

United Way of Central Maryland, Inc.

Financial Report
June 30, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
United Way of Central Maryland, Inc.
Baltimore, Maryland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 United Way of Central Maryland, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Baltimore, Maryland
October 12, 2016

United Way of Central Maryland, Inc.

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 4,407,713	\$ 5,291,146
Pledges receivable (net of provision for uncollectible pledges of \$1,386,507 and \$1,486,331 in 2016 and 2015, respectively) (Note 9)	13,536,548	15,650,598
Prepaid expenses and other assets	825,015	915,236
Investments (Note 3)	15,965,026	16,946,780
Equipment (net of accumulated depreciation of \$1,676,677 and \$1,550,698 in 2016 and 2015, respectively)	219,474	307,527
Charitable trust	1,925,593	2,030,430
Total assets	\$ 36,879,369	\$ 41,141,717
Liabilities and Net Assets		
Liabilities:		
Allocations and other distributions payable	\$ 2,687,662	\$ 2,900,766
Designations payable	11,317,111	12,218,709
Retirement benefits, related payable (Note 2)	154,321	167,377
Accounts payable and accrued expenses	1,233,729	1,502,135
Total liabilities	15,392,823	16,788,987
Commitments (Notes 2, 4, 5 and 8)		
Net assets:		
Unrestricted	14,718,009	18,123,584
Temporarily restricted (Note 8)	5,775,526	5,236,427
Permanently restricted (Note 8)	993,011	992,719
Total net assets	21,486,546	24,352,730
Total liabilities and net assets	\$ 36,879,369	\$ 41,141,717

See notes to financial statements.

United Way of Central Maryland, Inc.

Statements of Activities
Years Ended June 30, 2016 and 2015

	2016				
	Unrestricted		Board Designated	Total Unrestricted	Temporarily Restricted
	Operating	Plant			
Public support and other revenue:					
Campaign pledges and contributions:					
Annual campaign for current year	\$ 31,530,337	\$ -	\$ -	\$ 31,530,337	\$ 814,664
Campaign revenue restricted for programs	(862,671)	-	-	(862,671)	862,671
Pledges released from restrictions	1,006,722	-	-	1,006,722	(1,006,722)
Pledges and contributions for future periods	-	-	-	-	452,674
Pledges and contributions for prior year campaigns	80,470	-	-	80,470	-
Total pledges and contributions	31,754,858	-	-	31,754,858	1,123,287
Provision for uncollectible pledges	(1,361,060)	-	-	(1,361,060)	(20,367)
Provision for uncollectible pledges, released from restrictions	(45,296)	-	-	(45,296)	45,296
Provision for uncollectible pledges, future periods	-	-	-	-	(20,270)
(Provision for) recovery of uncollectible pledges, prior year	(560,942)	-	-	(560,942)	-
Total provision, net of recoveries	(1,967,298)	-	-	(1,967,298)	4,659
Donor designations to non-funded agencies:					
Donor designations for current year	(13,953,661)	-	-	(13,953,661)	-
Donor designations released from restrictions	(311,523)	-	-	(311,523)	311,523
Donor designations for future campaigns	-	-	-	-	(11,818)
Donor designations for prior year campaigns	(337,779)	-	-	(337,779)	-
Total donor designations to non-funded agencies	(14,602,963)	-	-	(14,602,963)	299,705
Donor designations to impact partners:					
Donor designations for current year	(3,279,968)	-	-	(3,279,968)	-
Donor designations released from restrictions	(48,962)	-	-	(48,962)	48,962
Donor designations for future campaigns	-	-	-	-	(13,370)
Donor designations for prior year campaigns	(27,787)	-	-	(27,787)	-
Total designations to impact partners	(3,356,717)	-	-	(3,356,717)	35,592
Net public support	11,827,880	-	-	11,827,880	1,463,243
Other revenue:					
Bequests	-	-	359,029	359,029	10,320
Change in fair value of charitable trust	-	-	-	-	(105,129)
Designated income from non-private sector campaigns	313,235	-	-	313,235	-
Donor designations from non-private sector campaigns to impact partners	(75,953)	-	-	(75,953)	-
Designation service fees	289,103	-	-	289,103	-
Community initiatives	711,498	-	-	711,498	-
Grant income and non-campaign contributions (Note 7)	-	-	-	-	1,639,686
Grant income released from restrictions	2,302,800	-	-	2,302,800	(2,302,800)
Grant administration income	60,786	-	-	60,786	-
Investment income (Note 3)	291	-	279,084	279,375	29,163
Realized and unrealized net gain (loss) on investments (Note 3)	-	-	(608,277)	(608,277)	(132,340)
Other income (loss)	480,249	(804)	-	479,445	-
Net assets released from restrictions (Note 8)	63,044	-	-	63,044	(63,044)
Total other revenue	4,145,053	(804)	29,836	4,174,085	(924,144)
Total public support and other revenue	15,972,933	(804)	29,836	16,001,965	539,099

(Continued)

		2015							
Permanently Restricted	Total	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
		Operating	Plant	Board Designated					
\$ -	\$ 32,345,001	\$ 32,263,197	\$ -	\$ -	\$ 32,263,197	\$ 663,113	\$ -	\$ 32,926,310	
-	-	-	-	-	-	-	-	-	
-	-	1,304,111	-	-	1,304,111	(1,304,111)	-	-	
-	452,674	-	-	-	-	312,470	-	312,470	
-	80,470	270,341	-	-	270,341	-	-	270,341	
-	32,878,145	33,837,649	-	-	33,837,649	(328,528)	-	33,509,121	
-	(1,381,427)	(1,452,712)	-	-	(1,452,712)	-	-	(1,452,712)	
-	-	(58,575)	-	-	(58,575)	58,575	-	-	
-	(20,270)	-	-	-	-	(14,049)	-	(14,049)	
-	(560,942)	220,229	-	-	220,229	-	-	220,229	
-	(1,962,639)	(1,291,058)	-	-	(1,291,058)	44,526	-	(1,246,532)	
-	(13,953,661)	(14,385,005)	-	-	(14,385,005)	-	-	(14,385,005)	
-	-	(325,767)	-	-	(325,767)	325,767	-	-	
-	(11,818)	-	-	-	-	(120,843)	-	(120,843)	
-	(337,779)	179,991	-	-	179,991	-	-	179,991	
-	(14,303,258)	(14,530,781)	-	-	(14,530,781)	204,924	-	(14,325,857)	
-	(3,279,968)	(3,496,428)	-	-	(3,496,428)	-	-	(3,496,428)	
-	-	(23,493)	-	-	(23,493)	23,493	-	-	
-	(13,370)	-	-	-	-	(48,962)	-	(48,962)	
-	(27,787)	(90,946)	-	-	(90,946)	-	-	(90,946)	
-	(3,321,125)	(3,610,867)	-	-	(3,610,867)	(25,469)	-	(3,636,336)	
-	13,291,123	14,404,943	-	-	14,404,943	(104,547)	-	14,300,396	
-	369,349	-	-	220,892	220,892	6,360	-	227,252	
292	(104,837)	-	-	-	-	(99,187)	1,685	(97,502)	
-	313,235	348,827	-	-	348,827	-	-	348,827	
-	(75,953)	(67,480)	-	-	(67,480)	-	-	(67,480)	
-	289,103	282,058	-	-	282,058	-	-	282,058	
-	711,498	1,352,381	-	-	1,352,381	-	-	1,352,381	
-	1,639,686	-	-	-	-	1,481,303	-	1,481,303	
-	-	3,391,853	-	-	3,391,853	(3,391,853)	-	-	
-	60,786	70,303	-	-	70,303	-	-	70,303	
-	308,538	427	-	237,236	237,663	31,096	-	268,759	
-	(740,617)	-	-	662,046	662,046	93,502	-	755,548	
-	479,445	401,947	-	-	401,947	-	-	401,947	
-	-	10,260	-	-	10,260	(10,260)	-	-	
292	3,250,233	5,790,576	-	1,120,174	6,910,750	(1,889,039)	1,685	5,023,396	
292	16,541,356	20,195,519	-	1,120,174	21,315,693	(1,993,586)	1,685	19,323,792	

United Way of Central Maryland, Inc.

Statements of Activities (Continued)
Years Ended June 30, 2016 and 2015

	2016				
	Unrestricted			Total Unrestricted	Temporarily Restricted
	Operating	Plant	Board Designated		
Functional expenses:					
Program support:					
Allocations and other distributions	\$ 4,318,418	\$ -	\$ -	\$ 4,318,418	\$ -
Impact strategies	3,491,094	41,366	-	3,532,460	-
Information and referral	1,351,472	24,485	-	1,375,957	-
Grant expense	2,709,743	-	-	2,709,743	-
United Way Worldwide membership	161,180	-	-	161,180	-
Total program support	12,031,907	65,851	-	12,097,758	-
Support services:					
Organizational administration	1,806,272	17,406	85,644	1,909,322	-
Resource and endowment development	5,156,307	52,992	16,621	5,225,920	-
United Way Worldwide membership	174,540	-	-	174,540	-
Total support services	7,137,119	70,398	102,265	7,309,782	-
Total functional expenses	19,169,026	136,249	102,265	19,407,540	-
Changes in net assets before transfers	(3,196,093)	(137,053)	(72,429)	(3,405,575)	539,099
Transfers:					
Equipment purchases	(122,055)	122,055	-	-	-
Distribution of income	763,375	-	(763,375)	-	-
Total transfers	641,320	122,055	(763,375)	-	-
Change in net assets	(2,554,773)	(14,998)	(835,804)	(3,405,575)	539,099
Net assets:					
Beginning of year	3,577,708	234,471	14,311,405	18,123,584	5,236,427
End of year	\$ 1,022,935	\$ 219,473	\$ 13,475,601	\$ 14,718,009	\$ 5,775,526

See notes to financial statements.

2015

Permanently Restricted	Total	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		Operating	Plant	Board Designated				
\$ -	\$ 4,318,418	\$ 5,298,582	\$ -	\$ -	\$ 5,298,582	\$ -	\$ -	\$ 5,298,582
-	3,532,460	2,841,642	33,227	-	2,874,869	-	-	2,874,869
-	1,375,957	1,275,786	27,368	-	1,303,154	-	-	1,303,154
-	2,709,743	2,886,368	-	-	2,886,368	-	-	2,886,368
-	161,180	112,373	-	-	112,373	-	-	112,373
-	12,097,758	12,414,751	60,595	-	12,475,346	-	-	12,475,346
-	1,909,322	1,667,820	19,585	90,602	1,778,007	-	-	1,778,007
-	5,225,920	4,940,250	64,571	14,499	5,019,320	-	-	5,019,320
-	174,540	162,843	-	-	162,843	-	-	162,843
-	7,309,782	6,770,913	84,156	105,101	6,960,170	-	-	6,960,170
-	19,407,540	19,185,664	144,751	105,101	19,435,516	-	-	19,435,516
292	(2,866,184)	1,009,855	(144,751)	1,015,073	1,880,177	(1,993,586)	1,685	(111,724)
-	-	(15,888)	15,888	-	-	-	-	-
-	-	697,000	-	(697,000)	-	-	-	-
-	-	681,112	15,888	(697,000)	-	-	-	-
292	(2,866,184)	1,690,967	(128,863)	318,073	1,880,177	(1,993,586)	1,685	(111,724)
992,719	24,352,730	1,886,741	363,334	13,993,332	16,243,407	7,230,013	991,034	24,464,454
\$ 993,011	\$ 21,486,546	\$ 3,577,708	\$ 234,471	\$ 14,311,405	\$ 18,123,584	\$ 5,236,427	\$ 992,719	\$ 24,352,730

United Way of Central Maryland, Inc.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (2,866,184)	\$ (111,724)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	136,249	144,751
Realized and unrealized loss (gain) on investments	740,617	(755,548)
Increase in provision for uncollectible pledges	(99,824)	(133,154)
Loss on disposal of asset	804	-
(Increase) decrease in assets:		
Pledges receivable	2,213,874	(331,850)
Prepaid expenses and other assets	90,221	19,481
Charitable trust	104,837	97,502
Increase (decrease) in liabilities:		
Allocations and other distributions payable	(213,104)	120,766
Designations payable	(901,598)	497,193
Retirement benefits, related payable	(13,056)	73,630
Accounts payable and accrued expenses	(268,406)	(231,334)
Net cash used in operating activities	(1,075,570)	(610,287)
Cash flows from investing activities:		
Purchases of equipment	(49,000)	(88,944)
Purchases of investments	(24,232,225)	(7,957,895)
Proceeds from sale of investments	24,473,362	8,170,261
Net cash provided by investing activities	192,137	123,422
Net decrease in cash and cash equivalents	(883,433)	(486,865)
Cash and cash equivalents:		
Beginning	5,291,146	5,778,011
Ending	\$ 4,407,713	\$ 5,291,146
Supplemental disclosure from cash flow information:		
Cash paid for interest	\$ 4,017	\$ 387

See notes to financial statements.

United Way of Central Maryland, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	2016						
	Program Support			Support Services			
	Information and Referral	Impact Strategies	Total	Resource Development	Organizational Administration	Total	Total
Allocations and other distributions	\$ -	\$ 4,318,418	\$ 4,318,418	\$ -	\$ -	\$ -	\$ 4,318,418
Grant expense	-	2,709,743	2,709,743	-	-	-	2,709,743
Total allocations and grants	-	7,028,161	7,028,161	-	-	-	7,028,161
Salaries	849,478	1,894,654	2,744,132	2,126,497	1,072,495	3,198,992	5,943,124
Retirement plans	33,536	74,871	108,407	103,368	71,565	174,933	283,340
Employee benefits	80,750	179,242	259,992	236,894	118,611	355,505	615,497
Payroll taxes and insurance	69,510	148,725	218,235	171,428	80,172	251,600	469,835
Total payroll expenses	1,033,274	2,297,492	3,330,766	2,638,187	1,342,843	3,981,030	7,311,796
Accounting fees	-	-	-	15,100	57,200	72,300	72,300
Client direct services	-	68,048	68,048	-	-	-	68,048
Depreciation and amortization	24,485	41,366	65,851	52,992	17,406	70,398	136,249
Equipment maintenance and rental	3,865	8,122	11,987	26,693	4,991	31,684	43,671
Interest (Note 4)	-	884	884	5,262	(2,129)	3,133	4,017
Legal fees	-	19,236	19,236	-	22,421	22,421	41,657
Local transportation and meetings	2,232	28,957	31,189	52,394	21,634	74,028	105,217
Marketing	-	269,070	269,070	536,716	-	536,716	805,786
Membership dues, subscriptions and publications	1,570	4,161	5,731	2,726	12,623	15,349	21,080
Occupancy	119,712	212,049	331,761	284,268	94,382	378,650	710,411
Out of town travel	-	8,755	8,755	580	21,827	22,407	31,162
Postage and shipping	7	6,389	6,396	54,623	9,869	64,492	70,888
Printing and promotion	2,337	53,281	55,618	163,700	5,200	168,900	224,518
Professional fees and other services	114,655	289,187	403,842	725,531	241,944	967,475	1,371,317
Public events	(50)	176,914	176,864	603,856	9,964	613,820	790,684
Supplies	2,863	17,331	20,194	8,784	26,384	35,168	55,362
Telecommunications	71,007	31,218	102,225	54,508	22,763	77,271	179,496
Total payroll and other expenses	1,375,957	3,532,460	4,908,417	5,225,920	1,909,322	7,135,242	12,043,659
United Way Worldwide membership	49,520	111,660	161,180	112,868	61,672	174,540	335,720
Total functional expenses	\$ 1,425,477	\$ 10,672,281	\$ 12,097,758	\$ 5,338,788	\$ 1,970,994	\$ 7,309,782	\$ 19,407,540

See notes to financial statements.

United Way of Central Maryland, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	2015						
	Program Support			Support Services			
	Information and Referral	Impact Strategies	Total	Resource Development	Organizational Administration	Total	Total
Allocations and other distributions	\$ -	\$ 5,298,582	\$ 5,298,582	\$ -	\$ -	\$ -	\$ 5,298,582
Grant expense	-	2,886,368	2,886,368	-	-	-	2,886,368
Total allocations and grants	-	8,184,950	8,184,950	-	-	-	8,184,950
Salaries	716,738	1,501,072	2,217,810	2,187,493	924,928	3,112,421	5,330,231
Retirement plans	27,194	74,473	101,667	97,645	59,420	157,065	258,732
Employee benefits	76,530	145,233	221,763	250,110	114,104	364,214	585,977
Payroll taxes and insurance	65,245	122,519	187,764	188,967	75,424	264,391	452,155
Total payroll expenses	885,707	1,843,297	2,729,004	2,724,215	1,173,876	3,898,091	6,627,095
Accounting fees	-	-	-	19,300	54,100	73,400	73,400
Client direct services	-	14,891	14,891	-	-	-	14,891
Depreciation and amortization	27,368	33,227	60,595	64,571	19,585	84,156	144,751
Equipment maintenance and rental	3,151	3,938	7,089	20,565	4,313	24,878	31,967
Interest (Note 4)	-	66	66	5,691	(5,370)	321	387
Legal fees	-	20,662	20,662	-	26,443	26,443	47,105
Local transportation and meetings	1,816	33,372	35,188	50,487	27,205	77,692	112,880
Marketing	-	303,633	303,633	482,111	-	482,111	785,744
Membership dues, subscriptions and publications	775	5,030	5,805	5,989	12,333	18,322	24,127
Occupancy	117,598	170,814	288,412	325,642	106,154	431,796	720,208
Out of town travel	-	10,321	10,321	6,182	20,532	26,714	37,035
Postage and shipping	15	7,547	7,562	46,806	12,754	59,560	67,122
Printing and promotion	3,997	26,651	30,648	247,347	6,754	254,101	284,749
Professional fees and other services	199,956	215,538	415,494	405,888	276,224	682,112	1,097,606
Public events	111	146,944	147,055	550,302	1,391	551,693	698,748
Supplies	1,134	18,252	19,386	16,487	24,054	40,541	59,927
Telecommunications	61,526	20,686	82,212	47,737	17,659	65,396	147,608
Total payroll and other expenses	1,303,154	2,874,869	4,178,023	5,019,320	1,778,007	6,797,327	10,975,350
United Way Worldwide membership	52,035	60,338	112,373	125,606	37,237	162,843	275,216
Total functional expenses	\$ 1,355,189	\$ 11,120,157	\$ 12,475,346	\$ 5,144,926	\$ 1,815,244	\$ 6,960,170	\$ 19,435,516

See notes to financial statements.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: United Way of Central Maryland, Inc. (UWCM) is a nonprofit charitable organization, originally incorporated in 1925 as The Community Fund of Baltimore. UWCM's mission is to "Mobilize the community to improve people's lives." UWCM licenses its name and trademark from United Way Worldwide (UWW). UWCM's service area consists of Baltimore City and Anne Arundel, Baltimore, Carroll, Harford and Howard Counties.

Ultimate authority and responsibility for managing UWCM's affairs reside with its volunteer Board of Directors. UWCM also receives advice, counsel and advocacy from volunteer "Community Partnership Boards" in each jurisdiction. The chair of each Community Partnership Board serves as a member of UWCM's Board of Directors.

In June 2016, UWCM's Board of Directors approved a new strategic plan to guide the work of the Organization through 2019. This plan commits UWCM to take specific steps that will improve its capacity to provide support around Family Stability. The plan focuses on the three building blocks of self-sufficiency: health, education and financial stability (income and employment), while also ensuring people have their basic needs met. It is through this framework that UWCM focuses its programmatic work executing on best and promising practices to address needs in the community. The plan also speaks to the need to look at health and human service needs on a community level. UWCM does this by analyzing data on indicators and convening stakeholders to formulate collective impact strategies and programs.

UWCM raises funds throughout the year across central Maryland, primarily through employer/workplace giving campaigns in the private and public sectors and from individuals who are solicited and contribute directly. Grants from public and private sources are also actively pursued. In addition, UWCM helps recruit volunteers to serve at various local nonprofit organizations.

Principal distribution activities include the allocation of undesignated funds to targeted health and human service programs and payment of donor designations. In making allocations, UWCM identifies and prioritizes critical human service needs in the region, funds programs and nonprofit agencies that address these needs, and monitors results to ensure desired outcomes are met.

Presently, UWCM focuses on strategies that change the odds for families and communities facing poverty. Funding is allocated to agencies supporting these needs, ultimately helping people at or below 300% of the federal poverty level to get out of crisis. Allocations additionally support programs and initiatives that help people stay out of crisis using tools such as childcare vouchers, eviction prevention, and supportive services. The goal is to transition families into high-quality, self-sustainable solutions such as permanent housing, asset building and financial literacy.

All organizations receiving discretionary funding are required to submit periodic reports demonstrating their adherence to formal and enforced criteria and goals around program models, staffing, organizational capacity and historical experience in the delivery of stated services. Reports are carefully monitored, with assistance provided when failure to adhere to goals is indicated.

UWCM owns and houses one of four geographically-dispersed call centers in the 2-1-1 Maryland System providing comprehensive, community information and referral services to Maryland residents who seek health and human services. The service is accessible 24 hours a day in more than 150 languages, providing callers with help on thousands of health and human service needs ranging from housing, utility and earned income tax credit assistance to child care, access to health care and eviction prevention. Service is provided through 2-1-1 Maryland UWCM Helpline.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

A summary of UWCM's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets consist of the following:

Operating: Represents resources available for support of operations

Plant: Represents net assets expended for plant

Board designated: Represents all other unrestricted resources and are directed by the Board of Trustees

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of UWCM pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of UWCM.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, amounts deposited in financial institutions and highly liquid investments with an original maturity of three months or less.

Credit risk: UWCM maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. UWCM has not experienced any losses in such cash accounts and management believes it is not exposed to significant risk on cash. UWCM invests board-designated assets (functioning as an endowment) in a professionally managed portfolio that contains shares of various common stocks, corporate bonds and notes and U.S. government obligations. Such investments are exposed to various risks such as interest rate, market and credit. Due to the levels of risk associated with such investments and uncertainty related to changes in the fair value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Provision for uncollectible pledges: The provision for uncollectible pledges is calculated using a three-year historical average of actual results. Management also assesses the need to increase the provision based on current economic uncertainty that would increase the likelihood of uncollectible pledges, such as corporate downsizing, mergers and bankruptcies. The provision for uncollectible pledges is ultimately based on management's estimate of the collectability of existing amounts receivable.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Campaign pledges and contributions: Contributions are recognized when the donor makes a pledge to UWCM that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.

Contributions in the form of donated financial assets converted nearly immediately into cash have been classified with all other cash donations in the statements of cash flows.

Public support: UWCM runs four unique campaigns: the Combined Charity Campaign for Baltimore City Employees (CCC), Chesapeake Bay Area Combined Federal Campaign (CFC), Maryland Charity Campaign for State Employees (MCC) (all considered public sector campaigns) and a private sector campaign for central Maryland. In fiscal year 2017, the 2016 CCC campaign will be re-branded as part of a UWCM Private Sector workplace campaign resulting in lower overhead costs and expanded donor choice. For the current CCC campaign (2015), UWCM will continue our responsibilities for collections and payment of designations. The MCC campaign contract terminated in February 2016. The 2016 MCC campaign has been awarded to a third party processor. For the current MCC campaign (2015), UWCM will continue our responsibilities for collections and payment of designations

Public sector campaigns: UWCM provides fundraising and administrative support to the CCC, CFC and MCC. The rules, regulations and agency eligibility are established by each respective government entity. Donors in each campaign designate their gifts, choosing from pre-approved agencies. Any undesignated gifts are allocated on a pro-rata basis to all agencies that received designations. Campaigns are conducted in the fall and finalized by specific dates set by each governing body. Payouts are based on amounts collected by each campaign and performed quarterly.

UWCM, as a federation participating in CFC, honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member, and as fiscal agent, to certain other nonprofit organizations. UWCM does not charge membership or application fees to any agency in order to receive such designations.

For the 2014 and 2013 Combined Federal Campaign, a 9.19% and 9.36% administrative fee was deducted from the campaign, respectively. This fee was allocated proportionately to all participating agencies in the campaign. The 2015 fee will not be finalized until FY2017.

Detailed information from our audited financial statements regarding the total amount of funds raised, sources of contributions and cost of fundraising, is included on the financial report page of the Annual Reports.

Private sector campaigns: UWCM conducts hundreds of workplace giving campaigns and solicits gifts from individuals outside the workplace in various ways. Most workplace and direct fundraising activities are conducted from September through December; however, due to timing variances of some campaigns and the submission of pledge information, the campaign is not typically finalized until June 30 of the following year. UWCM encourages undesignated gifts, but donors may direct all or part of their contributions to any 501(c)(3) charitable organization in good standing based on UWCM designation guidelines. A processing fee up to 5% is deducted from designations to nonprofit agencies in our Private Sector workplace campaign, with a cost cap of \$500. Any unpaid donor designations are included in designations payable.

Support provided to participating companies and organizations in each of these four campaigns includes accounting, gift acknowledgement, fundraising expertise, regulatory compliance, staff training, promotional materials, volunteer activities and events, website maintenance, customer service, agency speakers and tours and all aspects of paper and/or electronic pledge processing support.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

All campaign pledges and contributions are recognized when the donor makes a pledge that is, in substance, unconditional. If donor restrictions expire in the current fiscal year, the pledge or contribution will be recorded as unrestricted. Pledges and contributions that are received for future year campaigns are reported as temporarily restricted until the time restriction expires. The total results from the annual campaign are reduced by donor designations to specific agencies and a provision for uncollectible pledges in the statements of activities.

There are instances where UWCM receives checks made payable directly to an agency as well as a small number of companies who run campaigns with UWCM involvement and support but use a third-party processor to record donor pledges and distribute money collected directly to designated agencies. In these cases, UWCM does not directly receive the money. Because UWCM is providing direct fund raising support to a company, including materials and staff, and to allow companies to receive recognition for their total results, UWCM records the total campaign results. Amounts paid directly to agencies totaled \$2,059,528 and \$1,191,222 for the years ended June 30, 2016 and 2015, respectively.

Investments: Investments are recorded at fair value. Accordingly, the change in unrealized appreciation or depreciation of marketable securities for the year is reflected in the statements of activities. Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the settlement date of the transaction.

Accounting guidance establishes a single definition of fair value, sets out a framework for measuring fair value, and requires certain disclosures about fair value measurements. This guidance clarifies the definition of fair value for financial reporting as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined by an exit price, which is conceptually different from a transaction or entry price. Management applies the definition of fair value in accordance with this guidance for determining fair value of all investments, including for the consideration of other-than-temporary declines in the carrying value of investments. This guidance applies to all assets and liabilities that are measured and reported on a fair value basis.

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 include listed equities, mutual funds, US Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. In certain circumstances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. UWCM's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

The following is a description of the valuation techniques used by UWCM.

Level 1: Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 2: Investments in corporate bonds and U.S. treasury securities are stated at the last reported sales price on the day of valuation. Alternative investments are valued at net asset value per share and can be redeemed with short notice (less than 90 days). These financial instruments are classified as Level 2 in the fair value hierarchy.

Level 3: An alternative investment that is not readily marketable, and the market value is based on the net asset value of the investment as determined by the fund manager of the fund, and as such is classified as Level 3.

UWCM distributed gains and losses realized from security transactions among all endowment funds and funds functioning as endowments based on the ratio of each fund's net assets to the total net assets. Endowment income restricted to specific purposes is distributed based on each fund's governing documentation.

Charitable trust: Charitable trust (Trust) represents the fair value of UWCM's interest, as one of six selected charities, in the donor's trust account. UWCM will receive a share of the net income from the Trust for an initial period of 50 years through December 2053, after which the corpus will be distributed outright and free of trust in equal shares to the six charities. The Trust was created by a donor independently of UWCM and is neither in the possession nor under the control of UWCM. The Trust is administered by outside fiscal agents as directed by the donor. UWCM records the fair value, using present value calculations, of the Trust assuming a long-term blended rate of return of 5.34% for 2016 and 2015. A discount rate of 5.75% was used for 2016 and 2015.

Equipment: Equipment purchases related to Federal grant procurements over \$5,000, or non-Federal grant procurements over \$1,000, are considered capital assets and recorded at cost. Lesser amounts are expensed. Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from two to ten years. Amortization of leasehold improvements is provided on a straight-line basis over the lesser of the remaining life of the lease or the estimated useful life of the improvement. Purchased equipment and improvements are recorded at cost. Donated equipment and improvements are capitalized at their estimated fair value at the date of donation.

Financial risk: UWCM maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. UWCM has not experienced any losses in such accounts. UWCM believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of estimates: The preparation of financial statements 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 may vary from those estimates.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Income tax status: UWCM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, UWCM qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. UWCM had no unrelated business income for the years ended June 30, 2016 and 2015.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of June 30, 2016 and 2015, and for the years then ended, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, UWCM is no longer subject to U.S. federal and state income tax examinations by authorities before 2013.

Program services: Program services represent the cost of UWCM managed programs that provide services to individuals, families, nonprofit agencies and the community in general. These services include:

Information and referral:

2-1-1 Maryland UWCM Helpline: 2-1-1 Maryland UWCM Helpline provides comprehensive, 24-hour community information and referral services to Maryland residents who seek health and human services. Using an automated community resource database that is updated at least annually, trained information and referral (I&R) specialists who are certified by the Alliance of Information and Referral Systems (AIRS), answer requests for assistance for a wide range of needs, including financial resources to prevent utility cut-off or eviction, emergency food and shelter, disaster relief, substance abuse treatment, after school programs and domestic violence counseling. I&R specialists assess callers' service needs and provide information, referral, advocacy, crisis intervention and follow-up as appropriate. 2-1-1 Maryland UWCM Helpline is accredited by AIRS.

2-1-1 Maryland: Legislation enacted in May 2010 recognized 2-1-1 as a permanent system in Maryland. A separate nonprofit, 2-1-1 Maryland, Inc. was established in 2010 to support and coordinate work of the four 2-1-1 call centers serving the state, including 2-1-1 Maryland UWCM Helpline.

Impact strategies:

Impact Strategies Division (IS): IS works to ensure that basic human needs are met, especially for individuals and families facing poverty, and in doing so aims to stabilize their lives and build self-sufficiency. It does so in several ways.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

IS administers two primary types of funding streams to nonprofit organization: competitive grants and directed grants. Competitive grants provide agencies with operating and emergency funding, usually in the areas of food, shelter, income/employment, domestic violence and abuse, child care education, and crisis response. UWCM maintains six volunteer Community Partnership Boards, covering each of the jurisdictions it serves. One of the important roles of the Partnership Boards is to assess unmet basic human needs at the local level. Based on proposals/requests, through a competitive process, submitted by nonprofit organizations, Partnership Boards then select which nonprofit programs to fund by determining where funding from UWCM will have the greatest impact. Awards are made to organizations that demonstrate the use of best practices in achieving impact. Directed grants are usually non-competitive and are awarded to uniquely qualified organizations that serve UWCM's target populations and achieve the goals of identified initiatives.

Ultimate authority for all grants rests with UWCM's Board of Directors. IS monitors grantees to ensure funds are expended as intended outcomes are achieved and sound fiscal health is maintained.

On a limited basis, IS professionals also provide direct case management and modest financial support to individuals and families at high risk of or experiencing homelessness. IS also provides staff support to the Docket for Homeless Persons, an alternative resolution court in Baltimore City, and organizes Project Homeless Connect, a one-day resource fair for people experiencing homelessness that served more than 1,500 clients in September 2015. IS also provides staff support for plans to end homeless in Baltimore City and other jurisdictions. The IS team also manages various regional initiatives, and educates the public about the challenges faced by those experiencing poverty. In addition, IS provides subject matter expertise and serves as a regional convener on various health and human service problems. For agencies, IS provides training and technical services, advocacy and public policy support, training, and networking opportunities.

Government and public affairs: Senior level staff within the IS Division participate on several boards and committees of organizations who perform advocacy as part of their mission. Thus, UWCM is able to remain up to date on current legislative issues. UWCM also maintains relationships with several lobbyists, not employed by UWCM, to further stay abreast of public policy issues.

Volunteerism: UWCM employs a volunteer coordinator who is responsible for community engagement, and organizing various volunteer projects throughout the year that support local nonprofit organizations that are working to help people meet their basic needs. Additionally, the volunteer coordinator serves as a liaison between UWCM donors, workplaces and local volunteer centers.

Support services: Support services are classified as organizational administration and resource development. Organizational administration includes overall executive direction, planning and coordination, financial management and administrative support services. Resource development represents all activities that constitute an appeal for financial support in all private and governmental campaigns, including staff support, campaign supplies, marketing, media advertising, public relations and communications, recruiting and training volunteer solicitors and mail solicitations.

Functional allocations of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimated full-time equivalents in each area.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Contributed services: The financial statements do not include amounts for contributed services because they do not meet the criteria under generally accepted accounting principles. UWCM pays for substantially all services requiring specific expertise; however, a substantial number of volunteers have donated significant amounts of their time in UWCM's fundraising campaign and program services.

Subsequent events: UWCM has evaluated subsequent events and transactions for potential recognition in the financial statements through October 12, 2016, which is the date the financial statements were available to be issued.

Accounting pronouncements pending: In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Assets 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 (NAV) 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 combined statements 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 NAV per share practical expedient. The amendments in this update are effective 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 evaluating the impact of this standard on UWCM's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification (the Codification). In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU No. 2014-09 on UWCM's financial statements for subsequent periods has not yet been determined.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. UWCM's management has not yet evaluated the impact of this ASU on the financial statements.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

In February, 2015, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. By definition, a short-term lease is one in which: (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which right-of-use assets and lease liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. This could significantly affect the financial ratios used for external reporting and other purposes, such as debt covenant compliance. The new guidance is first effective in 2021 for UWCM. Management is evaluating the impact of this standard on UWCM's financial statements.

Note 2. Retirement Plans

UWCM provides a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code 403(b), which covers substantially all full-time employees of UWCM. UWCM makes non-elective contributions to the 403(b). These contributions apply to all employees who have completed one year of service, regardless of whether the employee is making voluntary contributions to the 403(b). The 403(b) also provides for UWCM matching 25% of voluntary employee's contributions, up to 6% of their salary. The match begins as soon as the employee begins to contribute to the 403(b).

Both the non-elective and matching contributions are subject to a vesting period. These contributions are 50% vested after two years of service and 100% vested after four years of service. UWCM's costs under the 403(b) were \$283,340 and \$258,732 for 2016 and 2015, respectively.

UWCM's non-elective contribution varies based on length of services as follows:

	<u>Compensation</u>
Years of service:	
Less than 5	2%
5 but less than 10	3%
10 or more	4%

Executives and senior staff members of UWCM are also eligible to participate in other retirement plans and may elect to contribute a portion of their compensation on a tax-deferred basis. There is a liability of \$154,321 and \$167,377 recorded as of June 30, 2016 and 2015, respectively, related to these plans. UWCM has \$154,321 and \$167,377 on deposit with a trustee as of June 30, 2016 and 2015, respectively, for future settlement of these obligations. These amounts are included in retirement benefits payable in the statements of financial position.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 3. Investments

The Board has a policy of setting aside all unrestricted bequests as Board-designated funds functioning as an endowment. The spending policy governing these funds allows UWCM's paid professional investment advisor to develop long-term investment strategies that will produce the cash flow needed to support the mission of the organization within formal investment policy guidelines which were revised and approved by the Board of UWCM in September 2013 and amended in November 2014. Oversight is provided by the Investment Committee. This policy limits withdrawals to 5% of the rolling four-year average based on the market value of the fund; however, the Board has the authority to exceed that limitation and must approve all withdrawals.

Investments held by UWCM were comprised of the following at June 30, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 642,885	\$ 642,885	\$ 1,018,005	\$ 1,018,005
Mutual funds	-	4,109	-	4,046
U.S. treasury notes	513,482	541,358	54,816	55,550
U.S. Government Agencies	114,296	118,347	-	-
Corporate bonds and notes	480,444	531,197	1,310,672	1,348,853
Fixed income funds	1,738,913	1,770,135	1,004,559	993,758
Preferred stocks	15,996	30,712	23,022	29,665
Common stocks	3,196,853	5,245,809	5,609,010	10,234,481
International equity funds	6,024,292	5,946,792	1,750,000	1,761,162
Alternative investments	1,212,923	1,133,682	1,500,000	1,501,260
	<u>\$ 13,940,084</u>	<u>\$ 15,965,026</u>	<u>\$ 12,270,084</u>	<u>\$ 16,946,780</u>

The components of investment (loss) income for the years ended June 30, 2016 and 2015, are as follows:

	2016	2015
Realized gain, net	\$ 1,929,877	\$ 1,008,471
Unrealized loss	(2,670,494)	(252,923)
Interest and dividend income	308,538	268,759
	<u>\$ (432,079)</u>	<u>\$ 1,024,307</u>

Investment advisors' fees for the years ended June 30, 2016 and 2015, were \$85,223 and \$89,661, respectively.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

The following table summarizes the valuation of UWCM's investments by the preceding fair value hierarchy levels as of June 30, 2016:

	2016			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 642,885	\$ -	\$ -	\$ 642,885
Mutual funds:				
Global real estate	4,109	-	-	4,109
Preferred stocks:				
Financials	30,712	-	-	30,712
Common stocks:				
Industrials	387,185	-	-	387,185
Consumer discretionary	1,060,760	-	-	1,060,760
Consumer staples	81,468	-	-	81,468
Energy	281,311	-	-	281,311
Financials	1,528,922	-	-	1,528,922
Health care	666,567	-	-	666,567
Information technology	1,239,596	-	-	1,239,596
Total common stocks	5,245,809	-	-	5,245,809
Fixed income:				
U.S. corporate bonds	-	531,197	-	531,197
U.S. treasury securities	-	541,358	-	541,358
U.S. government securities	-	118,347	-	118,347
Fixed income funds	1,770,135	-	-	1,770,135
Total fixed income	1,770,135	1,190,902	-	2,961,037
International funds:				
Equity funds	5,946,792	-	-	5,946,792
Alternative investments:				
Global funds	-	422,642	711,040	1,133,682
Investments at fair value	\$ 13,640,442	\$ 1,613,544	\$ 711,040	\$ 15,965,026

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

The following table summarizes the valuation of UWCM's investments by the preceding fair value hierarchy levels as of June 30, 2015:

	2015			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 1,018,005	\$ -	\$ -	\$ 1,018,005
Mutual funds:				
Global real estate	4,046	-	-	4,046
Preferred stocks:				
Financials	29,665	-	-	29,665
Common stocks:				
Industrials	952,980	-	-	952,980
Consumer discretionary	1,874,392	-	-	1,874,392
Consumer staples	137,863	-	-	137,863
Energy	813,185	-	-	813,185
Financials	3,171,196	-	-	3,171,196
Health care	1,029,156	-	-	1,029,156
Information technology	2,255,709	-	-	2,255,709
Total common stocks	10,234,481	-	-	10,234,481
Fixed income:				
U.S. corporate bonds	-	1,348,853	-	1,348,853
U.S. treasury securities	-	55,550	-	55,550
Fixed income funds	993,758	-	-	993,758
Total fixed income	993,758	1,404,403	-	2,398,161
International funds:				
Equity funds	1,761,162	-	-	1,761,162
Alternative investments:				
Global funds	-	755,243	746,017	1,501,260
Investments at fair value	\$ 14,041,117	\$ 2,159,646	\$ 746,017	\$ 16,946,780

Financial instruments classified as Level 3 in the fair value hierarchy represent UWCM's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model.

The following table presents a reconciliation of activity for the Level 3 investment for the years ended June 30, 2016 and 2015:

	2016	2015
Alternative investment:		
Beginning balance	\$ 746,017	\$ 750,000
Net unrealized loss on investments	(34,977)	(3,983)
Ending balance	\$ 711,040	\$ 746,017

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

UWCM invests in certain investment vehicles for which the fair value measurement is assessed using net asset value per share, or its equivalents. Information pertaining to these investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Fixed Income	\$ 711,040	\$ -	Quarterly	95 Days
Global Equity Fund	422,642	-	Semi-annual	65 Days
	<u>\$ 1,133,682</u>			

The alternative investments invest in long/short global equities and long/short fixed income products. The fair value of the investments has been estimated using the net asset value per share of the investments.

Note 4. Note Payable, Bank

UWCM has a \$4,000,000 secured line of credit bearing interest at the London Interbank Offered Rate (LIBOR) plus 1.25% (1.71% and 1.43% as of June 30, 2016 and 2015, respectively). The line is collateralized by cash and marketable securities held by UWCM. There were no outstanding balances on the line of credit as of June 30, 2016 and 2015.

Note 5. Long-Term Commitments

As of June 30, 2016, UWCM has long-term operating leases for office space at four locations in Maryland. On August 23, 2016, UWCM entered into an office space lease agreement. The 10 year lease is set to begin on March 1, 2017, however rent payments do not begin until September 1, 2017. Base annual rent is initially set at approximately \$36,780 per month. Total base rent payable over the lease period is approximately \$5,299,500. UWCM has two options to extend the term of the lease for an additional period of 5 years. Future minimum lease payments, including the August 2016 lease, are as follows:

Years ending December 31:	
2017	\$ 438,646
2018	380,457
2019	456,122
2020	474,366
2021	493,341
Thereafter	3,507,923
	<u>\$ 5,750,855</u>

Rent expense is \$624,255 and \$636,873 for the years ended June 30, 2016 and 2015, respectively.

UWCM has entered into contracts with certain contractual affiliates to provide allocations from the current and future campaigns through 2015. The maximum amount to be paid by UWCM during the year ending June 30, 2017 is \$1,100,000.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 6. United Way Worldwide, Inc.

United Way Worldwide, Inc. (UWW) is a national trade association and owner of the United Way name and brand mark. In order for UWCM to use the name and brand mark, it is required to make a membership investment in UWW. This expense totaled \$335,720 and \$275,216 for the years ended June 30, 2016 and 2015, respectively. In addition to the use of the name and brand mark, UWCM receives many other benefits from UWW. Through its association, it has easy access to UWW's knowledge and support on marketing, program outcomes, community impact, fundraising, national trends, campaign materials and a wide array of other tools and topics. UWW also represents all United Way organizations on important legislation or issues presented to Congress.

In an effort to increase accountability and transparency, UWW has developed standards for excellence. Each year, UWCM must submit a report on its compliance with each of the standards. UWCM has committed to comply with all UWW membership standards.

Note 7. Grant Activity Information

2-1-1 Maryland UWCM Helpline: Received grants from corporate, foundation and individual funders for staffing and communication system support; from Wal-Mart Foundation and Baltimore Cash Campaign through Jobs Opportunities Task Force to continue to enhance UWCM efforts to increase awareness of the earned income tax credit and set appointments for free tax preparation at local sites through several community partners; from CareFirst to expand Maryland health care access; from the Governor's office of Volunteerism, and from the Department of Health and Mental Hygiene thru the State wide 211 system.

Health programs: include the Access to Healthy Food Initiative, the first program created by UWCM to address the more than 345,000 food insecure people living in central Maryland. The goal is to increase the healthy food going into communities in need by 1.5 million pounds each year; increase sourcing which includes growing and gleaning through farm expansion and volunteers collecting the crops after the commercial harvest; improve distribution (refrigeration/transportation); and increase access & affordability thru after-school meal programs, virtual supermarket expansion, "Veggie Vouchers" at farmers markets, education and access to public benefits. In addition, UWCM's Harvest of Plenty campaign (Thanksgiving meal baskets) serves an increasing number of families year after year. Looking towards FY2017, Healthy food is going to broaden, become part of a larger Health program strategy.

Family stability: Was created by UWCM with the help of a multi-year grant that renewed for a second term, from The Siemer Family Foundation to target family stability, issues concerning student mobility, and homelessness prevention. A second multi-year grant from the City of Baltimore and a multi-year grant from Howard County government both focus on shelter diversion in those jurisdictions. The initiative includes homelessness prevention, shelter diversion, and financial education. The prevention program is one-of-a-kind in central Maryland and targets families with school age children who are on the brink of homelessness. Shelter diversion efforts keep families together in stable living situations, where the children can stay in their neighborhood schools. Financial education builds financial security through asset building, budgeting and financial literacy. The program has expanded to 12 sites this year spread amongst the jurisdictions with a goal of 15 by 2019.

ALICE project: Is a grassroots movement committed to improving the lives of asset limited, income constrained, employed (ALICE) individuals and families. Grants from a collaborative of other local United Ways along with support from the National ALICE Advisory Council, have allowed UWCM to initiate this project, which provides a report with a framework and common language around issues facing the ALICE population in the State of Maryland. Data from the report will allow UWCM to identify advocacy priorities, and implement needed programmatic services for the ALICE population. This report will be ready in the winter of 2016.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 7. Grant Activity Information (Continued)

Through the community impact work, UWCM received \$31,611 and \$35,875 of funding for the Homeless Management Information System (HMIS) from Maryland Department of Housing and Community Development during the years ended June 30, 2016 and 2015, respectively; and \$28,000 and \$27,050 of support for the Dream & Flourish Program, a mentoring program for middle school girls from Proctor and Gamble for the years ended June 30, 2016 and 2015, respectively.

Note 8. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015, are restricted to:

	2016	2015
Future year gifts, committed for subsequent year allocations to agencies	\$ 1,644,219	\$ 1,043,647
Restricted for other programs	862,671	663,113
Gifts of life insurance	91,313	92,051
Roy Sach fund	82,203	63,561
Nachlas endowment restricted to inner city youth programs	1,274,841	1,377,075
Accumulated earnings on donor restricted endowments	154,253	225,825
Langenfelder charitable trust	1,666,026	1,771,155
	<u>\$ 5,775,526</u>	<u>\$ 5,236,427</u>

Permanently restricted net assets of \$993,011 and \$992,719, at June 30, 2016 and 2015, respectively, are investments in perpetuity. The income from these permanently restricted net assets is expendable to support all activities of UWCM.

Interpretation of relevant law: The provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) were enacted into law in Maryland effective April 14, 2009. UWCM has added the required disclosures which is a requirement for any organization with endowment funds.

UWCM has interpreted the State of Maryland's enacted version of 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, UWCM classifies permanently restricted net assets as (a) the original value of gifts to the permanent endowment, and (b) the original value of the subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by UWCM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWCM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 8. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Endowment fund composition by type of fund as of June 30, 2016 and 2015:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 154,253	\$ 993,011	\$ 1,147,264

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 225,825	\$ 992,719	\$ 1,218,544

Changes in endowment net assets for the years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, July 1, 2014	\$ -	\$ 214,659	\$ 991,034	\$ 1,205,693
Contributions				
Investment income	-	59,203	-	59,203
Amounts appropriated for expenditure	-	(48,037)	-	(48,037)
Change in fair value of charitable trust	-	-	1,685	1,685
Endowment net assets, June 30, 2015	-	225,825	992,719	1,218,544
Investment income	-	(23,609)	-	(23,609)
Amounts appropriated for expenditure	-	(47,963)	-	(47,963)
Change in fair value of charitable trust	-	-	292	292
Endowment net assets, June 30, 2016	\$ -	\$ 154,253	\$ 993,011	\$ 1,147,264

Return objectives and risk parameters: UWCM has established investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for use by UWCM while seeking to preserve the value of endowment assets. Endowment assets include those donor restricted funds that UWCM must hold in perpetuity or for a donor-specified period as well as unrestricted assets. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner intended to earn sufficient income from assets each year (interest, dividends, and other current income).

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objective, UWCM uses a third-party manager whose investment style maximizes the advantages of diversification and minimizes risk consistent with the stated objectives. UWCM targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

United Way of Central Maryland, Inc.

Notes to Financial Statements

Note 8. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Endowment withdrawals and how the investment objectives relate to the endowment spending policy: UWCM has a board-approved endowment spending policy that limits withdrawals to no more than 5% of the rolling four-year average assets. The Board has the authority to exceed that limitation. Both current income and appreciation can be used with the intent that original endowment funds are preserved. This is consistent with UWCM's objective to maintain and grow endowment assets currently held as well as to provide additional real growth through new gifts and investment return. The Board must approve all recommended withdrawals.

Note 9. Pledges Receivable

As of June 30, 2016 and 2015, the following pledges receivable become due as follows:

	2016	2015
Less than 1 year	\$ 13,560,700	\$ 15,562,921
1 to 5 years	1,397,186	1,609,988
Gross pledges receivable	14,957,886	17,172,909
Less provision for uncollectible pledges	(1,386,507)	(1,486,331)
Less discount to present value (1.71%)	(34,831)	(35,980)
Net pledges receivable	<u>\$ 13,536,548</u>	<u>\$ 15,650,598</u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
United Way of Central Maryland, Inc.
Baltimore, Maryland

We have audited the financial statements of United Way of Central Maryland, Inc. as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon, which contained an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information is presented for the 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.

RSM US LLP

Baltimore, Maryland
October 12, 2016

United Way of Central Maryland, Inc.

**Schedule of Funding for Impact Work and Other Distributions
For the Years Ended June 30, 2016 and 2015**

	2016 Campaign	2015 Campaign
Funding for Impact Work:		
Grants and funded services:		
Family Stability Grants	\$ 1,372,988	\$ 1,465,000
Operational Grants	1,196,999	1,427,092
Community Response Grants	149,575	174,783
Emergency Response Services	600,000	750,000
Basic Needs Continuum Funding	450,000	500,000
Workforce Development Funding	375,000	400,000
Special Purpose Grants	55,105	45,706
Total grants and funded services	4,199,667	4,762,581
Initiatives and collaborations:		
Family Stability Prevention	1,034,012	869,443
Access to Healthy Food Initiative	439,511	693,616
Family Stability Shelter Diversion	368,334	629,332
The Journey Home Initiative	750,415	628,192
Maryland Unites Fund	41,752	536,000
Directed Community Projects	158,497	65,786
Total initiatives & collaborations	2,792,521	3,422,369
Initiatives and collaborations:		
Public Sector Designations to Agencies	8,091,729	8,482,844
Private Sector Designations to Agencies	9,532,655	9,479,348
Total designations to local community agencies	17,624,384	17,962,192
Total funding for Impact Work and other distributions	\$ 24,616,572	\$ 26,147,142