

**UNITED WAY OF  
CENTRAL INDIANA, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

UNITED WAY OF CENTRAL INDIANA, INC.  
Indianapolis, Indiana

CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2016 and 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....	3
CONSOLIDATED STATEMENT OF ACTIVITIES – 2016 .....	4
CONSOLIDATED STATEMENT OF ACTIVITIES – 2015 .....	5
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	6
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2016 .....	7
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – 2015 .....	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	22
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	24
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	28
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS.....	29

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
United Way of Central Indiana, Inc.  
Indianapolis, Indiana

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of United Way of Central Indiana, Inc. ("United Way"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Indiana, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
October 20, 2016

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 10,694,715	\$ 17,799,917
Investments (Note 3)	131,330,750	127,743,792
Pledges receivable		
Current fundraising, less allowance of \$2,011,369 and \$2,234,051 for uncollectible accounts for 2016 and 2015, respectively	15,566,179	13,808,846
Future years' fundraising, less allowance and discounts of \$49,901 and \$94,737 for 2016 and 2015, respectively	<u>489,721</u>	<u>2,111,435</u>
	<u>16,055,900</u>	<u>15,920,281</u>
Grants and other amounts receivable	6,838,537	4,010,467
Prepaid expenses and other assets	285,177	441,576
Pension asset (Note 6)	-	782,239
Land, building and equipment:		
Land and land improvements	-	193,984
Building and leasehold improvements	47,785	7,513,202
Furniture and equipment	1,982,114	4,952,953
Less - accumulated depreciation	<u>(1,869,398)</u>	<u>(11,273,982)</u>
	<u>160,501</u>	<u>1,386,157</u>
Total assets	<u>\$ 165,365,580</u>	<u>\$ 168,084,429</u>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 3,177,806	\$ 2,133,567
Fund distributions payable	782,644	3,127,139
Donor designations payable	4,676,258	5,478,330
Funds held for others	348,849	266,994
Pension liability (Note 6)	<u>262,898</u>	<u>-</u>
Total liabilities	<u>9,248,455</u>	<u>11,006,030</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	5,302,342	6,271,238
Board designated (Note 7)	24,431,000	23,690,480
Funds needed to restore endowed funds to historic principal	<u>(2,780,808)</u>	<u>(1,581,551)</u>
Total unrestricted	<u>26,952,534</u>	<u>28,380,167</u>
Temporarily restricted (Note 7)	46,062,105	46,845,289
Permanently restricted (Note 7)	<u>83,102,486</u>	<u>81,852,943</u>
Total net assets	<u>156,117,125</u>	<u>157,078,399</u>
Total liabilities and net assets	<u>\$ 165,365,580</u>	<u>\$ 168,084,429</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2016 with combined totals for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
<b>COMMUNITY ENGAGEMENT RESULTS SUMMARY</b>					
Community Engagement Results	\$ 33,536,320	\$ 130,000	\$ -	\$ 33,666,320	\$ 34,403,328
LESS: Pledges designated to other agencies	(6,984,777)	-	-	(6,984,777)	(7,138,948)
<b>CONTRIBUTIONS TO THE UNITED WAY</b>	<b>\$ 26,551,543</b>	<b>\$ 130,000</b>	<b>\$ -</b>	<b>\$ 26,681,543</b>	<b>\$ 27,264,380</b>
<b>CONTRIBUTIONS AND OTHER REVENUE</b>					
Community Engagement contributions applicable to current period					
Contributions pledged - current period	\$ 24,631,125	\$ 130,000	\$ -	\$ 24,761,125	\$ 26,447,465
Contributions pledged in prior periods and now released from restriction (Note 8)	1,920,418	(1,920,418)	-	-	-
Community Engagement fundraising, current	26,551,543	(1,790,418)	-	24,761,125	26,447,465
Contributions received and released for restricted purpose in current period	185,652	(185,652)	-	-	-
Less - provision for uncollectible pledges	(1,466,401)	59,071	-	(1,407,330)	(1,826,062)
Net Community Engagement, current	25,270,794	(1,916,999)	-	23,353,795	24,621,403
Change in estimated prior years' Community Engagement revenue	1,157,578	-	-	1,157,578	1,533,705
Community Engagement contributions pledged for future allocation periods (Net of allowance for uncollectible pledges and discounts of \$14,234 and \$55,109 at June 30, 2016 and 2015)	-	187,408	-	187,408	924,560
<b>Total Community Engagement</b>	<b>26,428,372</b>	<b>(1,729,591)</b>	<b>-</b>	<b>24,698,781</b>	<b>27,079,668</b>
Grants and other contributions	1,130,531	23,080,311	31,896	24,242,738	25,364,498
Investment income - endowment funds	1,079	6,217	118,390	125,686	2,007,974
Investment income - other funds	515,333	528,425	-	1,043,758	359,078
Unrestricted funds needed to meet endowed funds retention requirements	(1,099,257)	-	1,099,257	-	-
Grants and other contributions released from restrictions (Note 8)	22,668,546	(22,668,546)	-	-	-
Program and service fees	601,543	-	-	601,543	928,660
Other income	124,792	-	-	124,792	37,210
<b>Total contributions and other revenue</b>	<b>50,370,939</b>	<b>(783,184)</b>	<b>1,249,543</b>	<b>50,837,298</b>	<b>55,777,088</b>
<b>FUNDS ALLOCATED FOR SERVICES AND OTHER FUNCTIONAL EXPENSES</b>					
Agency grants and support	32,453,956	-	-	32,453,956	35,563,740
Funds distributed to individuals for direct assistance programs	617,823	-	-	617,823	574,466
United Way initiatives	8,200,606	-	-	8,200,606	7,569,906
<b>Total program services</b>	<b>41,272,385</b>	<b>-</b>	<b>-</b>	<b>41,272,385</b>	<b>43,708,112</b>
Fund raising	5,002,439	-	-	5,002,439	5,003,982
Management and general	3,621,598	-	-	3,621,598	3,260,161
<b>Total funds allocated for services and other functional expenses</b>	<b>49,896,422</b>	<b>-</b>	<b>-</b>	<b>49,896,422</b>	<b>51,972,255</b>
<b>NET OPERATING RESULTS</b>	<b>474,517</b>	<b>(783,184)</b>	<b>1,249,543</b>	<b>940,876</b>	<b>3,804,833</b>
Loss on disposal of land, building and other assets	(992,610)	-	-	(992,610)	-
Actuarial loss not yet recognized in net periodic pension cost	(909,540)	-	-	(909,540)	(616,320)
<b>CHANGE IN NET ASSETS</b>	<b>(1,427,633)</b>	<b>(783,184)</b>	<b>1,249,543</b>	<b>(961,274)</b>	<b>3,188,513</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>28,380,167</b>	<b>\$ 46,845,289</b>	<b>\$ 81,852,943</b>	<b>157,078,399</b>	<b>153,889,886</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 26,952,534</b>	<b>\$ 46,062,105</b>	<b>\$ 83,102,486</b>	<b>\$ 156,117,125</b>	<b>\$ 157,078,399</b>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
<b>COMMUNITY ENGAGEMENT RESULTS SUMMARY</b>				
Community Engagement Results	\$ 34,327,778	\$ 75,550	\$ -	\$ 34,403,328
LESS: Pledges designated to other agencies	(7,138,948)	-	-	(7,138,948)
<b>CONTRIBUTIONS TO THE UNITED WAY</b>	<b><u>\$ 27,188,830</u></b>	<b><u>\$ 75,550</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 27,264,380</u></b>
<b>CONTRIBUTIONS AND OTHER REVENUE</b>				
Community Engagement contributions applicable to current period				
Contributions pledged - current period	\$ 26,371,915	\$ 75,550	\$ -	\$ 26,447,465
Contributions pledged in prior periods and now released from restriction (Note 8)	816,915	(816,915)	-	-
Community Engagement fundraising, current	27,188,830	(741,365)	-	26,447,465
Contributions received and released for restricted purpose in current period	30,965	(30,965)	-	-
Less - provision for uncollectible pledges	(1,854,015)	27,953	-	(1,826,062)
Net Community Engagement contributions, current	25,365,780	(744,377)	-	24,621,403
Change in estimated prior years' Community Engagement revenue	1,533,705	-	-	1,533,705
Community Engagement contributions pledged for future allocation periods (Net of allowance for uncollectible pledges and discounts of \$55,109)	-	924,560	-	924,560
<b>Total Community Engagement</b>	<b>26,899,485</b>	<b>180,183</b>	<b>-</b>	<b>27,079,668</b>
Grants and other contributions	936,201	24,411,810	16,487	25,364,498
Investment income - endowment funds	(812)	34,798	1,973,988	2,007,974
Investment income - other funds	182,928	176,150	-	359,078
Underwater endowment repaid from endowment earnings	848,027	-	(848,027)	-
Grants and other contributions released from restrictions (Note 8)	25,738,898	(25,738,898)	-	-
Program and service fees	928,660	-	-	928,660
Other income	37,210	-	-	37,210
<b>Total contributions and other revenue</b>	<b><u>55,570,597</u></b>	<b><u>(935,957)</u></b>	<b><u>1,142,448</u></b>	<b><u>55,777,088</u></b>
<b>FUNDS ALLOCATED FOR SERVICES AND OTHER FUNCTIONAL EXPENSES</b>				
Agency grants and support	35,563,740	-	-	35,563,740
Funds distributed to individuals for direct assistance programs	574,466	-	-	574,466
United Way initiatives	7,569,906	-	-	7,569,906
Total program services	43,708,112	-	-	43,708,112
Fund raising	5,003,982	-	-	5,003,982
Management and general	3,260,161	-	-	3,260,161
<b>Total funds allocated for services and other functional expenses</b>	<b><u>51,972,255</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>51,972,255</u></b>
<b>NET OPERATING RESULTS</b>	<b>3,598,342</b>	<b>(935,957)</b>	<b>1,142,448</b>	<b>3,804,833</b>
Actuarial loss not yet recognized in net periodic pension cost	(616,320)	-	-	(616,320)
<b>CHANGE IN NET ASSETS</b>	<b>2,982,022</b>	<b>(935,957)</b>	<b>1,142,448</b>	<b>3,188,513</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>25,398,145</b>	<b>\$ 47,781,246</b>	<b>\$ 80,710,495</b>	<b>153,889,886</b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 28,380,167</u></b>	<b><u>\$ 46,845,289</u></b>	<b><u>\$ 81,852,943</u></b>	<b><u>\$ 157,078,399</u></b>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (961,274)	\$ 3,188,513
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Contribution payments restricted for endowments	(31,896)	(16,487)
Realized and unrealized loss on investments	1,340,032	527,501
Loss on disposal of land, building and other assets	992,610	-
Depreciation	233,046	354,394
Actuarial loss not yet recognized in net periodic pension cost	909,540	616,320
Change in other assets and liabilities:		
Net pledge and other receivables	(2,963,689)	(2,489,733)
Prepaid expenses and other assets	156,399	(102,694)
Pension asset	135,597	(90,555)
Accounts payable and accrued expenses	1,044,239	754,089
Fund distributions payable	(2,344,495)	1,785,935
Donor designations payable	(802,072)	(154,265)
Funds held for others	81,855	14,199
Net cash from operating activities	(2,210,108)	4,387,217
Cash flows from investing activities		
Proceeds from sale of investments	52,851,292	128,925,922
Purchases of investments	(57,778,282)	(137,370,113)
Purchases of furniture and equipment and building improvements	-	(108,585)
Net cash from investing activities	(4,926,990)	(8,552,776)
Cash flows from financing activities		
Proceeds from contributions restricted for endowments	31,896	16,487
Net cash from financing activities	31,896	16,487
Net change in cash and cash equivalents	(7,105,202)	(4,149,072)
Cash and cash equivalents at beginning of the year	17,799,917	21,948,989
Cash and cash equivalents at the end of the year	\$ 10,694,715	\$ 17,799,917

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Years ended June 30, 2016 with combined totals for 2015

	Agency Grants & Support	United Way Initiatives	Total Program Services	Fund Raising	Management & General	Internal Services	2016 Total	2015 Total
Grants to agencies	\$ 31,067,650	\$ 1,676,379	\$ 32,744,029	\$ -	\$ -	\$ -	\$ 32,744,029	\$ 36,112,046
Other expenses								
Salaries and wages	429,324	2,717,509	3,146,833	2,598,343	1,671,408	108,205	7,524,789	7,544,935
Employee benefits	46,353	363,437	409,790	378,161	252,949	20,598	1,061,498	864,075
Payroll taxes	24,858	199,768	224,626	185,319	128,894	8,145	546,984	578,272
Total salaries and related expenses	500,535	3,280,714	3,781,249	3,161,823	2,053,251	136,948	9,133,271	8,987,282
Professional fees and contract services	603,919	1,237,530	1,841,449	117,260	718,196	265,077	2,941,982	2,272,403
Office costs	27,561	144,988	172,549	136,460	78,942	52,869	440,820	466,949
Program supplies	-	619,211	619,211	-	-	-	619,211	432,233
Technology licensing and hosting	-	-	-	-	7,952	480,393	488,345	482,237
Occupancy	29,420	245,092	274,512	347,440	164,926	16,753	803,631	589,766
Printing and publications	173,849	76,378	250,227	67,675	52,835	21,011	391,748	269,204
Advertising and promotion	-	198,558	198,558	362,388	7,458	-	568,404	520,029
Local staff transportation	3,779	53,247	57,026	31,561	31,681	630	120,898	80,665
Local meetings	9,894	123,872	133,766	138,526	87,714	4,112	364,118	236,863
Conferences	5,028	67,747	72,775	32,049	81,663	13,083	199,570	144,176
Membership dues	12,379	65,420	77,799	115,415	51,131	-	244,345	465,486
Miscellaneous	324	34,223	34,547	6,054	45,727	1,655	87,983	70,273
Expenses before internal allocations	1,366,688	6,146,980	7,513,668	4,516,651	3,381,475	992,531	16,404,326	15,017,567
Internal allocations								
Depreciation of building and equipment	-	1,241	1,241	1,241	-	127,762	130,244	268,176
Allocation of internal services	19,618	376,006	395,624	484,546	240,123	(1,120,293)	-	-
Expenses after internal allocations	1,386,306	6,524,227	7,910,533	5,002,439	3,621,598	-	16,534,570	15,285,743
Subtotal	32,453,956	8,200,606	40,654,562	5,002,439	3,621,598	-	49,278,599	51,397,789
Funds distributed to individuals for Disaster Relief, United Christmas Service and Winter Assistance	617,823	-	617,823	-	-	-	617,823	574,466
Total services expenses	<u>\$ 33,071,779</u>	<u>\$ 8,200,606</u>	<u>\$ 41,272,385</u>	<u>\$ 5,002,439</u>	<u>\$ 3,621,598</u>	<u>\$ -</u>	<u>\$ 49,896,422</u>	<u>\$ 51,972,255</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2015

	Agency Grants & Support	United Way Initiatives	Total Program Services	Fund Raising	Management & General	Internal Services	Total
Grants to agencies	\$ 33,937,480	\$ 2,174,566	\$ 36,112,046	\$ -	\$ -	\$ -	\$ 36,112,046
Other expenses							
Salaries and wages	575,774	2,358,680	2,934,454	2,847,334	1,606,980	156,167	7,544,935
Employee benefits	60,275	224,501	284,775	378,859	179,065	21,376	864,075
Payroll taxes	40,170	173,301	213,471	207,029	145,925	11,847	578,272
Total salaries and related expenses	676,219	2,756,481	3,432,700	3,433,222	1,931,970	189,390	8,987,282
Shared staff	-	449,979	449,979	(539,828)	89,849	-	-
Professional fees and contract services	868,115	682,732	1,550,847	70,656	423,377	227,523	2,272,403
Office costs	10,358	99,040	109,398	194,857	78,833	83,861	466,949
Program supplies	-	432,233	432,233	-	-	-	432,233
Technology licensing and hosting	-	-	-	-	6,210	476,027	482,237
Occupancy	20,710	140,060	160,771	316,574	100,346	12,075	589,766
Printing and publications	7,395	129,134	136,529	111,066	21,531	77	269,204
Advertising and promotion	6,706	74,929	81,635	437,896	498	-	520,029
Local staff transportation	1,105	34,815	35,920	37,768	5,208	1,769	80,665
Local meetings	8,755	89,901	98,656	79,387	55,610	3,211	236,863
Conferences	6,741	33,182	39,922	38,023	63,775	2,456	144,176
Membership dues	-	148,240	148,240	219,850	97,396	-	465,486
Miscellaneous	35	(1,883)	(1,848)	7,848	64,211	62	70,273
Expenses before internal allocations	1,606,139	5,068,844	6,674,983	4,407,318	2,938,815	996,450	15,017,567
Internal allocations							
Depreciation of building and equipment	-	76,006	76,006	130,827	61,343	-	268,176
Allocation of internal services	20,120	250,490	270,611	465,836	260,003	(996,450)	-
Expenses after internal allocations	1,626,260	5,395,340	7,021,600	5,003,982	3,260,161	-	15,285,743
Subtotal	35,563,740	7,569,906	43,133,646	5,003,982	3,260,161	-	51,397,789
Funds distributed to individuals for Disaster Relief, United Christmas Service and Winter Assistance	574,466	-	574,466	-	-	-	574,466
Total services expenses	<u>\$ 36,138,206</u>	<u>\$ 7,569,906</u>	<u>\$ 43,708,112</u>	<u>\$ 5,003,982</u>	<u>\$ 3,260,161</u>	<u>\$ -</u>	<u>\$ 51,972,255</u>

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**1. SUMMARY OF SIGNIFICANT OPERATING POLICIES**

- a. Annual Contributions and Designated Pledges: United Way of Central Indiana, Inc. ("United Way") conducts annual community engagement fundraising to support local health and human service programs in the priority areas of education, financial stability, health and basic needs. Pledges are generally recorded as unrestricted unless a pledge is specifically restricted due to timing (a future year pledge) or purpose. Allocations to affiliated agencies approved by the United Way Board of Directors are committed in six-month increments and appropriated from unrestricted net assets. In addition, other approved expenditures for the next fiscal year are appropriated from unrestricted net assets by the United Way Board of Directors.

United Way allows donors to designate all or part of their contributions. Designations to specific not-for-profit organizations other than United Way are excluded from revenue and expenses. Designations are included within unrestricted pledges receivable with a related unrestricted liability. The costs to generate and distribute designated pledges are recorded as fundraising expense. These costs are deducted from designated contributions as they are collected and disbursed. This cost reimbursement is recorded as service fee income.

Contributions to United Way for specific priorities, programs, population groups, and/or geographic areas, are defined as purpose restrictions and are initially recorded as temporarily restricted contributions. Restricted contributions received and released from restriction within the same fiscal period are recorded as temporarily restricted and released from restriction.

- b. Direct Assistance Programs: United Way programs also include United Christmas Service, Winter Assistance Fund, and Disaster Relief. These programs provide direct assistance to individuals. Contributions received on behalf of these programs are classified as temporarily restricted.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).
- b. Basis of Consolidation: The financial statements include the accounts of United Way and UWCI, LLC, a limited liability company of which United Way is the sole member. There are no material intercompany transactions that are required to be eliminated in the consolidation.
- c. Cash and Cash Equivalents: Cash equivalents consist of overnight commitments in commercial paper. United Way maintains cash balances at financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.
- d. Investments: Investments are recorded at fair value based on estimates made by the investment trust administrators using current quoted market prices or the market prices of similar securities.

The various investments in equity securities, mutual funds, bonds, exchange traded funds and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements.

Investment income includes realized and unrealized gains and losses on investment transactions and interest and dividend income, net of fees.

- e. Pledges Receivable, Discounts, and Allowance: Pledges receivable are recorded net of any allowance for uncollectible pledges. At June 30, 2016 and 2015, there are pledges receivable extending beyond one year which are recorded at their net present value.

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- f. Land, Building, Furniture and Equipment and Depreciation: United Way capitalizes all expenditures for land, building improvements, and furniture and equipment in excess of \$5,000. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. No temporary or permanent restriction exists on any land, building, furniture, or equipment assets.
- g. Impairment of Long-Lived Assets: In accordance with GAAP, United Way reviews its land, building improvements, and furniture and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss was recognized during the years ended June 30, 2016 and 2015.
- h. Unrestricted Net Assets: The unrestricted net asset class includes undesignated and Board-appropriated assets and liabilities of United Way. The Board of Directors appropriates a portion of the unrestricted net assets for specific purposes. These funds may only be used based on Board directives. The unappropriated portion of the unrestricted net asset class may be used at the discretion of management to support United Way's purpose and operations.
- i. Temporarily Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.
- j. Permanently Restricted Net Assets: Permanently restricted net assets have been restricted by donors to be maintained by United Way in perpetuity.
- k. Donated Services: No qualified donated services were received which would be required to be reflected in the financial statements. However, a substantial number of volunteers have donated significant amounts of their time in the organization's governance, fund raising, fund distribution, and direct assistance program activities.
- l. Private and Government Grants: United Way receives private and government grants for various projects and programs. Private grants are recorded as contributions and are administered through United Way as part of the normal course of business. Government grants are recognized as revenue when the eligible expenses are incurred.
- m. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported period.

Areas where significant estimates are used in the accompanying financial statements include the allowance for pledges receivable, present value of future cash flows, net assets classification, indirect cost allocation, and pension funded status. Actual results could differ from those estimates.

- n. Functional Allocation of Expenses: Expenses have been allocated among program, management and general, and fundraising categories based upon estimates of the benefits received by the various programs and supporting services.
- o. Reclassifications: Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no impact on net assets or change in net assets; however, the reclassifications decreased "Contributions received - current period," "Community Engagement contributions," and "Net current Community Engagement revenue" by \$3,609,631, decreased "Community Engagement contributions received for future allocation periods" by \$6,218,535, and increased "Grants and other contributions" by \$9,828,166 on the statement of activities.

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- p. Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016 to determine the need for any adjustments or disclosures within the financial statements for the year ended June 30, 2016. Management has performed their analysis through October 20, 2016, the date the report was available to be issued.

**3. INVESTMENTS**

Investments at fair value are composed of the following:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 15,819,545	\$ 15,750,691
Certificates of deposit	2,524,852	2,690,558
U.S. government obligations	7,748,892	6,637,449
U.S. treasury bills	5,111,592	5,516,160
Municipal bonds	1,629,850	1,696,443
Corporate bonds	13,591,218	12,702,052
Mutual funds	69,038,851	68,223,990
Domestic equity	5,402,003	4,998,694
International equity	4,315,402	4,993,631
Exchange traded funds	<u>6,148,545</u>	<u>4,534,124</u>
	<u>\$ 131,330,750</u>	<u>\$ 127,743,792</u>

Investment income is comprised of the following for the years ending June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends (net of fees of \$374,822 and \$361,545 for 2016 and 2015, respectively)	\$ 2,505,402	\$ 1,837,166
Realized gain on sale of investments	1,343,431	4,335,566
Unrealized loss on investments	(2,683,463)	(3,808,065)
Change in split value of assets	<u>4,074</u>	<u>2,385</u>
Total investment income	<u>\$ 1,169,444</u>	<u>\$ 2,367,052</u>

**4. FACILITY OPERATIONS**

United Way incurred the following facilities operating costs for the office building they owned through April 12, 2016:

	<u>2016</u>	<u>2015</u>
General operating expenses	\$ 537,874	\$ 674,048
Depreciation	<u>233,046</u>	<u>354,394</u>
	<u>\$ 770,920</u>	<u>\$ 1,028,442</u>

Facility expenses are allocated between United Way and tenants as follows:

	<u>2016</u>	<u>2015</u>
United Way	\$ 453,494	\$ 604,356
Tenants	<u>317,426</u>	<u>424,086</u>
	<u>\$ 770,920</u>	<u>\$ 1,028,442</u>

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**4. FACILITY OPERATIONS** (Continued)

The tenants' share includes depreciation and property taxes and is shown as a reduction of rental income. Gross tenant rental income before reduction was \$256,724 and \$341,324 for 2016 and 2015.

United Way sold its headquarters office building and related land during fiscal year 2016 for \$1,000,000 in the form of a conditional note from the buyer. Based on the terms and conditions of the note, management has determined that the conditions are likely to preclude the receipt of the \$1,000,000. As a result, a loss of \$964,734 was recognized on the transaction and is included as part of the loss on disposal of land, building and other assets on the statement of activities. United Way executed a short term operating lease-back from the buyer through December 31, 2016; and has entered into a 184-month operating lease at a new location with plans to relocate by December 31, 2016. This lease expires in 2032 with a termination option in 2027 and early termination fee of \$436,237.

United Way has six offices throughout its service area, which includes Boone, Hamilton, Hancock, Hendricks, Marion and Morgan counties. Effective with the sale lease-back of its headquarters office building, all six offices are under non-cancelable operating leases which expire on various dates through 2032. Future minimum payments due under the lease agreements are as follows:

2017	\$ 319,486
2018	688,980
2019	678,867
2020	686,234
2021	696,301
2022-2032	<u>8,187,827</u>
	<u>\$ 11,257,695</u>

Rent expense was \$129,507 and \$64,343 for the years ended June 30, 2016 and 2015.

**5. TAX STATUS**

United Way is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). UWCI, LLC is a single member LLC whose single member is exempt from federal income taxes under Section 501(c)(3) of the IRC. GAAP requires United Way and UWCI, LLC to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur.

The amount recognized is the largest amount of uncertain tax position that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. United Way and UWCI, LLC have examined this issue and have determined there are no material uncertain tax positions.

United Way and UWCI, LLC do not expect the total amount of uncertain tax positions to significantly change in the next 12 months. United Way and UWCI, LLC recognize interest and/or penalties related to income tax matters in income tax expense. United Way and UWCI, LLC did not have any amounts accrued for interest and penalties at June 30, 2016 or 2015.

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**6. RETIREMENT PLANS**

United Way has a noncontributory defined benefit pension plan (DB plan) and a contributory defined contribution plan (DC plan) covering all eligible employees. DB plan benefits are determined by a formula that considers length of service, salary, and the individual's Social Security benefit.

*Defined Benefit Plan:* It is United Way's funding policy to maintain the DB plan on an actuarially sound basis. Under this policy, United Way contributed \$0 for the years ended June 30, 2016 and 2015. The DB plan's assets consist of investments in equity and fixed income fund of funds and funds held in the general assets of Mutual of America (General Account). All assets of the plan are valued at fair value and are measured using the fair value hierarchy as disclosed in Note 10. The underlying assets of the equity and fixed income fund of funds are publicly traded Level 1 investments held by Mutual of America. However, the DB plan invests at the fund of funds level rather than the individual underlying investments (Level 2 input). The assets invested in the General Account are invested in the pool of assets held by Mutual of America, which is valued at net asset value (Level 3 input) and United Way receives a guaranteed interest rate on these investments.

The following table sets forth the DB plan's funded status and the amount recognized in United Way's statement of financial position.

	<u>2016</u>	<u>2015</u>
Fair value of plan assets	\$ 6,364,607	\$ 6,681,003
Projected benefit obligation	<u>(6,627,505)</u>	<u>(5,898,764)</u>
	<u>\$ (262,898)</u>	<u>\$ 782,239</u>

The fair value of United Way's defined benefit plan assets at June 30, 2016 and 2015, are as follows:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity & fixed income fund of funds	\$ -	\$ 5,990,642	\$ -	\$ 5,990,642
General account	<u>-</u>	<u>-</u>	<u>373,965</u>	<u>373,965</u>
Total	<u>\$ -</u>	<u>\$ 5,990,642</u>	<u>\$ 373,965</u>	<u>\$ 6,364,607</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity & fixed income fund of funds	\$ -	\$ 6,252,204	\$ -	\$ 6,252,204
General account	<u>-</u>	<u>-</u>	<u>428,799</u>	<u>428,799</u>
Total	<u>\$ -</u>	<u>\$ 6,252,204</u>	<u>\$ 428,799</u>	<u>\$ 6,681,003</u>

The following table presents a reconciliation of plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance, July 1	\$ 428,799	\$ 593,032
Investment income, net	3,986	5,019
Purchase of investments	370,000	-
Annuity benefit purchases	(392,602)	(146,285)
Plan administrative expenses	<u>(36,218)</u>	<u>(22,967)</u>
Ending balance, June 30	<u>\$ 373,965</u>	<u>\$ 428,799</u>

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**6. RETIREMENT PLANS** (Continued)

	<u>2016</u>	<u>2015</u>
Composition of plan assets:		
Equity	\$ 3,252,031	\$ 3,639,357
Fixed income	2,738,611	2,612,847
General account	<u>373,965</u>	<u>428,799</u>
	<u>\$ 6,364,607</u>	<u>\$ 6,681,003</u>
Accumulated benefit obligation	\$ 6,230,636	\$ 5,655,339
Accrued pension cost recognized in statement of financial position	262,898	(782,239)
Employer contribution	-	-
Service cost	332,059	201,811
Interest cost	251,046	218,975
Expected return on assets	(500,926)	(502,833)
Recognized actuarial loss	109,455	47,529
Prior service credit	<u>(56,037)</u>	<u>(56,037)</u>
Benefit cost	<u>\$ 135,597</u>	<u>\$ (90,555)</u>
Unrecognized actuarial loss	\$ 2,374,519	\$ 1,521,016
Unrecognized prior service credit	(140,089)	(196,126)
Benefits paid	392,602	146,285
Measurement date	June 30, 2016	June 30, 2015
Assumptions used:		
Discount rate	4.15%	4.25%
Rate of compensation levels	3.00%	3.00%
Expected return on plan assets	8.00%	8.00%

In fiscal year 2017, the DB plan is expected to recognize \$56,037 of the prior service credit and \$222,308 of the actuarial loss.

Estimated future benefit payments:

Fiscal Year 2017	\$ 737,000
Fiscal Year 2018	379,000
Fiscal Year 2019	499,000
Fiscal Year 2020	277,000
Fiscal Year 2021	241,000
Fiscal Years 2022-2026	2,083,000

Estimated contributions to the DB plan for the measurement year from July 1, 2016 through June 30, 2017 are \$0. When an individual retires, the DB plan purchases an annuity to satisfy the retirement benefit and/or provides a lump sum payment. Lump sum payments only include benefits earned through June 30, 2011.

*Defined Contribution Plan:* The DC plan is a 403(b) retirement plan in which employees of the organization that work at least 1,000 hours per year and have completed one year of service are eligible to participate. Vesting is by month. Employees are vested for a complete month for any hours worked in that month. The plan includes an employer match of employee contributions up to 2% of salary. The match is based on years of service – 50% for less than five years, 100% for less than 10 years, and 200% for ten or more years of service. Total contributions to the DC plan were \$108,394 and \$90,646 for the years ended June 30, 2016 and 2015, respectively.

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**7. RESTRICTED AND BOARD-DESIGNATED FUNDS**

A portion of unrestricted net assets has been appropriated by the Board of Directors for the following purposes:

	<u>2016</u>	<u>2015</u>
Agency support programs	345,929	186,235
Internal IT fund	75,000	75,000
Current year operations and agency allocations	20,683,572	20,340,869
Priority initiatives	2,521,457	2,300,007
Quasi endowed funds	750,267	749,188
Other	<u>54,775</u>	<u>39,181</u>
	<u>\$ 24,431,000</u>	<u>\$ 23,690,480</u>

Temporarily restricted net assets are comprised of the following:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
United Christmas Service	\$ 322,803	\$ 273,013
Agency support programs	1,335,518	2,077,751
Agency capital projects	19,972,021	21,700,411
Undistributed Endowment earnings	85,426	89,760
JUMPI initiative	392,846	460,269
Homelessness	1,501,106	1,571,607
Human services renewal	316,040	602,760
Pre-K capacity building	8,985,754	5,833,225
Childcare ministries capital projects	3,492,004	4,307,601
Community research	2,007,317	28,515
Priority initiatives	1,932,188	2,504,183
Other	226,341	154,513
Time restrictions:		
Future years operating grants	4,350,000	4,375,000
Future years pledges	<u>1,142,741</u>	<u>2,866,681</u>
	<u>\$ 46,062,105</u>	<u>\$ 46,845,289</u>

Lilly Endowment, Inc. awards grants to support building projects of United Way agencies. A portion of the investment revenue from these funds is restricted to support other agency projects. The unspent portion of these funds is reflected in the Agency Capital Projects category.

Permanently restricted net assets are comprised of the following:

	<u>2016</u>	<u>2015</u>
Forever Operating Fund	\$ 77,409,080	\$ 76,190,041
Ellen K. Annala Fund	530,210	530,210
Richard A. West Fund	200,518	200,518
Kellermeyer Fund	6,977	6,977
Jennings Fund	109,260	109,260
William H. Woost Fund	69,775	69,775
Applegate Fund	61,463	50,788
Memorial Fund	4,705,939	4,686,110
Youth programming	<u>9,264</u>	<u>9,264</u>
	<u>\$ 83,102,486</u>	<u>\$ 81,852,943</u>

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**8. ASSETS RELEASED FROM RESTRICTION**

	<u>2016</u>	<u>2015</u>
Temporarily restricted assets released to unrestricted assets for:		
Purpose restrictions satisfied:		
Grants and other contributions	\$ 22,668,546	\$ 25,738,898
Community Engagement contributions	185,652	30,965
Timing restrictions satisfied:		
Community Engagement contributions, net	1,861,347	788,962

**9. RELATED PARTY TRANSACTIONS**

Due to the size and composition of United Way's Board of Directors, United Way inevitably uses the services or purchases products from companies from which there is a board member relationship. These transactions occur in the ordinary course of business at arm's length and involve banking, investments, utilities, and similar activities.

United Way has a conflict of interest policy for decision making documentation for related party transactions. The more significant related party transactions and related amounts paid by United Way during the years ended June 30, 2016 and 2015 are as follows:

- Employee group insurance totaling \$899,773 and \$920,167.
- Office support services including mail, internal copying and printing, and office supply management, totaling \$215,859 and \$314,010.
- Database management services for United Way's Social Asset Vulnerability Indicators (SAVI) program, various research projects, and mail services totaling \$917,119 and \$543,978.
- Various educational program services provided through Indianapolis Public Schools totaling \$234,617 and \$315,194.
- United Way's Board of Directors includes the Executive Director of an affiliated agency as a single representative for all of United Way's affiliated agencies. Allocations made by United Way to those agencies whose Executive Director served in this role at any time during the year totaled \$373,948 and \$371,939.

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in United Way's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Accounting standards establish 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 inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of money markets, U.S. treasury bills, mutual funds, exchange traded funds, and equities is based on quoted prices in active investment markets. (Level 1)

The fair value of certificates of deposit is based on similar investments over the same period at specific rates. Fair values of bonds and U.S. government obligations have inputs that are observable, but not active and are determined by obtaining quoted market prices of similar securities with similar due dates. This valuation method is the market method. The valuation process is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. (Level 2)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis as of June 30, 2016, are summarized below:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total 2016
Money markets	\$ 15,819,545	\$ -	\$ -	\$ 15,819,545
Certificates of deposit	-	2,224,852	-	2,224,852
U.S. government obligations	-	7,748,892	-	7,748,892
U.S. treasury bills	5,111,592	-	-	5,111,592
Municipal bonds	-	1,629,850	-	1,629,850
Corporate bonds	-	13,591,218	-	13,591,218
Mutual funds:				
Fixed income	17,334,647	-	-	17,334,647
Equity	38,402,885	-	-	38,402,885
International bond	1,661,503	-	-	1,661,503
International equity	9,617,503	-	-	9,617,503
Bank loans	2,022,313	-	-	2,022,313
Domestic equity:				
Industrial	1,258,076	-	-	1,258,076
Consumer goods	859,450	-	-	859,450
Financial	308,392	-	-	308,392
Technology	1,110,710	-	-	1,110,710
Telecommunications	247,650	-	-	247,650
Energy & utilities	448,947	-	-	448,947
Health care	434,948	-	-	434,948
Insurance	733,830	-	-	733,830
International equity	4,315,402	-	-	4,315,402
Exchange traded funds	6,148,545	-	-	6,148,545
<b>Total</b>	<b><u>\$ 106,135,978</u></b>	<b><u>\$ 25,194,812</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 131,330,750</u></b>

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2015, are summarized below:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total 2015
Money markets	\$ 15,750,691	\$ -	\$ -	\$ 15,750,691
Certificates of deposit	-	2,690,558	-	2,690,558
U.S. government obligations	-	6,637,449	-	6,637,449
U.S. treasury bills	5,516,160	-	-	5,516,160
Municipal bonds	-	1,696,443	-	1,696,443
Corporate bonds	-	12,702,052	-	12,702,052
Mutual funds:				
Fixed income	12,991,644	-	-	12,991,644
Equity	39,303,294	-	-	39,303,294
International bond	1,558,100	-	-	1,558,100
International equity	9,904,415	-	-	9,904,415
REITs	1,252,099	-	-	1,252,099
Bank loans	3,214,438	-	-	3,214,438
Domestic equity:				
Industrial	558,250	-	-	558,250
Consumer goods	1,610,007	-	-	1,610,007
Financial	226,765	-	-	226,765
Technology	1,088,197	-	-	1,088,197
Telecommunications	206,715	-	-	206,715
Energy & utilities	424,709	-	-	424,709
Health care	664,743	-	-	664,743
Insurance	209,308	-	-	209,308
International equity	4,993,631	-	-	4,993,631
Exchange traded funds	4,534,124	-	-	4,534,124
<b>Total</b>	<b>\$ 104,007,290</b>	<b>\$ 23,726,502</b>	<b>\$ -</b>	<b>\$ 127,743,792</b>

**11. ENDOWMENT COMPOSITION**

United Way's endowment consists of ten individual donor restricted funds established for a variety of purposes and one Board designated quasi-endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way 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.

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

---

**11. ENDOWMENT COMPOSITION** (Continued)

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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from the investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ (2,780,808)	\$ 369,591	\$ 83,102,486	\$ 80,691,269
Board designated	<u>750,267</u>	<u>-</u>	<u>-</u>	<u>750,267</u>
Total funds	<u>\$ (2,030,541)</u>	<u>\$ 369,591</u>	<u>\$ 83,102,486</u>	<u>\$ 81,441,536</u>

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ (1,581,551)	\$ 438,374	\$ 81,852,943	\$ 80,709,766
Board designated	<u>749,188</u>	<u>-</u>	<u>-</u>	<u>749,188</u>
Total funds	<u>\$ (832,363)</u>	<u>\$ 438,374</u>	<u>\$ 81,852,943</u>	<u>\$ 81,458,954</u>

---

(Continued)

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended June 30, 2016 and 2015

**11. ENDOWMENT COMPOSITION** (Continued)

Changes in endowment net assets for year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ (832,363)	\$ 438,374	\$81,852,943	\$81,458,954
Investment return:				
Interest income, net of fees	15,980	31,761	1,753,926	1,801,667
Realized gains	12,569	24,982	1,379,573	1,417,124
Unrealized losses	(27,470)	(54,600)	(3,015,109)	(3,097,179)
Change in CSV	-	4,074	-	4,074
New gifts	-	8,982	31,896	40,878
Unrestricted funds needed to meet endowed funds retention requirements	(1,099,257)	-	1,099,257	-
Appropriation for expenditure	<u>(100,000)</u>	<u>(83,982)</u>	<u>-</u>	<u>(183,982)</u>
End of year	<u><u>\$ (2,030,541)</u></u>	<u><u>\$ 369,591</u></u>	<u><u>\$83,102,486</u></u>	<u><u>\$81,441,536</u></u>

Changes in endowment net assets for year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$(1,079,578)	\$ 490,583	\$80,710,495	\$80,121,500
Investment return:				
Interest income, net of fees	1,092	19,970	1,214,572	1,235,634
Realized gains	3,135	69,148	4,206,162	4,278,445
Unrealized losses	(5,039)	(56,705)	(3,446,746)	(3,508,490)
Change in CSV	-	2,385	-	2,385
New gifts	750,000	8,982	16,487	775,469
Underwater endowment repaid from endowment earnings	848,027	-	(848,027)	-
Appropriation for expenditure	<u>(1,350,000)</u>	<u>(95,989)</u>	<u>-</u>	<u>(1,445,989)</u>
End of year	<u><u>\$ (832,363)</u></u>	<u><u>\$ 438,374</u></u>	<u><u>\$81,852,943</u></u>	<u><u>\$81,458,954</u></u>

**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 UPMIFA requires United Way to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$2,780,808 and \$1,581,551 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Directors.

**Return Objectives and Risk Parameters:** United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity, as well as board-designated funds.

(Continued)

**11. ENDOWMENT COMPOSITION** (Continued)

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow the real purchasing power of the principal while providing a growing stream of revenue available for spending. Additionally, there is a donor restriction on the operating fund which requires the purchasing power of the fund's principal balance be maintained by annually adjusting the principal balance for inflation or deflation.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: United Way has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, United Way considered the long-term expected return on its endowment. Accordingly, over the long term, United Way expects the current spending policy to allow its endowment to grow over the annual inflation rate to provide additional real growth through investment return in addition to new gifts.

The spending policy is used as a guideline and actual allocation amounts are annual decisions that consider current principal balances, undistributed earnings, and current market and economic conditions. Allocations from the operating fund must meet donor imposed restrictions. Those restrictions require the purchasing power of the fund's principal balance be maintained by annually adjusting the principal balance for inflation or deflation. Should the actual principal balance be less than the required amount, the annual allocation amount cannot exceed 2% of the actual principal. If actual principal is less than 80% of the required principal, annual allocations must be reduced to \$0 (within three years) until principal is restored.

**SUPPLEMENTARY INFORMATION**

UNITED WAY OF CENTRAL INDIANA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2016

<u>Federal Grantor/ Program Title</u>	<u>Pass- Through Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Amounts awarded to subrecipients</u>
<u>U.S. Department of Treasury</u>				
Pass-through program: Office of Faith-Based and Community Initiatives Volunteer Income Tax Assistance	16VITA0053	21.009	\$ 91,650	\$ 82,521
Total U.S. Department of Treasury			<u>91,650</u>	<u>82,521</u>
<u>U.S. Department of Veteran Affairs</u>				
VA Supportive Services for Veteran Families Program	N/A	64.033	2,345,984	1,200,820
Total U.S. Veteran Affairs			<u>2,345,984</u>	<u>1,200,820</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-through program: Indiana Housing and Community Development Authority Low-Income Home Energy Assistance Program	LI-016-027	93.568	963,828	515,653
Pass-through program: Indiana Family and Social Services Administration Child Care Mandatory and Matching Funds of the Child Care and Development Fund	F174917850287	93.596	130,141	92,164
Total U.S. Department of Health and Human Services			<u>1,093,969</u>	<u>607,817</u>
<u>Corporation for National and Community Service</u>				
Pass-through program: Office of Faith-Based and Community Initiatives: Americorps	F20413AF03	94.006	89,052	-
Total Corporation for National and Community Service			<u>89,052</u>	<u>-</u>
Grand Total			<u>\$ 3,620,655</u>	<u>\$ 1,891,158</u>

See accompanying notes to schedule of expenditures of federal awards.

UNITED WAY OF CENTRAL INDIANA, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2016

---

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of United Way of Central Indiana, Inc., for the year ended June 30, 2016, and is presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

United Way has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
United Way of Central Indiana, Inc.  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Central Indiana, Inc. (United Way), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 20, 2016.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered United Way's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
October 20, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors  
United Way of Central Indiana, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited United Way of Central Indiana, Inc.'s (United Way) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the United Way's major federal programs for the year ended June 30, 2016. United Way's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of United Way's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way's compliance.

***Opinion on Each Major Federal Program***

In our opinion, United Way complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of United Way is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
October 20, 2016

UNITED WAY OF CENTRAL INDIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2016

---

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

*Federal Awards*

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
64.033	VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?              X   Yes    \_\_\_\_\_ No

**SECTION 2 - FINANCIAL STATEMENTS FINDINGS**

None

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

---

UNITED WAY OF CENTRAL INDIANA, INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
June 30, 2015

---

There were no prior findings or questioned costs.