



CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2016

with

Independent Auditors' Report

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	9



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Independent Auditors' Report

The Board of Directors
United Way of the Columbia-Willamette

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 consolidated financial position of United Way of the Columbia-Willamette and affiliate as of June 30, 2016, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of the Columbia-Willamette's 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated March 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
January 18, 2017

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Financial Position

June 30, 2016 (With Comparative Amounts for 2015)

	ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Cash and cash equivalents	\$ 743,473	\$ 439,115	\$ -	\$ 1,182,588	\$ 2,511,811
Pledges receivable - net (Note 3)	3,287,294	500,000	-	3,787,294	4,915,317
Government grants and contracts receivable	864,125	-	-	864,125	1,058,591
Private grants receivable (Note 4)	250,000	250,000	-	500,000	792,500
Accounts and other receivables	75,267	-	-	75,267	198,491
Prepaid expenses and other assets	204,672	-	-	204,672	223,096
Investments (Notes 5 and 16)	6,302,329	245,051	2,207,868	8,755,248	5,187,594
Interest in perpetual trusts (Notes 6 and 16)	-	-	865,114	865,114	930,842
Property and equipment - net (Note 7)	1,089,064	-	-	1,089,064	2,487,623
Property held for sale (Note 7)	1,173,304	-	-	1,173,304	-
Total assets	<u>\$13,989,528</u>	<u>\$1,434,166</u>	<u>\$ 3,072,982</u>	<u>\$ 18,496,676</u>	<u>\$ 18,305,865</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities (Note 17)	\$ 1,737,013	\$ -	\$ -	\$ 1,737,013	\$ 1,363,573
Deferred revenue	344,499	-	-	344,499	109,771
Accrued grants to programs	2,469,584	-	-	2,469,584	2,529,583
Donor-designated contributions payable	2,286,472	-	-	2,286,472	4,035,423
Total liabilities	6,837,568	-	-	6,837,568	8,038,350
Commitments (Notes 2 and 7)					
Net assets:					
Unrestricted:					
Board-designated (Note 8)	6,691,105	-	-	6,691,105	3,542,450
Undesignated (Note 9)	460,855	-	-	460,855	2,123,244
Temporarily restricted (Notes 10 and 12)	-	1,434,166	-	1,434,166	1,463,111
Permanently restricted (Notes 11 and 12)	-	-	3,072,982	3,072,982	3,138,710
Total net assets	7,151,960	1,434,166	3,072,982	11,659,108	10,267,515
Total liabilities and net assets	<u>\$13,989,528</u>	<u>\$1,434,166</u>	<u>\$ 3,072,982</u>	<u>\$ 18,496,676</u>	<u>\$ 18,305,865</u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Activities

Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Public support and revenue:					
Gross campaign revenue, including amounts raised for others (Note 1)	\$13,695,373	\$ 681,366	\$ -	\$14,376,739	\$19,832,045
Less amounts designated to others	(7,854,539)	(70,000)	-	(7,924,539)	(12,118,318)
Campaign revenue	5,840,834	611,366	-	6,452,200	7,713,727
Less provision for uncollectible pledges	(351,000)	-	-	(351,000)	(453,913)
Net campaign revenue	5,489,834	611,366	-	6,101,200	7,259,814
Government grants and contracts	4,750,882	-	-	4,750,882	3,541,861
Private grants	372,350	127,000	-	499,350	1,137,447
In-kind contributions	486,513	-	-	486,513	399,150
Service fees	202,165	-	-	202,165	134,185
Rental income	160,099	-	-	160,099	269,753
Other	6,097	-	-	6,097	9,098
Net assets released from restrictions (Note 13)	818,347	(818,347)	-	-	-
Total public support and revenue	12,286,287	(79,981)	-	12,206,306	12,751,308
Expenses:					
Program services:					
Program grants, including amounts raised for others (Note 1)	12,730,450	70,000	-	12,800,450	16,051,936
Less amounts designated to others	(7,854,539)	(70,000)	-	(7,924,539)	(12,118,318)
Net program grants	4,875,911	-	-	4,875,911	3,933,618
Community investment	2,754,859	-	-	2,754,859	2,575,600
Hands on Greater Portland	552,073	-	-	552,073	590,042
Early Learning Hubs	2,680,154	-	-	2,680,154	2,461,040
Total program services	10,862,997	-	-	10,862,997	9,560,300
Supporting services:					
Fundraising campaign	2,260,091	-	-	2,260,091	2,270,571
Management and general	1,577,214	-	-	1,577,214	1,592,284
Total supporting services	3,837,305	-	-	3,837,305	3,862,855
Total expenses	14,700,302	-	-	14,700,302	13,423,155
Decrease in net assets from operating activities (carried forward)	(2,414,015)	(79,981)	-	(2,493,996)	(671,847)

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Activities - Continued

Year Ended June 30, 2016 *(With Comparative Totals for 2015)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Decrease in net assets from operating activities (brought forward)	\$(2,414,015)	\$ (79,981)	\$ -	\$(2,493,996)	\$ (671,847)
Non-operating activities:					
Interest and dividends	89,169	47,163	-	136,332	82,342
Gain on investments	107,276	3,873	-	111,149	145,801
Distributions from perpetual trusts	43,669	-	-	43,669	51,889
Gain on sale of property <i>(Note 7)</i>	3,660,167	-	-	3,660,167	-
Change in value of perpetual trusts <i>(Note 6)</i>	-	-	(65,728)	(65,728)	(61,950)
Total non-operating activities	3,900,281	51,036	(65,728)	3,885,589	218,082
Increase (decrease) in net assets	1,486,266	(28,945)	(65,728)	1,391,593	(453,765)
Net assets, beginning of year	5,665,694	1,463,111	3,138,710	10,267,515	10,721,280
Net assets, end of year	\$ 7,151,960	\$ 1,434,166	\$ 3,072,982	\$11,659,108	\$10,267,515

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Program Services				Supporting Services			Total		
	Program Grants	Community Investment	Hands on Greater Portland	Early Learning Hubs	Total	Fundraising Campaign	Management and General	Total	2016	2015
Program grants, including amounts raised for others	\$12,800,450	\$ -	\$ -	\$ -	12,800,450	\$ -	\$ -	\$ -	\$12,800,450	\$16,051,936
Less amounts designated to others	(7,924,539)	-	-	-	(7,924,539)	-	-	-	(7,924,539)	(12,118,318)
Net program grants	4,875,911	-	-	-	4,875,911	-	-	-	4,875,911	3,933,618
Salaries and wages	-	953,706	359,312	363,153	1,676,171	1,303,719	854,788	2,158,507	3,834,678	3,884,267
Employee benefits and payroll taxes	-	290,256	105,994	111,606	507,856	363,785	273,150	636,935	1,144,791	1,043,437
Early Learning Hubs support	-	-	-	2,109,398	2,109,398	-	-	-	2,109,398	2,009,459
Professional services	-	246,623	2,078	32,456	281,157	118,772	76,327	195,099	476,256	220,133
Telephone and postage	-	16,578	3,338	2,032	21,948	27,023	25,086	52,109	74,057	75,696
Occupancy	-	171,257	13,447	10,429	195,133	36,307	84,221	120,528	315,661	343,719
Equipment rental and maintenance	-	19,878	5,236	1,198	26,312	15,936	24,479	40,415	66,727	71,106
Supplies and subscriptions	-	6,091	2,425	2,178	10,694	10,903	6,954	17,857	28,551	42,677
Advertising	-	507,540	3,175	-	510,715	77,905	-	77,905	588,620	535,427
Printing and supplies	-	8,289	12,995	1,228	22,512	82,332	4,991	87,323	109,835	117,374
Travel, conferences, and meetings	-	89,311	21,029	20,652	130,992	125,747	46,480	172,227	303,219	282,944
Miscellaneous	-	59,564	1,923	9,965	71,452	24,042	123,225	147,267	218,719	287,230
United Way Worldwide dues	-	195,884	1,500	-	197,384	21,264	15,051	36,315	233,699	217,318
Total before depreciation and amortization	4,875,911	2,564,977	532,452	2,664,295	10,637,635	2,207,735	1,534,752	3,742,487	14,380,122	13,064,405
Depreciation and amortization	-	189,882	19,621	15,859	225,362	52,356	42,462	94,818	320,180	358,750
	\$ 4,875,911	\$ 2,754,859	\$ 552,073	\$ 2,680,154	\$10,862,997	\$ 2,260,091	\$ 1,577,214	\$ 3,837,305	\$14,700,302	\$13,423,155

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Cash Flows

Year Ended June 30, 2016 (With Comparative Totals for 2015)	2016	2015
Cash flows from operating activities:		
Cash receipts:		
Campaign revenue	\$ 15,153,762	\$ 19,830,346
Government grants and contracts	5,185,633	2,543,046
Private grants	786,293	897,604
Interest and dividends	136,332	82,342
Other	535,254	376,698
 Cash paid:		
Allocations to agencies	(4,935,910)	(3,713,617)
Donor designated contributions to agencies	(9,673,490)	(12,174,742)
Early Learning Hubs support	(2,026,966)	(1,265,277)
Employees and suppliers	(6,370,860)	(6,433,553)
Payments to affiliated organizations	<u>(228,008)</u>	<u>(263,786)</u>
 Net cash used by operating activities	(1,437,960)	(120,939)
 Cash flows from investing activities:		
Purchases of property and equipment	(390,258)	(140,851)
Proceeds from sale of property and equipment	3,955,500	-
Purchase of investments	(4,085,031)	(2,403,743)
Proceeds from sale of investments	<u>628,526</u>	<u>2,478,326</u>
 Net cash provided (used) by investing activities	108,737	(66,268)
 Net decrease in cash and cash equivalents	(1,329,223)	(187,207)
 Cash and cash equivalents, beginning of year	<u>2,511,811</u>	<u>2,699,018</u>
 Cash and cash equivalents, end of year	<u>\$ 1,182,588</u>	<u>\$ 2,511,811</u>
 Supplemental disclosure of non cash investing activity:		
Property and equipment transferred to property held for sale	\$ 1,173,304	\$ -

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Consolidated Statement of Cash Flows - Continued

Year Ended June 30, 2016 <i>(With Comparative Totals for 2015)</i>	2016	2015
Reconciliation of increase (decrease) in net assets to net cash used by operating activities:		
Increase (decrease) in net assets	\$ 1,391,593	\$ (453,765)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	320,180	358,750
Gain on investments	(111,149)	(145,801)
Gain on sale of property	(3,660,167)	-
Change in value of perpetual trusts	65,728	61,950
(Increase) decrease in:		
Pledges receivable - net	1,128,023	452,214
Government grants and contracts receivable	194,466	(1,058,591)
Private grants receivable	292,500	(242,500)
Accounts and other receivables	123,224	(88,227)
Prepaid expenses and other assets	18,424	10,366
Increase (decrease) in:		
Accounts payable and accrued liabilities	373,440	758,655
Deferred revenue	234,728	62,433
Accrued grants to programs	(59,999)	220,001
Donor-designated contributions payable	<u>(1,748,951)</u>	<u>(56,424)</u>
Net cash used by operating activities	<u><u>\$ (1,437,960)</u></u>	<u><u>\$ (120,939)</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies

Organization - The Community Chest, which later became United Way of the Columbia-Willamette (UWCW) started in 1920 and is one of the Portland/Vancouver metro region's leading and oldest health and human service support organizations. There have been several name changes over the years. UWCW joined United Way Worldwide (previously United Way of America) and was incorporated under United Way of the Columbia-Willamette in 1952. United Way's role in helping the community has remained consistent over the years. UWCW's mission is: *Improve lives, strengthen communities, and advance equity by mobilizing the caring power of people across our metro area.* We bring our leadership, expertise, and resources together throughout our region to change the education, health, and economic outcomes for kids in low-income families. We can break the cycles that trap children in poverty and move children and families toward better lives.

UWCW conducts annual workplace and community fundraising campaigns dedicated to support the area's health and human services; brings together community leaders and experts to identify the needs of the community; and uses a volunteer driven grant funding model to invest in programs and partners who are committed to achieving measurable results. UWCW also funds strategic partnerships and initiatives that include Earned Income Tax Credit Assistance, Project Access NOW (health access and services for those in need), 211 Info (resource hotline), and Safety Net programs (food, rent, and utility assistance).

Program Services - UWCW is proud to work with and fund nonprofit organizations across our four-county region who share in our commitment to breaking the cycle of childhood poverty. By investing in and connecting these organizations together, we believe we can dig deeper into the root causes of poverty, and create or share existing practices that will allow us to move kids and families in our region out of poverty faster and more efficiently.

Net Program Grants - UWCW is activating our strategic plan by making investments through four specific funding strategies: Community Transformation, Community Strengthening, Community Safety Net, and Catalyst.

Community Transformation: The Community Transformation funding strategy is a long-term investment in one group, or collaborative, whose mission is to transform our region's most impoverished communities using the Collective Impact Model. The group selected for this grant, Successful Families 2020, is comprised of six of our region's leading nonprofit organizations serving low-income and culturally specific communities. Working in collaboration with UWCW through the creation and implementation of a business and work plan, this collaborative will create a blueprint for success in communities of color in Multnomah County.

Community Strengthening: The Community Strengthening funding strategy is designed to support a stronger network of nonprofits who are leading the way in reducing poverty for children and families in our region. A total of 30 emerging and established nonprofits serving low-income and culturally-specific communities across the metro area were selected. Together, they will create and participate in learning communities designed to share experiences, exchange data and information, and build collective knowledge to strengthen organizational capacity and improve outcomes for low-income families and their children.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies - Continued Program Services - Continued Net Program Grants - Continued

Safety Net: The Safety Net funding strategy is designed to provide critical aid for our most vulnerable families through short-term, non-competitive investments in supportive programs that provide housing, food, heat, utilities, and other essential needs for individuals that, due to an unforeseen personal crisis, disaster, or emergency in their lives, would benefit from additional assistance.

Catalyst: The Catalyst funding strategy enables nonprofits in our region to try new ideas, research community needs, and improve their systems so they can work better for the people they serve. These small, one-time investments increase the effectiveness of the service networks that support the most underserved populations in our region.

Designations - Dollars are directed towards specific 501(c)(3) agencies as specified by the donor.

Community Investment - Community investment activities include regional and community needs assessment, data collection and analysis, community education presentations, production of documents designed to highlight regional needs, funding trends, and emerging issues. Additional activities include advocacy, public policy involvement, development and support of strategic initiatives, and community leadership.

Hands on Greater Portland - Hands on Greater Portland activities focus on results-based, meaningful volunteer service and the belief that volunteers enrich their lives and the lives of others when they address community needs. The program strives to connect volunteers with opportunities to meet important community needs, including senior services, education, services for the homeless, and restoration of the environment.

Early Learning Hubs - Every kid should arrive at kindergarten ready for school success. That's why UWCW is proud to co-manage two new regional hubs focused on early learning: Early Learning Multnomah (ELM) and Early Learning Washington County (ELWC). In Oregon, there are 16 hubs, or regional-based groups, appointed by the State of Oregon's Early Learning Council that are designed with the intent to improve educational outcomes for Oregon's youngest children, age 0-6. Under the early learning hub model, all sectors that touch early childhood education (early childhood educators; K-12 school districts; health, social, and human service organizations; nonprofits; municipalities; and the private sector) are tasked with working together to align their services in order ensure that children arrive at school prepared to learn, with an equal opportunity to succeed.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Program Services - Continued

Combined Federal Campaign - The Combined Federal Campaign (CFC) was established by the Federal government in 1961. The CFC is the only authorized charitable fundraising campaign for Federal employees, both civilian and military. A Local Federal Coordinating Committee (LFCC) comprised of local Federal employees, authorized by CFC regulations, organizes the CFC. UWCW was appointed by the LFCC as the Principal Combined Fund Organization (PCFO) to administer the local campaign under the direction and control of the LFCC and the U.S. Office of Personnel Management. In addition to administering the campaign as the PCFO, UWCW also applies annually to the CFC as a federation. As a CFC federation, UWCW honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

Supporting Services - Local volunteers and staff lead efforts in these key support areas of UWCW:

Fundraising:

Resource Development - Responsible for the annual fundraising campaign, resource development also develops long-term relationships with key customers and facilitates the involvement of local organizations, corporations, and businesses in community service.

Branding and Communication - Responsible for building strong programs in communications, advertising, media relations, and special events. This area of UWCW is also key in increasing community awareness, visibility, and education about UWCW.

Management and General - Responsible for providing support for all areas of UWCW, including campaign pledge processing, accounting, finance, facilities management, information systems, and human resources management. Responsible for ensuring the financial integrity of UWCW, this area manages the financial controls and reporting of financial data to the volunteers, the donors, and the community.

Significant Accounting Policies - The significant accounting policies followed by UWCW are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The consolidated financial statements include the assets, liabilities, and activities of UWCW and its wholly owned affiliate, Hands on Greater Portland, LLC (together herein referred to as the Organizations). Hands on Greater Portland, LLC is a single-member limited liability company that was formed in September 2012, to acquire the assets of Hands on Greater Portland.

All intercompany balances and transactions have been eliminated in consolidation.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates for which it is at least reasonably possible a change in estimate will occur in the near term include the allowance for uncollectible pledges receivable and depreciation and amortization.

Cash and Cash Equivalents - The Organizations consider all highly liquid debt instruments with a maturity of three months or less to be cash equivalents and short-term investments expected to be converted to cash in the near term.

Pledges Receivable - Pledges receivable are shown net of an allowance for uncollectible pledges. The provision for pledges estimated to be uncollectible is based on, among other things, past collection experience and an estimate of the impact of current economic conditions. It is reasonably possible the amount of uncollectible pledges could be materially different upon final settlement of each campaign. Pledges receivable for the current annual campaign are available for unrestricted use unless specifically restricted by the donor. Pledges receivable for future annual campaigns are considered restricted for use in the campaign year specified by the donor.

Accounts Receivable - Accounts receivable are recognized as services are provided. The Organizations do not assess finance charges on delinquent accounts. The Organizations use the allowance method to account for uncollectible accounts receivable. The allowance is estimated by management based on various factors, including past history and current economic conditions. The Organizations will write off any balance that remains after it has exhausted all reasonable collection efforts. Management believes all accounts receivable at June 30, 2016, are fully collectible, and an allowance for uncollectible accounts is not necessary.

Investments - UWCW carries investments in marketable securities with readily determinable fair values and all debt securities at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Certificates of deposit and money market accounts are stated at amortized cost plus accrued interest, which approximates fair value.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Fair Value Measurements - GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. UWCW uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, UWCW measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets UWCW has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

Endowment Funds - UWCW's endowment consists of four individual funds comprised solely of donor-restricted net assets (*Note 11*). No unrestricted or temporarily restricted net assets were functioning as an endowment for the years ended June 30, 2016 or 2015 (other than unexpended endowment earnings in the temporarily restricted net asset class). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of UWCW 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, UWCW 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.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Endowment Funds - 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 UWCW in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWCW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UWCW, and (7) UWCW's investment policies.

UWCW has an investment policy that provides for investment objectives of (a) providing stable cash payout, preferably growing in real terms after inflation and (b) growing the principal in real terms after inflation. The spending of endowment assets is approved by the Board of Directors of UWCW. Currently, UWCW's spending rate is 5 percent of a three-year rolling average of the fair market value of endowment assets.

Funds held at Oregon Community Foundation (OCF) follow investment and spending policies determined by the Board of Directors of OCF. OCF's investment policy is intended to provide for long-term growth. Currently, the spending rate ranges from 4.5 to 5 percent (per annum) of the average fair market value of UWCW's funds based on a 13-quarter trailing average. Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, private investments, and cash. UWCW believes the investment and spending policy is consistent with UWCW's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

UWCW's interest in perpetual trusts, described in *Note 6*, is included in UWCW's endowment funds. The investment of these funds is determined by the trustees of the trusts rather than UWCW.

Interest in Perpetual Trusts - UWCW has a beneficial interest in certain perpetual trusts. The assets in the trusts are held and managed by third-party administrators. Under the terms of the trusts, UWCW has the irrevocable right to receive a percentage of the income earned on the trusts' assets in perpetuity, but never receives the assets held in the trusts.

UWCW's interest in the trusts has been recorded as a permanently restricted net asset measured at the present value of future cash receipts from the trusts' assets, which is estimated to be UWCW's percentage of the fair value of the trusts' assets.

Distributions from the trusts are recorded as unrestricted revenue when received. Changes in the amount reported as an asset are recorded as an increase or decrease to permanently restricted net assets.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Property and Equipment - The Organizations follow the policy of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Property and equipment received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives:

Building	20 - 30 years
Furniture, equipment, and improvements	3 - 15 years

Accrued Grants to Programs - Accrued grants to programs and other unconditional promises to give are recorded as a liability and expense on approval by the Board of Directors. Generally, accrued grants to programs are paid over the fiscal year following approval.

Net Assets - The accompanying consolidated financial statements have been prepared to focus on the Organizations as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of the Organizations' net assets in three classes: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted net assets represent net assets not subject to donor-imposed stipulations. The Board has designated certain major bequests for Board-designated financial reserve. It is the intention of the Board that such monies be maintained to provide a financial reserve that is available for expenditure at the discretion of the Board.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organizations and/or the passage of time.

Permanently restricted net assets represent net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but generally permit the Organizations to use the income.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Revenue Recognition - The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The Organizations report gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received.

Government grants and contracts and service fee revenue is recognized at the time services are provided and the revenues are earned. Government grants and contracts are deemed to be earned and reported as revenues when UWCW has incurred expenditures in compliance with the specific grant or contract requirements. Amounts received in advance of being earned are treated as deferred revenue.

Gross Campaign Revenue - During the Fall of 2015 and 2014 annual campaigns, UWCW raised \$1,119,074 and \$1,195,717, respectively, for the Combined Federal Campaign administered by UWCW. UWCW has included these amounts in both gross campaign revenue and amounts designated to others in the accompanying consolidated statement of activities.

Premises Furnished to Agencies - Certain agencies use space in UWCW's office building. Rent is charged (at below market rates for non-profit agencies) and is included in rental income in the accompanying consolidated statement of activities.

In-Kind Contributions - UWCW receives advertising services from various newspapers, radio stations, and television stations free of charge. Donated advertising services recorded at estimated fair value were recognized in the amount of \$486,513 for the year ended June 30, 2016. These services have been recorded as in-kind contributions in the accompanying consolidated statement of activities at their estimated fair value and as a component of advertising in the accompanying consolidated statement of functional expenses.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued Significant Accounting Policies - Continued

Donor-Designated Contributions - UWCW receives certain contributions designated by the donors for distribution to organizations both affiliated and unaffiliated with UWCW. Such designations are accepted if the ultimate recipient is another United Way chapter or meets certain criteria established by UWCW. These criteria include being a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. These contributions are distributed to the designated agencies based on collections and are recorded in the consolidated statement of activities as amounts designated to others. Amounts remaining to be paid at the fiscal year end are reflected in the consolidated statement of financial position as donor-designated contributions payable.

Advertising - The Organizations expense all indirect advertising costs incurred.

Income Taxes - Income taxes are not provided for in the consolidated financial statements since UWCW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. UWCW is not classified as a private foundation. Hands on Greater Portland, LLC is a disregarded entity for Federal and state income tax purposes.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes UWCW does not have any uncertain tax positions. UWCW files informational returns. Generally, the returns filed by UWCW are subject to examination by Federal or state taxing authorities for a period of three years from the filing of the return. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events - Management has evaluated subsequent events through January 18, 2017, the date the consolidated financial statements were available to be issued.

Summarized Financial Information for 2015 - The consolidated financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with UWCW's consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

2. **Defined Contribution Plan and Severance Pay Plan**

Defined Contribution Plan - UWCW has a defined contribution plan covering substantially all employees who have completed one year of service with UWCW. The plan was established under Section 401(k) of the Internal Revenue Code. Employee contributions to the plan are in the form of salary deferrals and are immediately 100 percent vested.

Employer contributions to the plan vary between 10 and 15 percent of eligible employee salaries, depending on employees' date of hire and other factors. Employer contributions become vested in 20 percent increments and are 100 percent vested once an employee completes six years of service.

Total employer contributions to the plan for the year ended June 30, 2016, were \$310,109.

Severance Pay Plan - In conjunction with the termination of a formerly maintained defined benefit pension plan, the Board of Directors created a severance pay plan to provide a lump-sum benefit to certain employees whose employment terminates at a time when their retirement benefit is less than the benefit that would have been payable under the former plan. In order to be eligible for this plan, employees must be at least 40 years old and have completed ten years of service with UWCW. In addition, the individual must have been actively employed by UWCW on April 1, 2000.

3. **Pledges Receivable - Net**

Pledges receivable are expected to be received as follows at June 30:

	2016	2015
Within one year	\$ 3,888,294	\$ 5,367,317
Between one and five years	<u>250,000</u>	<u>-</u>
	\$ 4,138,294	\$ 5,367,317
Less allowance for uncollectible pledges	<u>(351,000)</u>	<u>(452,000)</u>
Pledges receivable - net	<u><u>\$ 3,787,294</u></u>	<u><u>\$ 4,915,317</u></u>

Management has elected not to record a discount to present value on pledges receivable due between one and five years as they believe any discount would have an immaterial effect on the consolidated financial statements taken as a whole.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

4. Private Grants Receivable

Private grants receivable are expected to be received as follows at June 30:

	2016	2015
Within one year	\$ 500,000	\$ 542,500
Between one and five years	-	250,000
	<u>\$ 500,000</u>	<u>\$ 792,500</u>

Management has elected not to record a discount to present value on grants receivable due between one and five years as they believe any discount would have an immaterial effect on the consolidated financial statements taken as a whole.

5. Investments

The composition of investments at June 30, is as follows:

	2016	2015
Investments carried at fair value:		
Bond funds	\$ 2,639,161	\$ 1,654,591
Equity mutual funds	4,605,399	2,297,186
Cash surrender value of life insurance policies	497,790	464,165
Investments held at OCF	92,595	100,456
	<u>7,834,945</u>	<u>4,516,398</u>
Total investments carried at fair value		
Investments carried at cost plus accrued interest:		
Money market accounts	166,739	95,583
Certificates of deposit	753,564	575,613
	<u>920,303</u>	<u>671,196</u>
Total investments carried at cost plus accrued interest		
Total investments	<u>\$ 8,755,248</u>	<u>\$ 5,187,594</u>

During the year ended June 30, 1997, UWCW entered into an agreement with the OCF to transfer \$50,000 to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The investments are to be held by OCF in perpetuity. Under the terms of the agreement, OCF will distribute annually a percentage of the fair market value of the fund to UWCW based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both UWCW and OCF's Boards of Directors. A distribution of \$4,396 was received from OCF during the year ended June 30, 2016. The change in the value of the investments held at OCF has been reflected in the gain on investments in the accompanying consolidated statement of activities.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

5. Investments - Continued

UWCW previously carried an investment in stock of a privately held company. In 2010, management determined the likelihood of receiving any future benefit in this stock was less than probable and recorded an impairment loss of \$220,000 related to this investment. UWCW continues to own this investment.

During the year ended June 30, 2012, under a gift agreement from a donor, life insurance policies with a combined death benefit of approximately \$4.4 million were transferred to UWCW. The death benefit values have not been recognized in the consolidated financial statements but will be recognized when proceeds are actually received. Once the proceeds are received, the gift agreement stipulates approximately \$3.4 million is to be designated for other nonprofit organizations. At June 30, 2016, the cash surrender values of these policies totaled \$491,696.

6. Interest in Perpetual Trusts

UWCW has a beneficial interest in certain perpetual trusts. The present value of future distributions from trust assets is as follows at June 30:

	2016	2015
Balance, beginning of year	\$ 930,842	\$ 992,792
Change in value	<u>(65,728)</u>	<u>(61,950)</u>
Balance, end of year	<u>\$ 865,114</u>	<u>\$ 930,842</u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

7. Property and Equipment - Net

	2016	2015
Land	\$ 295,333	\$ 886,000
Building	2,059,524	3,982,994
Furniture, equipment, and improvements	<u>1,804,593</u>	<u>2,431,627</u>
	4,159,450	7,300,621
Less accumulated depreciation and amortization	<u>(3,070,386)</u>	<u>(4,812,998)</u>
	<u><u>\$ 1,089,064</u></u>	<u><u>\$ 2,487,623</u></u>

On August 14, 2015, UWCW sold a portion of its land. Net proceeds of \$3,955,500 were received, resulting in a gain of \$3,660,167, which was recognized in the consolidated financial statements during the year ended June 30, 2016.

On January 6, 2016, UWCW entered into a purchase and sale agreement to sell a portion of its building and land for \$5.1 million plus additional amounts if the sale date is extended based on the terms of the agreement. UWCW reported this portion of its building and land as held for sale as of June 30, 2016. The net book value of this portion of building and land was \$1,173,304 at June 30, 2016.

In connection with the purchase and sale agreement, UWCW entered into contracts for construction and architectural services to remodel the building for its sale. The combined cost of the contracts is \$1,577,792. No costs had been incurred under these contracts as of June 30, 2016.

8. Unrestricted Net Assets Designated by the Board of Directors

Certain unrestricted net assets have been designated by the Board of Directors for special purposes. Designated unrestricted net assets consist of the following at June 30:

	2016	2015
Financial reserve	\$ 2,645,085	\$ 2,564,085
Future retirement plan expenses	91,512	90,365
Building reserve	3,954,508	240,000
Transformation program	<u>-</u>	<u>648,000</u>
	<u><u>\$ 6,691,105</u></u>	<u><u>\$ 3,542,450</u></u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

9. Unrestricted Undesignated Net Assets

Unrestricted undesignated net assets (deficit) consist of the following at June 30:

	2016	2015
Net investment in property and equipment and property held for sale	\$ 2,262,368	\$ 2,487,623
Unrestricted deficit for operations	<u>(1,801,513)</u>	<u>(364,379)</u>
	<u>\$ 460,855</u>	<u>\$ 2,123,244</u>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Time restriction - future campaigns	\$ 611,366	\$ 113,370
Purpose restricted grants	440,900	939,400
Gas assistance program	136,849	116,698
Unexpended endowment income (<i>Note 12</i>)	<u>245,051</u>	<u>293,643</u>
	<u>\$ 1,434,166</u>	<u>\$ 1,463,111</u>

11. Permanently Restricted Net Assets

Permanently restricted net assets are composed of the following at June 30:

	2016	2015
Pricket Endowment Fund	\$ 84,331	\$ 84,331
Amanda Reed Endowment Fund	3,338	3,338
General Endowment Fund	120,199	120,199
JD Gray Endowment Fund	2,000,000	2,000,000
Interest in perpetual trusts (<i>Note 6</i>)	<u>865,114</u>	<u>930,842</u>
	<u>\$ 3,072,982</u>	<u>\$ 3,138,710</u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

12. Endowment Funds

Composition of and changes in endowment net assets for the year ended June 30, 2016, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 293,643	\$3,138,710	\$3,432,353
Interest and dividends	47,163	-	47,163
Gain on investments	3,873	-	3,873
Change in value of perpetual trusts	-	(65,728)	(65,728)
Investment management fees	(17,411)	-	(17,411)
Distributions	<u>(82,217)</u>	<u>-</u>	<u>(82,217)</u>
Endowment assets, end of year	<u>\$ 245,051</u>	<u>\$3,072,982</u>	<u>\$3,318,033</u>

13. Net Assets Released from Restrictions

During the year ended June 30, 2016, net assets were released from restrictions as follows:

Early campaign contributions for use in current period - net of recoveries	\$ 113,370
Purpose restricted grants	605,349
Distributions and management fees from endowments	<u>99,628</u>
	<u>\$ 818,347</u>

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

14. Joint Costs

UWCW conducts certain activities that could be considered joint cost activities, including the publication of a quarterly newsletter and development of a web page. Management feels the costs of conducting these activities is immaterial to the consolidated financial statements and has used the same cost allocation methods that are used for non-joint cost activities in the accompanying consolidated statement of functional expenses.

15. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable described in *Note 3*, and investments described in *Note 5*.

At times, cash and cash equivalents exceed federally insured limits.

UWCW's investments, including those held related to perpetual trusts (*Note 6*), are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Substantially all money market accounts exceed federally insured limits.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

16. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, UWCW's assets at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Bond funds:				
Intermediate term	\$ 2,630,868	\$ -	\$ -	\$ 2,630,868
General	5,819	-	-	5,819
Specialty	2,474	-	-	2,474
Equity mutual funds:				
Large cap growth	1,175,058	-	-	1,175,058
Mid cap growth	343,139	-	-	343,139
Small cap growth	368,078	-	-	368,078
Large cap blend	1,191,336	-	-	1,191,336
Small cap blend	981	-	-	981
Large cap value	1,490	-	-	1,490
Mid cap value	652,988	-	-	652,988
Small cap value	527	-	-	527
Specialty stock	354,613	-	-	354,613
Foreign large cap growth	373,468	-	-	373,468
Foreign large cap value	749	-	-	749
Foreign large cap blend	1,990	-	-	1,990
Foreign diversified emerging markets	140,982	-	-	140,982
Cash surrender value of life insurance policies	-	497,790	-	497,790
Investments held at OCF	-	-	92,595	92,595
	<u>\$ 7,244,560</u>	<u>\$ 497,790</u>	<u>\$ 92,595</u>	<u>\$ 7,834,945</u>
Investments, at fair value				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865,114</u>	<u>\$ 865,114</u>
Interest in perpetual trusts				

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

Level 2 Measurements: Fair value for cash surrender value of life insurance policies is based on pricing models or other relevant economic measures provided by the insurance companies.

UNITED WAY OF THE COLUMBIA-WILLAMETTE

Notes to Consolidated Financial Statements - Continued

16. Fair Value Measurements - Continued

Level 3 Measurements: Investments held at OCF represents UWCW's share of a pooled investment portfolio managed by OCF. UWCW's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

Market data is unavailable for perpetual trusts; however, UWCW carries its interest in perpetual trusts at fair value based on UWCW's proportionate share of the underlying investments.

The following table provides a summary of changes in UWCW's Level 3 assets for the year ended June 30, 2016:

	Investments Held at OCF	Interest in Perpetual Trusts	Total
Balance, beginning of year	\$ 100,456	\$ 930,842	\$ 1,031,298
Interest and dividends	1,305	-	1,305
Loss on investment	(3,975)	-	(3,975)
Change in value	-	(65,728)	(65,728)
Management fees and distributions	<u>(5,191)</u>	<u>-</u>	<u>(5,191)</u>
Balance, end of year	<u>\$ 92,595</u>	<u>\$ 865,114</u>	<u>\$ 957,709</u>

17. Related-Party Transactions

UWCW receives staff and volunteer training, national advertising services, and national campaign coordination and supplies from United Way Worldwide. As a result, UWCW elected to remit to United Way Worldwide \$233,699 for the Fall 2015 campaign, which is recorded for the year ended June 30, 2016. At June 30, 2016, amounts payable to United Way Worldwide for these services and supplies totaled \$108,600 and are included as a component of accounts payable and accrued liabilities in the accompanying consolidated statement of financial position.

Certain members of the Board of Directors hold executive positions in agencies that receive funding from UWCW. The Board of Directors has adopted a conflict of interest policy and these Board members abstain from voting on any and all matters related to funding provided by UWCW.

UWCW maintains banking relationships with certain banks where members of the Board of Directors of UWCW hold key positions.