

**United Way of Central Oklahoma, Incorporated  
United Way of Canadian County  
United Way of Logan County**  
Independent Auditor's Report and Combined Financial Statements  
December 31, 2016





**United Way of Central Oklahoma, Incorporated  
United Way of Canadian County  
United Way of Logan County  
December 31, 2016**

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## Independent Auditor's Report

Board of Directors  
United Way of Central Oklahoma, Incorporated  
United Way of Canadian County  
United Way of Logan County  
Oklahoma City, Oklahoma

We have audited the accompanying combined financial statements of United Way of Central Oklahoma, Incorporated, United Way of Canadian County and United Way of Logan County (collectively, United Way), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of United Way as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Combined Comparative Information***

We have previously audited United Way's 2015 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our report dated September 13, 2016. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

***BKD, LLP***

Oklahoma City, Oklahoma  
July 6, 2017

**United Way of Central Oklahoma, Incorporated  
United Way of Canadian County  
United Way of Logan County  
Combined Statements of Financial Position  
December 31, 2016  
(with Summarized Financial Information for December 31, 2015)**

**Assets**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Cash and cash equivalents	\$ 18,007,289	\$ 3,484,725	\$ 21,492,014	\$ 23,840,476
Pledges receivable, net	10,010,305	10,000	10,020,305	10,895,285
Certificates of deposit	1,639,733	-	1,639,733	1,445,805
Property and equipment, net	3,336,152	-	3,336,152	3,563,126
Other assets	88,853	-	88,853	73,509
<b>Total assets</b>	<b>\$ 33,082,332</b>	<b>\$ 3,494,725</b>	<b>\$ 36,577,057</b>	<b>\$ 39,818,201</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 441,803	\$ -	\$ 441,803	\$ 452,620
Allocations and designations payable	6,782,386	-	6,782,386	6,768,635
Accrued postretirement benefits	54,760	-	54,760	211,742
<b>Total liabilities</b>	<b>7,278,949</b>	<b>-</b>	<b>7,278,949</b>	<b>7,432,997</b>

<b>Net Assets</b>	<b>25,803,383</b>	<b>3,494,725</b>	<b>29,298,108</b>	<b>32,385,204</b>
<b>Total liabilities and net assets</b>	<b>\$ 33,082,332</b>	<b>\$ 3,494,725</b>	<b>\$ 36,577,057</b>	<b>\$ 39,818,201</b>

**United Way of Central Oklahoma, Incorporated**  
**United Way of Canadian County**  
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**Combined Statements of Activities**  
**Year Ended December 31, 2016**  
**(with Summarized Financial Information for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>Support and Other Revenue</b>				
Public support	\$ 20,199,499	\$ 5,857	\$ 20,205,356	\$ 21,787,237
Less designations	6,063,989	-	6,063,989	6,633,599
Net public support	14,135,510	5,857	14,141,367	15,153,638
Administrative fees	481,324	-	481,324	521,637
Less uncollectible pledges	704,412	-	704,412	1,849,063
Net support revenue	13,912,422	5,857	13,918,279	13,826,212
Bequest	250,000	-	250,000	-
Interest income	17,858	-	17,858	11,801
Miscellaneous	74,480	-	74,480	87,991
Grants	51,000	-	51,000	13,000
Total other revenue	393,338	-	393,338	112,792
Net assets released from restriction	2,621,020	(2,621,020)	-	-
Total support and other revenue	16,926,780	(2,615,163)	14,311,617	13,939,004

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
			<b>2016</b>	<b>2015</b>
<b>Allocations and Expenses</b>				
Program services				
Allocations to agencies	\$ 11,071,176	\$ -	\$ 11,071,176	\$ 10,457,694
Community investments and services	789,821	-	789,821	706,861
Disaster relief	2,622,397	-	2,622,397	3,365,803
Leadership	121,931	-	121,931	116,235
Volunteer services	387,251	-	387,251	298,401
Total program services	<u>14,992,576</u>	<u>-</u>	<u>14,992,576</u>	<u>14,944,994</u>
Support services				
Resource development	1,510,198	-	1,510,198	1,477,315
Organization administration	1,030,672	-	1,030,672	1,090,085
Total support services	<u>2,540,870</u>	<u>-</u>	<u>2,540,870</u>	<u>2,567,400</u>
Total allocations and expenses	<u>17,533,446</u>	<u>-</u>	<u>17,533,446</u>	<u>17,512,394</u>
Postretirement-related changes other than net periodic pension cost	<u>(134,733)</u>	<u>-</u>	<u>(134,733)</u>	<u>(134,014)</u>
<b>Change in Net Assets</b>	(471,933)	(2,615,163)	(3,087,096)	(3,439,376)
<b>Net Assets, Beginning of Year</b>	<u>26,275,316</u>	<u>6,109,888</u>	<u>32,385,204</u>	<u>35,824,580</u>
<b>Net Assets, End of Year</b>	<u>\$ 25,803,383</u>	<u>\$ 3,494,725</u>	<u>\$ 29,298,108</u>	<u>\$ 32,385,204</u>

**United Way of Central Oklahoma, Incorporated**  
**United Way of Canadian County**  
**United Way of Logan County**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ (3,087,096)	\$ (3,439,376)
Adjustments to reconcile net cash used in operating activities		
Depreciation	254,910	335,732
Provision for uncollectible accounts	704,412	1,849,063
Loss on disposal of property	740	1,632
Change in operating assets and liabilities		
Pledges receivable	170,568	(3,053)
Other assets	(15,344)	(49,476)
Accounts payable and accrued liabilities	(10,817)	68,113
Allocations and designations payable	13,751	(69,194)
Accrued postretirement benefits	(156,982)	(188,898)
Net cash used in operating activities	<u>(2,125,858)</u>	<u>(1,495,457)</u>
<b>Investing Activities</b>		
Purchase of certificates of deposit	(189,378)	-
Reinvestment of certificate of deposit interest	(4,550)	(1,177)
Purchase of property and equipment	<u>(28,676)</u>	<u>(3,953)</u>
Net cash used in investing activities	<u>(222,604)</u>	<u>(5,130)</u>
<b>Change in Cash and Cash Equivalents</b>	(2,348,462)	(1,500,587)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>23,840,476</u>	<u>25,341,063</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 21,492,014</u>	<u>\$ 23,840,476</u>

**United Way of Central Oklahoma, Incorporated**  
**United Way of Canadian County**  
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**Combined Statement of Functional Expenses**  
**Year Ended December 31, 2016**

	Allocations to Agencies	Community Investments and Services	Disaster Relief	Leadership	Volunteer Services	Resource Development	Organizational Administration	Total
Salaries – employees	\$ -	\$ 363,170	\$ 6,084	\$ 40,221	\$ 148,209	\$ 658,743	\$ 473,524	\$ 1,689,951
Employee benefits	-	27,499	461	3,045	11,222	49,879	35,855	127,961
Payroll taxes	-	93,313	1,563	10,334	38,081	169,257	121,667	434,215
Total salaries and related expenses	-	483,982	8,108	53,600	197,512	877,879	631,046	2,252,127
Professional fees	-	14,068	480	6,191	4,389	24,120	25,884	75,132
Supplies	-	3,574	536	581	1,439	9,050	14,405	29,585
Telephone	-	4,119	69	456	1,679	7,462	6,361	20,146
Postage and shipping	-	3,780	3	4,151	286	7,351	6,522	22,093
Occupancy	-	26,415	442	2,925	10,780	51,056	34,441	126,059
Campaign expense, printing and awards	-	41,280	21	20,387	1,178	86,551	1,499	150,916
Local travel	-	3,443	55	306	1,302	12,638	4,717	22,461
Training and development	-	4,841	12	151	(120)	2,415	5,774	13,073
Membership dues	-	69,368	483	3,262	24,105	66,888	67,476	231,582
Equipment maintenance	-	11,608	191	1,396	4,793	20,980	14,892	53,860
Miscellaneous	-	71,593	110	22,794	118,789	75,075	23,911	312,272
Combined Federal Campaign (CFC) expense	-	-	-	-	-	115,557	83,066	198,623
State campaign expense	-	-	-	-	-	25,900	19,188	45,088
City campaign expense	-	-	-	-	-	33,408	24,014	57,422
Support provided to partner agencies	11,071,176	-	-	-	-	-	-	11,071,176
Support provided to other beneficiaries	-	-	2,611,020	-	-	-	-	2,611,020
Total before depreciation	11,071,176	738,071	2,621,530	116,200	366,132	1,416,330	963,196	17,292,635
Depreciation – United Way (a)	-	51,750	867	5,731	21,119	93,868	67,476	240,811
Total expenses	<u>\$ 11,071,176</u>	<u>\$ 789,821</u>	<u>\$ 2,622,397</u>	<u>\$ 121,931</u>	<u>\$ 387,251</u>	<u>\$ 1,510,198</u>	<u>\$ 1,030,672</u>	<u>\$ 17,533,446</u>

(a) Excludes \$14,099 of depreciation expenses allocated to CFC campaign

See Notes to Combined Financial Statements

**United Way of Central Oklahoma, Incorporated**  
**United Way of Canadian County**  
**United Way of Logan County**  
**Notes to Combined Financial Statements**  
**December 31, 2016**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

United Way of Central Oklahoma, Incorporated (United Way of Central Oklahoma) is a charitable organization that provides funding to 58 nonprofit organizations located in seven counties in Central Oklahoma. These organizations, called partner agencies, provide programs and services in United Way of Central Oklahoma's five focus areas, which include strong families, successful kids, healthy citizens, independent living and community preparedness. United Way of Central Oklahoma also serves as a community convener, bringing together business and community leaders, nonprofit organizations, representatives of government and stakeholders to address health and social service issues.

In addition to its annual fundraising campaign, United Way of Central Oklahoma manages the annual campaigns for United Way of Canadian County and United Way of Logan County (both separate and independent charitable organizations), as well as the Combined Federal Campaign (CFC), the Oklahoma State Employee Charitable Contribution Campaign (State Campaign) and the Oklahoma City Municipal Employee Charitable Contribution Campaign (City Campaign).

A summary of significant accounting policies applied in the preparation of the accompanying combined financial statements follows.

***Basis of Presentation***

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities. The accompanying combined financial statements include the accounts of United Way of Central Oklahoma, United Way of Logan County and United Way of Canadian County (collectively, United Way).

All significant intercompany accounts and transactions have been eliminated in the accompanying combined financial statements. Under the accrual method of accounting, support and revenue are recognized when a promise is made and expenses are recorded as liabilities when incurred, without regard to the time of receipt or payment of cash.

***Use of Estimates***

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**United Way of Central Oklahoma, Incorporated**  
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All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted support that increases the net asset classification. Contributions are recorded as received at their net realizable value.

When a donor-imposed time restriction ends or a purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying combined statement of activities as net assets released from restrictions. Contributions originally restricted by the donor and for which the restriction is met in the same year are recorded as temporarily restricted and then released from restriction.

The combined financial statements include certain prior year summarized comparative information. Such information does not include complete information required by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, such as activity by net asset classification. Accordingly, such information should be read in conjunction with United Way's combined financial statements for the year ended December 31, 2015, from which the summarized information was derived.

***Cash and Cash Equivalents***

United Way considers all certificates of deposit purchased with a maturity of three months or less and money market funds to be cash equivalents.

At December 31, 2016, United Way's cash accounts held at their banks cumulatively exceeded federally insured limits by approximately \$21,222,000. United Way reviewed independent assessments of the financial strength of these financial institutions and believes it is not exposed to any significant credit risk on cash and cash equivalents.

***Investments and Investment Return***

United Way holds certificates of deposit issued by various financial institutions. Certificates of deposit are recorded at cost, which approximates fair value. The certificates of deposit bear interest at rates ranging from 0.20% to 1.00% and have remaining maturity dates ranging from one month to seven months as of December 31, 2016. Investment return is reflected in the accompanying combined statements of activities as unrestricted and temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

**United Way of Central Oklahoma, Incorporated**  
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**Notes to Combined Financial Statements**  
**December 31, 2016**

***Pledges Receivable***

Pledges receivable are derived from an annual campaign, a CFC, a State Campaign, a City Campaign and a Capital Campaign, and represent amounts from donor pledge cards received by United Way through the end of a calendar year. As a result, annual public support revenue may not align with total amounts ultimately raised during each annual campaign since annual campaigns are not based on the calendar year. Pledges received in 2016 related to the 2015 campaign were approximately \$1,889,000 and pledges received in 2015 related to the 2014 campaign were approximately \$1,485,000. Pledges receivable include one-time as well as recurring pledges. Pledges may be remitted through cash, check, credit card, publicly traded stock or payroll deduction.

United Way estimates that a significant portion of the pledges receivable will be collected within a 15-month period. Therefore, United Way has not discounted its pledges receivable because the carrying value approximates fair value. United Way's pledges receivable, which are not restricted as to purpose by the donor, are reported in unrestricted net assets.

***Allowance for Uncollectible Pledges***

United Way's allowance for uncollectible pledges is based on historical losses incurred from uncollectible pledges adjusted, if necessary, for unusual circumstances which may affect the ultimate collection of pledges and specific accounts identified as collectible or uncollectible by management. When United Way becomes aware a pledge is uncollectible, it immediately charges off the pledge.

***Property and Equipment***

Property and equipment are recorded at cost while donated equipment and art are recorded at fair value at the date of receipt. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Donated art is not depreciated.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	30 years
Furniture and equipment	3-7 years
Computer software	1-3 years

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**Notes to Combined Financial Statements**  
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***Contributions***

Revenues include contributions (pledges and amounts received) from the annual fundraising campaign. Direct contributions are considered available for unrestricted use unless they are specifically restricted by the donor. Contributions received are recorded in the year the related commitments are received as either unrestricted, temporarily restricted or permanently restricted revenue. As restrictions on temporarily restricted net assets are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction in the accompanying combined statements of activities. Allocations to agencies are recognized in the year when the related commitments are made.

Certain contributions received in fundraising campaigns are designated by individuals for specific agencies. Accounting standards require that organizations who received contributions that are designated by donors for other organizations exclude such designated contributions from the amount recognized as contributions received and made. United Way classifies and reports such designations in its accompanying combined statements of activities as a reduction of public support.

***Relationship with United Way Worldwide***

United Way is a member of United Way Worldwide. As a member of United Way Worldwide, United Way may utilize the United Way Worldwide brand, including logo, merchandise, name recognition and credibility as a reputable non-profit organization. With membership, United Way must adhere to required standards of reporting to United Way Worldwide. Dues paid represent approximately 1% of the amount raised in the prior year annual campaign. Approximately \$206,000 was expensed in 2016, which will be paid to United Way Worldwide in 2017 and is included in accounts payable and accrued expenses.

***Contributed Services***

During the 2016 annual campaign, contributed services in the amount of approximately \$221,000 (determined by the number of weeks of service multiplied by the person's estimated weekly salary) were received in connection with the loaned executive program, a program whereby various businesses in the community loan their executives to United Way to perform various administrative and fundraising duties in connection with the annual campaign. In addition to contributed services related to the loaned executive program, United Way received approximately \$1,935,000 of contributed advertising services related to various campaign efforts during 2016. The services contributed to United Way, which demonstrate a broad level of community support, have not been recognized in the accompanying combined financial statements as they represent services of a nonprofessional nature or because United Way would not have purchased such services if they were not contributed. In addition, a substantial number of volunteers contributed significant amounts of their time to United Way's fundraising campaigns, community investment process and various community projects; however, there is no objective basis available to measure the value of these services.

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**Notes to Combined Financial Statements**  
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***Income Taxes***

The Internal Revenue Service has determined United Way is exempt from federal income taxes under section 501(a) of the Internal Revenue Code as organizations described in section 501(c)(3). Taxes may be assessed at the normal corporate rates on income derived from unrelated business activities not substantially related to United Way's exempt function. There was no unrelated business taxable income in 2016 or 2015.

Management has reviewed United Way's tax positions and concluded there are no uncertain tax positions that require adjustments in order for the combined financial statements to be in compliance with authoritative guidance. Any penalties or interest expense, if incurred, would be charged to miscellaneous expense in the accompanying combined statements of functional expenses. Generally, United Way is not subject to income tax examination by federal, state or local tax authorities for years before 2013.

***Designated Pledges Held for Other Agencies***

United Way provides campaign donors with the option to designate pledges to participating United Way member agencies. The CFC, the State Campaign and the City Campaign (each managed by United Way) require donors to designate their pledges. United Way does not have title or ownership of these designated assets, nor does it have the right of variance and, as such, these gifts constitute agency transactions. Designated pledges are paid out equally over 12 months.

In accordance with United Way Worldwide membership standards, these designations are included in gross public support on the accompanying combined statements of activities, but are then deducted to arrive at United Way's net support revenue.

***Allocations and Commitments to Agency Programs***

In June 2016, United Way made awards to partner agency programs to allocate funds raised in the 2015 campaign to be paid for the period beginning July 1, 2016 through June 30, 2017. Accordingly, as of December 31, 2016, a liability was recorded for the unfunded balance of the awards payable as of that date.

In addition, allocation amounts to be paid to agency programs for the 2016 campaign are conditional until approved by the Board of Directors. Accordingly, no allocations payable related to the 2016 campaign have been recorded in the accompanying combined financial statements because a binding commitment had not been made at December 31, 2016.

In June 2017, United Way approved allocations and designations of approximately \$12,643,000 for the 2016 campaign funds, for which payouts were set to begin on July 1, 2017.

**United Way of Central Oklahoma, Incorporated**  
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***Functional Allocation of Expenses***

Except for certain expenses that are directly allocable, all expenses have been apportioned to program and supporting functions based upon the estimated time spent by each employee for each function.

***Joint Costs***

The costs of joint activities (involving fundraising) that are identifiable with a particular function are charged to that function, and joint costs are allocated between fundraising and the appropriate program or supporting function if the purpose, audience and content criteria are met. If the purpose, audience and content criteria are not met, all costs of the activity are charged to fundraising.

***Resource Development Expenses***

United Way engages in certain fundraising activities for the purpose of generating funds to support Partner Agency programs and overall operations of United Way. Expenses associated with these activities totaled \$1,510,198 for the year ended December 31, 2016.

**Note 2: Pledges Receivable**

Amounts included in unrestricted pledges receivable are as follows:

2016 Campaign	\$ 10,047,431
2015 Campaign	<u>1,905,362</u>
Total pledges receivable	11,952,793
Less allowance for uncollectible pledges	<u>1,942,488</u>
Net pledges receivable	<u><u>\$ 10,010,305</u></u>

See *Notes 3 and 10* for disclosure of any temporarily restricted pledges receivable.

**Note 3: Capital Campaign**

During 2007, United Way began a capital campaign to fund construction and pay down debts incurred in connection with the construction of a new corporate headquarters located at 1444 N.W. 28th Street in Oklahoma City, Oklahoma. Construction was completed and the new facility placed in service during 2009.

**United Way of Central Oklahoma, Incorporated**  
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The following summarizes cumulative amounts incurred under the capital campaign and the funding thereof through December 31, 2016:

Building and fundraising costs incurred	
Land, buildings and equipment	<u>\$ 4,698,839</u>
Funding sources	
Contributions received	4,418,715
Promises to give, at fair value	<u>10,000</u>
Total funding	<u>4,428,715</u>
Costs incurred in excess of funding	<u><u>\$ 270,124</u></u>

At December 31, 2016, payment amounts for promises to give related to the Capital Campaign was \$10,000 due in fiscal year 2017.

**Note 4: Property and Equipment**

Property and equipment are summarized as follows at December 31, 2016:

Buildings and improvements	\$ 4,266,377
Land and improvements	60,000
Furniture and equipment	670,658
Computer software	347,462
Art	26,400
	<u>5,370,897</u>
Less accumulated depreciation	<u>2,034,745</u>
Net fixed assets	<u><u>\$ 3,336,152</u></u>

**Note 5: Funds Held in Trust By Others**

United Way of Central Oklahoma has received donations of funds in a trust account with the Oklahoma City Community Foundation, Inc. (the Foundation). The funds are invested by the Foundation. The investment income received by United Way of Central Oklahoma from the account is recorded as interest income. Donors to the Foundation may designate their contributions to United Way of Central Oklahoma's trust account. The trust had a balance of approximately \$299,000 as of December 31, 2016.

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**Notes to Combined Financial Statements**  
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The assets of this trust are not included in the accompanying combined financial statements as the trustees of the Foundation state they retain the right of variance.

**Note 6: Net Assets**

***Unrestricted Net Assets***

Unrestricted net assets represent funds over which United Way retains full control to use in achieving any of the organization's objectives. Funds which have been designated by the Board of Directors for certain purposes have been included in unrestricted net assets in the accompanying combined financial statements.

Unrestricted net assets are as follows as of December 31, 2016:

Undesignated	\$ 19,617,327
Board-designated	
Building Maintenance/Renovation Fund	500,000
Community impact funding	1,614,213
Emergency relief	501,516
Defined benefit plan	2,370,327
Future endowment fund	250,000
Future land acquisition	750,000
Supplement future agency funding	<u>200,000</u>
Total unrestricted net assets	<u>\$ 25,803,383</u>

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at December 31, 2016, are available for the following purposes or periods:

Capital campaign	\$ 10,000
Tornado relief	<u>3,484,725</u>
Total temporarily restricted net assets	<u>\$ 3,494,725</u>

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***Net Assets Released from Restrictions***

Purpose restrictions on temporarily restricted net assets are generally satisfied when expenses are incurred on the donor-restricted program or function. Temporarily restricted net assets released from restrictions during the year ended December 31, 2016, were related to the following:

Capital campaign	\$	10,000
Tornado relief		2,611,020
Total net assets released from restrictions	\$	2,621,020

**Note 7: Combined Federal Campaign, State Campaign and City Campaign**

In addition to conducting the annual United Way campaign, United Way of Central Oklahoma serves, under contractual arrangement, as the Principal Combined Fundraising Organization (PCFO) for the CFC, the Central Oklahoma fundraising campaign for all federal employees selected by the Local Federal Coordinating Committee. United Way of Central Oklahoma also serves as the PCFO for the State and City Campaigns. These campaign donors are required to designate their gifts to eligible charitable organizations (including United Way) throughout the country. A list of the eligible charitable organizations is provided to the donors by their employer. Many of these organizations are not partner agencies directly supported by United Way. In accordance with its contractual obligation, United Way of Central Oklahoma distributes these donations in accordance with the donor's designation. Because United Way of Central Oklahoma acts as an agent for these campaigns, contribution revenue and allocation expense on the accompanying combined statements of activities are reduced by these amounts. (See designated pledges policy in *Note 1*).

United Way of Central Oklahoma retains an administrative fee for the cost of the PCFO campaigns, which totaled approximately \$199,000 for the CFC, \$45,000 for the State Campaign and \$57,000 for the City Campaign in 2016. United Way and its partner agencies are also eligible participants in the CFC, State and City Campaigns and receive donor-designated pledges from the CFC, State and City Campaigns. These pledges totaled approximately \$258,000 for the CFC, \$166,000 for the State Campaign and \$217,000 for the City Campaign.

As of December 31, 2016, cash balances held on behalf of governmental campaigns are maintained in separate bank accounts totaling approximately \$996,000. Donor designations payable related to governmental campaigns are approximately \$633,000 as of December 31, 2016.

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**Note 8: Pension and Other Postretirement Benefit Plans**

***Defined Benefit Plan***

United Way of Central Oklahoma provides a defined benefit retirement plan, the Employee Benefits Plan of United Way of Central Oklahoma, Inc. (the Plan), administered by Mutual of America, covering all full-time employees employed on or before January 31, 2008, with one year of service who are at least 21 years of age and part-time employees working at least 1,000 hours per year who are at least 21 years of age. Benefits are based on years of service and application of a benefit ratio to an employee's average compensation during three consecutive calendar years of service that yield the highest average compensation. United Way of Central Oklahoma's funding policy is to meet the minimum funding under the *Employee Retirement Income Security Act of 1974* (ERISA), although additional contributions can be made at the discretion of United Way of Central Oklahoma.

United Way of Central Oklahoma accounts for its postretirement benefits under FASB ASC Topic 715, *Compensation – Retirement Benefits*, which requires the funded status of its defined benefit pension and other postretirement plans be fully recognized in the accompanying combined statements of financial position and requires that plan assets and obligations be measured at the year-end statement of financial position date.

On January 31, 2008, United Way of Central Oklahoma froze benefit accruals under the Plan, a "curtailment" as defined in ASC Topic 715. As a result of the curtailment, participants will not receive benefits based on salaries projected to retirement. Instead, benefits will be based on participants' final average salaries as of January 31, 2008.

The following relates to the Plan which has a measurement date of December 31, 2016:

Accumulated postretirement benefit obligations	
Benefit obligation	\$ (2,490,977)
Fair value of plan assets	<u>2,436,217</u>
Liability for pension benefits (funded status)	<u><u>\$ (54,760)</u></u>

This liability is recognized in the accompanying combined statements of financial position as accounts payable and accrued expenses. The accumulated benefit liability noted above is the same amount as the estimated benefit obligation.

Items not yet recognized in net periodic pension cost	
Unrecognized actuarial loss	<u><u>\$ (852,749)</u></u>

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The change in accrued postretirement benefit cost for the year ended December 31, 2016, is as follows:

Liability for pension benefits – January 1, 2016	\$ 211,742
Net benefit cost	62,639
Contributions	(84,888)
Gain not yet recognized in net periodic pension cost	(134,733)
Settlement loss	-
	<hr/>
Liability for pension benefits – December 31, 2016	<u>\$ 54,760</u>

The unrecognized net loss for the Plan of \$52,400 will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year.

The following assumptions were used in accounting for the Plan as of December 31, 2016:

Weighted-average assumption used to determine benefit obligations at December 31, 2016	
Discount rate	3.7%
Expected return on plan assets	4.0%
Rate of compensation increase	0.0%
Weighted-average assumption used to determine benefit costs at December 31, 2016	
Discount rate	3.9%
Expected return on plan assets	4.0%
Rate of compensation increase	0.0%

The fair value of plan assets consists entirely of fixed income securities as of December 31, 2016.

Fair values of plan assets are based on the net asset value of shares held by the Plan, which are in proprietary mutual funds and other investments which are not publicly traded and are categorized as level 2 in the fair value hierarchy as defined in *Note 9*.

The Plan's policies provide for investments in equity securities, fixed income securities and cash and cash equivalents with the goal of maximizing returns subject to risk management policies. All investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

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The expected long-term rate of return on plan assets assumption of 4% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on United Way of Central Oklahoma’s investment policy for the Plan in effect as of the beginning of the fiscal year, which was invested in funds holding a diverse portfolio of securities, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages.

Benefits paid during 2016 were \$70,506. The following benefit payments are expected to be paid as of December 31, 2016:

2017	\$ 645,000
2018	42,000
2019	133,000
2020	44,000
2021	118,000
2022–2026	<u>541,000</u>
Total	<u><u>\$ 1,523,000</u></u>

Estimated contributions to the Plan for 2017 are \$136,000. At December 31, 2016, United Way of Central Oklahoma had \$2,370,327 in cash and certificates of deposit included in unrestricted net assets which are board-designated for Defined Benefit Plan funding.

***Defined Contribution Plan***

United Way of Central Oklahoma allows any employee who is 21 years and older with a minimum one year of service to participate in its 403(b) Thrift Plan. United Way of Central Oklahoma will contribute a 3% base contribution of an employee’s salary per plan year whether or not that employee has elected to make voluntary salary reduction contributions to the plan. If an employee chooses to make salary reduction contributions, United Way of Central Oklahoma will match those contributions equal to the lesser of 50% of the salary reduction contributions or 1.5% of that employee’s salary during the plan year. Total United Way of Central Oklahoma contributions to the 403(b) plan were \$56,857 in 2016.

**Note 9: Disclosures About Fair Value of Assets and Liabilities**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. ASC 820 defines fair value 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 and establishes a three level hierarchy for measuring fair value. The statement requires fair value measurements be classified and disclosed in one of three categories.

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ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1** Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2** Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3** Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

As noted in *Note 8*, investments held by United Way of Central Oklahoma's defined benefit retirement plan are the only financial instruments reported at fair value and are considered Level 2 in the fair value hierarchy.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2016.

***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market mutual funds, fixed income mutual funds and equity mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. Level 2 investments include fixed income mutual funds. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. United Way does not have any Level 3 assets or liabilities.

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**Note 10: Tornado Relief**

During 2013, United Way sponsored a tornado relief effort to raise funds to support individuals and communities affected by the May 2013 tornadoes and flooding in central Oklahoma. United Way was also the beneficiary of a number of independent tornado relief events that raised additional funds to support the tornado victims. Tornado relief efforts raised \$18,311,000 in 2013. Substantially all tornado relief donations were cash payments and are reported as temporarily restricted amounts in the accompanying combined financial statements. Tornado relief donations totaled approximately \$6,000 in 2016. United Way made payments of approximately \$2,610,000 of these funds to relief agencies supporting tornado victims during 2016 and anticipates additional payments from the balance of \$3,484,725 at December 31, 2016 to be made in 2017 and subsequent years to help meet the intermediate and long-term needs of those impacted by the storms.

**Note 11: Subsequent Events**

On June 13, 2017, the Board of Directors adopted a resolution to amend the Employee Benefits Plan of United Way of Central Oklahoma, Inc. (the Plan) to allow for termination of the Plan. The expected termination date is September 30, 2017, and benefit distributions will occur upon completion of all Plan administrative matters. The estimated cost of the termination in excess of plan assets is approximately \$1,000,000 to \$1,500,000. United Way of Central Oklahoma has \$2,370,327 in cash and certificates of deposit that have been board designated for funding Plan termination costs.

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the combined financial statements were available to be issued, for potential recognition or disclosure in the combined financial statements and it has been determined there are no other material or significant events to be reported.