METRO UNITED WAY, INC.
A Not-for-Profit Corporation

Financial Report

April 30, 2017 and 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT

HARDING, SHYMANSKI
& COMPANY, P.S.C.
Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
P.O. Box 3677
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

545 S. Third Street, Suite 102
Louisville, KY 40202-1935

(502) 584-4142
Fax (502) 581-1653

www.hsccpa.com

An Independently
Owned Member,
RSM US Alliance

Finance Committee
Metro United Way, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Metro United Way, Inc., a Not-for-Profit Corporation, which comprise the statement of financial position as of April 30, 2017, the related statements of activities, cash flows, and functional expenses for the year 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 of 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Metro United Way, Inc., a Not-for-Profit Corporation, as of April 30, 2017, and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Metro United Way, Inc.'s, a Not-for-Profit Corporation, April 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harding, Shymanski & Company, P.S.C.

Louisville, Kentucky
August 14, 2017

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FINANCIAL POSITION
April 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	**$ 1,893,816**	$ 2,756,929
Certificates of Deposit	**785,918**	776,128
Investments	**5,805,329**	5,240,745
Pledges Receivable, Less Allowance for		
Uncollectible Pledges 2017 $729,360; 2016 $771,987	**10,924,426**	11,492,402
Other Receivables and Prepaid Expenses	**267,480**	244,733
Property and Equipment, Net	**2,462,024**	2,508,284
Assets Held for Custodian Funds	**143,158**	128,186
Investments Held by Others	**1,382,536**	1,288,321
Total assets	**$ 23,664,687**	$ 24,435,728
LIABILITIES AND NET ASSETS		
Allocations Payable	**$ 2,113,740**	$ 2,682,288
Accounts Payable and Accrued Expenses	**512,615**	474,089
Pension Liability	**2,828,241**	4,014,963
Amounts Due Custodian Funds	**143,158**	128,186
Total liabilities	**5,597,754**	7,299,526
Net Assets		
Unrestricted		
Invested in land, building, and equipment	**2,462,024**	2,508,284
Appropriated for Southern Indiana	**438,330**	442,557
Appropriated for future allocations	**2,751,169**	3,268,687
Unappropriated	**4,719,229**	3,909,941
	10,370,752	10,129,469
Temporarily restricted	**5,940,804**	5,270,627
Permanently restricted	**1,755,377**	1,736,106
Total net assets	**18,066,933**	17,136,202
Total liabilities and net assets	**$ 23,664,687**	$ 24,435,728

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES
Years Ended April 30, 2017 and 2016

	April 30, 2017				
	Unrestricted Net Assets	Temporarily Restricted	Permanently Restricted	Total	April 30, 2016
Total 2016/2015 campaign results	$ 21,857,889	$ 2,222,970	$ 0	$ 24,080,859	$ 25,635,218
Donor designations	(5,226,815)	0	0	(5,226,815)	(5,610,813)
Total 2016/2015 campaign contributions	$ 16,631,074	$ 2,222,970	$ 0	$ 18,854,044	$ 20,024,405
Revenues, gains, and other support:					
Current campaign					
Contributions received in the current year	$ 16,539,198	$ 2,217,191	$ 0	$ 18,756,389	$ 19,575,033
Contributions received in prior years released from restrictions	91,876	(91,876)	0	0	0
Total contributions from current campaign	16,631,074	2,125,315	0	18,756,389	19,575,033
Provision for uncollectible pledges	(719,496)	0	0	(719,496)	(753,329)
Future campaigns:					
Contributions received for future allocation periods	0	231,127	0	231,127	86,555
Provision for uncollectible pledges	0	(6,934)	0	(6,934)	(2,541)
Prior campaigns:					
Additional contributions	543,613	44,979	0	588,592	1,137,529
Total campaigns	16,455,191	2,394,487	0	18,849,678	20,043,247
Legacies and bequests	0	0	0	0	133,358
Grants and other income	87,605	103,617	10,850	202,072	262,310
Investment income, net	94,547	16,243	359	111,149	85,687
Rental income	14,407	0	0	14,407	13,935
Realized and unrealized gains (losses) on investments, net	357,526	148,921	0	506,447	(255,154)
Appreciation (depreciation) of investments held by others	10,729	70,010	8,062	88,801	(36,990)
Administrative fees for fundraising on behalf of others	13,830	0	0	13,830	62,161
Other fees and miscellaneous sales	9,478	1	0	9,479	45,737
Other net assets released from restrictions	2,063,102	(2,063,102)	0	0	0
Total revenues, gains, and other support	19,106,415	670,177	19,271	19,795,863	20,354,291

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES (CONTINUED)
Years Ended April 30, 2017 and 2016

	April 30, 2017				
	Unrestricted Net Assets	Temporarily Restricted	Permanently Restricted	Total	April 30, 2016
Allocations and other functional expenses:					
Gross allocations to agencies and partners	$ 15,801,718	$ 0	$ 0	$ 15,801,718	$ 16,719,158
Less donor designations	(5,226,815)	0	0	(5,226,815)	(5,610,813)
Net allocations expense to agencies and partners	10,574,903	0	0	10,574,903	11,108,345
Program/community services	5,141,714	0	0	5,141,714	5,055,649
Supporting services					
Fundraising	2,954,316	0	0	2,954,316	3,119,017
Management and general	1,736,605	0	0	1,736,605	1,936,925
Total allocations and other functional expenses	20,407,538	0	0	20,407,538	21,219,936
Changes in net assets before pension related changes	(1,301,123)	670,177	19,271	(611,675)	(865,645)
Pension related changes other than net periodic pension costs	1,542,406	0	0	1,542,406	170,044
Change in net assets	241,283	670,177	19,271	930,731	(695,601)
Net assets at beginning of period	10,129,469	5,270,627	1,736,106	17,136,202	17,831,803
Net assets at end of period	$ 10,370,752	$ 5,940,804	$ 1,755,377	$ 18,066,933	$ 17,136,202

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	**$ 930,731**	$ (695,601)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**207,104**	217,884
Provision for uncollectible pledges, total	**726,430**	755,870
Depreciation (appreciation) of investments held by others	**(88,801)**	36,990
Investment income for long-term investments, net	**(111,149)**	(85,687)
Realized and unrealized (gains) losses on investments, net	**(506,447)**	255,154
Changes in		
Pledges receivable	**(158,454)**	(608,807)
Other receivables and prepaid expenses	**(22,747)**	78,917
Allocations payable	**(568,548)**	(932,514)
Accounts payable and accrued expenses	**38,526**	(68,682)
Pension liability	**(1,186,722)**	132,425
Net cash used in operating activities	**(740,077)**	(914,051)
Cash Flows from Investing Activities		
Purchases of fixed assets	**(160,844)**	(182,826)
Purchases of investments	**(110,806)**	(277,732)
Proceeds from sale of investments, certificates of deposit, and assets held by others	**148,614**	1,237,836
Net cash provided by (used in) investing activities	**(123,036)**	777,278
Net decrease in cash and cash equivalents	**(863,113)**	(136,773)
Cash and cash equivalents at beginning of year	**2,756,929**	2,893,702
Cash and cash equivalents at end of year	**$ 1,893,816**	$ 2,756,929

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended April 30, 2017 and 2016

	Total Program/ Community Services	Fundraising Services	Management and General Services	2017 Total	2016 Total
Gross allocations	$ 15,801,718	$ 0	$ 0	$ 15,801,718	$ 16,719,158
Less donor designations	(5,226,815)	0	0	(5,226,815)	(5,610,813)
Net allocations	10,574,903	0	0	10,574,903	11,108,345
Salaries	1,829,696	1,527,656	906,617	4,263,969	4,126,907
Fringe benefits	478,972	418,640	230,097	1,127,709	1,136,209
Payroll taxes	139,258	117,747	68,318	325,323	309,857
Professional fees and contract services	1,586,775	256,513	252,679	2,095,967	2,534,184
Supplies	12,301	6,614	4,312	23,227	27,266
Telephone	48,511	35,519	14,565	98,595	99,763
Postage and shipping	21,174	20,449	10,052	51,675	36,723
Occupancy	98,222	103,278	40,510	242,010	278,223
Equipment repairs and rentals	47,248	48,017	19,121	114,386	124,898
Printing and duplicating	171,543	51,060	23,054	245,657	312,670
Travel	89,032	31,438	15,162	135,632	171,383
Conferences, conventions, and meetings	344,523	71,263	32,117	447,903	290,200
Membership dues	6,263	3,334	1,743	11,340	17,590
Dues to State United Ways	34,085	33,274	13,796	81,155	82,084
Insurance	11,656	11,983	8,206	31,845	30,478
Banking and processing fees	10,149	9,907	4,654	24,710	28,797
Miscellaneous	279	644	5,781	6,704	6,448
Depreciation	86,983	84,913	35,208	207,104	217,884
	5,016,670	2,832,249	1,685,992	9,534,911	9,831,564
United Way Worldwide dues	125,044	122,067	50,613	297,724	280,027
Total functional expenses	$ 15,716,617	$ 2,954,316	$ 1,736,605	$ 20,407,538	$ 21,219,936

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
Years Ended April 30, 2017 and 2016

	Program/Community Services								2017	2016
	Early Care & Education	Basic Needs	Community Engagement	Family Stability	Out of School Time & High School Graduation	Community Building & Investments	Designations and County Services	Direct Organizational Support	Total Program/ Community Services	Total Program/ Community Services
Gross allocations	$ 1,102,337	$ 3,706,430	$ 135,850	$ 3,440,362	$ 1,837,682	$ 956	$ 5,578,101	$ 0	$ 15,801,718	$ 16,719,158
Less donor designations	0	0	0	0	0	0	(5,226,815)	0	(5,226,815)	(5,610,813)
Net allocations	1,102,337	3,706,430	135,850	3,440,362	1,837,682	956	351,286	0	10,574,903	11,108,345
Salaries	469,750	152,221	292,477	43,265	186,735	205,543	22,079	457,626	1,829,696	1,657,902
Fringe benefits	74,101	21,121	48,231	7,885	39,238	37,575	2,333	248,488	478,972	436,846
Payroll taxes	35,723	11,249	23,915	2,951	14,177	16,050	3,036	32,157	139,258	123,754
Professional fees and contract services	984,731	63,668	30,004	81,950	244,790	0	480	181,152	1,586,775	1,859,644
Supplies	1,488	2,544	632	116	1,359	942	196	5,024	12,301	10,875
Telephone	2,737	8,736	119	0	1,267	192	1,003	34,457	48,511	35,737
Postage and shipping	8,623	1	122	0	17	259	215	11,937	21,174	9,317
Occupancy	310	0	112	0	105	0	9,202	88,493	98,222	109,743
Equipment repairs and rentals	3,438	0	0	0	616	0	560	42,634	47,248	43,477
Printing and duplicating	120,710	2,350	4,053	0	25,795	78	502	18,055	171,543	224,244
Travel	15,011	2,960	26,975	569	25,102	3,764	4,629	10,022	89,032	104,358
Conferences, conventions, and meetings	202,828	967	84,029	11,596	29,085	4,125	2,421	9,472	344,523	188,870
Membership dues	0	75	3,556	0	0	1,650	279	703	6,263	9,980
Dues to State United Ways	0	0	0	0	0	0	0	34,085	34,085	31,192
Insurance	0	0	0	0	0	0	360	11,296	11,656	9,787
Banking and processing fees	0	0	0	0	0	0	0	10,149	10,149	10,698
Miscellaneous	0	0	0	0	0	0	0	279	279	18
Depreciation	0	0	0	0	0	0	0	86,983	86,983	82,797
	1,919,450	265,892	514,225	148,332	568,286	270,178	47,295	1,283,012	5,016,670	4,949,239
United Way Worldwide dues	0	0	0	0	0	0	0	125,044	125,044	106,410
Total functional expenses	$ 3,021,787	$ 3,972,322	$ 650,075	$ 3,588,694	$ 2,405,968	$ 271,134	$ 398,581	$ 1,408,056	$ 15,716,617	$ 16,163,994

See notes to financial statements.

Note 1 – Nature of Activities and Significant Accounting Policies

Legal Name and Governance

Metro United Way, Inc. (Metro United Way or Organization) is a not-for-profit Organization managed by a Board of Directors and is not subject to federal or state income taxes. The Organization serves a seven-county area in Kentucky and Southern Indiana.

Nature of Activities

Metro United Way has served individuals and families in our community for 100 years, and today continues to tackle the most difficult challenges we face as a community. Together with a strong network of partners, the Organization brings together the people and resources needed to fight for the education, financial stability and health of every person in the seven county region they serve. These are the building blocks for a good quality of life so that every individual, child and family can achieve their full potential and succeed in life.

Annual campaign resources currently support 99 community human service agencies that collectively manage over 150 programs in Jefferson, Bullitt, Shelby and Oldham counties in Kentucky, and Harrison, Floyd and Clark counties in Southern Indiana to help improve lives. They are achieving results in:

- More kids being ready for kindergarten so they can be successful from the start;
- Ensuring that all youth in our community have access to high-quality out-of-school time programs that support them in graduating from high school prepared for college and life;
- Helping more individuals and families obtain assistance so that their basic needs for food, shelter, health, safety and more are met.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for profit organizations, and financial statement standards issued by United Way Worldwide. Significant accounting policies follow:

Summarized Financial Information for Prior Year

The financial statements and notes include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Metro United Way's financial statements for the year ended April 30, 2016, from which the summarized information was derived.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents, certificates of deposit, and pledges receivable. At times, such cash, cash equivalents, and certificates of deposit in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit. In order to limit its credit exposure, the Organization utilizes a fully collateralized overnight sweep account at the institution that houses its main checking account.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity three months or less to be cash equivalents.

Certificates of Deposit

The Organization's investments in certificates of deposit are classified separately on the statements of financial position and are carried at the principal plus accrued interest.

Contributions

The Organization reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges received for which the time restriction has been met in the current period are recorded in unrestricted net assets.

Contributions received where the donor has restricted the use of the principal and allows only the income to be utilized to support activities of the Organization are recorded as permanently restricted net assets.

Contributions received for investment in land, building, and equipment, unless restricted by the donor, are designated for that purpose by the Board and recorded as unrestricted net assets. Contributions specifically restricted by the donor are reported in temporarily restricted net assets.

Contributions received, which have been designated by the donor to be given to another organization, are included in total campaign results, but are not included in revenues on the accompanying statements of activities. These contributions pass through Metro United Way as agency transactions to the designated recipient.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Functional Expenses

The Organization uses staff time allocation for the allocation of expenses between fundraising, management and general, and program services. Costs of items that can be specifically identified are charged directly to the respective category.

Pledges Receivable

Pledges, less an estimated provision for uncollectible amounts, are recorded as receivables in the year made. The Organization provides for losses on pledges receivable using the allowance method. The allowance for uncollectible pledges is based upon the Organization's collection policy, past experience, the length of time pledges have been outstanding, and current economic factors.

At the end of the collection period of each campaign, any differences between the original provision for uncollectible pledges and the actual uncollectible amount is recognized by the Organization and recorded with "Prior Campaigns-Additional Contributions" on the statements of activities.

Donated Services, Goods, and Property

Various volunteers have donated substantial amounts of time toward the annual campaign and the various community activities; however, no values of in-kind amounts have been included in the financial statements as there is no objective basis upon which to measure the value of these services.

Donated goods and property are recorded in the financial statements at their fair value when received.

Investments and Investments Held by Others

Investments and investments held by others are recorded at fair value based on quoted market value. Unrealized and realized gains and losses are recorded in the statements of activities as well as appreciation and depreciation of investments held by others. Investment earnings are reported net of related expenses, such as custodial and commission fees. Short-term investments consist of cash and cash equivalents held by investment firms.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements

Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

> Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
>
> Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
>
> Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While 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 estimate of fair value at the reporting date.

During the years ended April 30, 2017 and 2016, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The following are descriptions of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, if available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Beneficial Interest in Perpetual Trusts

The fair value of the beneficial interest in perpetual trusts is recorded at the stated value of the Organization's interest as determined by the trustee. Based on the valuation method and nonredeemable nature of the assets, the measures of the fair value of the beneficial interest are categorized as Level 3, as further discussed in Note 2.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Provisions for depreciation of property and equipment have been computed on the straight-line method over the estimated useful life.

Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with guidance issued by FASB. The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended April 30, 2017 and 2016.

Allocations Payable

At the conclusion of each campaign year, the Organization identifies undesignated funds for allocation to approximately 150 programs across the seven-county service area. Allocations are determined by the Community Impact Cabinet, and approved by the Board. Allocations expense and the related allocations payable are recorded once the Board-approved allocations are communicated to the respective agencies. Allocations are typically communicated to the agencies by June, and payments begin in July.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Legacies and Bequests

Legacies and bequests are generally recognized when Metro United Way is notified and are accounted for separately from the annual campaigns.

Income Taxes

Metro United Way is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

Subsequent Events Evaluation

The Organization has evaluated subsequent events through August 14, 2017, the date on which the financial statements were available to be issued.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

Presentation of Financial Statements

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to a) present on the face of the balance sheet amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities and changes in net assets the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; and e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The update is effective for fiscal year ending April 30, 2019. Early adoption is permitted. The Organization is currently assessing the impact of implementing ASU No. 2016-14 on its financial statements.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective on May 1, 2020, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on the financial statements.

Revenue Recognition from Contracts with Customers

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Earlier application is permitted as of annual reporting periods beginning after December 15, 2016. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Note 2 – Investments and Investments Held by Others

Metro United Way's investments are valued using quoted market prices and are considered Level 1 investments. Investments are summarized as follows at April 30, 2017 and 2016:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	$ 1,717,081	$ 1,480,804	$ 1,248,845	$ 1,236,843
Common stock and mutual funds	2,739,152	3,329,359	3,137,541	3,488,166
Money market funds	995,166	995,166	515,736	515,736
	$ 5,451,399	$ 5,805,329	$ 4,902,122	$ 5,240,745

Investment income for the years ended April 30, 2017 and 2016 has been presented net of related investment expenses of $93,724 and $42,779, respectively, in the statements of activities.

Note 2 – Investments and Investments Held by Others (Continued)

At April 30, 2017 and 2016, the Organization's investments held by others measured at fair value on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
April 30, 2017				
Money market funds	$ 3,303	$ 3,303	$ 0	$ 0
Common stock and mutual funds	965,855	965,855	0	0
Corporate bonds	176,391	176,391	0	0
Fair value of investments held by others	1,145,549	1,145,549	0	0
Beneficial interest in trusts held by others	236,987	0	0	236,987
Total investments held by others at fair value	$ 1,382,536	$ 1,145,549	$ 0	$ 236,987
April 30, 2016				
Money market funds	$ 4,189	$ 4,189	$ 0	$ 0
Common stock and mutual funds	870,618	870,618	0	0
Corporate bonds	184,589	184,589	0	0
Fair value of investments held by others	1,059,396	1,059,396	0	0
Beneficial interest in trusts held by others	228,925	0	0	228,925
Total investments held by others at fair value	$ 1,288,321	$ 1,059,396	$ 0	$ 228,925

Note 2 – Investments and Investments Held by Others (Continued)

The Organization has beneficial interest in perpetual trusts that are categorized as Level 3. Changes in the fair value of the Organization's beneficial interest in trusts held by others are as follows:

Beginning balance at April 30, 2015	$ 245,017
Total realized and unrealized net losses included in change in net assets	(5,521)
Distributions to the Organization	(10,571)
Balance at April 30, 2016	228,925
Total realized and unrealized net gains included in change in net assets	23,407
Distributions to the Organization	(15,345)
Balance at April 30, 2017	$ 236,987

Note 3 – Pledges Receivable

At April 30, 2017 and 2016, the Organization's pledges receivable are as follows:

	2017	2016
2014 campaign	$ 0	$ 30,153
2015 campaign	76,563	12,218,241
2016 campaign	11,408,173	15,995
Future campaigns	169,050	0
Total pledges receivable	11,653,786	12,264,389
Less allowance for uncollectible pledges	(729,360)	(771,987)
Net pledges receivable	$ 10,924,426	$ 11,492,402

The timing of the close out of campaigns will vary from year to year based on the status of collections.

Note 3 – Pledges Receivable (Continued)

Metro United Way receives pledges from corporations and individuals primarily located in Jefferson and adjoining counties in Kentucky and Southern Indiana. Although Metro United Way has many diverse pledges from donors, a substantial portion of its donors' abilities to perform is somewhat dependent on the economic conditions of the counties in which they operate.

Note 4 – Property and Equipment

Property and equipment at April 30, 2017 and 2016 consisted of the following:

	2017	2016
Land	$ 403,218	$ 403,218
Building and improvements	4,721,566	4,582,249
Equipment, furniture, and fixtures	1,483,071	1,461,543
Leasehold improvements	22,688	22,688
Automobiles	34,916	60,107
	6,665,459	6,529,805
Accumulated depreciation	(4,203,435)	(4,021,521)
	$ 2,462,024	$ 2,508,284

Depreciation expense for the years ended April 30, 2017 and 2016 was $207,104 and $217,884, respectively.

Note 5 – Line of Credit

The Organization has an operating line of credit with maximum borrowings of $1,000,000. Metro United Way has pledged not to, without prior written consent of the bank, voluntarily or involuntarily, sell, transfer, or convey any of its assets (except in the ordinary course of business) or pledge or grant a security interest in any assets, except for those permitted liens on specific equipment which have been granted to the bank. Interest is at 1.15 percent in excess of LIBOR rate. The line of credit matures on December 27, 2017. There were no borrowings on the line of credit at April 30, 2017 and 2016.

Note 6 – Temporarily Restricted Net Assets and Net Assets Released From Restrictions and Commitments

Temporarily restricted net assets at April 30, 2017 and 2016 represent contributions restricted by donors for specific programs of Metro United Way, subsequent year allocations to Metro United Way agencies, restricted grants, and certain land, building, and equipment which are restricted for a specific program.

A summary of the components of temporarily restricted net assets is as follows:

	2017	2016
Programs		
Success By Six	$ 91,200	$ 34,409
Early Childhood Excellence Academy	648,803	517,804
Other Early Care and Education Initiatives	149,112	397,565
Family Stability Initiatives	189,503	213,695
Future Campaigns	74,193	91,876
Foster Care Initiative	3,004,062	2,574,829
Disaster Relief	28,505	31,056
Wallace Out of School Time Grant	13,331	178,014
Other High School Graduation Initiatives	124,071	125,806
Other Restricted Gifts	418,408	137,940
	4,741,188	4,302,994
Endowment Fund Earnings	1,199,616	967,633
	$ 5,940,804	$ 5,270,627

As further discussed in Note 7, endowment fund earnings that have not been appropriated for expenditure by the Organization are classified as temporarily restricted net assets.

Net assets of $91,876 for the year ended April 30, 2017 have been released from temporarily restricted net assets due to the expiration of time restrictions on campaign pledges. Purpose-based restrictions of $2,063,103 have also been released from net assets for the year ended April 30, 2017.

Note 7 – Endowment Funds

Endowment Funds

As approved by the Board of Directors, Metro United Way's general endowment is invested through Fifth Third Bank's Foundation and Endowment Services. As directed by the donor, Metro United Way's Otis T. Turner Memorial Fund (Turner Fund) is invested through PNC Institutional Investments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization complies with the recognition and disclosure provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Management of Institutional Funds Act, and Enhanced Disclosures of All Endowments Funds.* The position provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (UPMIFA) and for improved disclosures about donor-restricted and Board-designated endowment funds, regardless of the applicability of UPMIFA. In March 2010, the Commonwealth of Kentucky enacted UPMIFA.

The Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assts the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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 as 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 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:

a. The duration and preservation of the fund
b. The purposes of the Organization 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 of investments
f. Other resources of the Organization
g. The investment policies of the Organization

Note 7 – Endowment Funds (Continued)

Investment Objectives and Spending Policy

Metro United Way's general endowment and the Turner Fund are managed according to the Board's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital, and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign. General endowment assets consist of donor-restricted funds that Metro United Way must hold in perpetuity. Under these policies, general endowment and Turner Fund assets are invested in a manner to maintain the real value of the principal over the long-term, provide a return that is greater than that for the simple preservation of capital, and shall avoid undue risk. The investment managers are reviewed based on absolute returns; returns relative to market indices; and the universe of investment managers.

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

The net income from the general endowment and the Turner Fund is used to support the annual campaign or is used for other Board-approved purposes, in accordance with the donor's intentions. This spending policy is consistent with Metro United Way's objective to preserve capital and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign.

In addition to the donor-restricted endowment funds, the Organization has beneficial interest in perpetual trusts. The investment policy and the spending policy of the trust are determined by the trustee rather than by the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2017 and 2016.

Note 7 – Endowment Funds (Continued)

Permanently Restricted Net Assets by Type

The composition of permanently restricted net assets by type at April 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ 1,199,616	$ 1,518,390
Beneficial interest in trusts held by others	0	236,987
	$ 1,199,616	$ 1,755,377

The composition of permanently restricted net assets by type at April 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ 967,633	$ 1,507,181
Beneficial interest in trusts held by others	0	228,925
	$ 967,633	$ 1,736,106

Note 7 – Endowment Funds (Continued)

Change in permanently restricted net assets, excluding beneficial interest in trusts held by others, for the year ended April 30, 2017 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of the year	$ 0	$ 967,633	$ 1,507,181
Investment return:			
Investment income	62,287	47,322	359
Net change in value (realized and unrealized)	0	249,891	0
Total investment return	62,287	297,213	359
Appropriation of endowment assets for expenditure	(62,287)	(65,230)	0
Contributions	0	0	10,850
Endowment net assets, end of year	$ 0	$ 1,199,616	$ 1,518,390

Change in permanently restricted net assets, excluding beneficial interest in trusts held by others, for the year ended April 30, 2016 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of the year	$ 0	$ 1,120,003	$ 1,361,907
Investment return:			
Investment income	96,266	200,600	0
Net change in value (realized and unrealized)	0	(253,905)	0
Total investment return	96,266	(53,305)	0
Appropriation of endowment assets for expenditure	(96,266)	(99,065)	0
Contributions	0	0	145,274
Endowment net assets, end of year	$ 0	$ 967,633	$ 1,507,181

Note 8 – Employee Benefit Plans

Metro United Way sponsors a defined benefit pension plan and a contributory defined contribution thrift plan covering substantially all employees.

Thrift Plan

The thrift plan allows eligible employees to contribute a percentage of their annual compensation. Metro United Way will match up to three percent of the eligible employee contribution at a rate of 100 percent. Vesting for the employer contribution is 20 percent per year with full vesting in five years. Contributions to the thrift plan were $95,009 and $84,003 during the years ended April 30, 2017 and 2016, respectively.

Pension Plan

Pension benefits are based on years of service and compensation during the last five years of employment.

FASB Accounting Standards Codification (ASC) 715 "Compensation-Retirement Benefits" requires an employer without publicly traded equity securities to recognize the funded status of a defined benefit post-retirement plan and to provide the required disclosures under FASB ASC 715.

The changes in projected benefit obligation as of the years ended April 30, 2017 and 2016 are as follows:

	2017	2016
Projected benefit obligation at the beginning of the year	$ 13,414,445	$ 13,177,505
Service cost	419,499	395,033
Interest cost	506,843	494,395
Change due to assumption changes	(655,057)	(266,737)
Actuarial losses	(133,560)	(225,208)
Expense charges	(29,636)	(30,020)
Benefits disbursed	(145,933)	(130,523)
Projected benefit obligation at the end of the year	$ 13,376,601	$ 13,414,445

During the year ended April 30, 2017, Metro United Way changed certain of its actuarial assumptions, presented later, which affected the calculation of the projected benefit obligation. The discount rate was changed to four percent in 2017 from 3.75 percent in 2016 in order to reflect an estimate of the current level of investment results in fixed income investments. The change in assumptions also includes the 2016 update to the Mortality Tables, which resulted in a decrease to the projected benefit obligation in the current year. The expected long-term rate of return on assets was changed to 6.75 percent in 2017 from 6.5 percent in 2016 in order to reflect a higher estimate of future investment results.

Note 8 – Employee Benefit Plans (Continued)

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Organization's balance sheet at April 30, 2017 and 2016:

	2017	2016
Projected benefit obligation	$ 13,376,601	$ 13,414,445
Fair value of plan assets	10,548,360	9,399,482
Funded status	$ (2,828,241)	$ (4,014,963)
Accumulated benefit obligation	$ 12,585,171	$ 12,536,249
Accrued cost recognized in the statement of financial position	$ 2,828,241	$ 4,014,963

There are no plan assets expected to be returned to Metro United Way during the next fiscal year.

Net periodic pension cost including the following components for the years ended April 30, 2017 and 2016 is as follows:

	2017	2016
Service cost	$ 419,499	$ 395,033
Interest cost	506,843	494,395
Actual return on plan assets	(1,105,338)	5,769
Amortization of unrecognized net loss	276,351	286,348
Asset gain (loss) deferred	477,438	(608,249)
Net periodic pension cost	$ 574,793	$ 573,296

The following table sets forth items not yet recognized as a component of net periodic pension cost as follows:

	2017	2016
Net loss	$ (1,411,539)	$ (2,953,945)

Unrestricted net assets have been accordingly reduced or increased by net actuarial changes other than net periodic pension costs that are reported separately on the statements of activities. These amounts were a gain of $1,542,406 and a gain of $170,044 for the years ended April 30, 2017 and 2016, respectively.

Note 8 – Employee Benefit Plans (Continued)

Estimated amounts that will be amortized from additional pension liability and reclassified as net periodic benefit cost over the next fiscal year are as follows:

	2017	2016
Net loss	$ (16,791)	$ (350,543)

Other information related to the plan for the years ended April 30, 2017 and 2016 is as follows:

	2017	2016
Benefit cost	$ 574,793	$ 573,296
Employer contribution	219,109	270,827
Benefits paid	145,933	130,523
Expense charges	29,636	30,020
Weighted-average assumptions used:		
Discount rate	4.00%	3.75%
Expected return on plan assets	6.75%	6.50%
Rate of compensation increase	4.50%	4.50%

The expected long-term rate of return on plan assets assumption of 6.75 percent was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations. Based on Metro United Way's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on long-term historical return on the applicable asset classes. An average inflation rate within the range equal to three percent was selected and added to the real rate of return range to arrive at a best estimate range of 6.37 percent to 9.04 percent. A rate of 6.75 percent which is near the low end of the best estimate range was selected. Metro United Way's investment objective is to invest plan assets in a manner that will assure sufficient resources to pay current and projected plan obligations over the life of the plan.

Note 8 – Employee Benefit Plans (Continued)

The following table sets forth by level, within the fair value hierarchy, Metro United Way's investment assets at fair value as of April 30, 2017 and 2016, which are considered Level 1 investments.

	2017	2016
Short-term investments	$ 829,628	$ 777,977
Common stock and mutual funds	6,654,746	5,623,197
Bond funds	3,063,986	2,998,308
	$ 10,548,360	$ 9,399,482

The weighted average asset allocation of the investment portfolio for Metro United Way at April 30, 2017 and 2016, and target allocations, is as follows:

	Allowable Allocation Range	Plan Assets	
		2017	2016
Equity	30%-70%	63.1%	59.8%
Bonds		29.0%	31.9%
Cash and general		7.9%	8.3%
Total fixed income	30%-70%	36.9%	40.2%
	100.0%	100.0%	100.0%

The target asset allocation was determined based on the risk tolerance characteristics of the plan and, at times, may be adjusted to achieve the Organization's overall investment objective.

Note 8 – Employee Benefit Plans (Continued)

Estimated pension benefit payments, which reflect future service, for the years ending April 30, 2018 through 2027 are as follows:

Years Ending April 30,	
2018	$ 457,000
2019	511,000
2020	552,000
2021	574,000
2022	606,000
2023-2027	3,614,000
	$ 6,314,000

Metro United Way contributed approximately five percent of plan compensation for eligible employees for the year ended April 30, 2017. For the fiscal year ended April 30, 2017, the Organization expects to continue to base its contribution percentage on the recommendation of the actuary after the actuarial valuation is completed. Based on this, the Organization estimates contributions of approximately $310,000 for the next fiscal year.

Note 9 – Leasing Arrangements as Lessee

The Organization leases office facilities under noncancelable operating leases which expire at various dates through 2021. Generally, the Organization is required to pay executory costs such as property taxes, maintenance, and insurance. At April 30, 2017, aggregate future minimum rental payments required under the noncancelable operating leases are as follows:

Years Ending April 30,	
2018	$ 21,351
2019	10,755
2020	7,200
2021	3,600
	$ 42,906

Note 10 – Leasing Arrangements as Lessor

Metro United Way leases office facilities under a noncancelable operating lease at a monthly rate of $1,100 per month, which expires in June 2017 and is month-to-month thereafter. The lessee pays executory costs such as property taxes, maintenance, and insurance.

Note 11 – Unemployment Services Trust

Metro United Way is a participating member of the Unemployment Services Trust, a revocable grantor trust composed of individual 501(c)(3) organizations. The Trust acts as a servicing agent for funds contributed by its participating members for payment of unemployment claims. As a participating member of the Trust, Metro United Way is able to take advantage of the benefits of directly reimbursing unemployment claims generally at a lower cost than paying state unemployment taxes.

Contributions to the Trust are recommended by the Trust's actuary, based on analyses of historical claims experience and current economic conditions in order to approximate future unemployment obligations of the Organization. Contributions totaled $10,400 and $8,667 for the fiscal years ended April 30, 2017 and 2016, respectively. Claims are paid by the Trust on behalf of Metro United Way to the Commonwealth of Kentucky for unemployment claims paid to former Metro United Way employees. The obligation for the estimated future claim liabilities of each participating member is ultimately the responsibility of that member. Since contributions are based on actuarial estimates, the amounts held in the Trust at a given time may be less than the potential future unemployment obligations of the Organization. The Organization estimates that the amounts held in the Trust as of April 30, 2017 and 2016 approximate the potential future unemployment obligations incurred as of April 30, 2017 and 2016.

Note 12 – Tax Status

The Internal Revenue Service has ruled that the Organization is exempt from the payment of federal income tax (except on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954. There were no taxes due for the years ended April 30, 2017 and 2016, as there was no unrelated business income for these years.

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

HARDING, SHYMANSKI
& COMPANY, P.S.C.

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
P.O. Box 3677
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

545 S. Third Street, Suite 102
Louisville, KY 40202-1935

(502) 584-4142
Fax (502) 581-1653

www.hsccpa.com

An Independently
Owned Member,
RSM US Alliance

August 14, 2017

Mr. Phillip Bond
Metro United Way, Inc.
P.O. Box 4488
Louisville, Kentucky 40204

Dear Phillip:

Enclosed are 51 copies (50 bound and one unbound) of your Organization's financial statements for April 30, 2017.

These financial statements should be reviewed by you to determine that the information reported contains no misstatements of material facts or omissions since they were prepared primarily from data furnished to us.

If you have received one or more preliminary drafts of these statements, please destroy any such copies that have not been returned to us.

We sincerely appreciate this opportunity to serve you. Please call if you have any questions regarding these statements.

Very truly yours,

HARDING, SHYMANSKI & COMPANY, P.S.C.

Andrea Strange

Andrea Strange, CPA
Vice President

tfh
Enclosures

100779/aud/jff