227	250,148
Furniture, equipment, and leasehold improvements, net	<u>680,163</u>	<u>815,259</u>
Total assets	<u>\$ 21,904,216</u>	<u>\$ 22,497,273</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Operating payables and accruals	\$ 1,113,442	\$ 1,326,483
Donor designations and allocations payable	2,693,376	2,748,193
Line of credit	2,750,000	2,753,932
Accrued vacation and related costs	377,148	335,685
Deferred rent	689,661	706,129
Liabilities to beneficiaries from split interest agreements	21,804	24,370
Accrued pension costs	<u>5,778,144</u>	<u>3,193,866</u>
Total liabilities	<u>13,423,575</u>	<u>11,088,658</u>
NET ASSETS		
Unrestricted		
Undesignated	8,730,329	9,802,489
Board designated	804,309	984,579
Pension liability in excess of intangible pension assets	<u>(8,667,514)</u>	<u>(6,097,625)</u>
Total unrestricted net assets	867,124	4,689,443
Temporarily restricted	3,719,742	2,826,797
Permanently restricted	<u>3,893,775</u>	<u>3,892,375</u>
Total net assets	<u>8,480,641</u>	<u>11,408,615</u>
Total liabilities and net assets	<u>\$ 21,904,216</u>	<u>\$ 22,497,273</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2016

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

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public support:				
Gross campaign results	\$ 27,395,611	\$ 1,917,942	\$ 1,400	\$ 29,314,953
Less donor designations	<u>(22,548,748)</u>	-	-	<u>(22,548,748)</u>
Campaign revenue	4,846,863	1,917,942	1,400	6,766,205
Less provision for uncollectible pledges	<u>(555,000)</u>	-	-	<u>(555,000)</u>
Net campaign revenue	4,291,863	1,917,942	1,400	6,211,205
Grants	397,639	3,696,181	-	4,093,820
Miscellaneous contributions	1,785,554	134,837	-	1,920,391
Planned giving	54,122	2,604	-	56,726
Net assets released from restrictions	<u>6,567,510</u>	<u>(6,567,510)</u>	-	<u>-</u>
Total public support	13,096,688	(815,946)	1,400	12,282,142
Service fees and earned income	248,248	20,000	-	268,248
Investment income, net	129,070	81,553	-	210,623
Net realized and unrealized loss on investments	(160,256)	(120,990)	-	(281,246)
Other income	<u>8,836</u>	<u>50,173</u>	-	<u>59,009</u>
Total public support and revenue	<u>13,322,586</u>	<u>(785,210)</u>	<u>1,400</u>	<u>12,538,776</u>
ALLOCATIONS AND EXPENSES				
Program services:				
Gross funds awarded/allocated to agencies	18,843,061	-	-	18,843,061
2-1-1 initiative	946,533	-	-	946,533
Economic success	4,765,045	-	-	4,765,045
Other community services	3,902,892	-	-	3,902,892
Education	492,841	-	-	492,841
Jobs+	1,869,348	-	-	1,869,348
Donor designations	<u>(22,548,748)</u>	-	-	<u>(22,548,748)</u>
Total program services	<u>8,270,972</u>	<u>-</u>	<u>-</u>	<u>8,270,972</u>
Support services:				
Management and general	3,550,910	-	-	3,550,910
Fundraising	<u>2,861,440</u>	-	-	<u>2,861,440</u>
Total support services	<u>6,412,350</u>	<u>-</u>	<u>-</u>	<u>6,412,350</u>
Total allocations and expenses	<u>14,683,322</u>	<u>-</u>	<u>-</u>	<u>14,683,322</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(1,360,736)	(785,210)	1,400	(2,144,546)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	<u>(1,609,515)</u>	-	-	<u>(1,609,515)</u>
CHANGE IN NET ASSETS	(2,970,251)	(785,210)	1,400	(3,754,061)
NET ASSETS, beginning of year	<u>7,659,694</u>	<u>3,612,007</u>	<u>3,890,975</u>	<u>15,162,676</u>
NET ASSETS, end of year	<u>\$ 4,689,443</u>	<u>\$ 2,826,797</u>	<u>\$ 3,892,375</u>	<u>\$ 11,408,615</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

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

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services							Support Services				Total
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Education	Jobs+	Other Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	
ALLOCATIONS AND EXPENSES												
Salaries	\$ -	\$ 307,318	\$ 829,772	\$ 89,792	\$ 438,588	\$ 1,862,836	\$ -	\$ 3,528,306	\$ 1,884,823	\$ 1,435,079	\$ 3,319,902	\$ 6,848,208
Payroll taxes and employee benefits	-	67,604	300,035	25,515	119,728	576,066	-	1,088,948	561,510	351,208	912,718	2,001,666
Subtotal	-	374,922	1,129,807	115,307	558,316	2,438,902	-	4,617,254	2,446,333	1,786,287	4,232,620	8,849,874
Professional services	-	369,725	205,019	25,771	427,875	365,465	-	1,393,855	297,826	246,151	543,977	1,937,832
Supplies	-	2,269	21,375	1,353	4,545	18,340	-	47,882	23,221	18,411	41,632	89,514
Telephone	-	5,297	31,600	2,113	11,151	31,302	-	81,463	34,101	33,516	67,617	149,080
Postage, warehouse, and delivery	-	1,044	9,516	445	1,355	4,984	-	17,344	9,120	11,907	21,027	38,371
Occupancy	-	46,252	185,185	21,724	80,470	187,323	-	520,954	355,751	326,835	682,586	1,203,540
Furniture, equipment, and leasehold improvements	-	5,692	43,467	2,302	19,228	26,932	-	97,621	43,474	34,602	78,076	175,697
Media and printing	-	7,073	106,977	21,237	21,352	450,653	-	607,292	45,855	116,577	162,432	769,724
Travel	-	2,504	21,402	2,145	16,553	37,291	-	79,895	28,690	31,649	60,339	140,234
Conference, training, and meetings	-	9,886	43,875	3,887	31,677	73,916	-	163,241	55,209	106,273	161,482	324,723
Bank, interest, merchant, and other fees	-	1,041	5,078	507	3,057	5,489	-	15,172	60,563	11,118	71,681	86,853
Miscellaneous	-	105	2,637	111	371	1,824	-	5,048	6,226	1,555	7,781	12,829
United Way Worldwide dues	-	11,325	44,380	5,509	19,893	56,928	-	138,035	87,229	80,801	168,030	306,065
Uncollectible pledge expense	-	-	-	-	275,000	-	-	275,000	-	-	-	275,000
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	9,398	73,159	4,873	18,705	52,038	-	158,173	72,443	67,958	140,401	298,574
Cost recovery reimbursements	-	-	-	-	-	-	-	-	(15,131)	(12,200)	(27,331)	(27,331)
Total	-	846,533	1,923,477	207,284	1,489,548	3,751,387	-	8,218,229	3,550,910	2,861,440	6,412,350	14,630,579
Allocations/awards/designations	18,843,061	100,000	2,841,568	285,557	379,800	151,505	(22,548,748)	52,743	-	-	-	52,743
TOTAL ALLOCATIONS AND EXPENSES	\$ 18,843,061	\$ 946,533	\$ 4,765,045	\$ 492,841	\$ 1,869,348	\$ 3,902,892	\$ (22,548,748)	\$ 8,270,972	\$ 3,550,910	\$ 2,861,440	\$ 6,412,350	\$ 14,683,322

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets	\$ (2,927,974)	\$ (3,754,061)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Provision for uncollectible pledges	50,000	(61,000)
Change in discount on grants receivable	(7,446)	7,287
Change in discount on pledges receivable	(369)	810
Depreciation and amortization	289,650	298,574
Net realized and unrealized loss on investments	417,127	281,246
Pension related changes other than net periodic pension costs	2,569,889	1,609,515
Contributions restricted for investment in endowment	(1,400)	(1,400)
Changes in assets and liabilities		
Pledges receivable	(872,689)	1,146,379
Grants receivable	452,173	77,950
Prepays and other receivables	(41,079)	(20,585)
Donor designations and allocations payable	(54,817)	(656,058)
Operating payables and accruals	(213,041)	(248,798)
Accrued vacation and related costs	41,463	(136,558)
Deferred rent	(16,468)	(4,416)
Accrued pension costs	14,389	(593,293)
Liabilities to beneficiaries from split interest agreements	(2,566)	(2,604)
Net cash (used in) operating activities	<u>(303,158)</u>	<u>(2,057,012)</u>
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Purchases of investments	(1,941,445)	(1,284,820)
Proceeds from sale of investments	1,916,517	2,226,101
Purchases of furniture, equipment, and leasehold improvements	(154,554)	(148,363)
Net cash (used in) investing activities	<u>(179,482)</u>	<u>792,918</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Borrowing on the line of credit	-	2,253,932
Repayment of the line of credit	(3,932)	(500,000)
Contributions restricted for investment in endowment	1,400	1,400
Net cash (used in) financing activities	<u>(2,532)</u>	<u>1,755,332</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(485,172)	491,238
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,333,333</u>	<u>842,095</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 848,161</u>	<u>\$ 1,333,333</u>
SUPPLEMENTAL DISCLOSURES FOR CASH PAID FOR:		
Interest	<u>\$ 57,468</u>	<u>\$ 28,129</u>

See accompanying notes.

NOTE 1 – ORGANIZATION AND PURPOSE

United Way of the Bay Area (“UWBA”), incorporated in California in 1955, is an independent, locally managed nonprofit organization. It has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. UWBA has also made the 501(h) election under the IRS code. Accordingly, no provision for income taxes is included in the financial statements.

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

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

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

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

211 Initiative

211 is a free, easy-to-remember phone number and web resource that anyone can call for information and referral to resources. Last year, UWBA and its partner call centers in six Bay Area counties responded to approximately 164,814 calls. More than half of these requests came from those requesting help with poverty/basic needs issues such as food, jobs, and shelter.

In addition to daily information and referral, 211 is a critical resource for disasters. In recent years, 211 has been available for responses to an earthquake, a tsunami, and major fires. Looking ahead, UWBA plans to update 211’s technology platform to make sure it is accessible to as many people in need as possible.

Economic Success

SparkPoint has served more than 23,357 individuals since launching SparkPoint Oakland in 2009, and 5,504 people in the last year alone. More than 80% of our clients are seeing 5% or better progress on their income, savings, credit, or debt; and more than 70% of our clients are seeing 30% or more progress. Highlights include:

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

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

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

FY16 Highlights include:

- 371 clients achieved self-sufficient income
- 861 clients achieved at least one element of financial prosperity: self-sufficient income, 3 months savings, 700 credit score, no revolving debt
- The regional network has placed 579 clients in jobs, and has an approximate average hourly wage of \$16.82

Earn It! Keep It! Save It! (“EKS”) is a UWBA-led coalition of partners that prepares tax returns for free, ensuring low- to moderate-income families get the refunds and credits for which they are eligible. During the 2016 tax season, 3,028 volunteers prepared more than 714,526 returns and brought back over \$74.7 million in refunds. Additionally, \$23.2 million of those refunds were in Earned Income Tax Credit (“EITC”). EITC goes to the poorest, most vulnerable Bay Area households and has been identified by poverty-fighting experts as one of the most effective programs nationally, lifting millions of people above the federal poverty level every year. Families use their refunds primarily to pay bills, rent, and to buy food or clothes. Through its tax preparation efforts, EKS provides resources to meet basic needs, which is critical to ending the cycle of poverty in the Bay Area. EKS has 205 locations in seven counties, ten of which are located at SparkPoint Centers. In addition to preparing tax returns, EKS uses the program visit as a moment to offer low-income families the opportunity to increase their savings.

Jobs+

United Way’s Jobs+ program helps prepare low-income youth and young adults (age 16-24) to become the 21st century workforce for employers in San Francisco and across the Bay Area. Connecting business, government, schools, nonprofits and youth, Jobs+ helps young people get job training and work experience, plan career paths, and become motivated to finish high school and go on to college or postsecondary training. Jobs+ primary focus is Youth Jobs+, a partnership with San Francisco Mayor Ed Lee, community partners and employers. Since its inception as Summer Jobs+ in 2012, the initiative has served over 19,000 youth in San Francisco and last year continued to expand services in Oakland and San Mateo counties. Last year, over 7,900 youth served a part of the Mayor’s Summer Job Challenge in San Francisco alone. Within the next several years, Jobs+ expects to expand into all eight counties served by United Way of the Bay Area.

Other Programs

Emergency Food and Shelter Program - Like United Ways around the country, UWBA manages the local activities of the federal Emergency Food and Shelter Program (“EFSP”), which distributes federal funds to local programs that feed and provide shelter to people in need. In FY16 UWBA distributed more than \$2 million in seven counties to agencies that provided approximately 1.5 million meals and over 70,000 shelter nights.

Labor Community Services - The long standing Labor-United Way Partnership combines the power of approximately 12.5 million working families and their communities toward a shared vision where all have the opportunity to reach their highest potential. Locally, UWBA’s Labor Community Services program continued its essential role of assisting people in poverty through direct provision of community services and policy advocacy. In FY16, our labor liaisons in three counties (San Mateo, San Francisco, and Contra Costa) helped 575 Bay Area families receive direct hardship assistance with housing, health, utilities, job access issues, and other emergencies. The liaisons also worked closely with United Way’s other programs, helping to refer potential clients to EKS, 211 and SparkPoint. They focused on key issues such as strengthening the safety net for immigrant families and raising the minimum wage.

Public Policy - United Way Bay Area recognizes that in order to achieve our goal of ending the cycle of poverty in our community, we must advance public policies that support our mission. UWBA’s Public Policy team influences policy and engages in advocacy at all levels of government. Our primary policy focus is targeted at the local level in our seven-county service area (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Solano). In addition, we provide advocacy support to state and federal issues important to the United Way system. In FY16, our efforts supported the reauthorization of the federal Earned Income Tax Credit and California’s adoption of its own State EITC – which supports the clients we serve through our Earn It! Keep It! Save It! free tax preparation program. Another key victory was achieved on children’s health care, with the expansion of full-scope Medi-Cal services to all children under age 18, regardless of immigration status. After achieving these policy wins, we focused on the successful implementation of both new state programs. At the local level, we collaborated with labor and community partners to raise the minimum wage in the cities of El Cerrito and San Mateo.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

	2016	2015
Future grants and programs	\$ -	\$ 295,000
General use	804,309	689,579
	\$ 804,309	\$ 984,579

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

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

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased and not held through the investment account, are considered to be cash equivalents. Substantially all of the cash equivalent balances held in financial institutions at June 30, 2016 and 2015, exceeded federal depository insurance coverage. UWBA has not experienced any losses in such accounts.

Pledges receivable – Pledges receivable consist of unconditional promises to give by donors and are recorded at net realizable value. Pledges receivable are net of provisions for uncollectible pledges of \$505,000 and \$555,000 as of June 30, 2016 and 2015, respectively. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.11% to 0.45%. Pledges receivable are net of discounts of \$3,734 and \$4,103 at June 30, 2016 and 2015, respectively.

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

Provisions for uncollectible pledges – The provision for uncollectible pledges is computed based upon historical averages and management’s consideration of current economic factors that could affect pledge collections. Using these criteria, the provision as of June 30, 2016 and 2015, was determined to be 6% of gross campaign pledges, for both years. For years ended June 30, 2016 and 2015, there was a bad debt recovery of \$29,169 and \$35,810, respectively.

Grants receivable – Grants receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.12% to 0.28%. Grants receivable are net of discounts of \$599 and \$8,045 at June 30, 2016 and 2015, respectively.

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

Fair value of assets and liabilities – UWBA determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reporting standards establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of input that may be used to measure fair value:

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, fixed income securities, and exchange traded equities. Level 2 securities include investments held in pooled income funds and are valued at market price as provided by the custodian of the funds.

Furniture, equipment, and leasehold improvements – Furniture, equipment, and leasehold improvements are stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Total depreciation and amortization expense amounted to \$289,650 and \$298,574 for the years ended June 30, 2016 and 2015, respectively.

Deferred rent – Certain leases of UWBA contain lease incentives and fixed escalations. UWBA recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statements of activities and changes in net assets and the amount recorded as deferred rent. For the years ended June 30, 2016 and 2015, deferred rent related to three UWBA locations: 550 Kearny St., San Francisco; 1970 Broadway, Suite 400, Oakland; and 8200 Bancroft, Oakland.

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

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

Planned gifts – Planned gifts that are irrevocable are recognized as a receivable when amounts due to UWBA can be reasonably estimated. As of June 30, 2016 and 2015, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$164,909 and \$160,449 as of June 30, 2016 and 2015, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$21,804 and \$24,370 as of June 30, 2016 and 2015, respectively, at fair value and are included in the accompanying statements of financial position.

Donated goods and services – UWBA recognizes the value of donated equipment, supplies, and advertising services at the fair value for similar items. Donated goods and services for the years ended June 30, 2016 and 2015 of \$1,257,981 and \$711,451, respectively, were reflected in miscellaneous contributions in the accompanying statements of activities and changes in net assets. UWBA will recognize the fair value of donated services if the services meet the recognition criteria which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although UWBA receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

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

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

Concentrations of risk – UWBA receives approximately 49% and 47% as of June 30, 2016 and 2015, respectively, of its gross campaign revenue from five employers. All five of these employers are nationally aligned through United Way Worldwide; therefore, the risk of loss of these employers by UWBA is remote. UWBA received 45% and 42% as of June 30, 2016 and 2015, respectively, of its gross grant revenue from two employers. UWBA has a history of collectability with these employers and therefore believes that the risk of loss of these employers as donors is remote.

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

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

UWBA expected to receive pledges receivable at June 30, 2016 and June 30, 2015, respectively, as follows:

	<u>2016</u>	<u>2015</u>
Amount due:		
In the next year	\$ 6,386,514	\$ 5,713,825
Between two and five years	<u>800,000</u>	<u>700,000</u>
	7,186,514	6,413,825
Discount	(3,734)	(4,103)
Provision for uncollectible pledges	<u>(505,000)</u>	<u>(555,000)</u>
Pledges receivable, net	<u>\$ 6,677,780</u>	<u>\$ 5,854,722</u>

UWBA expected to receive grants receivable at June 30, 2016 and June 30, 2015, respectively, as follows:

	<u>2016</u>	<u>2015</u>
Amount due:		
In the next year	\$ 2,322,111	\$ 2,227,617
Between two and five years	<u>310,000</u>	<u>856,667</u>
	2,632,111	3,084,284
Discount	(599)	(8,045)
Grants receivable, net	<u>\$ 2,631,512</u>	<u>\$ 3,076,239</u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, 2016 and 2015, by valuation hierarchy:

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

<u>Fair Value Measurement Inputs</u>	2015		
	Level 1	Level 2	Total
Equity			
Domestic	\$ 2,845,422	\$ -	\$ 2,845,422
International	2,217,829	-	2,217,829
Balanced fund	362,444	-	362,444
Small cap funds	805,088	-	805,088
Commodities/natural resources fund	287,092	-	287,092
Bonds			
Low duration and intermediate	3,561,662	-	3,561,662
International global	811,932	-	811,932
Cash and cash equivalents (held for investment)	115,654	-	115,654
Pooled income funds	-	160,449	160,449
Total	<u>\$ 11,007,123</u>	<u>\$ 160,449</u>	<u>\$ 11,167,572</u>

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

	2016	2015
Interest and dividend income	\$ 252,516	\$ 275,171
Less investment management fees	(53,059)	(64,548)
Total investment income, net	<u>\$ 199,457</u>	<u>\$ 210,623</u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

Net unrealized and realized losses are as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unrealized loss	\$ (302,362)	\$ (524,499)
Realized (loss) gain	<u>(114,765)</u>	<u>243,253</u>
Net realized and unrealized loss on investments	<u>\$ (417,127)</u>	<u>\$ (281,246)</u>

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

NOTE 5 - FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	<u>2016</u>	<u>2015</u>
Computer software and equipment	\$ 998,267	\$ 876,869
Office furniture	447,267	447,267
Equipment	214,774	225,206
Leasehold improvements	487,907	480,892
Vehicles	<u>24,240</u>	<u>24,240</u>
Total	2,172,455	2,054,474
Less accumulated depreciation and amortization	<u>(1,492,292)</u>	<u>(1,239,215)</u>
Total furniture, equipment, and leasehold improvements, net	<u>\$ 680,163</u>	<u>\$ 815,259</u>

NOTE 6 - MISCELLANEOUS CONTRIBUTIONS

Miscellaneous contributions are comprised of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Unrestricted		
Donated goods and services	\$ 574,787	\$ 604,498
Non-campaign donations	231,227	753,390
Prior year campaign revenue	61,401	35,295
Revenue - other United Ways	71,691	70,391
Special events income	43,341	13,921
Sponsorship fees	<u>281,399</u>	<u>308,059</u>
	<u>1,263,846</u>	<u>1,785,554</u>
Temporarily restricted		
Donated goods and services	683,194	106,953
Non-campaign donations and miscellaneous income (expense)	31,419	(193,948)
Special events income	-	232
Sponsorship fees	<u>205,945</u>	<u>221,600</u>
	<u>920,558</u>	<u>134,837</u>
Total miscellaneous contributions	<u>\$ 2,184,404</u>	<u>\$ 1,920,391</u>

NOTE 7 – COMMITMENTS

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

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2016 are as follows:

<u>Years Ending June 30,</u>		
2017	\$	1,232,801
2018		1,177,985
2019		1,176,426
2020		1,174,129
2021		1,186,283
Thereafter		<u>1,970,640</u>
Total	\$	<u><u>7,918,264</u></u>

Rent expense for the years ended June 30, 2016 and 2015, was \$1,187,021 and \$1,203,540, respectively.

NOTE 8 – PENSION PLAN

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

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

Accrued pension costs consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Defined benefit pension plan liabilities	\$ 5,661,414	\$ 3,054,286
Defined early retirement medical and long term care benefit plans	<u>116,730</u>	<u>139,580</u>
Total accrued pension costs	<u><u>\$ 5,778,144</u></u>	<u><u>\$ 3,193,866</u></u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

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

	<u>2016</u>	<u>2015</u>
Projected benefit obligation		
Beginning of year	\$ 17,226,707	\$ 16,440,202
Service cost	174,634	175,441
Interest costs	715,657	642,388
Actuarial loss	1,932,324	1,168,653
Benefits paid	(1,834,898)	(1,029,456)
Administrative expenses paid	<u>(203,408)</u>	<u>(170,521)</u>
End of year	<u>\$ 18,011,016</u>	<u>\$ 17,226,707</u>
Fair value of plan assets		
Beginning of year	\$ 14,233,582	\$ 14,429,722
Actual return on Plan assets	181,249	503,837
Employer contributions	50,000	500,000
Benefits paid	(1,834,898)	(1,029,456)
Administrative expenses paid	<u>(203,408)</u>	<u>(170,521)</u>
End of year	<u>\$ 12,426,525</u>	<u>\$ 14,233,582</u>
Funded status of the Plan at year-end (underfunded)	<u>\$ (5,584,491)</u>	<u>\$ (2,993,125)</u>

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

	<u>2016</u>	<u>2015</u>
Prepaid benefit cost	\$ 3,083,023	\$ 3,104,500
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	<u>(8,667,514)</u>	<u>(6,097,625)</u>
Defined benefit pension liabilities	<u>\$ (5,584,491)</u>	<u>\$ (2,993,125)</u>
Unrestricted net assets, pension liability in excess of intangible pension assets	<u>\$ 8,667,514</u>	<u>\$ 6,097,625</u>

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

	<u>2016</u>	<u>2015</u>
Service cost	\$ 174,634	\$ 175,440
Interest cost	715,657	642,388
Expected return on assets	(1,104,665)	(1,145,057)
Amortization loss	<u>285,851</u>	<u>200,359</u>
Net periodic pension cost (benefit)	<u>\$ 71,477</u>	<u>\$ (126,870)</u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

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

	2016	2015
Assumptions used in computing benefit obligation		
Discount rate	3.30%	4.25%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	4.25%	4.00%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

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

	2016	2015
Asset category		
Common and collective trusts		
Equity	61.5%	60.7%
Debt	36.9%	37.6%
Cash and cash equivalents	1.6%	1.7%
Total	100.0%	100.0%

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

<u>Fair Value Measurement Inputs</u>	Level 1	Level 2	Total
Cash and cash equivalents	\$ 201,000	\$ -	\$ 201,000
Large cap equities fund	-	4,074,061	4,074,061
Small cap equities fund	-	629,505	629,505
Mid cap fund	-	1,091,585	1,091,585
International equities fund	-	1,847,773	1,847,773
Fixed income securities	-	4,582,601	4,582,601
Total	\$ 201,000	\$ 12,225,525	\$ 12,426,525

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

The fair values of the UWBA's defined benefit plan assets at June 30, 2015, by asset category are as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 246,576	\$ -	\$ 246,576
Large cap equities fund	-	4,648,834	4,648,834
Small cap equities fund	-	717,583	717,583
Mid cap fund	-	1,191,260	1,191,260
International equities fund	-	2,079,759	2,079,759
Fixed income securities	-	5,349,570	5,349,570
Total	<u>\$ 246,576</u>	<u>\$ 13,987,006</u>	<u>\$ 14,233,582</u>

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

<u>Year Ending June 30.</u>	
2017	\$ 734,744
2018	768,217
2019	822,902
2020	868,750
2021	892,313
2022-2027	<u>4,864,726</u>
	<u>\$ 8,951,652</u>

UWBA contributed \$50,000 and \$500,000 to the Plan during the years ended June 30, 2016 and 2015, respectively.

UWBA established the UWBA 401(k) Plan. Employees that are eligible can participate in the 401(k) Plan on the first day of the calendar quarter following their date of hire. UWBA matches 100% of participants' salary deferral contribution, up to a maximum of 2% of compensation. In addition, UWBA makes an employer "nonelective" contribution according to a formula that is based on a participant's age plus service. For employees hired before January 1, 2010, matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier). Effective January 1, 2014, employees hired after January 1, 2010 will be 25% vested after one year of service, 50% after two years of service, 75% vested after three years of service and 100% vested after four years of service. UWBA contributed \$321,093 and \$386,426 to the plan for the years ended June 30, 2016 and 2015, respectively.

UWBA instituted a voluntary long term care insurance program in fiscal year 2013. As a part of that program, it made arrangements to pay 83% of the cost of the long term premiums for the Chief Executive Officer from March 2013 until her death. The estimated cost of future premiums as of June 30, 2016 and 2015 is \$59,846 and \$56,082, respectively.

UWBA had a defined benefit early retirement medical benefits plan that covered certain full-time employees who retired as of June 30, 1993. UWBA does not contribute to this plan except to reimburse certain medical and other costs submitted by the Plan's retirees as defined within the agreement. The estimated cost of future medical and other payments as of June 30, 2016 and 2015, is \$56,883 and \$83,498, respectively, and is included in accrued pension costs.

In the fiscal year ended 2014, UWBA established an eligible deferred compensation plan for a select group of highly compensated employees under Section 457(b) of the Internal Revenue Code. The plan allows pre-tax contributions of the maximum amount allowed by law per year through payroll deduction. At June 30, 2015, three employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire. The balance in the plan as of June 30, 2016 and 2015, is \$76,923 and \$61,161, respectively.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30, 2016 and June 30, 2015 respectively:

	2016	2015
UWBA community programs	\$ 2,564,918	\$ 1,096,287
Time restricted multi-year gifts	400,000	600,000
Endowment activity	754,824	1,130,510
Total	\$ 3,719,742	\$ 2,826,797

NOTE 10 – ENDOWMENT DISCLOSURES

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

- a. The duration and preservation of the fund
- b. The purposes of UWBA and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of UWBA
- g. The investment policies of UWBA

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

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires UWBA to retain as a fund of perpetual duration. As of June 30, 2016 and 2015, there were no deficiencies.

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

The composition and changes in the endowment net assets as of June 30, 2016 and 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, June 30, 2014	\$ -	\$ 1,363,671	\$ 3,890,975	\$ 5,254,646
Contribution	-	-	1,400	1,400
Investment income	-	178,303	-	178,303
Net depreciation	-	(216,712)	-	(216,712)
Amounts appropriated for expenditure	-	(194,752)	-	(194,752)
Endowment net assets, June 30, 2015	-	1,130,510	3,892,375	5,022,885
Contribution	-	-	1,400	1,400
Investment income	-	72,640	-	72,640
Net appreciation/depreciation	-	(248,940)	-	(248,940)
Amounts appropriated for expenditure	-	(199,386)	-	(199,386)
Endowment net assets, June 30, 2016	\$ -	\$ 754,824	\$ 3,893,775	\$ 4,648,599

NOTE 11 - RELATED PARTY TRANSACTIONS

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

NOTE 12 - LINE OF CREDIT

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

NOTE 13 - SUBSEQUENT EVENTS

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

UWBA has evaluated subsequent events through October 31, 2016, which is the date the financial statements were available to be issued.

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

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Based on the nature and character of these accounts, the recorded amounts of the assets acquired and liabilities assumed approximate fair value at the Effective Date. The acquisition costs incurred by UWBA were \$509,628 through June 30, 2016. The costs were expensed as incurred.