



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# UNITED WAY OF GREATER TOPEKA, INC.

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
EIGHTEEN MONTHS ENDED JUNE 30, 2016

UNITED WAY OF GREATER TOPEKA, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Eighteen Months Ended June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
United Way of Greater Topeka, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Greater Topeka, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and other functional expenses for the eighteen months then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

### **Other Matters**

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as outlined in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Berberich Trahan & Co., P.A.*

December 8, 2016  
Topeka, Kansas

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Current assets:	
Cash on hand and in banks	\$ 228,990
Operating investments	382,855
Pledges receivable:	
2015-2016 campaign, less allowance of \$ 199,038	1,336,344
Other receivables	17,745
Grants receivable	467,958
Prepaid expenses	46,912
	<hr/>
Total current assets	2,480,804
Furniture and equipment, net of accumulated depreciation of \$ 441,610	29,553
Long-term investments	2,335,457
	<hr/>
Total assets	<u>\$ 4,845,814</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts and grants payable	\$ 703,184
Accrued expenses	90,688
Due to participating agencies and other communities	261,451
Deferred revenue	40,092
	<hr/>
Total current liabilities	1,095,415
Net assets:	
Unrestricted:	
Undesignated	1,723,201
Board designated	1,530,847
	<hr/>
	3,254,048
Restricted:	
Temporarily restricted	231,129
Permanently restricted	265,222
	<hr/>
Total net assets	3,750,399
	<hr/>
Total liabilities and net assets	<u>\$ 4,845,814</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF ACTIVITIES

Eighteen Months Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Campaign applicable to current period:				
Contributions received - current period	\$ 3,508,100	\$ -	\$ -	\$ 3,508,100
Contributions received in prior periods released from restriction	2,676,752	(2,676,752)	-	-
Gross campaign applicable to current period	6,184,852	(2,676,752)	-	3,508,100
Less: donor designations - United Way campaign	(647,214)	342,731	-	(304,483)
Less: allowance for uncollectible pledges	(230,222)	230,222	-	-
Net campaign applicable to current period	5,307,416	(2,103,799)	-	3,203,617
Private and public grants	4,427,258	-	-	4,427,258
Special grants and contributions	-	27,939	3,428	31,367
Memorial and trust income	475	-	-	475
Net investment income (loss)	35,292	(2,545)	-	32,747
In-kind contributions	187,211	-	-	187,211
Volunteer Center programs	-	55,736	-	55,736
Other	81,321	-	-	81,321
Net assets released from restriction	90,821	(90,821)	-	-
Total revenues, gains and other support	10,129,794	(2,113,490)	3,428	8,019,732
Allocations and other functional expenses:				
Community impact	2,473,921	-	-	2,473,921
Other functional expenses	7,232,014	-	-	7,232,014
Total expenses	9,705,935	-	-	9,705,935
Change in net assets	423,859	(2,113,490)	3,428	(1,686,203)
Net assets, beginning of period	2,830,189	2,344,619	261,794	5,436,602
Net assets, end of period	\$ 3,254,048	\$ 231,129	\$ 265,222	\$ 3,750,399

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF CASH FLOWS

Eighteen Months Ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	\$ (1,686,203)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	37,748
Net unrealized and realized gains and losses on investments	(6,005)
Change in assets and liabilities:	
Pledges receivable for other than long-term purposes	792,324
Other receivables	9,373
Grants receivable	(238,888)
Prepaid expenses	6,440
Accounts payable	71,581
Accrued expenses	9,881
Due to participating agencies and other communities	(74,131)
Deferred revenue	(21,750)
	<hr/>
Net cash used in operating activities	(1,099,630)
	<hr/>
Cash flows from investing activities:	
Proceeds from sale of operating investments	37,526
Purchases of long-term investments	(27,847)
Proceeds from sale of long-term investments	525,000
Purchases of furniture and equipment	(17,740)
	<hr/>
Net cash provided by investing activities	516,939
	<hr/>
Cash flows from financing activities:	
Collections of contributions restricted for long-term purposes	3,428
	<hr/>
Net decrease in cash	(579,263)
Cash on hand and in banks, beginning of period	808,253
	<hr/>
Cash on hand and in banks, end of period	<u>\$ 228,990</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF OTHER FUNCTIONAL EXPENSES

Eighteen Months Ended June 30, 2016

	Support Services	
	Management and General	Resource Development
1 Salaries	\$ 514,255	\$ 423,287
2 Payroll taxes	43,017	33,374
3 Employee benefits and retirement	80,640	58,696
4 Office rent	50,582	43,313
5 Program supplies	-	-
6 External printing	4,099	10,747
7 Public relations	132,200	7,189
8 Campaign ambassador	-	22,412
9 Professional fees	137,749	-
10 Insurance	4,482	3,838
11 Technology expenses	20,249	18,578
12 Office supplies	18,058	14,358
13 Telephone	6,239	5,222
14 Postage and shipping	4,267	3,654
15 Local transportation	3,396	4,417
16 Conferences and travel	59,230	-
17 Meetings	21,031	163
18 Subscriptions and reference publications	1,072	-
19 Local dues	9,511	-
20 Volunteer recognition	1,010	1,561
21 National dues	15,092	12,923
22 United Rocks	-	17,471
23 Junior Leader Reader	-	-
24 Successful Connections	-	-
25 High Crest Transportation	-	-
26 Born Learning Trail	-	-
27 Dolly Parton Library	-	-
28 Sales tax	488	418
29 Campaign expenses	-	86
Payments to other organizations:		
30    Grants	-	-
Payments to individuals:		
31    Christmas Bureau	-	-
32    Young Leaders Society	-	127
33    Women United	-	-
34    WU Student Allocation	-	-
35 Miscellaneous	22,914	2,196
	<hr/>	<hr/>
Total expenses before depreciation	1,149,581	684,030
Depreciation of furniture and equipment	37,748	-
	<hr/>	<hr/>
Total expenses	\$ 1,187,329	\$ 684,030

See accompanying notes to financial statements.

Community Services and Programs

Community Investment	Community Initiatives	Community Services	Total	
\$ 41,993	\$ 307,762	\$ 139,394	\$ 1,426,691	1
6,631	34,056	15,166	132,244	2
10,479	61,034	24,363	235,212	3
4,481	50,051	17,524	165,951	4
122	-	-	122	5
-	-	475	15,321	6
-	116	-	139,505	7
-	-	51	22,463	8
-	-	-	137,749	9
397	4,435	1,553	14,705	10
1,758	19,637	6,975	67,197	11
436	5,358	2,513	40,723	12
535	5,995	2,181	20,172	13
378	4,222	1,498	14,019	14
48	4,062	3,089	15,012	15
455	1,183	751	61,619	16
38	130	88	21,450	17
-	-	-	1,072	18
-	-	-	9,511	19
-	3	12,482	15,056	20
1,337	14,933	5,229	49,514	21
-	-	17,471	34,942	22
5,540	-	-	5,540	23
-	9,354	-	9,354	24
-	6,000	-	6,000	25
6,093	-	-	6,093	26
836	-	-	836	27
43	483	169	1,601	28
-	-	-	86	29
4,421,110	28,049	-	4,449,159	30
-	-	32,531	32,531	31
127	-	-	254	32
-	-	6,239	6,239	33
-	7,500	-	7,500	34
227	2,546	940	28,823	35
4,503,064	566,909	290,682	7,194,266	
-	-	-	37,748	
<u>\$ 4,503,064</u>	<u>\$ 566,909</u>	<u>\$ 290,682</u>	<u>\$ 7,232,014</u>	

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1 - Organization and Summary of Significant Accounting Policies

Organization

United Way of Greater Topeka, Inc. (the Organization) was organized to unite diverse elements in an area-wide effort to plan, support, deliver, and monitor effective human service agencies. The Organization is funded by contributions from individuals and businesses in Topeka and surrounding communities.

The Organization changed their fiscal year-end to June 30 beginning June 30, 2016.

Cash on Hand and in Banks

Cash on hand and in banks consists of cash and investments with original maturities of less than three months and which have not been designated by management as operating investments (see Note 2).

The Organization maintains deposits in banks. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 per bank. The Organization's deposits may have exceeded the FDIC insurance limits during the eighteen months ended June 30, 2016.

Investments

Operating investments, which include savings accounts, money market deposit accounts, and non-negotiable certificates of deposit, are recorded at cost since they are not affected by market rate changes.

The Organization invests in mutual funds which are reported at fair value. The Organization invests in pooled funds at the Topeka Community Foundation (the Foundation). The pooled shares at the Foundation are recorded at fair value, as reported by the Foundation, which may be based upon quoted market prices or at an estimated fair value using other valuation methods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable represent legally enforceable pledges which are recorded at their net realizable value in the period made. The allowance for uncollectable pledges estimated at 5.7% for the eighteen months ended June 30, 2016, is based on an analysis of historical trends, current levels of campaign revenue, and other factors.

Pledges for each campaign year are expected to be collected within one year. Pledges not collected by March 31 of the following year are deemed uncollectible.

Furniture and Equipment

Furniture and equipment are carried at cost. Furniture and equipment with a cost of more than \$ 500 and an estimated useful life of more than one year are capitalized. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are recorded as permanently restricted net assets.

In accordance with ASC 958-605, Not-For-Profit Revenue Recognition, contributions designated to specific recipient organizations are reflected as a reduction to campaign contributions and recorded as a liability.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets

At June 30, 2016, temporarily restricted net assets consisted of amounts time-restricted by donors or law or restricted by donors for a specific purpose. The net assets released from restriction were contributions received in prior periods for which the time or purpose restriction was satisfied. Temporarily restricted net assets are included in cash on hand and in banks, operating investments, and long-term investments on the statement of financial position.

Donated Materials, Facilities and Services

Donated materials, facilities, and services, such as advertising and professional services, have been recognized at fair value in the financial statements in the amounts of \$ 187,211 for the eighteen months ended June 30, 2016. The related expenses have been included in the statement of other functional expenses.

A substantial number of volunteers have donated significant amounts of their time on the Organization's fund raising campaign and other activities. No amounts have been reflected in the statements for such services.

Functional Expense Allocation

Certain expenses have been allocated between program and support services based on the amount of time employees spend on each function.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code, and has been classified as other than a private foundation by the Internal Revenue Service.

The Organization's policy is to evaluate uncertain tax positions annually. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Forms 990 and 990T filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the Organization are no longer subject to examination for the fiscal years ended December 31, 2011 and prior.

Risks and Uncertainties

The Organization maintains a significant portion of its total assets in a combination of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Accounting Pronouncements

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. Early application of the amendment is permitted. Management is currently evaluating the impact this ASU may have on the Organization's financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements (Continued)

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this update are effective for non-public entities for fiscal years beginning after December 15, 2016. Early adoption is permitted. Upon adoption, the amendments shall be applied retrospectively to all periods presented. Management is currently evaluating the impact this update will have on the Organization's financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - Investments

Operating investments were as follows at June 30, 2016:

Savings and money market deposit accounts:

Community Bank	\$ 3,406
INTRUST Bank	475
Capitol Federal Savings	<u>145,651</u>
	<u>149,532</u>

Certificates of deposit:

INTRUST Bank	9,141
Alliance Bank	<u>224,182</u>
	<u>233,323</u>
	<u><u>\$ 382,855</u></u>

Long-term investments held at two investment companies, consisted of the following at June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,407,213</u>	<u>\$ 1,435,417</u>

Other long-term investments, which are held in trust at the Foundation in the amount of \$ 900,040 at June 30, 2016, are pooled with other funds at the Foundation.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - Investments (Continued)

Amounts included in investment income for the eighteen months ended June 30, 2016 were:

Operating investments:	
Dividends and interest	<u>\$ 2,252</u>
Long-term investments:	
Dividends, interest and capital gains	43,863
Net unrealized and realized gains and losses	6,005
Investment fees	<u>(19,373)</u>
	<u>30,495</u>
	<u><u>\$ 32,747</u></u>

3 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2016.

*Mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Pooled Funds:* The fair value is based on quoted market prices or at estimated fair value as reported by the fund manager. The fair value of the Organization's position is the same as the pool value of the shares as reported by the fund manager. The Foundation invests in various other investments that are classified as Level 3 investments based on the significant unobservable inputs. These investments include private equity funds, fixed income, and other alternative investments.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In estimating fair value of the investments in Level 3, management monitors the Foundation's investment activity by analyzing the Foundation's investment statements and attending the Foundation's annual meeting. The Foundation's valuation policies and procedures are determined reasonable by management of the Organization on a quarterly basis. These valuation procedures are to allocate the Foundation's portion of earnings based on its pro rata ownership percentage in the pool. The valuation of earnings in the pool is based on the earnings of the pooled assets, which are tracked to price indices.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

The Organization reconciles investment accounts on a quarterly basis. The Organization's Board of Directors monitors the financial reports, which provide detailed information for the Foundation.

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

Description	Fair Value	Fair Value Measurements at June 30, 2016		
		Level 1	Level 2	Level 3
Mutual Funds:				
Growth funds	\$ 68,409	\$ 68,409	\$ -	\$ -
Value funds	48,044	48,044	-	-
Blended funds	798,704	798,704	-	-
International funds	67,665	67,665	-	-
Money market funds	29,334	29,334	-	-
Bond fund	423,261	423,261	-	-
Pooled funds	900,040	-	-	900,040
Total	<u>\$ 2,335,457</u>	<u>\$ 1,435,417</u>	<u>\$ -</u>	<u>\$ 900,040</u>

There were no transfers between the levels during the eighteen months ended June 30, 2016. The Organization's policy is to only recognize transfers in and out of the levels at the end of the reporting period; interim changes in the fair value inputs are not recognized.

The following table summarizes investments measured at level 3 fair value per share as of June 30, 2016:

	Pooled Funds
Balance, December 31, 2014	\$ 1,218,881
Unrealized and realized gains	13,116
Contributions	3,270
Disbursements	(325,000)
Investment fees	(10,227)
Balance, June 30, 2016	<u>\$ 900,040</u>

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

Fair Value of Investments that use Net Asset Value (NAV)

The following table summarizes investments measured at fair value based on the NAV per share as of June 30, 2016:

Investment	Fair Value June 30, 2016	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled separate accounts	\$ 900,040	None	Daily	None

4 - Leases

The Organization leases office space, storage space and equipment under agreements which are classified as operating leases. The office space lease is for a five-year term expiring December 31, 2017. Monthly lease payments are \$ 9,375 for the lease. Annual net lease expense for the office space including operating expenses for the eighteen months ended June 30, 2016 was \$ 165,951. Future minimum lease payments are as follows:

Year Ended June 30	
2017	\$ 112,500
2018	<u>56,250</u>
Total	<u><u>\$ 168,750</u></u>

5 - Endowment

The Organization's endowment consists of donor restricted endowment funds and the earnings on those funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Endowment (Continued)

The Board of Directors 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the 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 income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

The endowment net assets composition at June 30, 2016 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 67,595	\$ 265,222	\$ 332,817

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Endowment (Continued)

Changes in endowment net assets for the eighteen months ended June 30, 2016 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	\$ -	\$ 95,140	\$ 261,794	\$ 356,934
Investment return:				
Net depreciation (realized and unrealized)	-	(2,545)	-	(2,545)
Contributions	-	-	3,428	3,428
Appropriations of endowment assets for expenditure	-	(25,000)	-	(25,000)
Endowment net assets, end of period	<u>\$ -</u>	<u>\$ 67,595</u>	<u>\$ 265,222</u>	<u>\$ 332,817</u>

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 the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2016.

The Organization's endowment assets are invested at the Foundation; therefore the Organization uses the Foundation's growth portfolio investment policy for investment of its endowment assets. This investment policy is designed to provide for the preservation of capital and for the preservation of purchasing power of the endowment assets by striving for long-term returns that either match or exceed the Foundation's spending policy, the rate of inflation and investment fees. Endowment assets include those assets of donor-designated funds that the Organization should hold in perpetuity. Under the Foundation's investment policy, the long-term investment objective is to earn a rate of return, net of all fees, in excess of an 80% S&P 500 Index/20% Barclays Aggregate Government/Corporate Bond Index benchmark over rolling five- and ten-year periods.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Endowment (Continued)

The Organization's endowment funds are pooled with other funds at the Foundation. Investment gains and losses of the Foundation's investments are then allocated to the Organization by the Foundation in proportion to the Organization's portion of the investment pool. The Organization has not implemented a formal spending policy as of June 30, 2016, as the endowment income is generally being allowed to accumulate. The Organization's informal spending policy is to appropriate for expenditure the endowment earnings on a case-by-case basis in accordance with donor restrictions and/or as approved by the Board of Directors.

6 - Board Designated Net Assets

Net assets in the amount of \$ 1,530,847 as of June 30, 2016, are designated by the board of directors to be used for community impact, working capital, and other operational needs and contingencies.

7 - Net Asset Restrictions

Temporarily restricted net assets consisted of the following at June 30, 2016:

Time restrictions - endowment earnings	\$ 48,021
Women United	12,174
Christmas Bureau	46,206
Young Leaders Society	325
Young Leaders Society - Junior Leader Readers	218
Young Leaders Society - Born Learning Trail	6,046
Community impact	28,573
Washburn University Venture Grant program	44,685
Dolly Parton Imagination Library	26,944
Disaster relief	16,910
Home visitation retreat	1,027
	<hr/>
	\$ 231,129
	<hr/> <hr/>

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - Net Asset Restrictions (Continued)

The following temporarily restricted net assets were released from restriction for their restricted purposes during the eighteen months ended June 30, 2016:

Women United	\$ 7,475
Christmas Bureau	57,361
Young Leaders Society	427
Young Leaders Society readers	11,634
Washburn University Venture Grant program	7,500
Dolly Parton Imagination Library	836
Home visitation retreat	675
DEC 5K	4,913
	<hr/>
	<u>\$ 90,821</u>

Permanently restricted net assets in the amount of \$ 265,222 for June 30, 2016 represent the portion of perpetual endowment funds that is required to be retained permanently either by explicit stipulation or by UPMIFA. Permanently restricted net assets are included in long-term investments on the statement of financial position.

8 - Pension

The Organization has a defined contribution retirement plan which covers all employees at least 21 years of age with one year of service. Effective April 1, 2015, the Organization contributes four percent of employees' wages to the plan and matches up to four percent of an elective employee contribution. The plan employs a 5-year vesting schedule for the employer match, to apply to all participants hired after April 1, 2015:

1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

8 - Pension (Continued)

Pension cost was approximately \$ 73,000 for the eighteen months ended June 30, 2016. Effective January 1, 2017, the Organization will contribute two percent of the employees' wages to the plan and will match up to 2 percent of an elective employee contribution.

9 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF GREATER TOPEKA, INC.

COMMUNITY IMPACT

Eighteen Months Ended June 30, 2016

Basic needs grants	\$	865,288
Early education grants		652,375
Financial stability grants		221,118
On-grade achievement grants		655,865
Substance abuse grants		18,903
Obesity grants		<u>60,372</u>
	\$	<u><u>2,473,921</u></u>

See accompanying independent auditor's report.

UNITED WAY OF GREATER TOPEKA, INC.

PRIVATE AND PUBLIC GRANT REVENUES

Eighteen Months Ended June 30, 2016

Community - Based Child Abuse Prevention Grants	\$	72,389
Pre - K Pilot Program		732,781
Retired and Senior Volunteer Program		71,797
Early Childhood Block Grant		3,445,418
NOW Grant		61,019
Other contributions and grants		<u>43,854</u>
	\$	<u><u>4,427,258</u></u>

See accompanying independent auditor's report.

## UNITED WAY OF GREATER TOPEKA, INC.

## OPERATING REVENUE AND EXPENSE

Eighteen Months Ended June 30, 2016

	<u>Amount</u>	<u>% of Total Revenue</u>
Gross campaign applicable to current period	\$ 6,184,852	
Private and public grants	4,427,258	
Memorial and trust income	475	
Operating investment income and other income	<u>361,605</u>	
 Total revenue	 <u>10,974,190</u>	 <u>100.00 %</u>
 Allowance for uncollectible pledges	 <u>230,222</u>	 <u>2.1</u>
 Allocations and community services and programs expenses:		
Community impact	2,473,921	22.5
Funds designated to participating agencies	561,054	5.1
Funds designated to other communities	86,160	0.8
Community services and programs	<u>5,360,655</u>	<u>48.9</u>
 Total allocations and community services and programs expenses	 <u>8,481,790</u>	 <u>77.3</u>
 Support services expenses:		
Management and general	1,187,329	10.8
Resource development	<u>684,030</u>	<u>6.2</u>
 Total support services expenses	 <u>1,871,359</u>	 <u>17.0</u>
 Total allowance, allocations, community services, program and support services expenses	 <u>10,583,371</u>	 <u>96.4</u>
 Net realized and unrealized investment income on long-term investments	 <u>33,040</u>	 <u>0.3</u>
 Increase in unrestricted net assets	 <u>\$ 423,859</u>	 <u>3.9 %</u>

During 1996, United Way of America revised a guideline paper that further defined the term "overhead" for consistency within the United Way system and to follow the guidance of the AICPA audit guide for nonprofit organizations. The United Way of Greater Topeka has elected to present the above calculation for information only.

See accompanying independent auditor's report.